



BOOST REDPAPER - *Winter 2017/2018*

Everything an I.T. Channel Partner Needs To Know When Selling Into *The Manufacturing Sector*

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Making IT right

Manufacturing is on the cusp of the Fourth Industrial Revolution, and technology is at the forefront of that, meaning the sector is one of the most advanced in the country with artificial intelligence and automation a driving force on production lines all over the UK. So what can the channel do to ensure it is a part of this ongoing transformation and keep its customers ahead of the game? This Redpaper looks at the concerns, opportunities and challenges facing the channel and its manufacturing customers in this cutting-edge industry.

During the first Industrial Revolution in the mid-1800s, manufacturing went through significant and rapid change, as traditional hand production methods were replaced with machinery, steam power and the rise of the factory system, primarily in the textile space.

The second Industrial Revolution came in the early 20th Century, powered by electricity and the invention of the moving assembly line - most notably in the automotive industry, pioneered by Henry Ford.

Both developments signalled a higher standard of living for people, increased productivity and therefore more profits, and a much better safety record in terms of employees. It put the great into Great Britain.

The third Industrial Revolution was centered around technology, and is believed to have occurred in the late 1990s/early 2000s; with the advent of more advanced software, materials, mass internet adoption, and more accurate robots/machinery on the production line.

And despite certain negative media reports in recent years, the UK manufacturing industry is very much alive and well. To date, there are 2.6 million people employed in manufacturing across the UK, with Wales having the highest percentage of jobs in manufacturing at 67 per cent of employees working in the sector, followed by the North East region of England, with 62 per cent of employees working in manufacturing ([source 1](#))



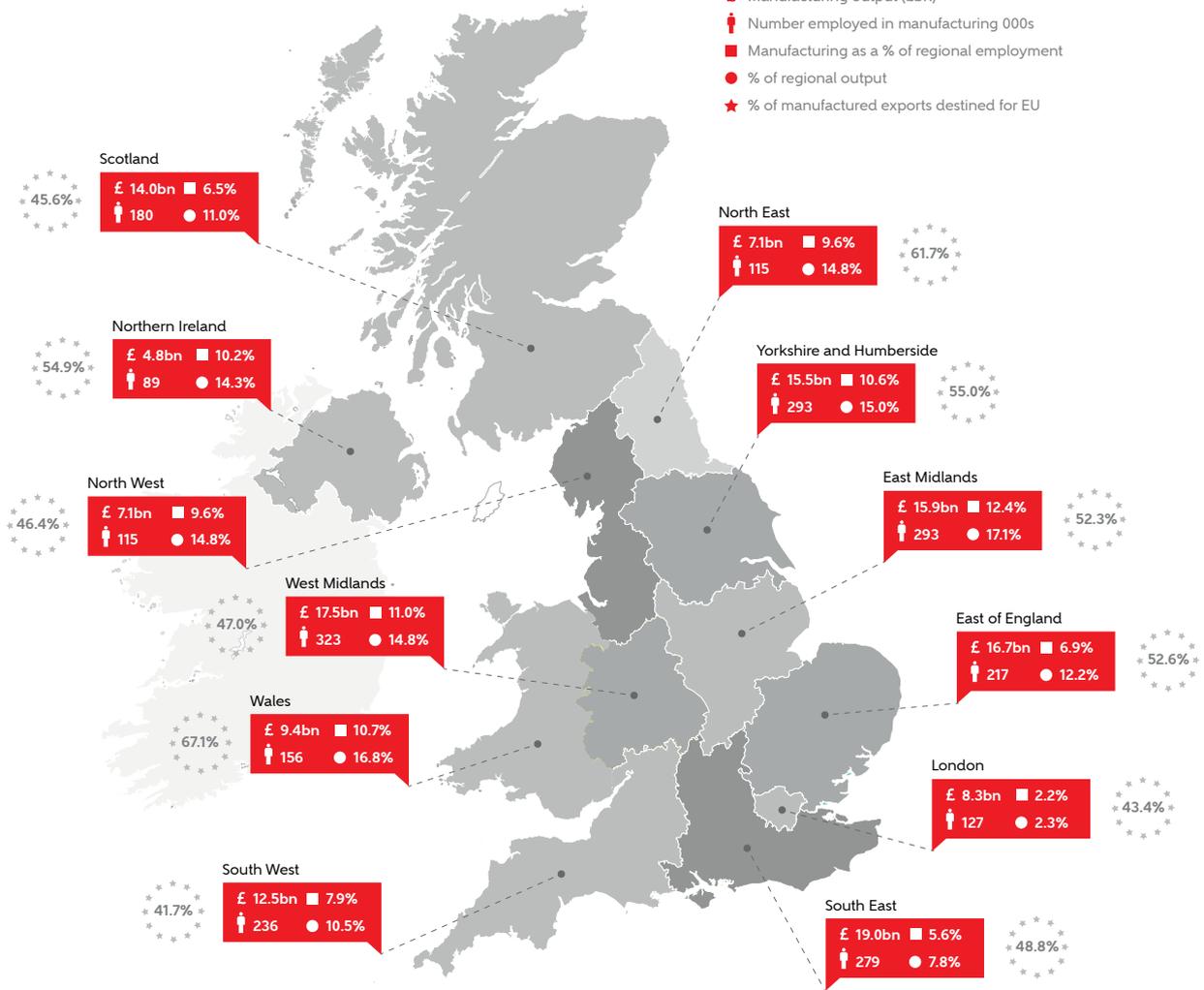
How is manufacturing spread around the UK?

