



**UNLEASHED**  
an  access company

The  
Unleashed  
Software  
**2021 UK  
Manufacturing  
Report**

# Manufacturing in the UK: Report Highlights

UK manufacturing rebounded after 2020



## Sales Orders

Increase in the average number of sales orders completed per month by UK manufacturers, 2021 vs 2020

But Q3 saw activity slow

Q3 Sales Revenue of UK Manufacturers Year on Year



■ Average Monthly Sales Revenue in Q3 2020 ■ Average Monthly Sales Revenue in Q3 2021

Exporting to the EU is in the 'too hard' basket for some

Average Share of Revenue From EU Sales by UK Manufacturers That Export to the EU



And EU exporters have recovered more slowly from the pandemic



2021 Total Sales Revenue Increase, Amongst UK Manufacturers that Export to the EU

VS



2021 Total Sales Revenue Increase, All UK Manufacturers Export to the EU

Firms with any eCommerce integration enjoy higher margins



Average Profit Margin, no eCommerce



Average Profit Margin, with eCommerce

Yet only 38% of UK manufacturers are eCommerce enabled

eCommerce integrations at UK firms



■ No eCommerce integrations ■ eCommerce enabled

\* eCommerce integrations measured include B2B sales portals, and integrations with Shopify, Amazon, Vend and Magento

We're in a privileged position at Unleashed. SMBs are the backbone of our economy – and with so many small and medium businesses running on the software we've had a front row seat to what has been a remarkable few years in the UK.

In order to share that vantage point we've created this Unleashed report on Manufacturing in the UK. In it we address two main questions: How have UK manufacturers responded to the pandemic? And how has the departure from the common market affected firms?

The normal approach here would be to manually survey a group of businesses. However, with Unleashed running entirely within the cloud we're able to be far more precise. We isolated a sample of 385 UK manufacturers and analysed over 79,000 data points generated by their day-to-day operations.

The result is a unique, data-centric view on the performance of this sector from 2020 through to Q3 2021 – and it has turned up some surprising trends.

I for one was struck by the relationship between profit margins and eCommerce technology. What our report uncovered runs counter to conventional wisdom in this space, and I look forward to seeing these findings play out in our conversations over the coming months.

For now, though, I hope you find the insights enclosed informative, as well as helpful for the business community in the UK.



Kind regards,



**Stephen Jones,**

Unleashed Software Regional Manager, UK & EMEA

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# The eCommerce Opportunity

One of the strongest signals emerging from our UK manufacturing dataset was around the benefit of eCommerce integrations.

Conventional wisdom suggests that manufacturers enjoy higher margins selling wholesale B2B. Accordingly UK businesses that scrambled to deploy an eCommerce channel during lockdowns, often in the form of a hastily connected Shopify store or the like, supposedly saw their margins drastically eroded by the additional admin and logistics burden of selling direct to consumer – to say nothing of marketing and advertising costs.

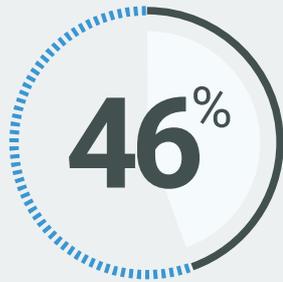
However, data from the last seven quarters tells a different story.

We looked at UK manufacturers using either a [B2B eCommerce](#) store, a B2C eCommerce plugin such as Shopify, Amazon, Vend or Magento – or some combination of these. We then compared their profit margins against manufacturers with no eCommerce capability.

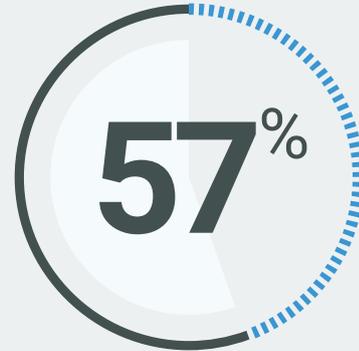
With 385 firms in our cohort, and over 79,000 data points analysed, we picked up some surprising trends.

# Price makers vs price takers

Across all manufacturing sectors the trend was consistent: firms with an eCommerce channel enjoy higher profit margins than firms with no eCommerce capability.



