



SE&ACCENTURE

VIDEO TRANSCRIPT

Speaker 1: 00:00 Jean in your opinion, what is the number one reason companies should embark on digital transformation journey?

Jean: 00:08 I believe the number one reason why companies should embark in digital transformation journey, it's all about disruption. Either you want to disrupt the market and be ahead of the pack, or you don't do it and you might be disrupted. I think it's a great opportunity, digital transformation is a great opportunity, not a threat, an opportunity for most industrial companies.

Cyril: 00:33 I agree. What I would like to add to this when we say disruption, it could be perceived as a very frightening word sometimes.

Jean: 00:40 Right, you're right.

Cyril: 00:41 It's true that either you change for disruption or somebody else will. But it's also digitization and digital transformation associated to it. It's a great opportunity to create new business values. To augment the value of the business, to grow your business, to address your customers in a different way. To solve customer problems in a way that were not solved before.

Cyril: 01:04 At Schneider Electric when we are developing digital solution for our customers, we are looking at not only helping our customers to be more efficient, but we want them to be more sustainable. Digitizations, the ability to build a business based on insights, based on data, allows us to help our customers solve their most burning problem in a very efficient and innovative way.

Jean: 01:26 I cannot agree more, Cyril. And I would say for me, if I had to say three key things around digital transformation for industrial company, the first one would be, it's a great opportunity to reinvent your product. And in that perspective and we'll talk about it later, the digital service factory has greatly contributed to that I believe for Schneider Electric. So, reinventing the product because your product are smart, are connected, are living product. That's the first dimension.

Jean: 01:58 The second one is because you have smart and connected product, it's redefining your business model. And that's also something I believe that Schneider has done quite well with the digital service factory as an accelerator to do that.

Jean: 02:14 And last but not least, reinventing the customer experience. Because as you have smart and living product, and that was not the case a few years before, you have a great opportunity to better understand the way your customer are using your product, and you can tailor your product to the way they use it if you have the right level of analytics and intelligence embedded into it.

Cyril: 02:41 So Jean, that's fantastic because you just described the three core pillars of the digital transformation of Schneider Electric.

Jean: 02:46 That's what I was trying to achieve.

Cyril: 02:48 Reinventing of product portfolio, creating new business and new business model based on data and insights. And reinventing the customer experience.



Jean: 02:54 Yeah.

Cyril: 02:54 So that's perfectly aligned with what we do and what we aim to do at Schneider Electric.

Speaker 1: 03:03 Okay. I'd like for you to expand on that with a concrete example without naming customer names. And you've mentioned Jean, in the past that in manufacturing, companies face an intense pressure to innovate. In your experience, what are some transformations that you've seen happen with business models ... overall without ripping and replacing infrastructure. Could you provide a concrete example.

Jean: 03:30 Okay. Cyril, rebounding on what we just share which is exactly the-

Speaker 1: 03:38 I'm sorry to stop you Jean. Answer as if you didn't just have that first, the complete sentence. Because we probably ... so start this as its own segment.

Cyril: 03:52 Don't make a connection with the previous comment conversation because depending on how they are going to slice and digest.

Jean: 03:55 Okay.

Speaker 1: 03:55 You could say companies ... in manufacturing, companies face an intense pressure to innovate ... blah blah blah.

Jean: 04:04 Okay.

Speaker 1: 04:06 Thank you.

Jean: 04:10 Yeah ... if I look at the industrial company I'm working with and I will share with your some example. Today there's let's say a wealth of opportunity for this company to innovate and really to transform the way they interact with their customers. And to also extract more value from their products to be able to provide more value to their customers.

Jean: 04:38 And I will share with one example. It's an Italian company, they are manufacturing machines. They put on the market a few months ago a new generation of machine. Connected machine for the first time on which they want to leverage the fact that these machine are connected to let's say collect the information, realize it and then work with their customer to see what additional value they can bring to them.

Jean: 05:08 And I will share with you two example of things they discovered. The first one, quite interesting. After six months of data collection and analysis, they realized that on one of their machine in the [inaudible 00:05:22], their customer were just using 60% of the features of the machine. 40% of the features were not used at all or very little use. And then they tried to understand why and they discovered that the 60% that were used were proxies and the customer were using proxies in the 60% to replace the 40%.

