

SMALL BUSINESS BAROMETER 2016

Manufacturers

Overview: Small Businesses Across Industries Are Turning to Technology to Transform Their Businesses – and Survive

As the digital economy continues to develop, U.S. small businesses have been at the forefront of testing and implementing new technology in order to remain relevant in their increasingly competitive industries.

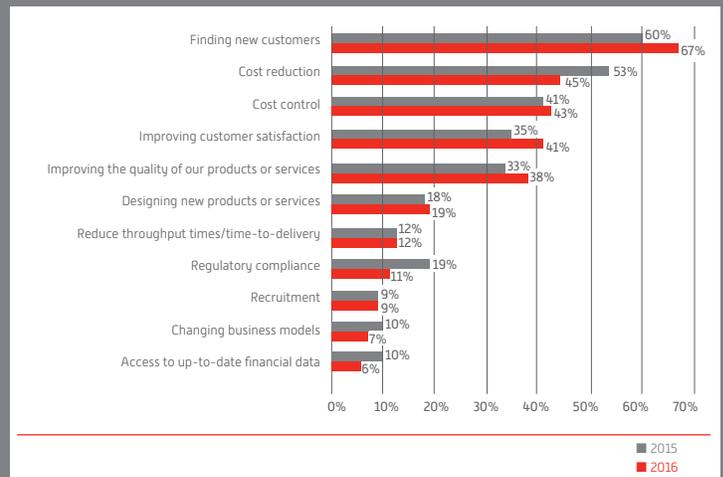
The use of cloud-based solutions in particular has allowed small businesses to create more efficient, effective and profitable operations. With cloud usage ubiquitous, small businesses must determine how to evolve their business strategies to differentiate from competitors and truly optimize their business models.

In its second annual study on business challenges and technology usage among small businesses, Exact and Pb7 Research found that small businesses are rethinking and transforming their strategies for using the latest cloud-based technology and software in order to maximize their potential and outperform the competition. They must do so to not only survive, but thrive.

Challenges for small businesses are intense; 57 percent of all U.S. small businesses are confronted with new digital competitors and, as a result, need to explore new business models. While 21 percent of those surveyed anticipate being out of business in five years if they don't radically change their business models, only 2 percent are currently doing so. Finding new customers, improving customer satisfaction and improving the quality of goods and services are other top challenges cited by small businesses.

Data-led businesses across the countries surveyed – which includes Belgium, France, Germany, the Netherlands, Spain, the UK and the U.S. – reported revenue growth of 21 percent in the last financial year, compared to 9 percent for businesses reporting limited use of data.

Key business challenges across industries



The research also found that based on the usage of mobile and cloud-based applications, small businesses are better informed when visiting a customer and armed with information such as contact history, product availability and delivery times, accurate/real-time pricing and buying history.

While the need to constantly adapt and alter business models to stay competitive presents an ongoing challenge for small businesses, the research indicates how necessary it is for them to reevaluate which technologies will truly allow them to innovate, control costs and better allocate resources. With an in-depth look into the specific challenges of each market, Exact provides an analysis of how small businesses are using new technology tools and software solutions for their respective industries to drive innovation and business value.

Challenges Continue for Small Manufacturers

With the industry evolving and emerging competitors disrupting the supply chain, small manufacturers must constantly innovate their businesses and determine how to develop new and better products and processes to retain their standing in the market. While implementing cloud technology has helped small manufacturers in cost reduction, security and regulatory compliance, having a better grasp on how to control and reduce costs are the top two business challenges named this year.

continued on page 2

This year's research showed a near 10 percent increase in cost control as a key business challenge compared to 2015 findings. The top two industry-specific challenges that small manufacturers named are product development and innovation and insights into costs of materials and processing.

With pressure to control costs while innovating, it's no surprise that small manufacturers are also struggling to improve customer satisfaction and reduce delivery times, which both have emerged as top priorities in the last year. For those countries polled in this year's study, U.S. small manufacturers had the lowest percentage of on time deliveries (72 percent) as compared to their peers in Belgium, France, Germany, the Netherlands, Spain and the UK.

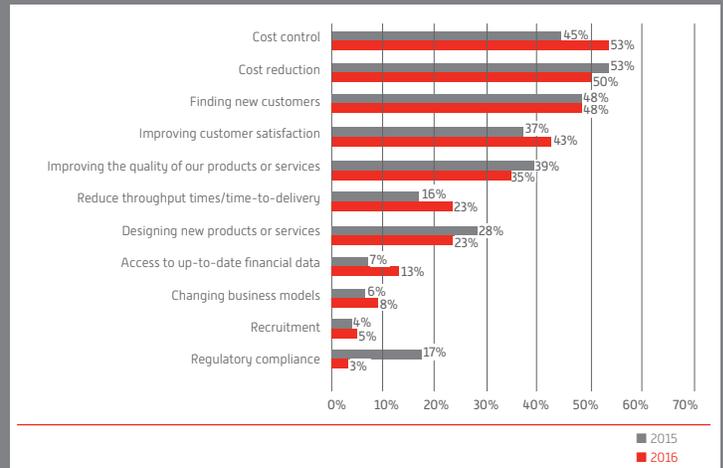
The impact of delayed orders is significant; 25 percent of customers don't come back when a delivery is late. In a world where customers have more power in the supply chain than ever before, meeting their needs is particularly crucial.

Moreover, the 2016 research indicated a change in consumer demands, putting more pressure on manufacturers; smaller series orders are increasingly common, with 13 percent of small manufacturers noting customers requesting them, up from just 2 percent in 2015. In total, 56 percent of small manufacturers anticipate the market evolving toward more orders, delivered faster and in smaller series.

Technology and Supply Chain Collaboration

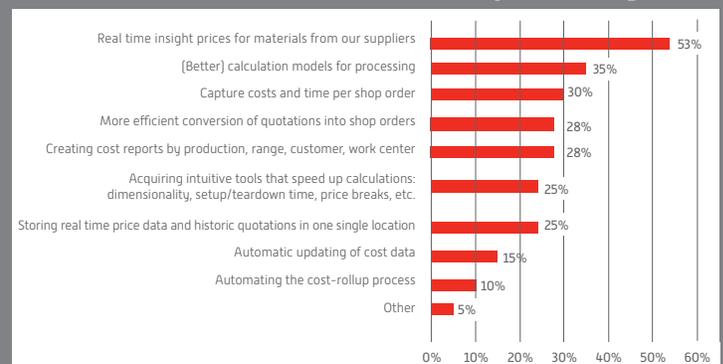
More than half of small manufacturers are lacking real-time insight into prices for materials from suppliers, highlighting the need for technology systems that are integrated with partners across the supply chain. While most are using cloud technology in some capacity, there are still holes in the capabilities or information current systems are providing. This includes better calculation models for processing and the ability to immediately capture costs and time per shop order. In a world where the role of the small manufacturer is becoming more hidden in the supply chain, implementing technology to enhance visibility and collaboration with partners will help to sharpen their competitive advantage and create a truly lean operation.

What are the top 3 business challenges for your company?



56 percent of small manufacturers anticipate the market evolving toward more orders, delivered faster and in smaller series.

Manufacturers cite what would help them gain control over costs of materials and processing



Research Methodology

As commissioned by Exact, Pb7 Research spoke to 337 U.S. small businesses (companies with fewer than 50 employees) in the accounting, manufacturing, wholesale and professional services industries in February and March 2016 via a web-based panel.