Industrial equipment manufacturers are becoming future ready now

Successful transformations depend on three dimensions
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Introduction

Executive Summary — Industrial equipment manufacturers face increasing competition, rising customer demands for customization, evolving business models that threaten industry disruption, and a growing gap in employee skills.

These companies can’t afford missteps. Avanade sees successful industrial equipment manufacturers getting future ready by applying intelligence along three dimensions: efficiencies, experiences and innovation. Our research reveals how – and how well – they’re approaching these dimensions, what obstacles they’re facing and what they – and you – can do to get future ready. Now.

The drive for digital transformation is real

This is no time for industrial equipment manufacturers to be conservative. In a traditionally narrow-margin business, equipment manufacturers are seeking new business models and differentiated services through which they can grow both revenues and margins. These new digital models will allow equipment manufacturers to engage their customers in a customized, even personalized manner, improving efficiency, enhancing the customer experience, and boosting client satisfaction and loyalty.

Equipment manufacturers also want to cut the time and cost of getting their products to market. Technologies including analytics, AI, automation and the internet of things can help them to get there. Call it smart or connected manufacturing, factories of the future or Industry 4.0. Whatever you call it, these manufacturers need it.

And they see digital transformation as their way to achieve it. In Avanade research, 87% of industrial equipment manufacturers say digital transformation is a top-three priority and 71% confirm that global economy concerns are pushing executives to turn digital transformation initiatives into results. With 94% telling us that their current marketing, ERP and CRM systems are no longer fit for purpose, it’s no surprise that 80% plan major investment to modernize their business-critical systems for digital transformation.

Industrial equipment manufacturers told us they expect digital transformation to:

- Reduce their costs over the next 12 months by 8%
- Increase business growth by 8%
- Boost 12-month ROI by 15%

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The digital roadblocks are tangible

Industrial equipment manufacturers understand the goal but they’re having trouble achieving it.

Fully 66% say they’re held back by not knowing where to start and nearly as many (62%) say their pace of change puts their transformations at risk. That can be demoralizing; 43% say they’re fatigued by digital transformation.

The most common blocker is hiring and training the right people to implement the transformation (cited by 46%). That’s a daunting obstacle given the new roles that workers need to master in the AI-augmented manufacturing facility. Other concerns include both technological and non-technological factors: lack of integration with existing systems (42%), lack of the right tools (26%), struggle to modernize systems and processes (38%), fragmented internal culture (24%) and lack of senior management support (24%).

These executives would never launch a major product initiative or build a factory without a plan. So what’s the plan to beat these obstacles and succeed at digital transformation?
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What it means to be future ready

There’s no single path to digital transformation success because industrial equipment manufacturers aren’t embarking on their journeys from the same point. But there is a roadmap.

Researchers at the MIT Center for Information Systems Research² (CISR) identify two crucial dimensions for mapping digital transformation: an organization’s maturity on customer experience (CX) and operational efficiency⁴. Companies that achieve the highest levels of transformation and maturity on these dimensions are both cost efficient and innovative. They’re future ready.

Avanade has expanded the MIT CISR model to the following three dimensions:

- Effortless efficiencies
- Experiences without boundaries
- Innovation at will

Companies must infuse these dimensions with intelligence, including analytics, AI, machine learning and broader disciplines such as data science. They can then adapt quickly to changing economics, regulations and competitors. With enhanced insight, they can do more than adapt; they can lead, requiring competitors to adapt to them.

² Source: MIT CISR, “Four pathways to ‘Future Ready’ that pay off” Peter Weill, Stephanie Woerner, Nick Van Der Meulen, March-April 2019
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Effortless efficiencies

Every aspect of industry operation – from the well head to the gas pump – needs to boost efficiency, reduce costs and minimize the time people sit on the clock. For the future-ready company, effortless efficiencies are now possible.

94% of industrial equipment business leaders believe insight into the customer and employee experience is now of equal priority and 87% need to gain better insights from their data and analytics to improve their business processes and results.

They can speed time to market, reduce operations costs and increase worker safety. They can raise supply chain operations to new heights, ensuring continuous production even as they lower the cost of that production.

Leveraging technologies such as IoT, analytics, machine learning and Digital Twin at scale across the enterprise enables equipment manufacturers to innovate faster, proactively engage with their clients, and more nimbly react to changing market conditions, delivering advantages across all segments of their competitive landscape.

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1 Avanade Research conducted by Vanson Bourne, May 2019
Case Study

$14 billion global manufacturer speeds work orders and more

A major manufacturer of water, hygiene and energy equipment wanted greater operational efficiencies across global operations. Avanade delivered with a Microsoft Dynamics 365-based solution for sales, customer service, contract management and field service successfully integrating systems, processes and data.

Results:
- Increases work orders by 10,000 annually without additional staff or overtime
- Invoices within two business days after job completion
- 95% work order creation in 48 hours or less
- 95% asset tracking and work history for all accounts

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Experiences without boundaries

Disruptive technologies, greater access to data and new ways of engaging with customers are changing the relationship between industrial equipment manufacturers and their customers.

They’re enabling more seamless, connected, relevant and timely end-to-end experiences than ever before.

