



TECHNOLOGY DISRUPTION



Technological development is accelerating and penetrating every area of life. Across industrial sectors, technology is disrupting traditional models and enabling more sophisticated, innovative propositions. Technology can both

enhance the customer experience and improve internal operations. Future winners are embracing technology as an enabler to drive revenue growth and optimise profitability. It is truly an area where 'if you are standing still, you are

going backwards'. CIL works with growth businesses across many industrial sectors and sees the benefit of investing in tech-enabled growth strategies. Our recent survey with over 200 industrial companies delivered some interesting insights.



The acceleration of technology

INTRODUCTION

Technology development can and will affect most industrial businesses over the coming years. Many are unprepared or underestimate the potential impact. It is important to have a well crafted technology strategy and to commit significant resources to it, but also to understand which areas create most value. Driving improvements within internal operations, customer experience and new offerings will set a business apart from its competitors in an ever evolving marketplace. Investments that are not aligned with a coherent company strategy could yield limited results, or worse, consume time and resources while increasing the complexity of the business.

As a starting point we recommend:

- Mapping out how your customers and competitors could change over the medium term. Planning your response to potential disruption or identifying how you can gain an edge.
- Looking behind the buzzwords and identifying what tangible changes to your operations are feasible, or could be soon.
- Focusing on technology which reinforces your current competitive advantage. Deprioritising marginal or highly speculative ideas. There is a vast array of potential initiatives and filtering these will be crucial.

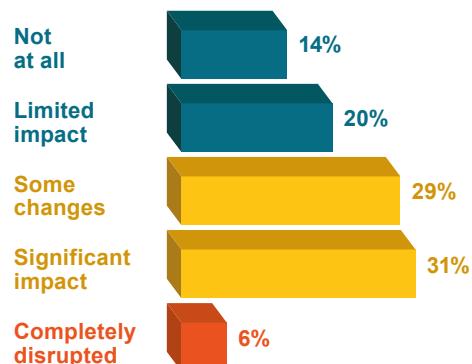
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It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change.

Charles Darwin

Market participants are aware of the impact technology is going to have, with a large proportion of respondents expecting fundamental changes. 'Complete disruption' of a market is a powerful statement and only 6% believe this will take place within their sector. However, in a recent Microsoft survey, 44% of UK businesses said that they think their business model will cease to exist within the next five years. This suggests that the market leaders of tomorrow will not necessarily be the same as today. This poses both a risk and an opportunity, depending on a business' willingness to embrace technology and drive change.

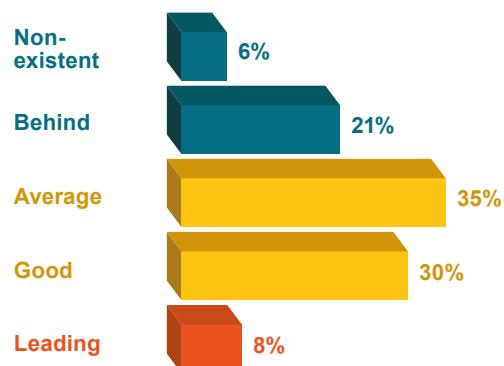
How disruptive do you think technology will be in your industry over the next 5 years?



STRUCTURAL SHIFTS ARE HAPPENING NOW

Most respondents feel that they have a suitable strategy for facing technological change. This was reflected in an OpenText survey which revealed that 40% of UK manufacturers have already implemented Industry 4.0 initiatives. However, one-quarter of respondents admitted they are behind the curve with limited or no strategy at all. Businesses in this position are at risk of losing competitiveness over the medium term and should be acting now to ensure they understand the changes taking place. They should review their business' current position, plan future developments and implement strategies effectively.

How well developed is your technology strategy?

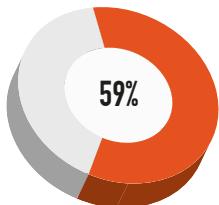


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If you defer investing your time and energy until you see that you need to, chances are it will already be too late.

