



The Voice of Digital Leaders in Manufacturing 2024

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Welcome to the third issue of our annual report, The Voice of Digital Leaders in Manufacturing.





Introduction

Welcome to the third issue of our annual report, The Voice of Digital Leaders in Manufacturing, a collaborative study between Copperberg and Valtech. In this edition, we surveyed visionary leaders from B2B manufacturing across the globe—and the results paint a comprehensive overview of the current state of digital transformation in the industry.

One of the clear findings of this survey is that the most significant digital growth for manufacturers in 2024 is expected in the aftermarket. Traditional channels, like distributors and sales representatives remain dominant, however, the largest growth is expected in ecommerce and customer portals.

Are manufacturers gearing up to unlock the potential of these online channels? Especially while integrating commerce and digital services? That is the big question that this report will answer. In a global economic landscape marked by uncertainty and inflation, the industrial manufacturing sector faces a dual challenge: embracing digital transformation while navigating the hype surrounding AI and servitization. While these technologies offer promising opportunities, manufacturers must carefully manage expectations and adapt to shifting market conditions.

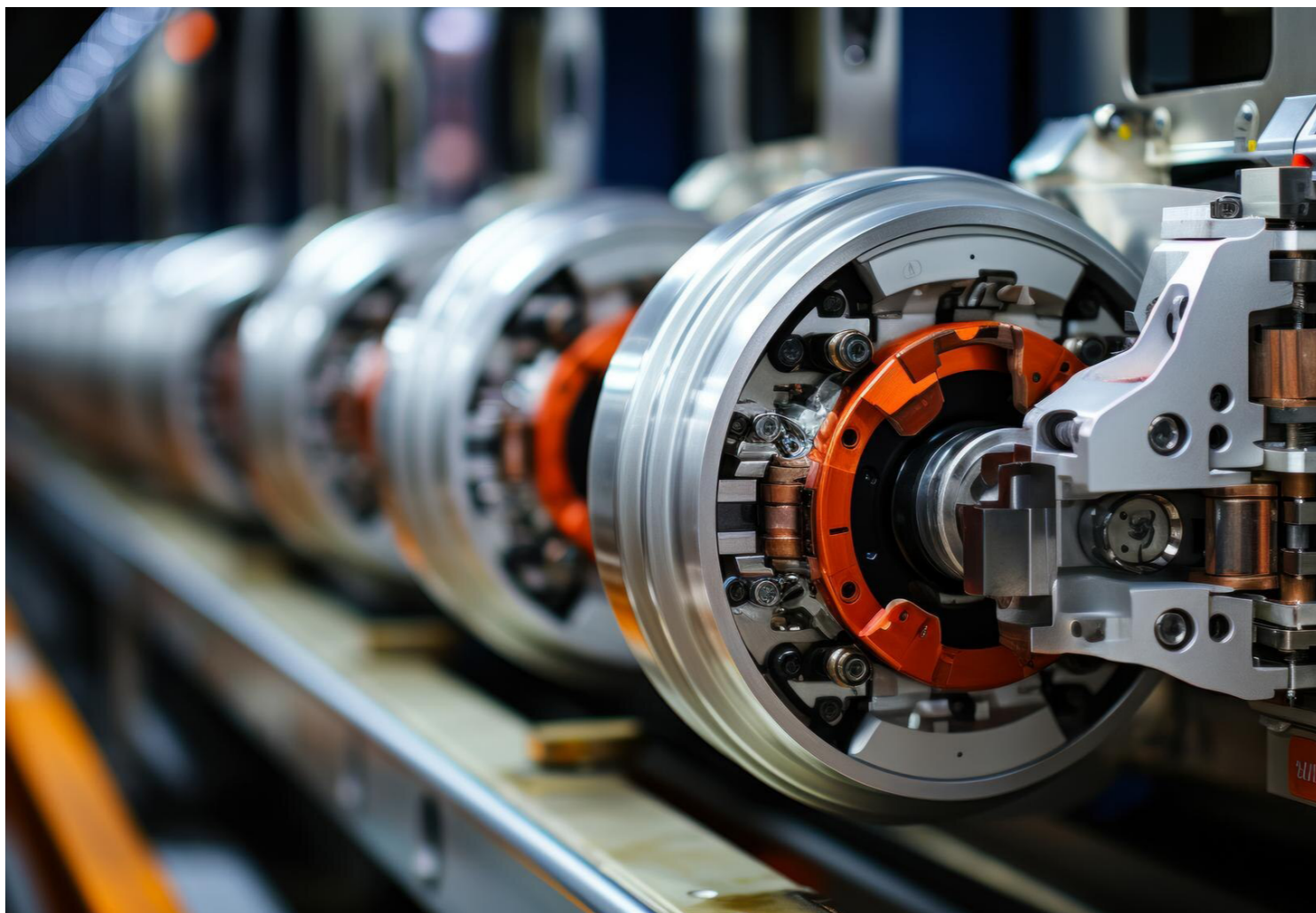
Organizations are currently at an inflection point, defined by high expectations and ambiguity

about what lies ahead. Many are still working steadily through the early stages of digital transformation, mapping out the fundamental aspects of their journey.

In this report, we'll explore the ambitions, investments, hopes, and concerns around digital, outlining emerging trends and shedding light upon the direction of the industry in 2024. The data in this report was collected through a hybrid research approach, combining qualitative and quantitative methods. Nearly 100 survey participants representing more than 300B EUR+ annual turnover have shared their transformation insights

and visions. Beyond the statistics, they provided hashtags and answers to open questions, thus representing The Voices behind the digital journey and giving great insights into the reality of these large B2B organizations.

With this report, we aim to provide practical advice and recommendations to assist you in navigating the challenges of the coming year. The insights shared by these digital leaders will empower you to make informed decisions on your transformation journey and help you accelerate your digital ambitions with successful outcomes. —



Lisa Hellqvist
Managing Director,
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The survey is built with a hybrid research approach; a combination of two market research techniques, qualitative and quantitative through an online survey tool. The quantitative elements were designed as multiple checkbox questions to collect numerical data that can be used to measure variables. The results are used to support general conclusions from the research and should be considered as indications. The qualitative elements were designed as open ended questions in the same online survey tool. Qualitative research seeks to delve deep into the topic at hand to gain information about people's motivations, thinking, and attitudes. The open-ended questions in this case are there to put a human voice to the objective numbers and trends in the results. The data selection approach is a two-stage cluster sampling.

The cluster is defined by the following screening criterias: Selection on size of organization, industry vertical, job function and influence over decisions within the surveyed topic area. From this selection a randomized convenience sampling approach was used for collection of data. The screening was included in the online survey and respondents not matching the population's criteria were disqualified before entering the survey. Only qualified respondents answers are included in the total data analysis. This report aims to describe a general state, with comparable results to last year's report. The answers to it should not be considered as statistically significant (64 valid responses), but mainly thanks to its qualitative approach, reflecting the underlying attitudes and trends forming the respondents' answers.



01.

Organizing investments around digital ambitions



Interesting insights

Two out of three organizations consider themselves ambitious players or outright market leaders.

The influence of IT on decision-making regarding digital budgets has grown compared to last year.

30% of the organizations claim to be ahead of the competition this year, a significant increase from the 16% from last year's report.

Half of the companies envisioning themselves as ambitious or on the way to becoming market leaders plan to maintain their current investment levels next year.

Ambitious organizations rank ahead of the competition, showing that there is a link between transformation initiatives and digital maturity.

The emerging decision-maker this year is the Dedicated Digital Department, which plays a key role for almost 34% of organizations.

The top reasons for slow or failing internal adoption are reluctance to change or embrace digital tools (49%), lack of cross-functional and departmental collaboration (46%), and lack of ownership of digital at the local level (46%).



The manufacturing industry has been on a transformative journey toward digital maturity in recent years and it was no different this year. Against the backdrop of rising inflation, uncertain market conditions, and a shrinking talent pool, the challenges have been more internally focused than ever before.

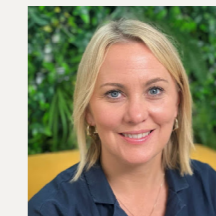
Still, ambitious manufacturing organizations and those aspiring to claim market leadership are dominating the market. Two-thirds of organizations confidently position themselves as ambitious players or, in some instances, as outright market leaders, reflecting consistent initiatives with the previous year.

However, the numbers indicate a more conservative attitude compared to last year, when more organizations envisioned themselves as more ambitious, and this year we also see more organizations voting their ambitions as limited. This may have been influenced by the market becoming more mature and hence more realistic about rating themselves on the scale of digital maturity.