Average Gross Profit Margin,  
**no eCommerce**

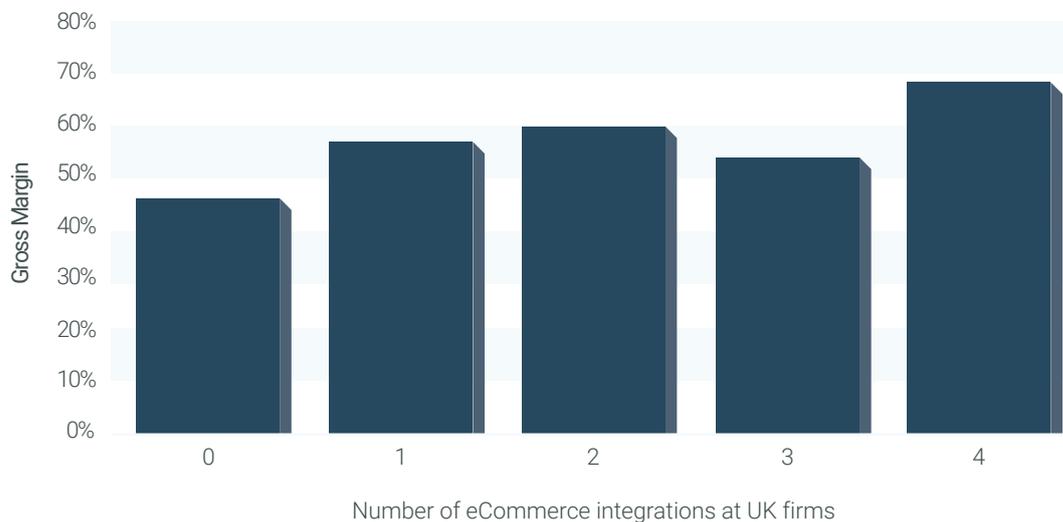


Average Gross Profit Margin,  
**with eCommerce**

eCommerce integrations measured include B2B sales portals, and integrations with Shopify, Amazon, Vend and Magento

And having more eCommerce channels also generally correlated with higher margins.

### Average Gross Profit Margin by Number of eCommerce Integrations at UK Firms



The suggestion here is that the eCommerce scramble of the lockdown period has evolved into a more mature business strategy for UK manufacturers.

With a variety of routes to different markets, manufacturing firms with eCommerce capabilities can choose where to deploy their resources – and which products and audiences to target.

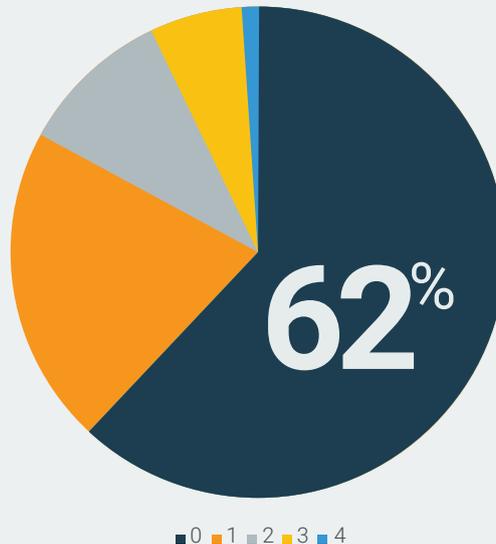
By contrast, firms with fewer sales channels – and limited automation – are more likely to be at the mercy of macroeconomic trends.

In short, eCommerce functionality appears to let manufacturers become price – and margin – makers, rather than takers.

## eCommerce adoption still slow

Despite its advantages, as of September 2021 a full 62% of UK manufacturers still had no eCommerce capability, and instead process sales by phone, over email or in person.

Number of eCommerce integrations at UK firms



It's also worth noting that this figure likely underplays overall UK eCommerce adoption. These stats were drawn from a cohort of UK manufacturers using Unleashed Software, which is a fully cloud-based inventory solution.

Unleashed integrates easily with modern eCommerce stores – and features a built-in [B2B/Trade eCommerce portal](#) – so the general UK manufacturing landscape is likely less digitally advanced than the cohort examined here.