For example, manufacturers can more readily build and deliver hyper-customized, even personalized, equipment that meets unique customer needs. Then, they can more accurately predict that equipment’s maintenance requirements, minimizing downtime, keeping the customer up and running, and increasing customer satisfaction and loyalty.

Meanwhile, equipment manufacturers are using disruptive technologies to create new experiences for their employees, too. Emerging technologies are augmenting worker roles, taking on repetitive, lower-value activities and freeing workers for higher-value tasks.

75% of equipment manufacturers believe their culture and their people are the biggest success or failure points1

The result increases both worker safety and productivity. It also increases satisfaction and motivation, making it easier for employers to retain top talent. And technologies such as virtual and augmented reality enable faster and more effective retraining, helping manufacturers to better meet the new skillset requirements of their digitally transformed companies with their current employees.

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**Case Study**

World’s largest outdoor power-products maker kicks up customer experience

*Husqvarna Group* wanted a single – and superior – experience for its customers across Europe, the Middle East and Asia. More than 1,100 customer care and field sales workers in 28 countries use an Avanade-designed Microsoft Dynamics Contact Center solution delivering a 360-degree customer view.

**Results:**

- Customers get faster, more effective handling of their service calls
- Sales leaders accurately track performance and campaigns
- Sales reps see more customers in less time
Industrial equipment manufacturers must innovate faster than ever just to maintain, let alone grow, their competitive edge. And they must think of innovation in broader terms – innovating not just in the types of equipment they manufacture, but also in the ways they make it; in the experiences they create for customers and employees, and in the business models they use to bring their value to market. They need innovation everywhere; call it innovation at will.

Using the right technologies in the right ways, equipment manufacturers can power the breakthrough innovations that lead to more efficient operations, attract and retain top talent, and create highly customized delivery models with new levels of customer service. 84% of industrial equipment manufacturers believe they need to add innovation to their business systems to enable agility and continuous improvement.

For example, the use of computer vision and anomaly detection can eliminate the need for manual quality inspections, and the use of drones and computer vision can eliminate the need for physical inventory counts, freeing these employees to engage in higher value tasks, maybe even utilizing that “extra” time for scheduled innovation brainstorming sessions.

Beyond technology, creating an innovation-at-will environment requires a change in culture, one that challenges current thinking and roles, and encourages risk taking. That change must start with the C-suite. It must encompass full cooperation between IT and Operations and support shifts from product-based models to services-based models. Often, it also requires some internal reorganization and new partnerships both inside and outside the company.

When asked the Question: What are the key drivers for your organization’s focus on digital transformation? 50% of business leaders pointed to technology developments and 46% suggested it was to achieve greater innovation1

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Case Study

Continental AG speeds answers to 235,000 employees worldwide

One of the world’s largest makers of automotive and rubber-based products needed to optimize employee use of its infrastructure without stretching limited IT resources. Avanade used its CuriousBot chatbot accelerator to deliver a solution that uses Microsoft cognitive services to answer employee questions.

Results:

Employees make optimal use of communication and collaboration tools

Service desk personnel are freed to address higher-level issues more quickly

New employees are onboarded more quickly and cost-effectively
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How you become future ready?

You can get ready now to make the most of your future. Given the complexity of your challenges, goals and processes, it might be difficult to know where to begin. Here’s one way to start: by asking the following questions.

Is leadership on board with digital transformation, or just delegating digital change to a tactical team or person? Without the support of top leadership, you won’t get where you need to go. Make the case. Your competitors certainly are.

Are you ready to innovate around field service and predict and prevent product or service downtime? IoT can deliver the data you need to better serve the buyers of your equipment. The cloud is crucial to tying it all together.

Are you driving efficiency through automation, AI and analytics – or struggling to integrate them with your current systems? IoT delivers massive amounts of new data from which you can build new efficiencies and services – but only if you optimize your analysis and use of that data.

Are your people supported to deliver great experiences – or are they taken for granted? Great employee experience doesn’t just keep your workers delighted. It keeps your customers delighted, too.

You need answers and you need to know what to do with those answers. If the challenge seems daunting, know that you don’t need to go it alone. We can help.
Avanade helps you build operational efficiencies, connect employee experience and customer experience, create an innovation mindset and infuse intelligence across your organization. We’re a joint venture between Accenture and Microsoft, providing vast industry experience, deep end-to-end expertise and the world’s most advanced technology – all to help your manufacturing business thrive and create meaningful impact.

Are you ready?
Visit [www.avanade.com/FutureReadyNow](http://www.avanade.com/FutureReadyNow) to find out more.

### About the research
Avanade commissioned research firm Vanson Bourne to interview 1,150 cross-industry respondents with revenues from $500 million to over $10 billion; 115 of which were senior manufacturing decision-makers from 11 countries across North America, Europe and Asia.

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About Avanade

Avanade is the leading provider of innovative digital and cloud services, business solutions and design-led experiences on the Microsoft ecosystem. With 38,000 professionals in 25 countries, we are the power behind the Accenture Microsoft Business Group, helping companies to engage customers, empower employees, optimize operations and transform products, leveraging the Microsoft platform. Majority owned by Accenture, Avanade was founded in 2000 by Accenture LLP and Microsoft Corporation.

Learn more at www.avanade.com.