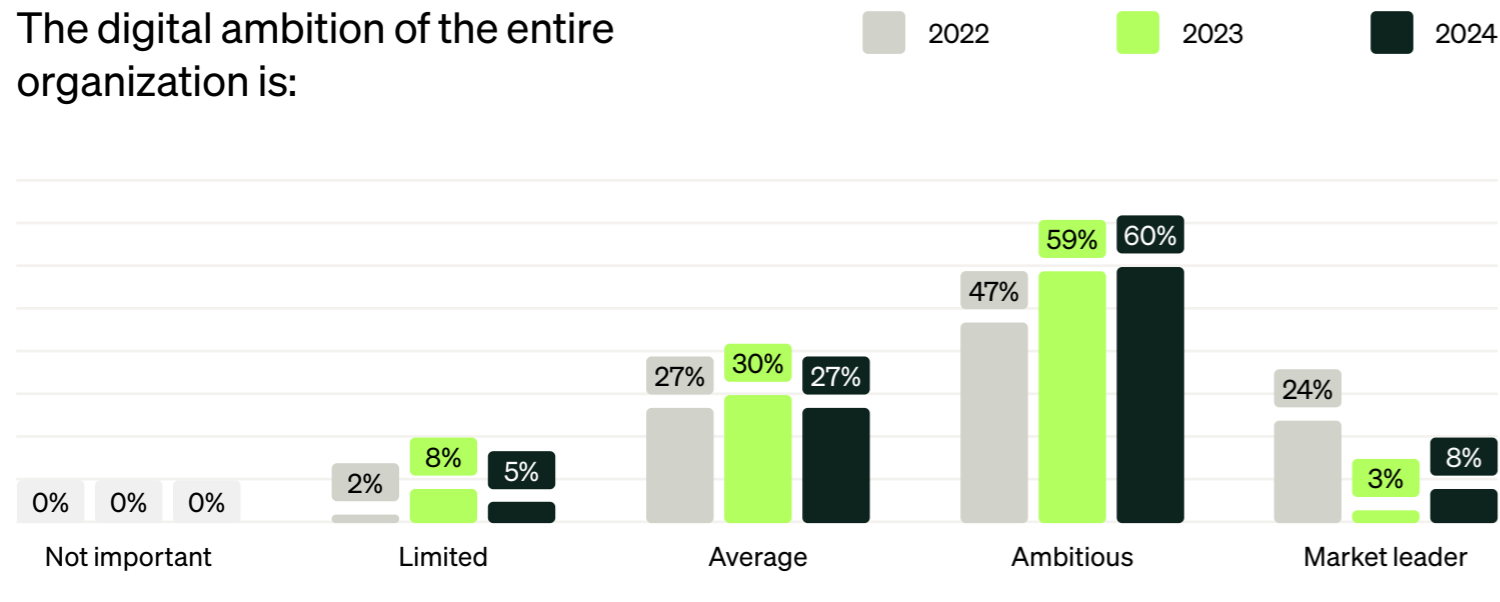
You need a “One Team approach”. The winning team is the one that realizes that to reap the advantage of freeing up your time, you need to first invest time in training and onboarding activities.

When our sales engineers clearly see the value of the customer self-serve they also become great promoters. For everyone it’s clear that commission remains the same so with ecommerce you will actually get more for less!

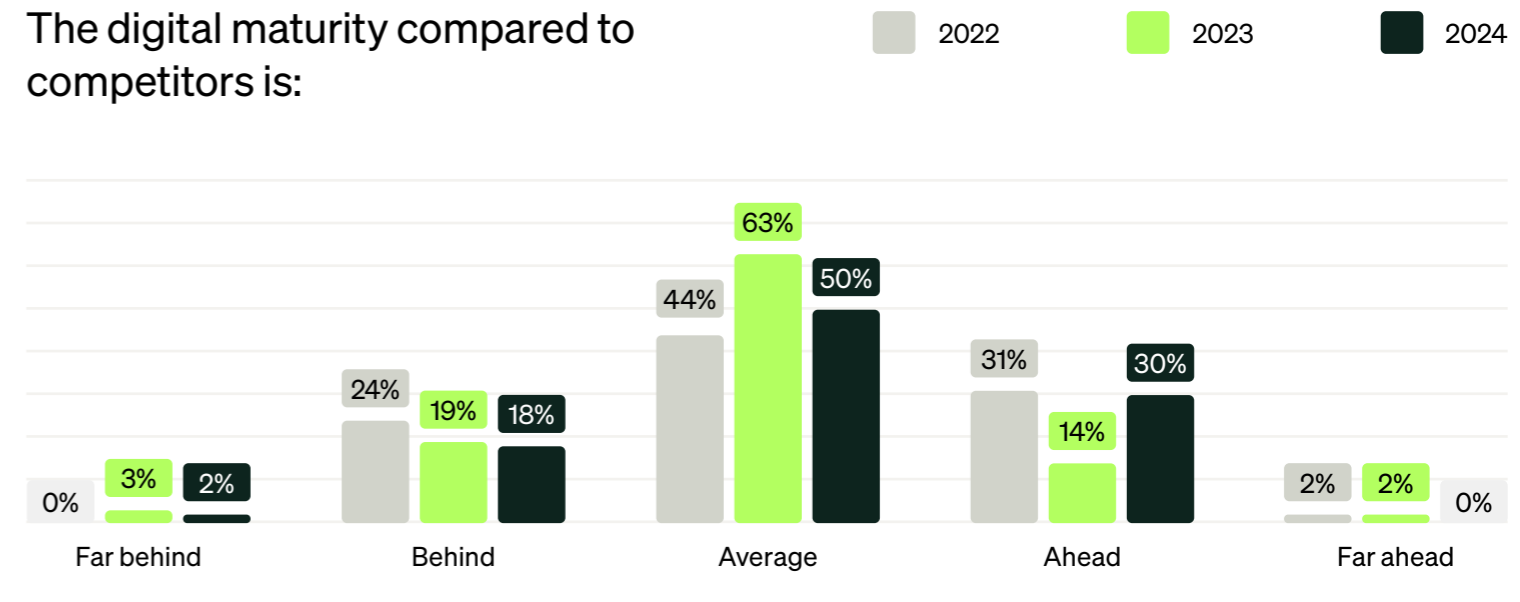


Karin Örnsten
Smart Portal Program
Manager, Atlas Copco

The digital ambition of the entire organization is:

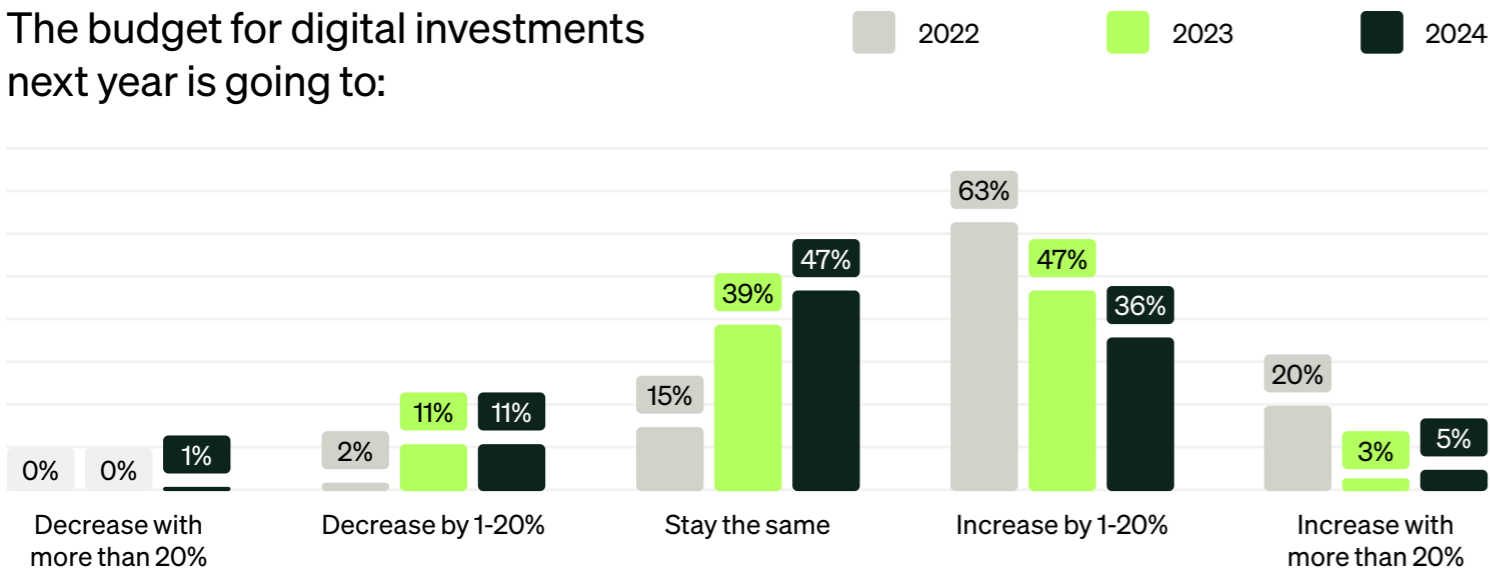


The digital maturity compared to competitors is:





The budget for digital investments next year is going to:



This year, 30% of organizations rank themselves ahead of their competitors, compared to the 16% in last year's survey. The increased number of organizations positioning themselves this way could indicate progress in digital capabilities that were prioritized last year.

Ambition as a catalyst for digital maturity

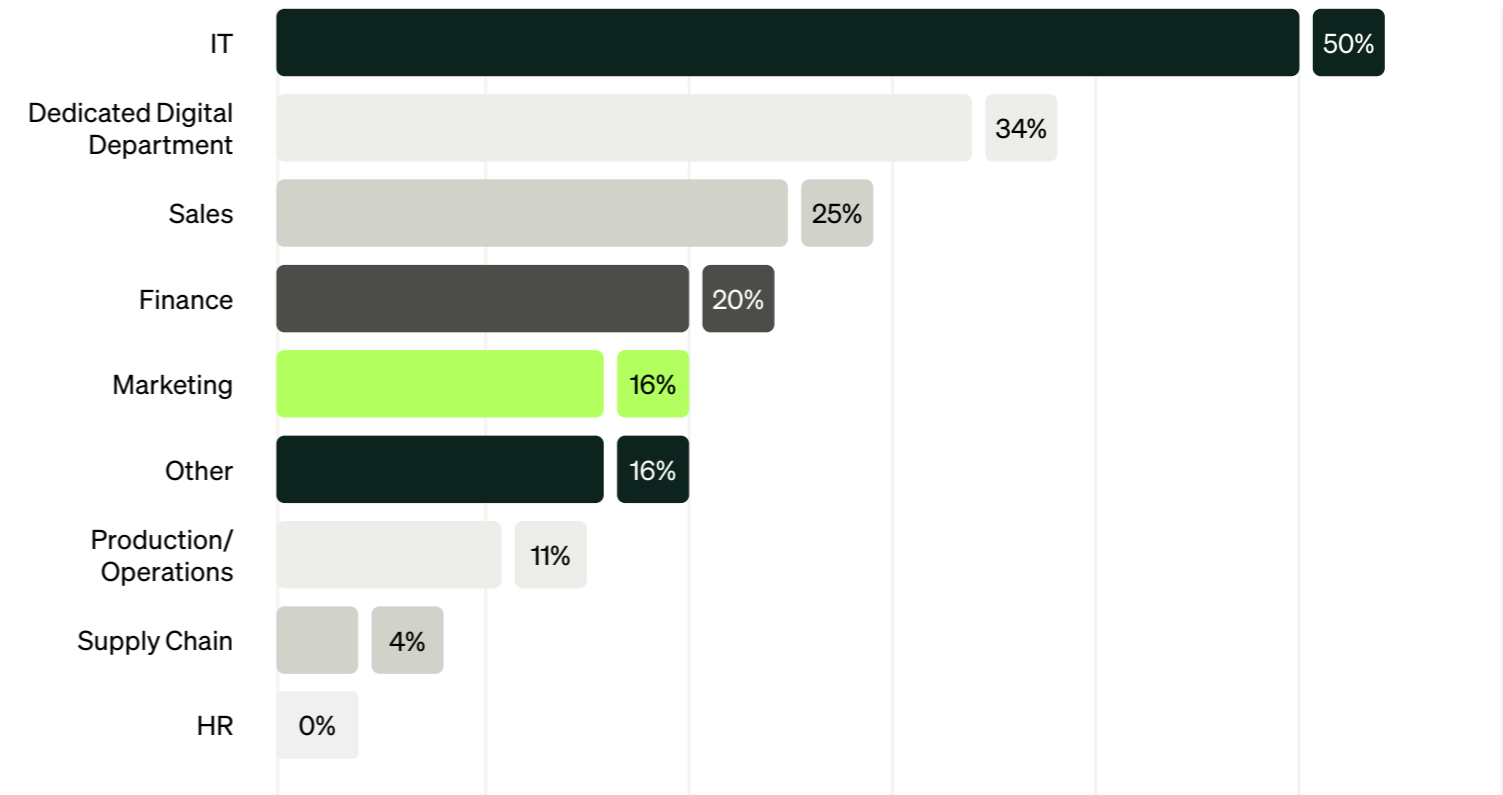
Half of the companies envisioning themselves as ambitious or on the way to becoming market

