

The Industrial Renaissance today: evidence in industry

We're in the midst of an all-out Industrial Renaissance, and the impact of this movement will be felt for generations. We can prepare for what's ahead by gathering insights from leaders in the industry, but also by looking at what is happening across the globe today. Here are the top 10 Industrial Renaissance facts you need to know, and what you need to do to act now and enforce meaningful change.



Fact 1: Resilient supply chains

Forty foot shipping containers that used to cost \$2K are now sometimes upwards of \$10K, even though there was a 25% drop in goods ordered between March 2020 and March 2021. With ongoing shipping delays and a container shortage, industrial equipment manufacturers are facing challenges in fulfilling rebounding demand and must improve their forecasting. COVID-19 showed that supply chains are not only more vulnerable, but that it's increasingly costly to ensure delivery reliability.

Act: Supply chains must be data and insights-driven to build the resilience to withstand future disruptions.

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Fact 2: Diversification of suppliers

Large automotive suppliers continue to diversify their business. Twenty-five of the top 35 automotive suppliers (all with revenues above \$7B) already generate on average ~30% of revenues from non-automotive businesses, according to Accenture analysis—a trend that is increasing.

Act: This shift shows the increasing pressure for automotive suppliers to create new business models while diversifying their core business to ensure future competitiveness.

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Fact 3: Quick rebound

Industrial & Electrical Equipment (IEE) companies were less impacted by COVID-19 than forecasted—and are rebounding faster. Our analysis shows the decline was only 2.3%. IEE companies are profiting from the strong growth in China and the quicker-than-expected rebound in some customer industries, such as automotive.

Act: To keep up the momentum, IEE companies must strengthen their digitization and software portfolios—areas of heavy demand due to COVID-19.

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Fact 4: Sustainability

Customers, end-consumers, employees and governments increasingly expect companies to be purposeful about sustainability. Industrial equipment companies have a dual role to play here. First, they can reduce their emissions and waste generation to achieve green-line growth, as well as stay within any emissions regulations. Second, they can support their customers' and suppliers' sustainability journeys to help drive a circular economy approach.

Act: Adopting sustainable practices is not a choice but a key component of competitiveness for industrial companies in the coming years.

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Fact 5: Scenario planning

According to Statista, ~12% of semiconductors are sold to industrial customers—so it's no surprise that the chip shortage is posing a significant risk to production goals for some. The need to make supply chains resilient before (!) there are shortages is now more important than ever.

Act: Forecasting and scenario planning based on real time data is crucial for industrial enterprises to avoid material parts shortages and supply chain disruptions in the future.

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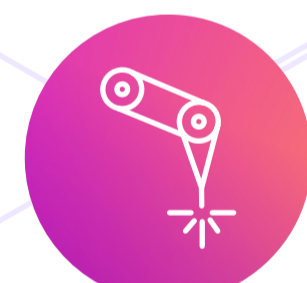


Fact 6: Mind the talent gap

Industrial companies are making major strides in their digitization journeys—migrating to the Cloud, embedding more and more software and AI in their products, digitizing processes, offering data analytics services to customers, and more. Yet to realize their ambitious digitization goals, they must have the team to make it happen—specifically, software engineers. Yet Accenture analysis shows software engineers make up approximately 4% of the total workforce of industrial companies. That's not enough!

Act: Whether retooling talent, hiring new talent, or working with ecosystem partners, it is important to ensure the right talent is in place to develop the industrial workforce of the future.

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Fact 7: Factory automation

Although China is the largest end-market for industrial robots, according to Shenzhen Gaogong Industry Research ~61% of those robots came from Japan, Europe and South Korea in 2020. COVID-19 stands to change that. Chinese manufacturers have intensified their market push at home, backed by the Chinese government's "Made in China 2025" policy, which includes a target for Chinese robot manufacturers to account for 70% of sales in the domestic market by 2025.

Act: Automation giants need to act now to further develop, differentiate and grow their positions in China if they want to succeed during the Industrial Renaissance.

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Fact 8: Cybersecurity

Headlines are filled with stories about ransomware attacks and industrial companies are not immune. However, we are seeing several companies take steps to address this, for example by using industry best practices to ensure privacy and protection of data.

Act: To succeed in the Industrial Renaissance, which requires a digitally-enabled enterprise across corporate functions and operations, industrial companies must focus on resilience to manage the risks of cybersecurity disruption.

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Fact 9: Refocusing of I&EE companies

While automotive suppliers are diversifying their product and service portfolios, industrial and electrical equipment (I&EE) companies are doing the opposite. Nearly all the large I&EE conglomerates are divesting weak divisions to focus on their core businesses. Take Siemens for example: the company has merged its Gas and Power and Siemens Gamesa Renewable Power divisions to form Siemens Energy, now listed as a separate entity on the stock market. The spin off helped Siemens increase its EBIT margin from 7.1% to 10.4%.

Act: Adopting a "back to core"-strategy can help I&EE companies focus on becoming a champion in the space where they have differentiating capabilities and distinct skills to realize their future business potential.

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Fact 10: Full speed growth

Following the economic hit of 2020, a series of technological, macroeconomic, societal, and B2B customer trends indicate that industrials may see a more rapid recovery than anticipated. In the first quarter of 2021, for example, automotive manufacturers saw a 22% increase in global automotive sales volume in comparison to the same time last year. We've identified 5 key growth drivers that will help industrial companies capitalize on the long-term opportunities ahead, including: cloud transformation, connected products and services, consumerization and growth, intelligent operations, and responsible and sustainable business.

Act: Industrial companies require bold leadership willing to challenge convention and make necessary, timely investments in talent and technology to mold customer-centric, digitally driven businesses primed for growth.

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