eef The manufacturers' organisation

Supported by Santander Corporate & Commercial

Key

- £ Manufacturing output (£bn)
- 👤 Number employed in manufacturing 000s
- Manufacturing as a % of regional employment
- % of regional output
- ★ % of manufactured exports destined for EU





Top 10 UK manufacturing firms (source 3):

1. **Unilever** - food, household and personal care - £41.8bn annual revenue
2. **Rio Tinto** - metals - £31.6bn annual revenue
3. **GlaxoSmithKline** - pharmaceuticals - £26.6bn annual revenue
4. **Anglo American** - metals - £18.2bn annual revenue
5. **AstraZeneca** - pharmaceuticals - £17.7bn annual revenue
6. **BAE Systems** - aerospace and defence - £16.3bn annual revenue
7. **British American Tobacco** - tobacco - £14.9bn annual revenue
8. **Imperial Tobacco** - tobacco - £14.6bn annual revenue
9. **Associated British Foods plc** - food - £12.3bn annual revenue
10. **Rolls Royce** - aerospace and defence - £12.3bn annual revenue

The industry is said to be entering the Fourth Industrial Revolution right now, where technology is fusing the physical, digital and biological worlds, as artificial intelligence (AI), robotics, Internet of Things (IoT), autonomous vehicles, 3D printing and nanotechnology (to name a few) change the face of the industry as we know it. **This is where the channel and its expertise in these technology areas should come to the fore.**

Challenges Ahead

But with these technological advancements come concerns and challenges, and it is these we will be focusing on in the rest of this **Redpaper**, along with how the channel can make the fourth revolution a smoother transition for its manufacturing customers.

A big blow to manufacturing in this country recently has been Brexit - in the short term, the falling pound meant good news for exports, but as the political wrangling continues, manufacturing bosses are faced with the uncertainty of rising prices for raw material imports and wondering how the final deal will affect exports with the European Union. Will demand still be there for their products? How much more expensive is it going to get just to keep standing still? Also, where are the promised trade deals with other countries? What does the future hold?