leaders plan to maintain their current investment levels next year.

Meanwhile, the other half is ready to boost their budgets. This does not suggest anything about the size of the budget itself though, which can be assumed to already be quite substantial. Nevertheless, the slowdown of growth in digital investments observed in recent years seems to be stabilizing this year. The overall trend even indicates a possible uptick in digital investments.

47% of our respondents indicate that digital investments are mainly decided by the IT department, whose influence has slightly increased compared to last year. Marketing's influence has

The divisions/departments with the most influence in decision making on this budget is:



declined by 15% and is slowly being replaced by an emerging decision-maker this year—the Dedicated Digital Department. This new department now plays a key role for almost 34% of organizations, compared to 19% in last year’s survey.

Internal adoption challenges

Last year’s report showed that many manufacturers struggled with the internal adoption of digital initiatives and services. This year’s findings show that the top reasons for slow or failing internal adoption are reluctance to change or embrace digital tools (49%), lack of cross-functional and departmental collaboration (46%), and lack of ownership of digital at the local level (46%). The results this year again reflect a common organizational culture struggle that

can be addressed with change management, collaboration, and a more cohesive approach to digital ownership.

The impact of commercially oriented factors on slow or failing internal adoption varies across organizations. Compared to those falling behind, organizations that are positioned ahead of the competition show significantly lower average scores on the commercially oriented factors, such as unclear P&L ownership on ecommerce or insufficient incentives for sales. This suggests that digital leaders have addressed these aspects in their operations better than others.

However, the adoption of new digital commerce channels by service and sales teams remains an important topic. An example of an obvious but impactful measure is that digital sales should be incorporated into the bonus schemes for sales teams. —



The Voice of Digital Leaders 2024

Reluctance to change/embracing digital tools

No cross-functional and departmental collaboration

No ownership of digital at the local level

Expert insight

As this year’s report shows, digital leaders in manufacturing are increasingly aware of the potential business opportunities through the digital channels in the aftermarket. But they face serious challenges seizing these opportunities.

We see a rising maturity of servitization in manufacturing. Manufacturers evolve from selling products to offering increasingly comprehensive solutions, with multiple services integrated in their offerings. Many see huge opportunities in transforming their business towards outcome-based or As-A-Service models. These transformations require robust commerce and customer portal platforms for effective service delivery. Thus, creating seamless access to services, helping clients to optimize their assets, fleets or installed bases.

The rise of Industry 4.0 technologies like IoT, AI, and robotics mandates the adoption of sophisticated digital channels. Typically, manufacturers have a lot of digital initiatives, scattered throughout their organization and IT landscape. These services need to be able to scale beyond the organizational silos. Customers expect a unified personalized experience with real-time insights into their assets. However, delivering on this promise is not without challenges.

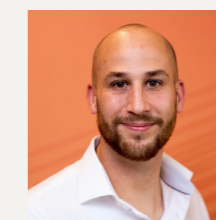
One of the primary hurdles is the integration of these advanced digital platforms with existing legacy systems and siloed data architectures. This can be complex and resource intensive. To support their digital ambitions, manufacturers need to invest significantly in evaluating and

upgrading their IT infrastructure to create the required flexibility and agility. The composable approach to address these challenges is on the rise.

Another conundrum lies in the ability to scale and monetize the new digital services and business models. Unlocking the true value of these improved customer experiences requires a solid data foundation with high quality customer and asset data. Investing in this foundation is mandatory for manufacturers if they want to leap ahead in their servitization journey.

Lastly, maintaining a customer-centric focus in digital transformation is crucial. Manufacturers must ensure that these digital channels genuinely enhance customer experience and engagement, and result in true value-added services. This is something quite different from merely digitizing existing processes. It means integration of digital capabilities into the business teams to be able to empower creation, innovation and optimization of these new services and customer experiences.

Overcoming these challenges is essential for industrial manufacturers to unlock the full potential of digital commerce and customer portals in the aftermarket.



Dennis Houtzager
Delivery Director,
Valtech B2B



The Voice of Digital Leaders: successful digital initiatives

We asked our surveyed leaders for the #hashtag they would use to best describe their most successful initiative that helped drive adoption. We also asked them to elaborate on that hashtag. This is what they told us:

#hybridsales

Establishing a sales organization that embraces digitalization for all kinds of customers.

#whynotonline

Any sales ops can be done online but many people don't see it that way until you explain it to them.

#operationalefficiency

Digital tools for our customers are important to drive operational efficiency (self-service).

#digitalexchange

Online training and meetings are offered around the globe to help grow digital awareness and initiatives.

#dataistheking

In service, we need data and it is scattered, so why not embrace digital transformation to support the transition?

#ecommerce

Ecommerce functions as a mover of other projects related to process optimization and automation.

#ceobuyin

Support from the top.

#sustainability

New digital tools for helping our customers with sustainability reports have given a new push to our digital adoption.

#digitalbusinessvalue

The success driver for our development has been the adoption and sponsorship by our business lines. Ecommerce is a brick of full customer experience digitalization that drives business value for the customer, which translates into business value for our group (pricing, market share, and market retention).



#courage

P&L leaders just make a leap of faith and do an MVP, having the confidence of succeeding eventually instead of endlessly reviewing every tiny detail of the project. B2B commerce is too complex and dynamic to treat it with the perfectionist mindset of a typical NPD project.

#topmanagement

The top management buy-in on the way of working is key to increasing adoption. If top management starts to follow up the business by requesting the usage of the newly implemented digital tools, then everyone below has to start to use them. If the top management still allows the use of old ways of working, the new tools will not be adopted by everyone.



#customerfacingproduct

Internal digitalization is mostly related to cost savings/process optimization (bottom line). Focus on the customer can create new revenue streams (top line).

#customerexperience

Many of our digital efforts focus on making our company an easy-to-do-business-with organization where we quote fast and act in a predictable manner.

#changemanagement

Without change management combined with a strategy, it is very hard to convince the organization to fully accept the need for digital transformation.

#resistance

It's about change management and understanding why people resist.

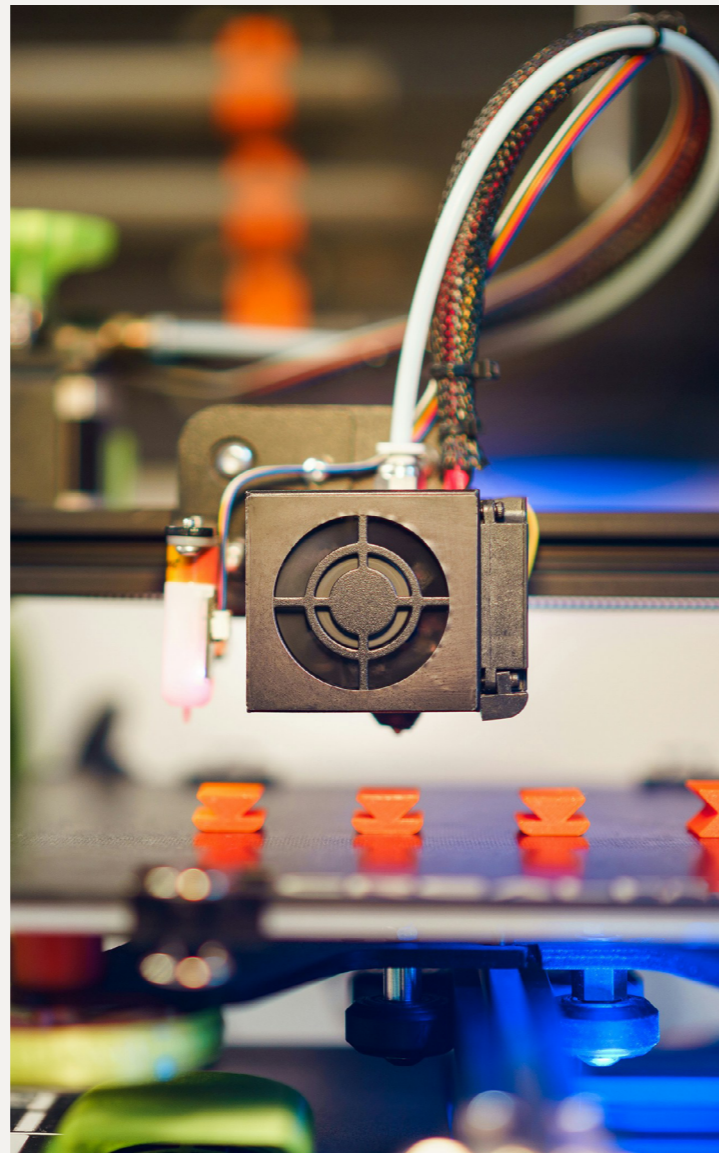


Key takeaways

01.