# Regional eCommerce leaders – and laggards

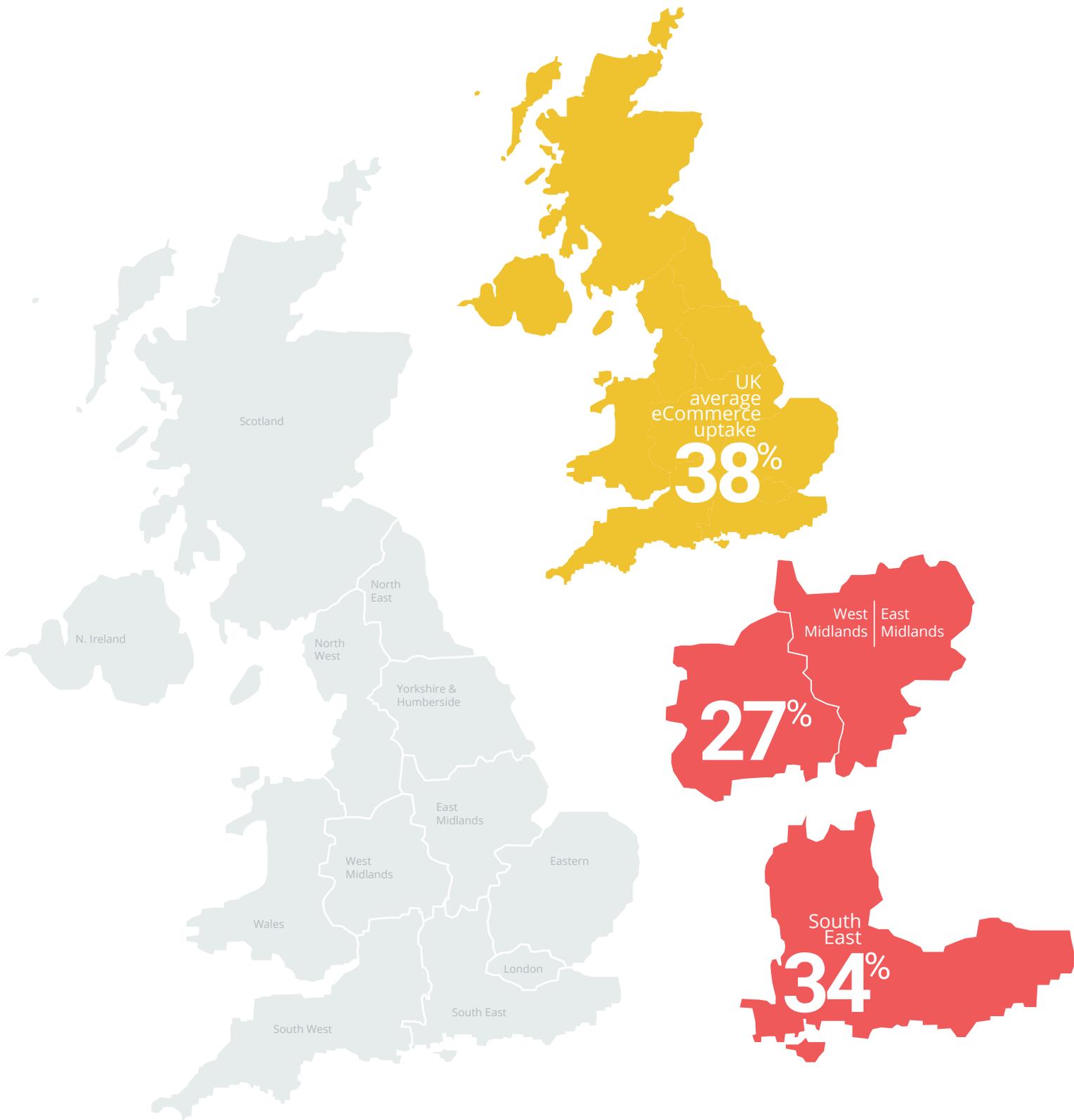
Breaking down eCommerce uptake by region reveals which locations have been fastest to take advantage of the technology.

While London manufacturers are slightly ahead of the UK as a whole at 41% uptake, they are significantly outpaced by firms in the East of England and Scotland, based on the percentage of firms with any eCommerce integrations.



Percentage of manufacturing firms with an eCommerce integration

Meanwhile the South East and the Midlands lag behind the national average uptake.