Clayton Christensen, Harvard Business School

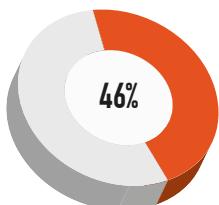
Within your industry, which of the following will technology have a significant impact on?



Drive improved quality & efficiency of delivery

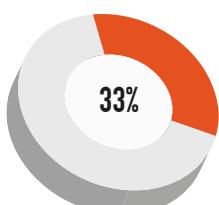
Most respondents acknowledged technological development will drive business performance, either through ensuring better quality delivery or optimising internal processes. Automated workflows are a key enabler of efficiency, while leveraging big data analytics supports improved decision making at all levels of an organisation.

CLEAR BENEFITS OF INVESTMENT



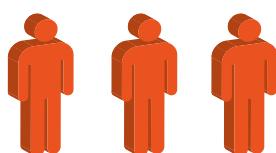
Enable product & service differentiation

Almost half of the respondents identified technology as a way to drive competitive advantage. This can either be through doing current activities better or by operating in new ways. As technology develops faster and faster, early adopters should see their ability to differentiate become more apparent.



Open up new revenue streams

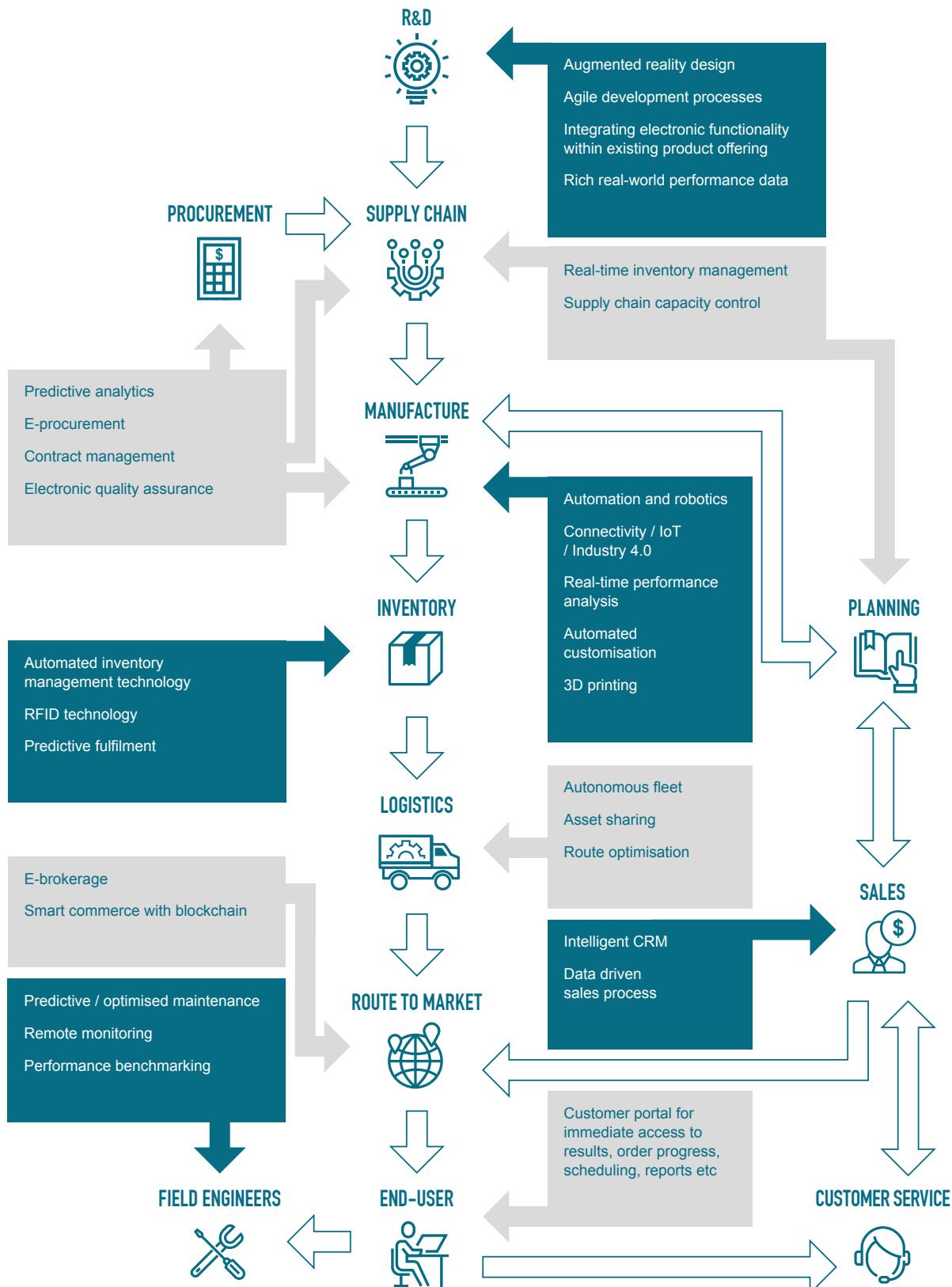
Fewer respondents saw the opportunity to leverage technology to develop new products or services. This is not surprising since it requires the most disruptive approach. Ignoring this area may not be the nearest term risk but it can also offer the greatest growth opportunity for businesses willing to embrace innovative thinking.