Digitizing the #customerexperience and #customerservice is the key to #customersatisfaction.

A recurrent customer-centric theme among the hashtags shows that digital is creating a competitive edge. It also reflects how much customer behavior has changed over the past three years, with an increased preference for online transactions and the convenience of self-service. Creating a smooth way of doing business for your customers is key.



02.

Even when recently launched, #ecommerce initiatives and #digitalservices are starting to drive #digitalbusinessvalue.

The integration of ecommerce and digital services stands out as a key driver of digital business value. For organizations ranking as digitally mature, setting up online

customer portals has provided a foundation for additional digital functionalities, optimization, and automation.

03.

Meeting #resistance with #changemanagement to become fit for the #future.

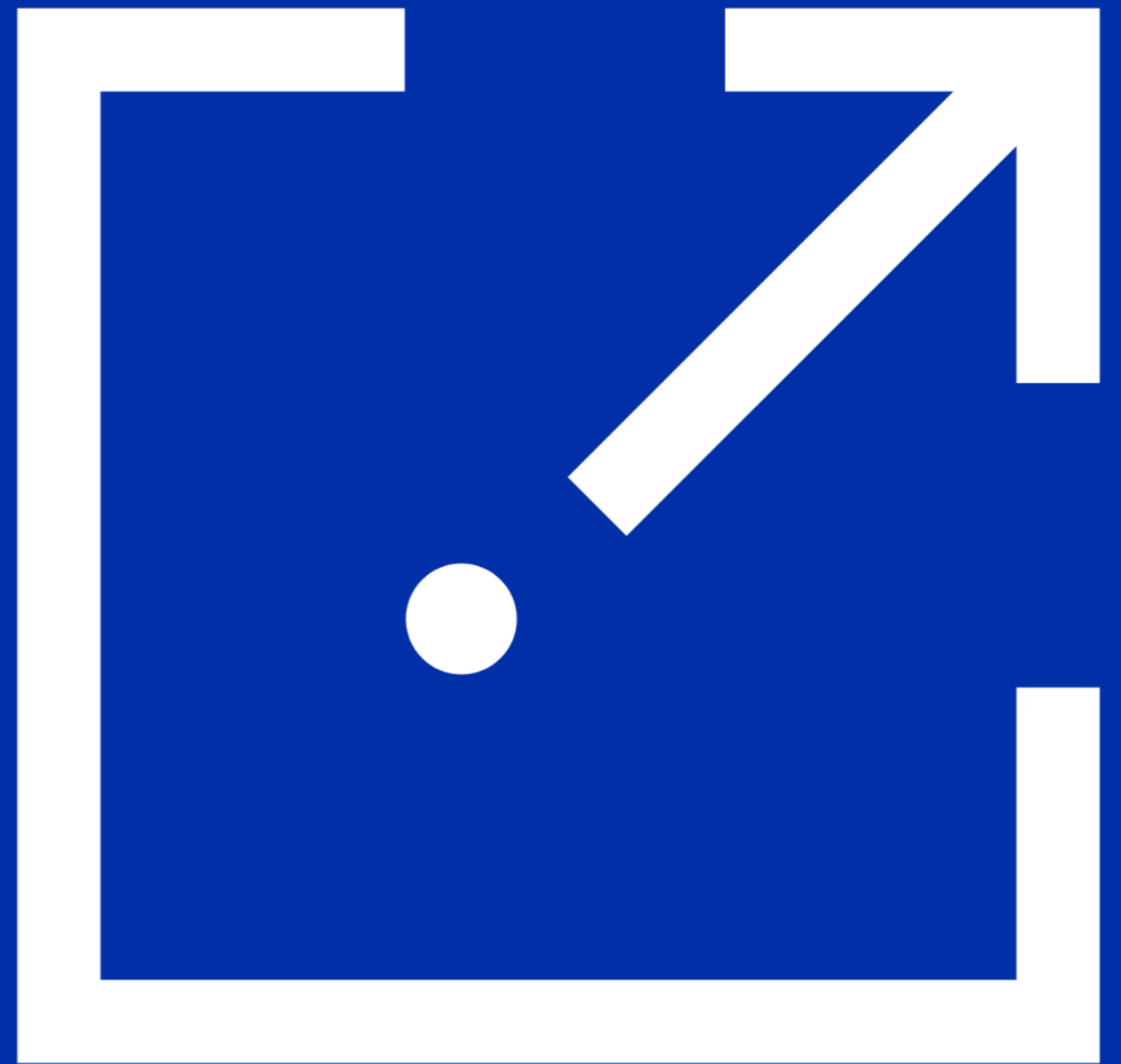
Recognizing and understanding resistance is crucial for effective change management. For everyone to be on board with digital transformation, it is important to devise a strategic approach to change management.

This must include building a vision for the long term, creating mock-ups early in the process, aligning objectives, involving stakeholders, and collaborating cross-functionally.



02.

Business strategies for future change



Interesting insights

Concerns about new entrants in the market have increased by 23% compared to last year.

New equipment and products drive the most revenue through direct sales for 61% of organizations.

Three out of four organizations expect ecommerce to drive the most revenue growth in 2024.

The top digital business goal for 82% of organizations in 2024 is increasing the share of wallet and revenue growth from existing customers.

The number of organizations relying on ecommerce for aftermarket services has more than doubled from 7% last year to 15% this year.

Two out of three respondents are investing in customer portals this year compared to the 50% of respondents from last year.

51% of respondents are concerned that rising costs of operations will pose a threat to their digital success in the new year.

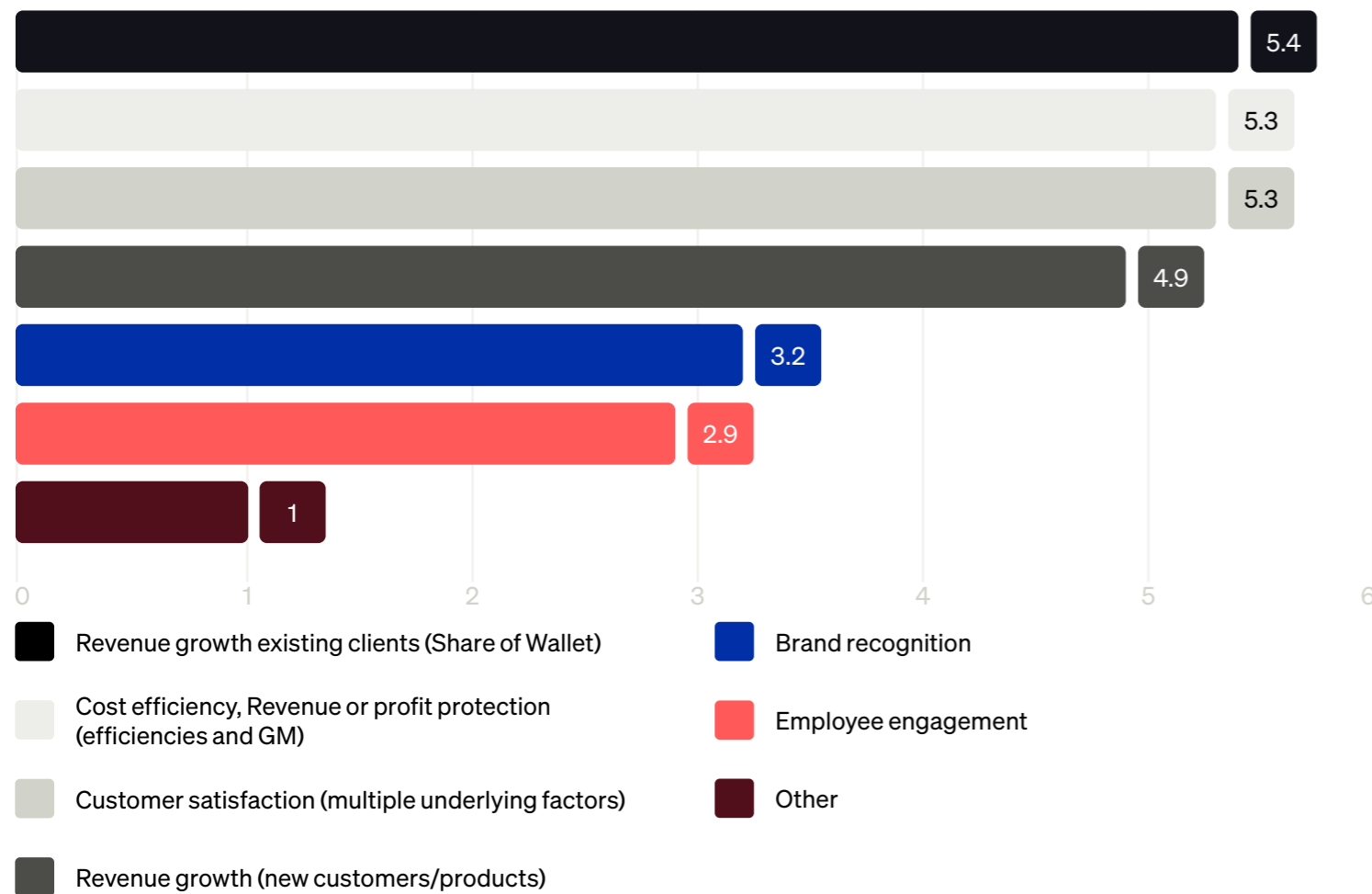


In 2024, organizations are steering their strategies toward clear objectives consistent with last year's. For **82%** of respondents, the top business goal in digital transformation this year is share of wallet and revenue growth from existing clients. This emphasizes a huge opportunity many see in growing business within the existing customer base by upselling and creating digital services in the aftermarket that can be monetized. It's consistent with last year when the top focus was on upselling and creating added value for

the customer base through additional services. Additionally, two-thirds of respondents plan to focus on cost efficiency, revenue, profit protection, and customer satisfaction.