Jean: 05:47 It had a great impact on the next generation of machine because they are not going to invest anymore on this 40% and will focus on the 60 remaining percent. That's one interesting example.

Cyril: 05:47 One outcome.

Jean: 06:00 The second one around what data can teach you. They were having that six pilots, six customer with 30 or 40 machines. On five of the machines, they were receiving warnings. It was not incidence but recurring warnings on ... that happen on these five machines. And it was so recurring that they say, "Okay, let's try to understand what's behind it." And they discovered that the customer was misusing some of the function of the machine and that could lead to two things.



Jean: 07:25 So that's today, for me also what this smart and connected product are enabling companies to achieve.

Cyril: 07:34 Maybe to rebound on that example in another sector. We have developed an offer called electrical asset advisor and we have an interesting example with a customer in a hospital in the US. Deploying this offer in some very early stage, part of the experimentation, it's an offer where we connect to the electrical infrastructure, monitor the electrical infrastructure. Combine those information with unstructured data like maintenance report and other things. And are able to alert the electrical maintenance engineer of the hospitals about potential risk of failure in its installation.

Cyril: 08:11 And you can imagine that in a hospital, failure of electrical systems that supply electricity to the operating room has a tremendous impact on a matter of life and death situation. And we identified in our early analysis that there were potential risk with one of their transformers because of the way it was connected and integrated. And because it was early stage, the customer didn't really pay attention to that recommendation.

Cyril: 08:38 Unfortunately for the customer, some weeks after the transformer exploded. And as the transformer exploded, it has a measured disruption on the operation of the hospital, fortunately without any human impact. But a very bad media coverage because they not only disrupted the hospital, but they already disrupted the grid on all the surrounding of the hospital.

Cyril: 09:01 And if they had followed the recommendations that we had made with the offer, they will avoided that problem. So we are knowable with digital solutions to have really real visible, material impact for customers that represent either prevention of risk, business savings, generating additional revenues. That's an example of others that we have with IoT and digital metering across our customer landscape.

Jean: 09:31 And for me, rebounding on what you said, Cyril, that's exactly I think the future of Schneider and of the customer of Schneider. It's moving from selling just the product to selling, let's say, service around it, advice around it. Value around it. And I think that's the way in the product reinvention and the evolution of the business model. When you have better product, I think you should be able to extract more value for your customer out of your product and that's what will make the difference in the long run if you are able to not sell the product, but help your customer extract the value that your product can generate.

Cyril: 10:10 And as you said, it doesn't replace our product business. It doesn't replace our current business.

Jean: 10:15 It helps it.

Cyril: 10:15 It reinvent it, it augment it.

Jean: 10:17 Yes.

Cyril: 10:17 And that's really the recommendation I will make to people embracing digital transformation. It's really about reinvention of your business, with the goal to create more business value. More growth ultimately.

Cyril: 10:29 With potentially the threat that if you are not the one doing it, then somebody else in your industry might take advantage of digital technology and digital transformation to reinvent their own business and be a more aggressive differentiated competitor than you are in that specific [crosstalk 00:10:45].

Jean: 10:46 And fully agree, reinforcing what you said Cyril is that, there's a fear that if I put a new offer of service, it's going to cannibalize my product. I think most of the time that's not the case. It's going to, let's say enhance your product, show the real value your product is delivering, improve your customer loyalty. And when you improve your customer loyalty, the customer trust you more and it opens you opportunity to sell more things to your client.



Jean: 11:17 So at the end, I think that's really win-win for the company and its customers.

Cyril: 11:22 Exactly.

Speaker 1: 11:24 Great. Cyril, we talk a lot in Schneider about not taking a broad brush approach to digital innovation but to start with the customer problem and then go from there with the development of digital offers. Could you talk about customer ... the customer's role in accelerating that innovation process with the digital services [inaudible 00:11:51].