Other areas of impact

Other areas were highlighted less frequently as areas for change. Of these, the most mentioned was the change technology will bring to the workforce, both in terms of the amount of workers needed and the skills they will require.

Examples of technological development across a manufacturing organisation.



Industry 4.0

Industry 4.0 is the latest industrial revolution, pushing us towards truly digital enterprise. From the factory floor to the consumer's home, the use of technology and data is changing the way everyone in the value chain operates. As a digital ecosystem evolves, many linear supply chains will significantly change. In industrial settings the impact on operational efficiency can be marked. Data driven decision making and 'smart' equipment can improve asset utilisation and reduce downtime, allowing manufacturers to reach their full potential.

The Annual Manufacturing Report 2017 states that 67% of UK manufacturers recognise Industry 4.0 as an opportunity, yet only 25% feel they have sufficient understanding.

Manufacturers of mechanical equipment are having to embrace electronics and software development as competencies to overlay on their traditional expertise. As customers begin to embrace Industry 4.0 themselves, they will demand connected equipment and the data-driven services that go with them.



EXAMPLE DEVELOPMENTS

The customer portal



All companies aim for well-embedded customer relationships that are seen as partnerships. How a supplier interfaces with its customers can be an important differentiator.

Software portals can provide a unique interface between a customer and supplier. They can deliver a higher quality service as well as drive efficiency for both parties.

All this can drive customer reliance and stickiness, which in turn delivers greater share of wallet and the potential for higher prices. Developing a suitable portal is complex and often requires the creation of a bespoke software platform that may need further customisation for specific clients. However, the

benefits can deliver significant returns. Consumers can now get this experience in many aspects of their home life and will expect the same in business relationships.

Benefits can include:

- Ease of ordering
- Supply chain transparency
- Real-time access to supplier data / reports
- Functionality to help the customer manage their own demand schedule
- Integration with customer's own tech platforms

In the last 12 months, CIL has worked with a range of industrial businesses across the globe that are embracing technology to develop their customer proposition and internal operations.



Examples include:



Industrial heating and cooling



Commercial printing



Testing and inspection



Testing and inspection



Pipeline inspection equipment



Wastewater and storm water systems



Stairlifts



Process instrumentation and controls distribution



Fume extraction systems

For more information, please contact:



Jon Whiteman

Partner

jwhiteman@cil.com
+44 20 3829 2720



Tim Perera

Associate Director
tperera@cil.com
+44 20 3829 2818



Enabling growth, managing risk

30 King Street, London, EC2V 8EH

T. +44 20 3829 2700

W. cil.com