However, certain objectives for digital transformation are very low on the priority list this year. The limited focus, indicated by only **2%** interest in brand recognition and employee engagement, under-scores the importance traditionally placed on building an online presence

The most important business goal of digital transformation (top score is 6) in my organization in 2024 is:



and nurturing a hybrid workforce, tasks typically handled by Marketing and HR departments. Considering the inflationary landscape that defined the last year for most organizations, this was to be expected. Many turned their attention to more short-term business goals, such as revenue growth, efficiency gains, and lower costs.

This also explains why opinions vary considerably regarding revenue growth from new customers and products. Acquiring new customers can

cost five times more¹ than retaining existing customers—and this is still merely an offline endeavor for organizations at the beginning of their transformation journey.

The high cost of new customer acquisition can be lowered by an increased focus on brand recognition. This plays a key role in attracting a new audience. There are long-term benefits in reaching new customers online, through digital marketing campaigns and a strong online presence.



¹Source: Customer Retention Versus Customer Acquisition

TOP 3 objectives for digital transformation

29 %
To increase revenue through expanding NEW services/products by upselling to existing customer pool (value-added services, maintenance, add-ons, etc.)

27%
To be more cost-efficient by optimizing current processes and resources

25%
To secure customer loyalty and satisfaction through better experience and delivery of service and products



Aligning business objectives with digital capabilities

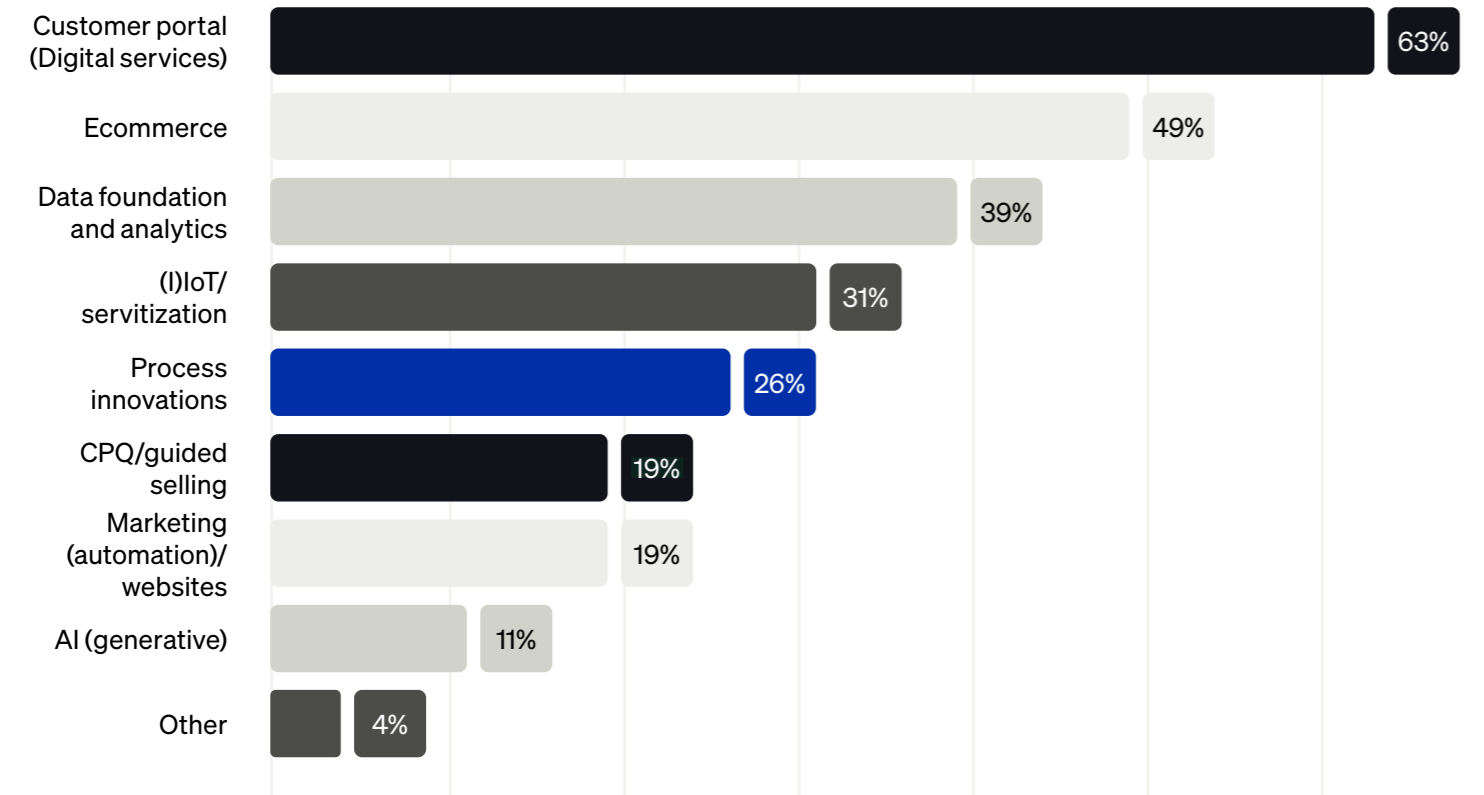
In line with their objectives for 2024, organizations are strategically directing their resources toward enhancing their digital capabilities. Two out of three respondents are investing in customer portals and digital services compared to half of respondents last year. This shows organizations are more committed than previously to their customer-centric approach.

They are also looking to improve their digital sales capabilities, with ecommerce remaining a

top area of investment for 49% of respondents. This continued focus on ecommerce is consistent with the customer-centric approach and the profitability of setting up digital storefronts for online transactions.

Customer portals and ecommerce shops are important data sources for the organization, so it is no surprise that data foundation and analytics continue to secure the third spot on the priority list this year too, as reported by 39% of organizations. This is a slight decline from the previous year when it held the third spot with 47%, suggesting that processes around data analytics have already been consolidated in some organizations whilst others are still working on it.

In the year ahead, the digital investments are mainly targeted towards:



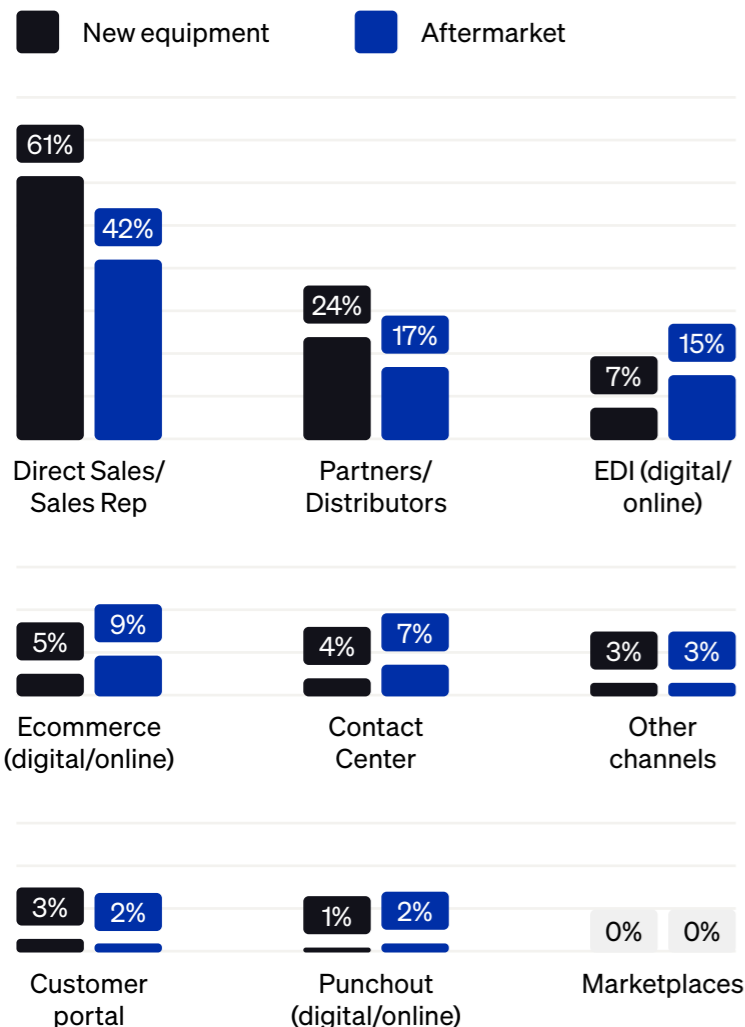
Other areas like IoT, servitization, and process innovations also get significant funding. However, it's interesting to note that the budget spent on AI technologies is relatively low. Especially when compared to what our Digital Leaders expect to be the trend with the biggest impact in 2024, which is exactly that—AI.



Ecommerce expected to bring in the most revenue growth

The data on revenue distribution across sales channels shows that there have been shifts in both traditional and digital channels for new products and aftermarket services. In manufacturing, it is still evident that direct sales and sales through distributors are very dominant—61% of sales of new equipment is done through direct sales and 24% through distributors.

Revenue split over sales channels: *



In the aftermarket, these numbers are significantly lower, respectively 42% and 17%. Digital sales channels like ecommerce, EDI, customer portals, and punchout show much lower volumes of sales. However, most manufacturers expect these channels to grow the fastest. The combined digital revenue of selling new products and equipment is 16%. In the aftermarket, digital sales mount up to 28% of total sales.

Looking ahead, the channels that our respondents expect to bring in significant growth in 2024 are increasingly digital. More than three out of four respondents (75%) cited ecommerce as the



Ecommerce and customer portals are crucial pillars in the digitalization of the customer journey. The key to success lies in bringing employees and partners along this transformative path, as closer engagement with end customers through post-purchase interactions is essential for unlocking new revenue streams.

The true potential for monetization lies in fostering collaboration and turning every interaction into an opportunity for customer satisfaction and sustainable profitability.



