**INDUSTRY X.O**

# COMBINE AND CONQUER

## UNLOCKING THE POWER OF DIGITAL

accenture

**THE SHORT REPORT**

# DRIVING GROWTH

**Many companies in multiple sectors, B2B, B2C and B2B2C, have been investing heavily in leading-edge digital technologies to drive growth.**

Most, however, are not leveraging these technologies effectively enough to enhance the efficiency of their core businesses while simultaneously growing new ones: what we call "leading in the new".

Our recent research—an extensive sample survey, combined with econometric modeling —reveals that only 13% are getting both cost saving efficiencies and business growth from their digital investments.

### Why are so many companies failing to optimize their digital investments?

Because most are still deploying digital technologies piecemeal. If, instead, companies were to take a combinatorial approach, our research shows they could drive both significant additional savings per employee and higher market capitalization.

# IT'S ALL IN THE COMBINATION

## Combining digital technologies isn't just a simple game of mix-and-match.

The right technology combinations will vary across industries, and will change over time as technologies evolve. What's more, the mix required to lower costs differs from that best suited to driving top-line growth.

Our cross-industry research shows, for example, that by combining five digital technologies in particular—autonomous vehicles, augmented and virtual reality, big data, machine learning, and mobile computing—companies could achieve additional average savings of more than US$85,000 per employee. A slightly different mix—autonomous robots, mobile computing, autonomous vehicles, 3D printing, and machine learning—could result in additional average market capitalization of just over US$6 billion (these gains vary across the eight industries we surveyed).
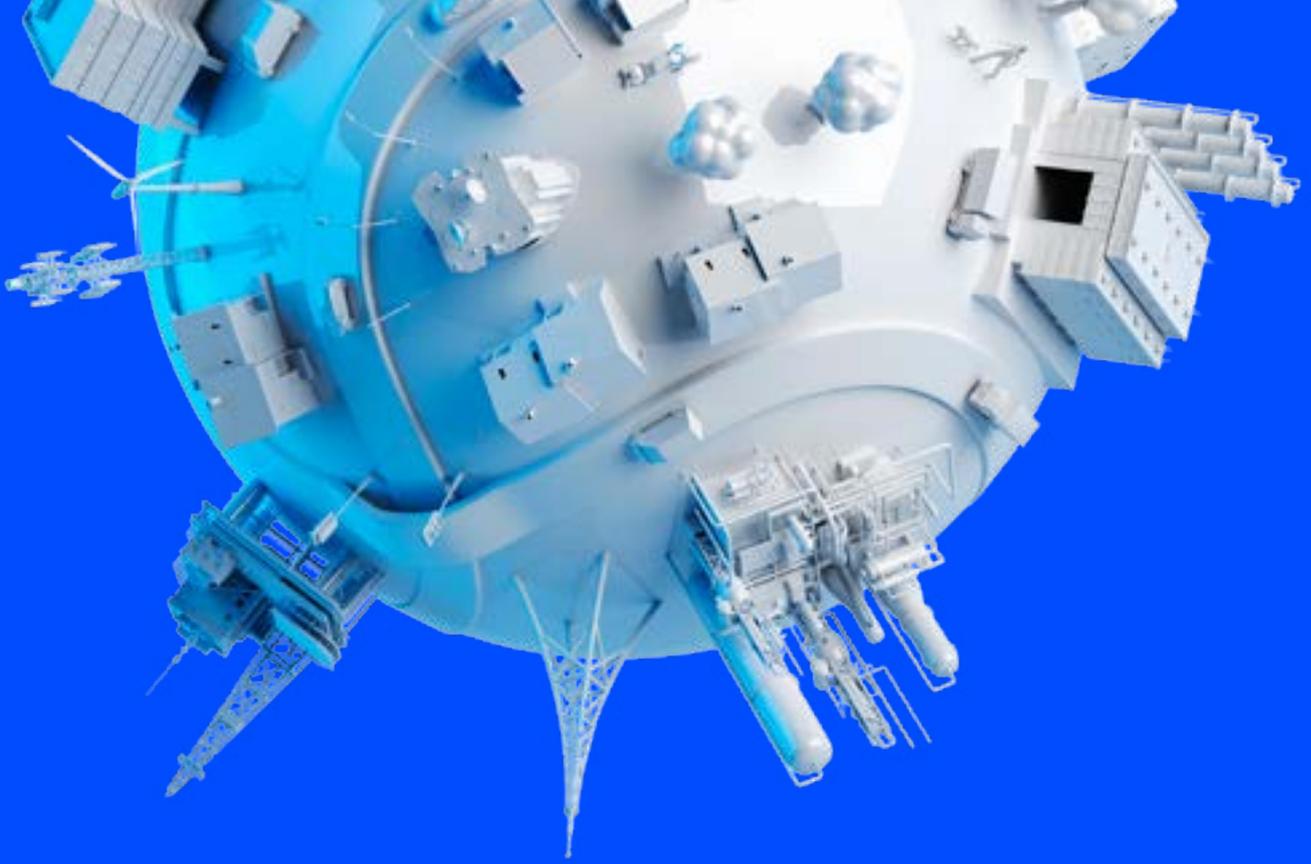
# THE INDUSTRY X.O ADVANTAGE