Percentage of manufacturing firms with an eCommerce integration

# How Have UK Manufacturers Weathered Covid?

2021 has seen a profound lift in manufacturing activity across all fronts in the UK as the country came to grips with the pandemic and emerged from lockdowns.

We looked at a cohort of 385 UK manufacturing firms, and processed over 79,000 data points to identify the key post-pandemic trends in UK manufacturing.

## Purchasing improves

As business activity ramped up, manufacturers have been purchasing parts and components to meet increased sales demand. The average number of purchase orders raised by UK firms is up 19% for the first three quarters of 2021 versus 2020.



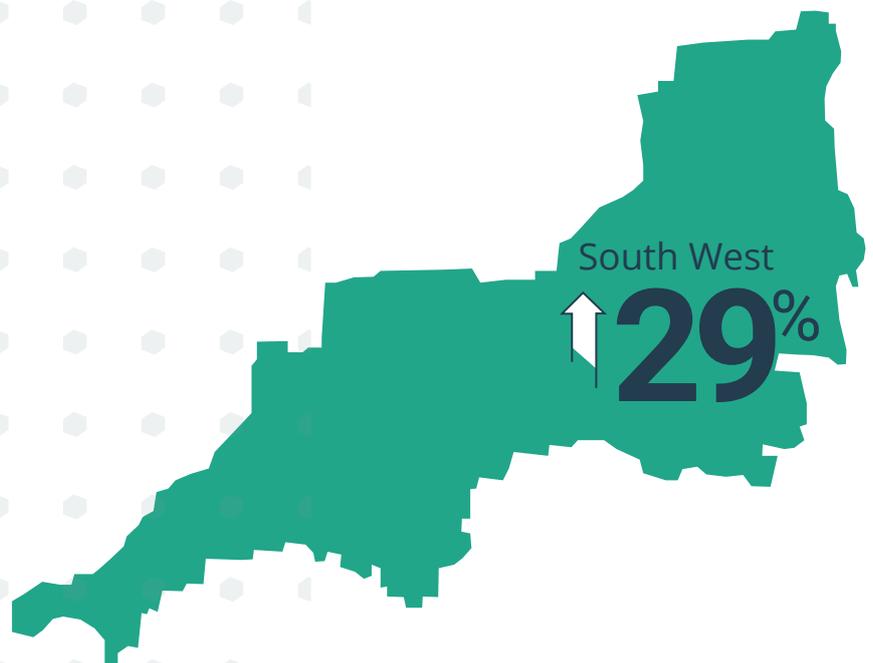
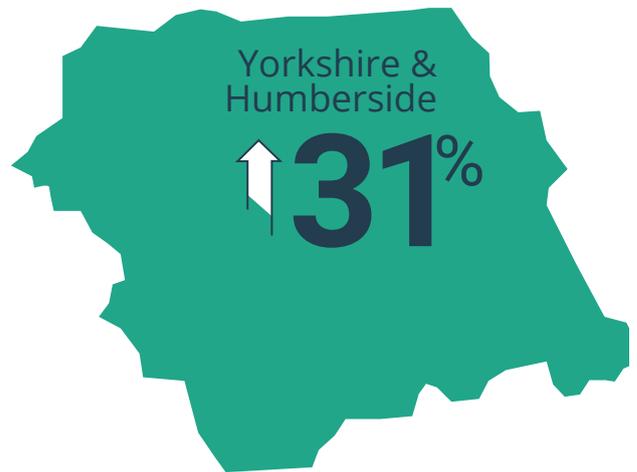
Increase in the average number of purchase orders raised per month by UK manufacturers, 2021 vs 2020

# Regional recovery leaders

Areas outpacing the UK average for purchasing activity include the North West, Yorkshire and the Humber, and South West England, which all saw significant average increases.



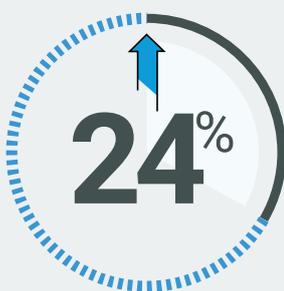
Increase in the average number of purchase orders raised per month by UK manufacturers, 2021 vs 2020





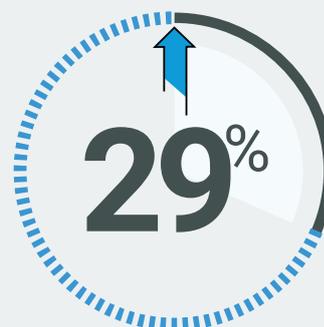
## Manufacturing sales

Driving the growth in purchasing is an equivalent growth in manufacturing sales activity. Both average sales revenue – and the average number of sales orders completed each month – are trending strongly upwards across the UK.