Gunther Fleck
Vice President Sales & Service Marine, Palfinger

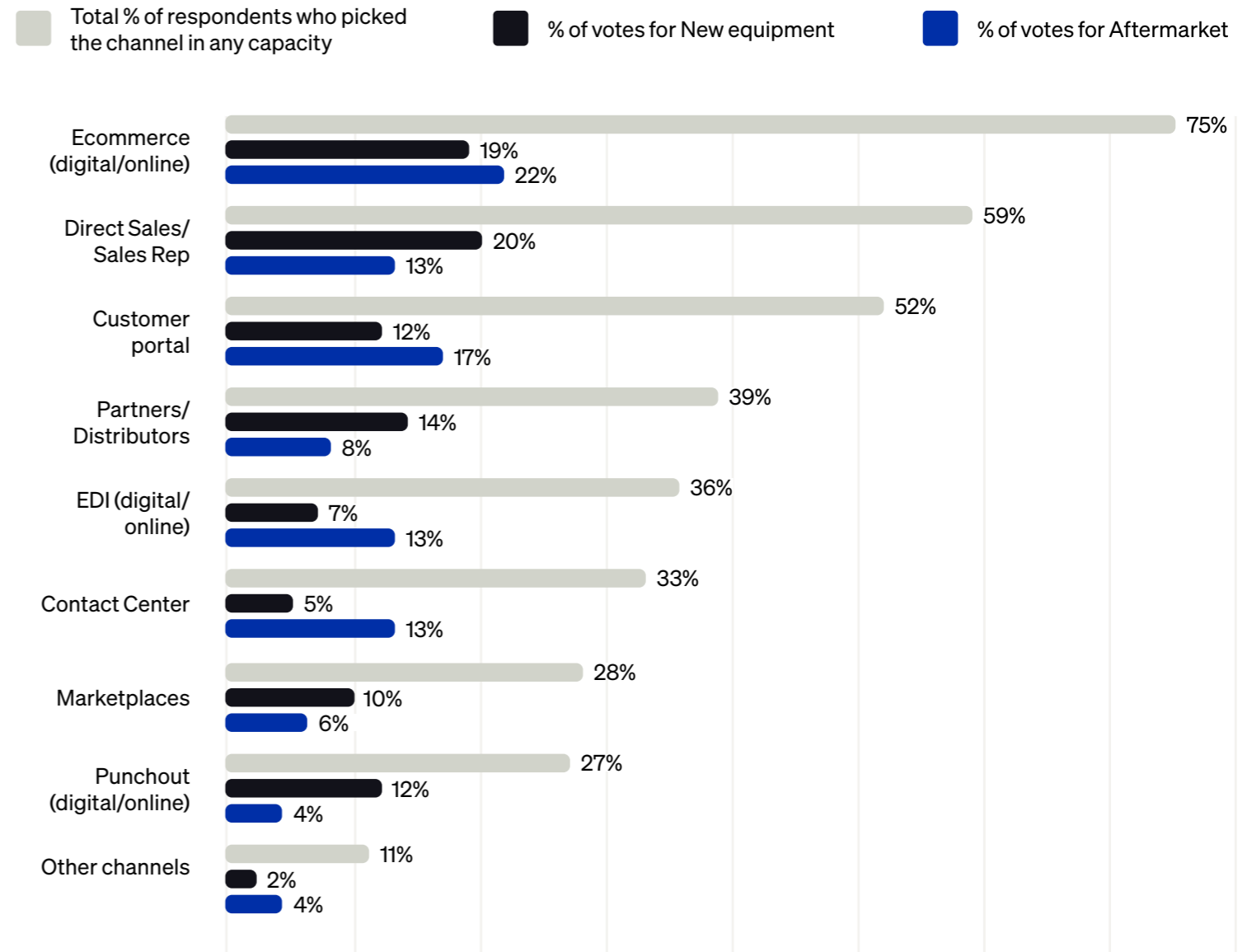
*Please note that totals don't add up to 100%, the channel average % of all respondents for each channel is used.

expected channel for revenue growth. The direct sales channel remains a strong contender, with 58% of respondents anticipating growth from it.

However, the strongest growth is expected in the combination of the ecommerce channel and customer portals, especially in the aftermarket. This growth expectation logically coincides with the clear investment focus on ecommerce and customer portals this year.

Zooming in on the digital sales channels, it is interesting to see the big differences between manufacturers currently. Especially in the aftermarket, the digital sales percentage can vary between 10% and sometimes more than 70%. This indicates many manufacturers still have a lot of potential to significantly grow their sales volume through digital channels.

Expected significant growth in these channels the upcoming year, New equipment vs Aftermarket:



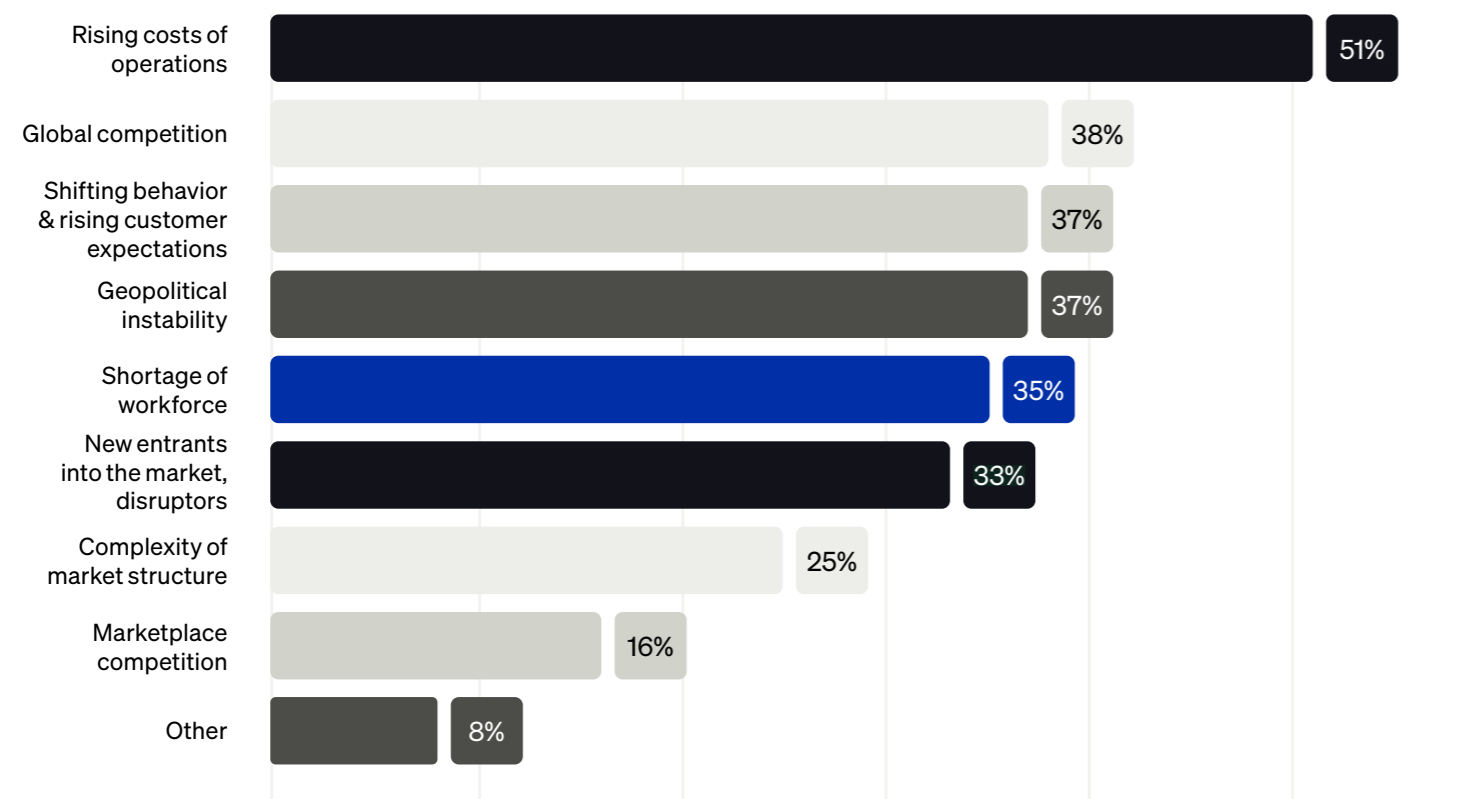
Global competition and customer behavior raise concerns

For all the growth anticipated this year, there are also concerns that external threats may hinder the transformation journey. The number one concern is the rising costs of operations, as indicated by 51% of the respondents. Although it decreased slightly, the inflationary economy, escalating raw material prices, and component scarcity continue to create challenges for organizations. The second biggest concern is the global competition (38%), followed by shifting buying behavior, rising customer expectations, and geopolitical instability (37%). While global competition is seen as a major threat, marketplace competition is perceived as a threat only by 16% of respondents. The difference

between the two suggests that organizations are aware of the challenges of competing in a global market and feel less threatened by competitors within specific or niche market-places. However, concerns about new entrants on the market and disruptors of business models are on the rise by up to 23% compared to last year.

As organizations anticipate the need to meet or exceed changing customer expectations, new entrants represent fierce competition. By introducing innovative solutions and disrupting the status quo, they are forcing established industry players to keep up the pace and retain their customer base. Staying ahead of global competition as well as new entrants that could reshape the competitive landscape is a difficult endeavor. Without a resilient and adaptable digital transformation strategy, navigating these challenges will be rough sailing ahead. —

The main external threats to the organization's success is:



Expert insight

This year's report clearly shows that ecommerce remains the primary channel for growth for manufacturers, especially in the aftermarket domain. But we see huge differences, even between companies in comparable market situations. Some manufacturers manage to achieve more than 50% of their total sales through the ecommerce channel, while others stay below 10%. Many struggle to convert from traditional (offline) sales to ecommerce-driven online sales. But it is worth the effort! Increasing the percentage of online sales can seriously drive business value. More online sales, if done right, leads to more self-service, higher efficiency, more time for consultative selling, increased share of wallet, and higher customer satisfaction.