Cyril: 11:52 At Schneider Electric, we looked in the past years on how we could accelerate our innovation cycle. How could we drive digitally enabled innovation in a different way. The classical I think trap that some people I have seen around us fall into was to focus on a transformation that is centered on technology. Creating new capabilities. Creating what I often call, solutions that are looking for a problem to solve.

Cyril: 12:20 We wanted to avoid that at Schneider Electric, so we have developed what we call the digital service factory, which is creating in Schneider Electric, like in factory, repeatable industrialized process to innovate in a customer centric approach. And we have done this with your team at Accenture. Really bringing design thinking customer centric innovation. Focusing and identifying the right customer problem to solve in some specific problem space.

Cyril: 12:50 Embarking customers at very early stage of that process so that we can refine the exact problems that the customer see value in each resolution. And engaging the resources of Schneider Electric gently with the resources of Accenture, in order to accelerate the development of a minimum viable product that solves that specific problem. Expose this minimum viable product to a range of customers, and then from that point iterate and improve the offer to ultimately industrialize it and scale it across the Schneider electric landscape.

Cyril: 13:25 And it has been really ... the backbone of all our digital transformation approach to really bring the customers and the innovation centered around customers approach at Schneider Electric.

Jean: 13:39 And rebounding on what you said Cyril, Schneider has been one of the first one to launch this initiative. And you're leading the pack on that. And know, I see many industrial company adopting a similar approach. And as you said, for me there are three key things.

Jean: 13:55 The customer centricity dimension. Starting with the customer and not with the product. And the two other thing for me that are really making the difference in what you're doing successfully is the speed. The time to market. The ability to drastically reduce the time to market.

Jean: 14:11 And last but not least, the value. Because I think when you are able to start from the customer pinpoint, drastically reduce your time to market for your new solution or services and really demonstrate that in a short period of time you can create value and you have customer adoption, you're going to rollerskate. Grow more and grow more profitably. And clearly what you're doing is a great example of that.

Speaker 1: 14:42 And I would like to zero in on the speed element. Why and how ... how does the digital service [inaudible 00:14:51] accelerate that time from ideation to market for Schneider digital offers?

Jean: 15:01 Speed in the digital service factor is essential. And to be able to really have this level of speed. And for me speed is not decreasing time to market by 30%, but it's dividing it by two to three times. That's what I call speed.



Jean: 15:19 I think the first key element to be able to achieve that is to break the silos. The digital service factory has been able really to create a team and a group of people coming from different horizon within the company and outside of the company that have worked together. Starting from the customer and starting from the customer pinpoint to address the different dimension of what you need to do, when you want to create a new offer. Let's say, the solutioning, the business scales and all the commercial and technical elements. And do that as a team, being able to interact very efficiently and in a very lean way instead of the classical silo approach that I see in most industrial company.

Jean: 16:07 And that what makes the different in terms of what really drastically decreasing the time to market.

Cyril: 16:15 And this element of speed I think there are different factors that allows us to look at speed differently. There is first through the process create a sense of urgency. A sense of urgency as we bring the customer in the center of the conversation then there is a stronger urgency to solve a customer problem. Which is much better than an internal debate where we are trying to debate what is the actual value for the customer.

Cyril: 16:38 As you bring the customer in the conversation, then the speed to resolution is faster. There is this idea of iterating. It's really about learning fast and some people will say failing fast. But for me, the approach is either we succeed or we learn. So there is no failing here.

Cyril: 16:55 Not being able to address the problem in the way it was anticipated is the opportunity to go in a path that is a better one. There is this notion of permanent iteration that allows to bring speed. While what slows down companies in their transformation is when they are trapped by internal debates. Where they try to be ... where the internal organization is trying to be the proxy of the voice of the customer and the silos are slowing down the execution.

Cyril: 17:20 By bringing the customers as the center of the process, and accelerating to iterate very fast then you drastically transform a process from not a matter of years to months but even sometime a matter of weeks in terms of creating this sense of urgency and those milestones. And focusing the organization into not creating a perfect product or a perfect service but creating a minimum variable product-

Jean: 17:45 That's important, MVP, yes.

Cyril: 17:45 Exposing this to the market. Bringing this to the market. Get visibility market feedback is also a great way to go faster in the execution of the strategy. And to root execution of the strategy into business reality.