**To create value with digital, companies must completely reinvent their operating models, production and value chains, becoming what we call Industry X.O businesses.**

**Industry X.O businesses embrace constant technological change, and profit from it. They successfully combine digital technologies to drive both top-line and bottom-line growth.**

# SMART, CONNECTED, LIVING, LEARNING

**Industry X.O businesses not only leverage digital to drive continuous core operational efficiencies, they also leverage combinations of advanced digital technologies to create new, hyper-personalized customer experiences. They achieve this by being:**

### Smart:

Every product and production process is self-monitoring, data-generating, and aware of its ever-evolving business context.

### Living:

There is an enterprise-wide cultural capability to act with speed, focus, and agility, to meet needs and seize opportunities.

### Connected:

Communications are end-to-end and multi-directional, while data-sharing among people, products, systems, assets and machines happens in real time.

### Learning:

Adaptive interactions help create increasingly relevant and valuable user experiences over time.

**Our research shows that Industry X.0 businesses address six digital imperatives to become smart, connected, living, and learning.**

## 1 Transform the core

**Industry X.0 companies build their core engineering and production systems around digital to drive new levels of efficiency. They ensure that physical machines and software systems are synchronized to unlock previously unseen cost efficiencies—thus driving up investment capacity.**

Consider, for example, how Caterpillar has boosted equipment uptime and almost halved fuel costs for itself and its clients by making smart use of the data generated from connected machines.

## 2 Focus on experiences and outcomes

**Industry X.0 companies use their investment capacity to drive new, hyper-personalized experience for customers, via multiple "smart touchpoints." This helps grow core businesses by enhancing customer engagement.**

Consider, for example, how Huawei has leveraged an automated network traffic control system to cut the time it takes to meet key performance indicators from 5 hours to just 6 minutes.

## 3 Innovate new business models

**Industry X.0 companies ideate and create new business models to drive differentiated value for their clients and new revenue streams for themselves.**

Consider, for example, how Hitachi's open platform model has helped partner companies in a range of industries boost key efficiencies while significantly improving its own market capitalization.

## 4 Build a digital-ready workforce

**Industry X.0 companies source, train and retain talent with digital-ready skills and encourage active collaboration between people and machines.**

Consider, for example, how wearable technologies have helped Airbus' workforce reduce the error rate when designing aircraft-cabin seating to zero and improved its productivity by 500%.

## 5 Re-architect new ecosystems

**Industry X.0 companies create a robust ecosystem of suppliers, distributors, start-ups, and customers that allows them to rapidly scale new business models across the digital value chain.**

Consider, for example, how Siemens' open, cloud-based operating system connects leading start-ups with established players and infrastructure providers to drive innovation.

## 6 Pivot wisely

**Industry X.0 companies continually balance investment and resource allocation between the core business and the new business to synchronize innovation and growth.**

Consider, for example, how Google's parent Alphabet continues to invest in promising early-stage businesses while sustaining the success of its best-selling solutions.

# ABOUT THE RESEARCH

**In spring 2017, Accenture surveyed 931 senior executives from large companies across 12 industries and 21 leading industrial countries.**

**Our goal:** **to understand how companies deploy digital technologies and the benefits they derive from them. We identified a set of 10 critical technologies and used both survey data and company financial data to perform an Economic Value Modelling (EVM) exercise designed to identify the technology combinations with the biggest impact on top-line and bottom-line value release, as measured by market capitalization and cost-per-employee. We identified the optimum mix of technologies by combining results from machine learning and principal component analysis.**

# DIGITALLY CONNECTED CUSTOMERS DON'T WAIT FOR LAGGARDS.

A combinatorial approach to leveraging digital technologies is the key to value creation as an Industry X.O business. It enables new levels of efficiency, new sources of growth and the new experiences for customers that sustain "leading in the new". By becoming smart, connected, living and learning companies can completely reinvent their industries. **The time to start that journey is now.**

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