In our experience, the companies that have succeeded in achieving a high adoption rate managed to set up a solid foundation with three key enablers:

- Personalized experience
- Sales team onboarding
- Channel management based on smart KPI's

With many different types of customers, it is key for manufacturers to personalize and differentiate in experiences. Key accounts require different needs and features than long tail customers or distributors. But many manufacturers still struggle to offer an experience that matches customers' expectations.

One reason is that digital teams often are too far away from actual customers and sales teams. Another theme that remains underexposed within the manufacturing industry is asset-centricity. Companies that can provide specific context and services around the installed base of their client are more successful in onboarding and retaining customers on their digital channels. A huge opportunity!

Secondly, adoption of digital channels remains a challenge. Many large manufacturers have grown through acquisitions, are globally active and operate through multiple brands. Often these characteristics lead to an environment with different interests and a resistance to change.

The organizations that find the right balance between bottom-up and top-down initiatives can thrive in internal and external adoption. Senior management across the organization must be committed and willing to embrace and take ownership of specific digital targets. This must be combined with a strong internal change management practice. Some basics: Sales representatives should be involved early, online sales must count equally when awarding bonuses, provide smart training and support for sales and customer service personnel, etc. Find the right mix that fits your organization, and you will increase the adoption rate.

Leveraging intelligent KPIs is a common practice for steering successful digital businesses. Manufacturers can learn valuable lessons from the B2C segment that has a proven track record in this area. A notable gap often exists in establishing a clear KPI framework, hindering the concrete measurement of success. Additionally, manufacturers tend to lack the right processes for collecting the right data to measure relevant KPIs of their online initiatives. Define the right KPI's for your operation, relevant to different segments/audiences, and steer the digital business accordingly. This will lead to more successful and growing digital channels.



Vincent van Hellemond
Growth Director and
Commerce Expert,
Valtech B2B



The Voice of Digital Leaders: successful digital initiatives

We asked our surveyed leaders for the #hashtag they would use to best describe the state of their organization's digital transformation and later on to elaborate on that hashtag. This is what they told us:

#innovative

We have multiple ideas, think tanks, and joined work streams but not joined under one clear umbrella.

#maturing

Digital awareness became more mature across the organization when compared to the previous years.

#dataistheking

In service, we need data, and it is scattered. So we need to embrace the digital transformation that will help us.

#tippingpoint

We have worked hard for many years to achieve a digital transformation—we are now getting closer to achieving our goals.

#optimize

Our digital efforts are primarily focused on simplifying our IT landscape and improving the internal efficiency of our organization.

#shiftinggear

Basics are in place. The focus is on the customer journey. Now speed up with our roll-out and new services.

#servitization

Bigger share of service revenue.

#growing

We have been growing very nicely in the digital KPIs recently. We will have to be quite innovative to drive more customers online though! The low-hanging fruits are eaten up.

#readytoaccelerate

A lot of the digital infrastructure is ready for increasing focus on digital sales. Still need to focus on logistics and strategy for roll-out in the different markets with the conflicting channels.



#nothappening

We are too successful to worry about this yet.

#agileunits

We have an agile unit focusing on customers, but not yet an agile enterprise.

#longwaytogo

We are far behind other similar-sized companies, especially in our region.

#good

Because we are in a good position to still be market leaders, but not above good because others are now at our same level and we need to accelerate if we want to be market leaders in the near future.



#successfulstarter

Several initiatives succeeded, others are in planning and realization.

#crawling

Behind others; need to walk then run if we are to catch up.

#intermediate

The awareness to do something is high. There are a lot of ideas but without the willingness to change procedures and invest in people.

#futureproof

Our digital transformation will ensure our survival in the future as a leaner company, while still meeting the increasing demands of our customers.



Key takeaways

01.

It's a #slow process that feels like #crawling and there is still a #longwaytogo.

For many organizations, the journey has just begun and they are now mapping out the road ahead. While ideas are abundant, the actual implementation is lagging. The need to transition from crawling to walking and eventually running is becoming more pressing as organizations try to catch up with similar-sized competitors.

02.

Organizations are #maturing and going #steady following a #successfulstarter.

Gaining momentum is proving challenging for some organizations. Despite being in a maturing stage, the reluctance to change and invest in skilled talent hinders progress. After a successful start, many realize that the transformation journey is a lengthy, albeit much-needed process, where the company needs to band together.

03.

It's a #tippingpoint and some are #shiftinggear and #accelerating.

Some have reached a pivotal tipping point after years of dedicated effort on their journey. They feel closer than ever to realizing their goals, and so they are shifting gears with a centralized digital initiative, seed funding for new projects, value-added services and roll-outs, and an increased focus on the customer journey.



03.

Trends defining the industry in 2024



Interesting insights

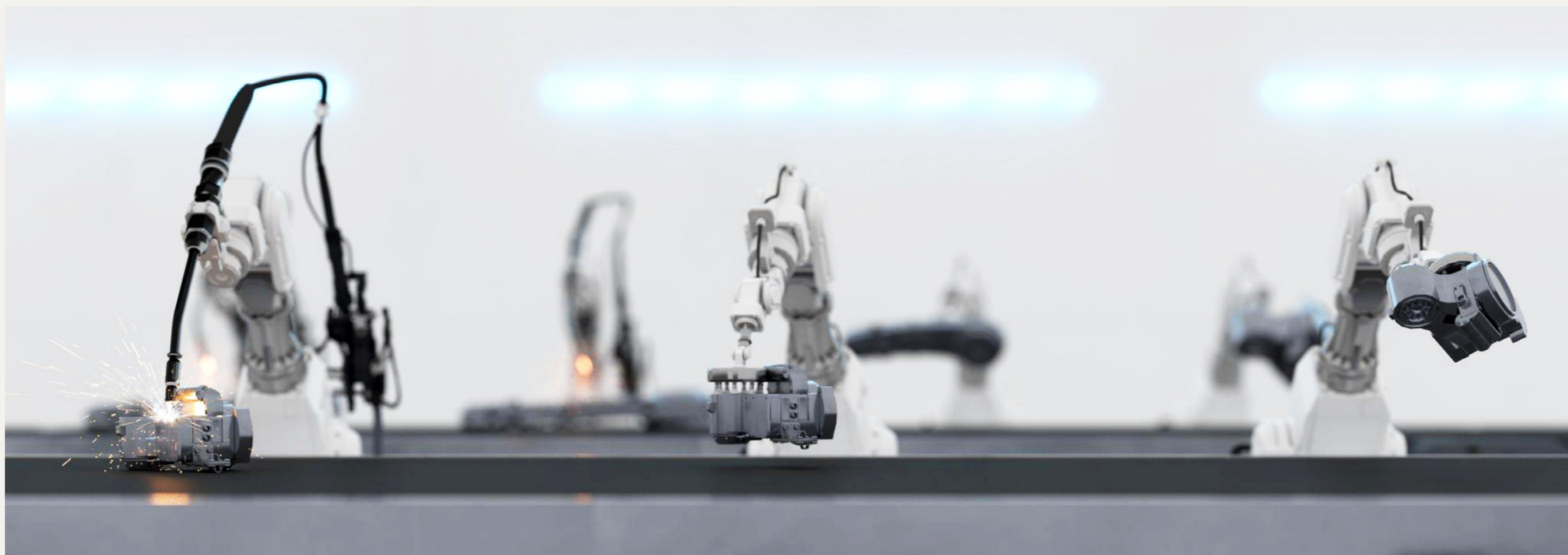
One out of five organizations reported not using AI in their operations.

33% of organizations use AI for data cleansing and optimization.

Using AI for predictive maintenance and asset optimization scored 31%, and so did product recommendations and content creation.

29% of organizations are unfamiliar with the concept of digital footprint.

56% of organizations are planning to integrate their digital footprint into their digital initiatives.



Digital transformation will continue to redefine operational models this year as it did over the past three years, and longer for some. Last year, the integration of artificial intelligence (AI) saw larger adoption than ever before for a multitude of use cases. From visual assistance or quality control to predictive maintenance, and more. The increased digitization and automation of processes has also created an opportunity for organizations to improve their sustainability scores. But as our research shows, these things take time to consolidate and the trends will continue to evolve in the new year.

Utilizing AI to unlock operational efficiency

Although AI is nothing new in the manufacturing industry, its integration is still a work in progress for many organizations. The applications of AI can range from it being incorporated in standard office software, to off-the-shelf or bespoke AI solutions for supply chain optimization, quality control, or innovative services to customers. So, what are the main strategic areas where organizations are currently applying AI in an established and scalable manner?

The vast datasets generated by manufacturing processes can be used for numerous purposes, such as data-driven decision-making, or new customer proposition development. However, these datasets are only as valuable as their quality. Cleansing and optimization are a tedious and time-consuming job, but necessary to derive actionable insights for decision-making. One-third of our respondents are putting AI to use for data cleansing and optimization.

Predictive maintenance and asset optimization follow closely. Slightly less than one-third of respondents recognize AI's potential to maximize

uptime, minimize unplanned downtime, and increase machines' performance and lifecycle. When applied internally, this can help manufacturers predict and prevent downtime, reduce waste, and optimize output, thereby optimizing their manufacturing processes. Applying this to the customers' installed base can provide them with tools to get the most out of their equipment. This ultimately leads to more satisfied customers and cost savings on field services, as well as a much-anticipated sustainability boost.

Equally important for manufacturers is the application of AI in content creation and product recommendations. With the rise and availability of AI-generated content in 2023, the industry leverages the opportunity to create more personalized customer experiences and targeted marketing strategies. Next to directly increasing



In the era of artificial intelligence and digital transformation, organizations must not only adopt cutting-edge technology but also cultivate a culture of curiosity, collaboration, and continuous learning. To unlock the full potential of digital solutions and AI, embrace a mindset that values innovation, invests in skill development, and integrates diverse perspectives.