Jean: 17:59 I cannot be more in agreement. You're right that the MVP approach which is let's say a bit antimonial to what engineer type of company have. I want a perfect product and I will not launch it until it's perfect. I think changing this part of the DNA of Schneider Electric has been instrumental with an MVP approach to be able to drastically reduce the lead time.

Cyril: 18:23 But isn't it what makes startup in the digital space agile.

Jean: 18:27 Yes, that's clear.

Cyril: 18:28 They are constrained in times, they are constrained in cash so they innovate faster.

Jean: 18:31 Yeah.

Cyril: 18:31 And this is what we want to replicate inside a company like Schneider electric. And this is also what we recommend to our customers as well in their own digital transformation [inaudible 00:18:40].



Jean: 18:39 Yes.

Speaker 1: 18:39 And you may have some repetition in here but I'd like for you to respond. When we talk about innovation as a brain of brains, why is that the co-innovation approach so essential for rapid digital transformation with that urgency bearing down on companies?

Cyril: 19:04 In the digital transformation of Schneider Electric, there is one point that is very important for us in our culture and in our approach is really co-innovation. It's something that we have been doing over the years in all our different innovation approach. But that is for me especially critical in the digital space. Digital is about end to end solutions, connecting things. It's about solving some specific customer problem. There is no way a single company can resolve this alone. It's really a much broader reach of solutions than we have been doing historically. And we believe in co-innovation. We believe in associating to our developments. Companies like Accenture, associating startups, associating other partners in our ecosystem. And leveraging capabilities that we have in order to enter in this co-creation, co-innovation process across our landscape.

Jean: 20:02 And the notion of ecosystem as you say Cyril, is critical. And as you said, not reinventing the wheel, but leveraging the wealth of your ecosystem. And at times what makes the difference is the wheel of the ecosystem. Not the quality of what you're delivering, but the ability to go fast because you're leveraging your ecosystem to scale because you're leveraging your ecosystem. I cannot agree more.

Cyril: 20:28 And during the innovation summit that is associated to the Paris marathon, we have made a preview to the market about Schneider Electric Exchange. So we are bringing to the market our business ecosystem platform. And we want to use this and create this as a foundation for co-innovation. Leveraging digital means across our ecosystem as well. So that's something that we are going to amplify and accelerate in the future thanks to Schneider Electric exchange.

Jean: 21:01 And rebounding on what you're doing with exchange, for me, you are talking about the startup and the DNA of what makes them succeed. It's being open. What you're doing there is doing what startups do. Saying okay, we are opening what we do and make it accessible to our ecosystem. And everybody can use it, can develop based on it, can provide services.

Jean: 21:25 For me, this approach is something that also will make the difference. Of course your platform needs to support that but by being able to do that and also because Schneider has already a set of partners that is tremendous, you're going to accelerate also the adoption of the platform.

Cyril: 21:44 And ultimately our strong belief is that if we make our ecosystem more dynamic and more innovative, if we enable our ecosystem to do that, then ultimately there is a business impact to Schneider Electric because the value of our solutions, the value of our technology is amplified by the reach of our ecosystem.

Jean: 22:03 Yes.

Speaker 1: 22:03 Jean, what are the opportunities that artificial intelligence presents to manufacturing in particular?

Cyril: 22:17 We can give you two minutes for that one.

Cyril: 22:19 You want me to start?

Jean: 22:19 No, I can. I can ...

Speaker 1: 22:28 The original question ... that was a subset but I asked, what are the next big waves of digital innovation?

Jean: 22:35 Yeah.

Speaker 1: 22:35 So you could start there.



Jean: 22:40 Okay. Yeah, the next big wave of digital innovation ... one of the one that everybody is talking about is what artificial intelligence can bring to industrial company. And today we are just at the beginning of that story. A lot will come. But I start to see three or four big areas where I see a lot of value.

Jean: 23:04 One of them is on the factories. Of course artificial intelligence will help not only let's say, automate, make the factory leaner, more effective. But also, will improve the way the workers are interacting within the factory. That's the debate on artificial intelligence. Okay, it's going to replace human. My view is that artificial intelligence, and that's an ethical question, should augment human, not replace them.