### Sales Revenue

Average sales revenue increase of UK manufacturers in 2021 (Q1-Q3) vs 2020 (full year)



### Sales Orders

Average number of sales orders completed each month by UK manufacturers, increase in 2021 (Q1-Q3) vs 2020 (full year)

# Regional recovery leaders

Areas outpacing the UK average for sales activity include Yorkshire and the Humber, the North East and the North West, which all saw dramatic lifts in sales revenue against 2020 performance.



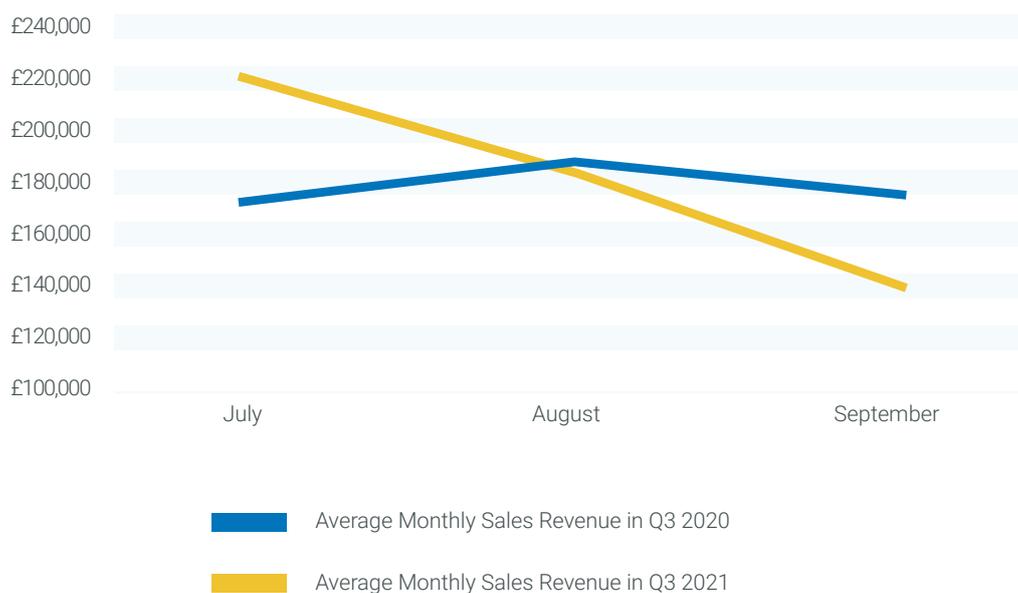
Average sales revenue increase, 2021 vs 2020

# Stalling confidence?

While the post-pandemic recovery has seen marked gains for the UK manufacturing sector, recent pressures may be taking the edge off 2021 performance. Fuel and labour shortages, announcements of a future tax hike, and the end of government support for furlough and Covid sick leave schemes may all be contributing to a [reported drop in business confidence](#).

Sales revenue and purchase order numbers were both down in Q3 2021 versus the previous quarter, and a year-on-year comparison of monthly sales revenue shows UK manufacturing sales dropping below 2020 levels in August and September.

Q3 Sales Revenue of UK Manufacturers Year on Year



# How Has Brexit Affected UK Manufacturers?

On first impressions UK manufacturers are thriving in the aftermath of the UK's exit from the common market, based on a review of total sales revenue and profit margins.

However, the effects of departing the EU have been largely masked by an overall uptick in activity as the country moved past the worst peaks of the pandemic.