Talent attraction is also a huge problem in the manufacturing space - just like the IT sector, manufacturing is keen to recruit STEM-based students/graduates, and there is a distinct lack of new blood coming into the industry, particularly as many of the trained young people in the sector come from the EU, and their future is still in doubt thanks to Brexit. In what is often a little-known fact, manufacturing offers better-paid jobs than the service sector and many firms are setting up their own apprenticeship and degree courses to attract new home-grown talent. Cheap labour is a thing of the past - just like other sectors, manufacturing needs to invest in the next generation of skills.



For both of these major concerns, technology is the answer – not only can investment in the right technology help keep costs down, improve overall efficiency and boost productivity, but it can also save the need to increase the workforce dramatically, by automating certain jobs and functions, and by making existing roles easier and less labour intensive.

However, in the words of Juergen Maier, CEO of Siemens UK ([source 2](#)), there is a distinct lack of information on just which technologies manufacturing bosses should be investing in.

“It is about the speed at which we adopt new technologies,” Maier told specialist trade magazine *The Manufacturer*. “A key ingredient that we have missing is that we don’t have a well-organised ecosystem in which - especially small-to-medium size companies - can engage with to de-risk, to give them advice, to give them support on how they can adopt new technologies like robotics or it could be additive manufacturing, any of these new technologies. There needs to be a well-organised support mechanism [for SMBs] and we haven’t created that.”

And this is where the channel comes into its own. The sector is crying out for guidance. According to figures released by PwC in its Manufacturing Barometer ([source 4](#)), although 98 per cent of manufacturing bosses planned to increase spending in 2017, just 42 per cent of them said their increased spending would be on technology. A further 52 per cent said they would be investing in R&D and 67 said they would invest in new product or service introduction.

Another issued faced by the manufacturing industry is the KPI of productivity in the UK compared with other countries. Overall, global productivity has remained flat, but in the last 10 years, the UK’s performance has slumped to 16 per cent lower than nearly all the G7 countries. Indeed, *The Manufacturer* reports that a worker in the UK produces 10 per cent less value than an Italian worker, almost 30 per cent less than a French or US worker, and more than 30 per cent less than the average German employee. This has a knock-on effect for wealth production.

And in this instance, technology is not only the solution, but the cause. Many manufacturers invested heavily in IT years ago and have been sweating their assets ever since, the value of which has long since been realised. Now those initial investments are acting as a barrier to adopting the more up-to-date systems and emerging technology.

Unable to distinguish between what technology is actually a business benefit, and which are a hindrance, **the manufacturing industry needs trusted IT advisors more than ever to guide them through which changes and investments to make.**



Bang on Trend

The technologies predicted to have the greatest impact on the manufacturing industry in the coming years - and as such are the obvious choices for IT channel partners to focus their sales efforts - are: automation, 3D printing, machine learning, IoT, and AI, but as mentioned earlier, it is not a straightforward case of buying the most shiny technology, installing it and letting it run. The process to adopting and investing in any kind of new technology infrastructure should be a considered and well informed one, and is an ideal opportunity for VARs that are experts in this field.

Key technology focus points for manufacturing:

1. Automation
2. Security
3. Machine Learning
4. Artificial Intelligence
5. Internet of Things
6. 3D printing
7. BlockChain
8. Analytics

According to a blog by the *Manufacturing Leadership Council* (MLC) ([Source 5](#)), automation is bringing with it rising concern on the factory floor, as low-level jobs are replaced by machines. From a factory owner point of view, automation is a no-brainer because it means increased efficiency, greater precision and lower costs, and for those firms struggling to fill jobs, automation could be a godsend. Striking that happy medium between shrinking the human workforce and increasing efficiency by investing in more automated technology, should be the basis for many conversations between manufacturing bosses and channel players.

The blog also points to the benefits brought by machine learning and AI, namely because it can turn all plant floor and supply chain data into real-time insights about how the business is operating, but it can throw up recommendations for improving processes and even thwarting problems before they become reality.

The MLC highlights Blockchain as an emerging new 'Trust' platform for the manufacturing industry. Originally developed to support Bitcoin cryptocurrency, blockchain can help to create deeply-encrypted records and be used as an ultra-secure approach to create more agile supply chains



that can automatically negotiate and close new deals, guarantee IP protection and product certification, and above all ensure transparency in the whole process.