Jean: 23:39 It might automate some task but I think it will bring value if it augment human and in all the cases, human have to master it and control it. For me, that's very important in everything we are going to do and experiment on artificial intelligence. When I see this question around machine learning, on deep learning saying algorithm are leading to solution that nobody understands. We need to be very careful to master what we do. For me, that's an important point.

Jean: 24:10 I was saying the first thing is in the factories. But, if you look at the whole value chain, and the flows of data. Because we say smart and connected product combined with information coming from the site people with information coming from field service with information coming from external sources. I think also this wealth of information give to artificial intelligence a great potential to identify opportunities, efficiencies and to impact both top line and bottom line.

Jean: 24:44 And as I was saying, we are just at the beginning of it. And I think experimentation is going to be important in the next month. But experimentation with having in mind the fact that we need to control and master what artificial intelligence will bring.

Cyril: 25:03 I think we see the market in the same way. There has been a continuous evolution in the way data are processed in manufacturing environment. We have been using analytics, machine learning type of capabilities in processes. We are moving towards things that are more cognitive. Ultimately, I see like you, one, new scales around augmenting operators.

Cyril: 25:28 The reverse side of the coin for digital and collectivity is a tsunami of data that it can create. And when you are an operator, which data is relevant. Which alarm is relevant, which sign is important in my process. So, using more AI, using more cognitive technologies, you can bring to users the right information in the right context at the right time. So that they can make decisions that matters for their specific roles in the factory.

Cyril: 25:57 So as you said, it's really about augmenting operators. And in general, if we apply the concept of AI to the industry sector or to manufacturing process, is to bring this cognitive element to automation systems. How do we make systems that can continually improve because there is a learning element to that. Because parameters are optimized. Because we permanently evolve the nominal performance of the systems because we learn from its own operation. And we leverage AI to solidify this learning into the parameters of the system.

Cyril: 26:32 So those two use cases, augmenting operators and creating systems that learn and improve for me are really two very important use case of AI.

Jean: 26:42 And if we agree and rebounding on that, it's about redefining the customer experience. Because artificial intelligence as you said, on the learning dimension, is going to help industrial company redefine the customer experience, the users using their solution. I start to see let's say, companies looking at, "How can I use artificial intelligence to tailor my machine to a specific user. And to make sure that my machine is going to take into account the fact that you recognize the person that is using the machine. Adapting the gestures and taking into account the gestures. The guys is tall, the guy is small. He has a problem with his arms." That's also going to be part of what artificial intelligence will bring in terms of easing the work and really personalizing the way the machine is interacting with its environment.

Cyril: 27:45 And helping the user to go faster on the learning curve when there is a new equipment for example.

Jean: 27:50 Yeah.

Cyril: 27:50 So, that's a very interesting use.

Speaker 1: 27:52 Jean, this is probably our last question.

Jean: 27:59 No, that's fine we have time.

Speaker 1: 28:01 I'm sorry?

Jean: 28:01 We have time.

Speaker 1: 28:02 Okay. You mentioned ... you started the conversation with the idea of being disruptive. And we know that more than half the companies in the year 2000 on the Fortune 500 are no longer on there. So what are some lessons learned in a positive way? The missteps that may have happened and what we can learn moving forward.

Jean: 28:28 Okay. Yes, if we look at the top 500 companies that existed in 2000, close to 50% of them do not exist anymore. They've disappeared. I think there are two main reason why they disappeared. One of them is that they've not been able to adapt to the change of the market. And when we talk about digital transformation, when we talk about disruption, they didn't anticipate let's say some disruption. We all know some very classical example like Kodak that invented the technology but have not been able to take advantage of it and disappeared for that reason. That's one big reason.

Jean: 29:22 The second one I see is more ... and that's let's say a cultural ... a managerial point. It's the change for big company has to come top down and bottom up. And if you don't have a management team that is really let's say understanding what is changing in the environment and leading the pack. And also giving the ability to its employee to absorb the change, understanding the change, it's going to be more difficult to surf the wave. Because one of the key characteristic of the wave of transformation we are experimenting is speed.