To identify the effects of Brexit on manufacturers we looked at a cohort of 266 mostly small and medium manufacturing firms that earn revenue from EU exports. By analysing over

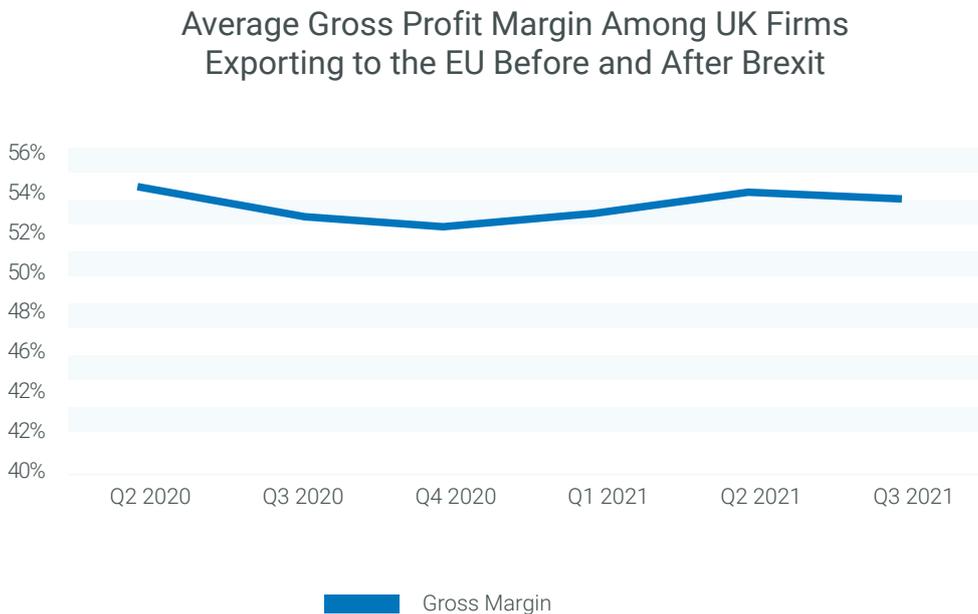
26,000 data points from this group across the period in which the UK left the single European market we hoped to answer the following questions:

- Have EU taxes affected profit margins amongst exporters?
- Have export revenues from the EU changed?
- What effect has this had on UK manufacturers, and the broader UK economy?

# Has Brexit eroded margins?

On the first point, the answer was clear:

There is no detectable signal indicating that EU taxes are affecting margins, which if anything have risen slightly since January 1, 2021.



# Instead, many UK manufacturers have simply stopped selling in Europe

Looking at total sales revenue to the EU tells a dramatic story.

Average Share of Revenue From EU Sales by UK Manufacturers That Export to the EU



Viewed as a percentage of total sales revenue, EU sales have halved among UK firms that normally export to Europe.

For many manufacturers, selling to Europe now seems simply to be in the 'too hard basket', with the complexity and admin required seeing many looking elsewhere.

# Post Brexit sales revenues are up – but exporters are still hurting

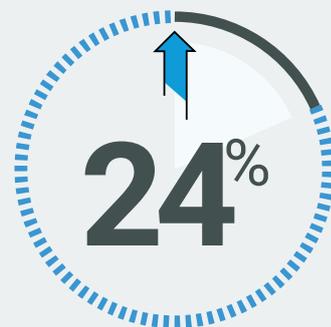
Overall, the impact of leaving the common market has been drowned out by the UK's Covid recovery.

Despite selling half as much to European countries, UK manufacturers that normally export to the EU saw sales revenues from all sources lift 15% in the first three quarters of 2021 compared to the previous three quarters.

However, that performance lagged behind the general UK manufacturing recovery, which saw average sales revenues up 24%.



2021 Total Sales Revenue Increase,  
UK Manufacturers That Normally  
Export to the EU



2021 Total Sales Revenue Increase,  
All UK Manufacturers

## About the data

We generated this report using anonymised data from a cohort of 385 Unleashed customers. Firms included were UK-based manufacturers across a broad range of industries that used Unleashed continuously from at least January 2020 to September 2021. It should be noted that Unleashed users skew towards SMB in size, rather than enterprise-scale, and may represent a more technologically enabled subset of the wider UK business community.

## About Unleashed

Unleashed is cloud-based software that gives product businesses clarity and control across suppliers, production, inventory and sales. Founded in New Zealand in 2009 it was acquired by the UK's Access Group in November 2020. With thousands of users in more than 80 countries, it's one of the most respected names in inventory, manufacturing and product management software worldwide.

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