



How industry leaders build integrated operations ecosystems to deliver end-to-end customer solutions



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Asia Pacific manufacturing companies champion digital transformation, gap with Americas and EMEA set to widen

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Asia Pacific manufacturing companies are championing the digitization and end-to-end integration of their operations, introducing digital products and services and connecting new technologies across their organizations at a much faster rate than their peers in the Americas and EMEA. This gap will continue to widen, as 32% of Asian companies plan to have established mature digital ecosystems in the next five years, compared to 24% in the Americas and 15% in EMEA.

For its report, *Digital Champions: How industry leaders build integrated operations ecosystems to deliver end-to-end customer solutions*, PwC's Strategy& surveyed 1,155 executives at global manufacturing companies in 26 countries and asked them about their views on Industry 4.0. and digital operations. Based on the outcomes, PwC developed a digital maturity index to explore the role of frontrunners – the so-called 'Digital Champions' – and what distinguishes them to outpace their competitors.

Key findings

10% of global manufacturing companies are Digital Champions, while almost two-thirds have barely or not yet begun on the digital journey

Asia Pacific is leading the way to digitization, where 19% of manufacturers have achieved Digital Champion status, compared to 11% in the Americas and 5% of companies in EMEA

Automotive (20%) and Electronics (14%) have the largest share of Digital Champions. Consumer goods (6%), Industrial manufacturing (6%) and Process industries (6%) are lagging significantly behind

Global manufacturing companies are applying new technologies to their operations at a large scale, but artificial intelligence is just kicking off

Two-thirds of all companies don't have a clear digital vision and strategy to support digital transformation and culture

While Industry 4.0 is transforming manufacturing rapidly, only a small group of companies are in a position to gain real competitive advantages from this operations revolution. In PwC's Strategy& Global Digital Operations Study 2018 only 10% of global manufacturing companies are dubbed as Digital

Champions. These companies view digitization in ways that are far-reaching and aggressively innovative, well beyond mere automation and networking.

In the report, 19% of the manufacturers from Asia have achieved the Digital Champion status, compared to 11% in the Americas and 5% of companies in EMEA. It seems like the region's young and tech-savvy corporate managers who are embracing digital technologies, as well as soaring compensation and production costs, have pushed manufacturing companies in Asia Pacific to digitize their key operations processes at a much faster rate than elsewhere in the world.

Pierre Legrand, Asia Pacific Technology Consulting Leader, PwC Singapore:

“Delivering enhanced customer value will drive the way Digital Champions differentiate products and services over the next 2-4 years. A focus on creative design and enhanced intelligence will allow APAC companies to leapfrog global counterparts because of the relative low cost to drive new business models freed from legacy constraints. Operations as a result will be born in digital native constructs that attract high efficiency and low cost to service, while completely integrated in the digital customer value proposition. We look forward to seeing the new and innovative services that arise from the new technologies such as AI and completion autonomous activities that are fully converted to cloud powered solutions.”

EMEA clearly lagging behind on path towards digitization

Digitization will lead to an increase in production in mature markets, as it reduces operations costs and enables companies to rely less on labor arbitrage. However, companies in the EMEA region mostly don't get beyond a medium level of supply chain integration and are often lacking high automation and connectivity in their manufacturing operations. Compared to their Asia Pacific counterparts, EMEA companies also more often fail to connect their strategic, operational, technological and people-related capabilities, and less often incorporate partners in their business models to create customer value.

Consequently and while already being behind, EMEA companies only expect their investments in new technologies and digital ecosystems to result in 12.7% growth in digital revenue over the next five years, compared to 16.6% growth among Asian companies.

Most Digital Champions are in Automotive and Electronics

Two-thirds of global manufacturing companies have barely or not yet begun the digitization of their operations and especially in Process industries, Consumer goods and Industrial manufacturing only a few companies have emerged as Digital Champions. Industrial equipment companies are already more advanced, but Automotive (20% Digital Champions) and Electronics (14%) are clearly the most digitally mature. Operations in auto companies have been optimized, automated and connected for decades, while electronics manufacturers have been at the forefront of outsourced manufacturing, which requires connecting and managing disparate systems and partners across an extended value chain.

Higher cost savings by connecting essential technologies

New technologies are implemented across the board, but only Digital Champions are able to leverage these technologies to truly connect and collaborate along the end-to-end value chain. They take a holistic approach, connecting essential technologies across the organization and with strategic partners instead of isolated implementations. As a result, they expect to achieve high cost savings and efficiency gains from technology implementations: 16% anticipated cost savings in the next five years versus 10% for Digital Novices (the least digitally mature companies in the report).

At least 90% of Digital Champions have already implemented, piloted or planned some of the most current technologies, like IoT (97%) and advanced robotics (90%). Starkly different, only about one-third of Digital Novices have adopted the most common operational technologies, like predictive maintenance (39%) and integrated supply chain planning (32%).

One-third of Digital Champions have adopted artificial intelligence (AI) across major functions, primarily for automating manual and cognitive tasks. 98% of Digital Novices have no AI activities at all. Overall the study finds that AI is still at the beginning of its development. Most companies appreciate AI's significant potential, but core use cases are just emerging. Even among Digital Champions, 52% say they lack people skills to broadly implement AI systems and many are hesitant about full-scale AI because they are uncertain about the maturity of the data produced by the AI systems themselves. Asian companies are also at the forefront with AI, with 15% implementing significant AI solutions, while EMEA is lagging behind (5%).

People at the center of digital transformation

Two-thirds of the survey respondents said they don't have a clear digital vision and strategy to support digital transformation and culture, and only 27% believe their employees have the required qualifications to master the digital future. On the other hand, more than 70% of the Digital Champions say their leaders express a clear vision for the future and serve as role models for digital change in their organizations. Consequently, Digital Champions invest heavily in people development and training and cultivate multi-disciplinary teams to foster innovation across functional boundaries.

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About the report

In late 2017 PwC' Strategy& surveyed 1,155 executives at global manufacturing companies in 26 countries about their views on Industry 4.0. and Digital Operations. PwC developed an index that ranks companies by digital maturity, from Digital Novices, Digital Followers, Digital Innovators to Digital Champions. The goal was to explore the role of Digital Champions and what distinguishes them – to uncover the secret recipe that potentially allows them to outpace their competitors.

Through four distinctive ecosystems, the report describes what Digital Champions do differently and lays out the strategic, operational, technological and people-related capabilities that are needed to be one of those companies. For a deep dive into each of the four ecosystems and to download the report, please visit:

<https://www.strategyand.pwc.com/industry4-0>

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