Jean: 30:11 If you're not able to surf the wave at the right speed, you might miss it. And this let's say human dimension for me is also very important.

Cyril: 30:23 I would like to come back to your first point when you mentioned the market environment. I will go even one step further. When you end up as a company saying, "Well, "I'm going to observe the market and look at what others are doing," you're already retreating yourself. I think the opportunity of digital is to create a market. To shape the market in the way you want to be. That's the opportunity to reinvent your business.



Cyril: 30:50 And the companies that have been failing, are the ones that have not been able to reinvent themselves. That didn't find the right means and ways to reinvent themselves and to capture those opportunities. And they have left the space for somebody else to do.

Cyril: 31:05 There are plenty of examples on the market of companies that have completely reinvented themselves versus others that have disappeared on the landscape because of that. And this managerial element that you mentioned is the ultimate driver. Because when you think about reinventing a company, you don't reinvent a company without its leadership.

Jean: 31:24 We agree.

Cyril: 31:25 Those two are completely connected.

Jean: 31:27 And when you say reinventing themselves, it's also about let's say speed. And I insist again on speed because for me, given the acceleration in the speed of change, if you are not able to really let's say make sure that you'll be able to address this dimension, even if you have the right ideas, you're going to be behind the pack. And as the speed of change is more and more important, there are some cases where the winners take all. So if you are not ahead of the pack, you are not anymore in the pack.

Jean: 32:09 That's not always the case but it becomes more and more prevalent on some subjects. And I think that is not necessarily what let's say, big companies are good at.

Speaker 1: 32:24 Great. So I'd like to wrap up. I'd like for you just to introduce yourself and what you do at Accenture. And you as well, Cyril. And then.

Jean: 32:33 So in that case more looking at the camera this time. Or still ...

Speaker 1: 32:37 Yeah, so which ... I'm going to have each introduce his name so we have that on camera. Which camera? First Jean will go and just introduce himself looking ... should he ... this one?

Jean: 32:56 This one? Okay.

Speaker 1: 32:58 And then if you

Speaker 4: 32:59 [inaudible 00:32:59]

Speaker 1: 33:03 And then if you ... you're both in the realm of helping companies with digital transformation. So if you can have a two or three sentence rallying prize, so to speak. We talked about the urgency yet the confidence that we can help companies do this. So if you think of a two of three sentence-

Cyril: 33:24 Associating ... for example could I say Schneider Electric ambition is to enable its customer to reinvent their business with digital like we are reinventing our own business with digital.

Speaker 1: 33:36 Exactly.

Cyril: 33:36 Okay, that's the spirit.

Speaker 1: 33:38 So why don't I start with you, Cyril.

Cyril: 33:39 Okay.

Speaker 1: 33:40 Jean, you can think about that.

Cyril: 33:42 So I do my intro and then I continue with this mantra?

Speaker 1: 33:47 Yes. Your name and what you do at Schneider and then-

Cyril: 33:50 Just my ... not an explanation of what I do?



Speaker 1: 33:55 Just your title
[crosstalk 00:33:56].

Cyril: 33:56 Just my title, okay.
I don't say "Hello good morning," I do directly to
my name. I'm Cyril Perducat ... that's the way
you want it.

Speaker 1: 34:06 Why don't you do a
"Hello, I'm Cyril." Don't ... not good morning just
hello.

Cyril: 34:11 Hello.

Speaker 4: 34:14 [inaudible
00:34:14]

Cyril: 34:14 I start. Anytime?

Speaker 4: 34:20 Yeah.

Cyril: 34:20 Hello, I'm Cyril
Perducat. I'm Executive Vice President of IoT
and digital transformation. Sorry, I do it again. I
have a new job title. Hello, I'm Cyril Perducat. I'm
Executive Vice President of IoT and digital offers
at Schneider Electric. We believe at Schneider
Electric that our mission is to help our customers
drive their digital transformations. And we want
to leverage what we have learned in our own
digital transformation to reinvent our business
and bring that to our customers as well. That
okay?

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and bring that to our customers as well. That
okay?