Security is also as big a concern for manufacturing bosses as it is for other sectors – the threat of malicious attacks is on the increase, as is the complexity of each attack, and it means a total rethink of a firm’s cybersecurity strategy to ensure they have adequate protection against all external threats. Factories are also targets for physical attacks too – so that element of security is also important – CCTV, monitoring systems, and entry systems need to be state-of-the-art.

The complexity of the technology driving the fourth Industrial Revolution throws up all sorts of headaches, particularly around the ever-present threat of security breaches, and who better to ensure a smooth process in adopting the right technology than the channel?

Analytical software will also be in demand in manufacturing to improve decision making, the MLC states, and also identify new business opportunities. Competitive advantage in this sector is crucial, and if technology is going to help them disrupt or even completely reshape their respective markets, and give them the edge over rivals, then they will want to at least hear about it.

Finally, 3D printing offers a raft of opportunities for the manufacturing sector – not least because it allows them to print their own components and save money in the long run.

What the channel needs to do

Despite an obvious need for manufacturing firms to invest in cutting edge technology and stay on top of their game, there is a reluctance to spend money for the sake of it, and quite rightly so. **The channel’s role will be to inform them how the technology can revolutionise their business and help them make the right choices to streamline their businesses and increase profitability.**

Manufacturers often have hundreds of disparate ERP systems, plus much separate hardware and software – and they run the risk of digital confusion cancelling out any digital gains – many need complete overhauls of their IT infrastructure – but the willingness to do that is understandably low due to the sheer cost – so it is up to the channel to come up with alternative ways to help them. Outcome based selling is key in this instance – confusing them with technology is not the answer to their problems, they need to know how the technology will make their lives, and that of their employees, easier.

Simplicity is also crucial – while the latest technology is appealing – it still has to be used by human beings – some of them not technologically advanced. In short, if a shiny and fancy new system is implemented, it is not much good if the employees are scared or unsure of how to use it. In this vein, there is the scope to provide education and training on how to use this technology to their best advantage.



Bosses in manufacturing are known to be risk averse – they usually get one chance to make a decision, and it has to have the desired impact, or the company will go out of business. Patience and understanding when dealing with these customers is absolutely key.

As mentioned earlier, the manufacturing sector is desperate for experts to steer them in the right direction as far as technology is concerned – therefore being an expert in your field is vital – by staying niche and true to their expertise, relationships will be established quicker, and customers will be more willing to trust and make that all-important investment.

Knowing each customers' business is also important. No firm likes to be pigeon-holed, and each will have their own unique way of operating. They will appreciate suppliers that have bothered to understand their company culture and modus operandi.

And importantly – because the industry is so cost conscious – it pays to explore alternative ways of billing them rather than a huge upfront payment. Monthly billing, particularly around cloud-based technology, is easier on their pockets and fits in with the pay-for-performance models many are adopting with their own customers.

Specialist technology-orientated sales training organisations, such as Sales Gym 360 (www.salesgym360.com), will be able to help you on your

transformational journey by helping to improve the capability of your IT salespeople and your Sales Managers. The business was founded by ex-Bytes Managing Director, Darren Spence, and since its launch it has helped hundreds of channel salespeople improve the way they engage with their customers and sell up the value chain.

Conclusion

Manufacturing is a sector that is filled with possibilities and a genuine need to adopt all the latest technologies on the market to ensure they are ahead in their field, but will not be a smooth or easy road for the channel.

Convincing those customers to invest is going to be a time-intensive process, requiring infinite patience, in-depth knowledge, expertise, and quite probably significant outlay before any real ROI, but the benefits of perseverance will be worth the effort.



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- **Salespeople-as-a-Service** (in partnership with Sales Gym 360, Westcoast, and the Raw Talent Academy)

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Sources:

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