Paul Mairl
CDO, GKN Powder Metallurgy

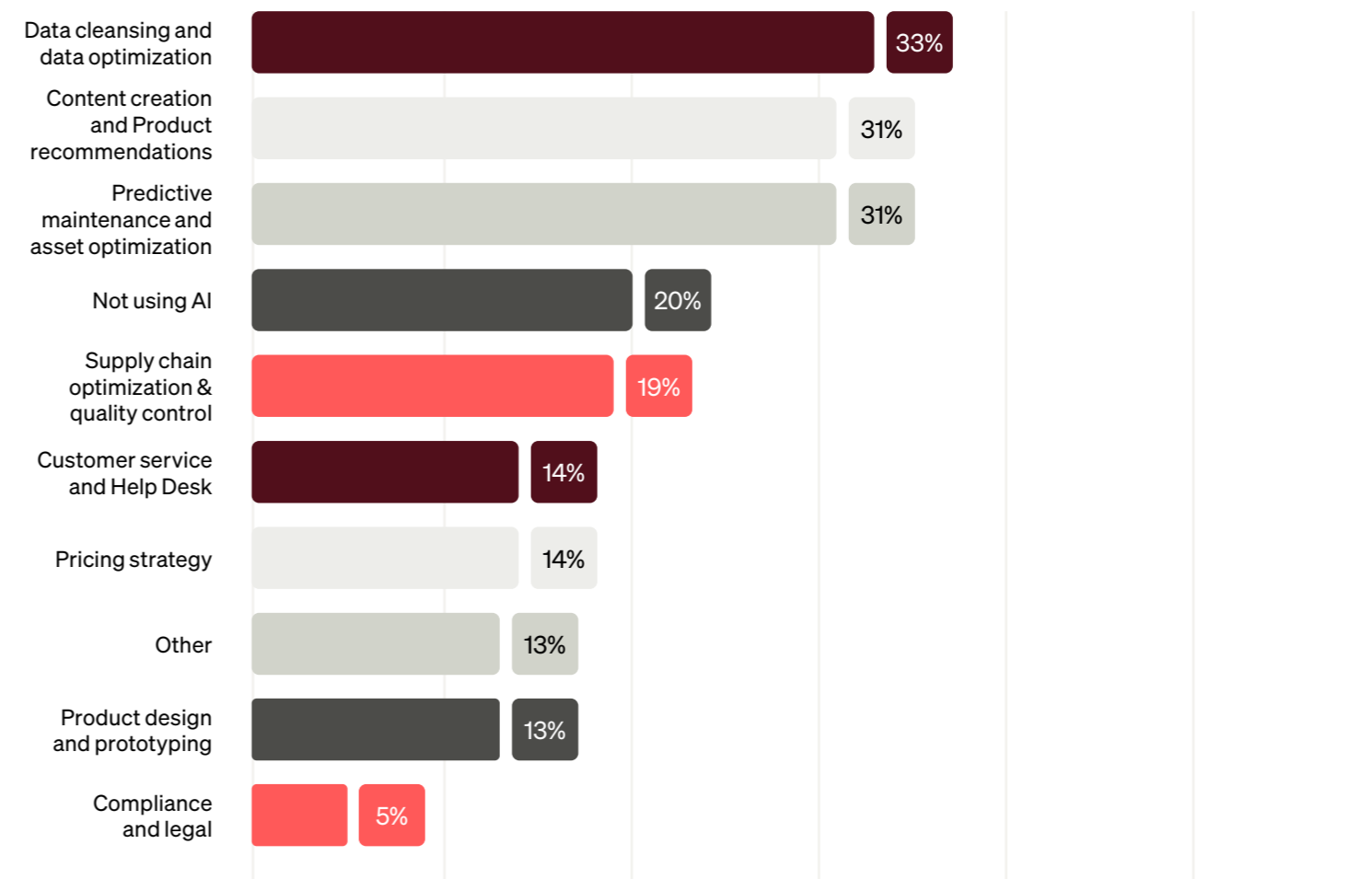
sales, when used diligently, AI-driven product recommendations and content can also indirectly boost sales by enhancing customer engagement, satisfaction, and brand relevance.

Judging by this clear top three, AI is currently mostly applied to boost operational efficiency. This does not come as a surprise, considering the workforce shortage that is also heavily affecting the manufacturing industry. Leveraging AI to accelerate people's tasks, enabling them to cover more and lose less time on tedious tasks, seems to be an upcoming trend. This is a clear mitigation for the staffing shortage.

The digital footprint is not yet an integral part of the initiative

Digitization comes with great environmental benefits such as the paperless office, but also brings solutions like predictive maintenance and optimization of machine usage resulting in higher efficiency and lower energy consumption. These can all have a hugely positive impact on the sustainability goals of manufacturers and their clients. As manufacturing processes and services

Domains where AI is applied in an established and/or scalable way:



are becoming increasingly data-driven, the carbon footprint associated with digital solutions is increasing too.

The environmental impact of digitization itself is already becoming a pressing issue that organizations need to consider. Only 15% of organizations are addressing their digital footprint as an integral part of all digital initiatives. The majority of 56% plan on integrating their digital footprint into their initiatives, but have not yet fully done so.

This indicates that there is awareness of the issue in the manufacturing industry, but it is not a top priority for most organizations. There seems to be a lack of understanding of what the digital footprint is among industry players, as 29% of organizations seem unfamiliar with the concept.

Whether large or small, organizations are having equal difficulties in managing their digital footprint. This could be a low-hanging fruit for organizations that are starting new digital initiatives and want to address and obtain their sustainability goals. —

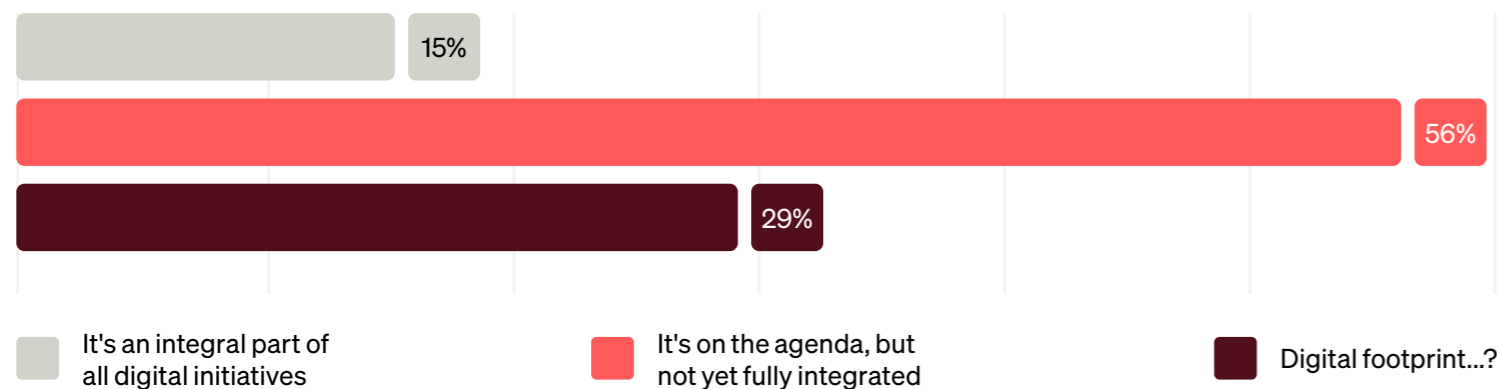


For digital transformation to succeed, industrial manufacturers need to adopt an end-to-end customer-journey perspective and focus their investments on the initiatives that add most value to this journey.



Alejandro Espejel
Head of ERP Transformation, FLSmidth

The carbon footprint of digital solutions is rapidly increasing. Are you actively addressing your digital footprint?



The carbon footprint associated with digital solutions is increasing. The environmental impact of digitization itself is already becoming a pressing issue that organizations need to consider.



The Voice of Digital Leaders: successful digital initiatives

We asked our surveyed leaders for the #hashtag they would use to best describe the digital trend they believe will have the greatest impact on their business and later on to elaborate on that hashtag. This is what they told us:

#AI&AR

Responsiveness is critical for our customers and they are happy to pay for it.

#MACH

Microservices, API-first, Cloud-native, and Headless.

#customerexperience

As customer pressure to provide digital solutions on all P&Ls intensifies, the company will adapt to survive.

#lifetimemanagement

Complete cycle of customer service from initial investment to Aftersales during the entire lifecycle.

#AI

AI seems to be our highest potential to revolutionize our industry while transforming our business model from a service provider to a software-driven champion.

#servitization

Customers are becoming more and more aware of the impact of units down in their operations, seeking real-time solutions supported by technology breakthroughs.

#Alisalreadyhere

In the B2B universe, AI is not considered "there" yet, and we need to wake up.

#LLM/GPT

This will change the world, there is no excuse why it wouldn't touch us.

#100%selfservice

We need to push the limit for how customers can perform close to 100% of the purchase process independent of sales reps. We need to address all questions they might have, whether it is via content, chatbots, or AI services. The only way to be available 24/7 worldwide.





#AIwithIoT

AI solutions in combination with IoT (sensors and steering) have a big impact on the way we create efficiencies internally, but also on the process and operations of our customers in the way they use our products. Customers are happy to pay for it.

Trend alert

#AI is already here and whether you pair it with #IoT or use it for #personalization, #decisionintelligence, or other use cases, it is revolutionizing the industry.

The widespread adoption of AI is cause for much anticipation and uncertainties among many of our survey respondents who mentioned it in their hashtags. Expectations range from high hopes to more reserved or ambiguous stances.

AI Is Already Here

While AI's current impact can be witnessed across industries, some believe that it has not yet reached its full potential in the manufacturing sector. According to one respondent, there is a need to "wake up" to the transformative possibilities that may still be untapped.

Integration and Impact

Some are already envisioning the impact of integrating AI into organizational frameworks, especially as use cases become clearer and are applied to well-established digital platforms.

Driving Efficiency and Transformation

As one respondent chose to describe it: AI is the key to transforming the business model from a service provider to a "software-driven champion."

AI with IoT for Operational Efficiency

AI solutions paired with IoT technologies, including

sensors and steering, emerge as a potent combination for internal efficiencies and reshaping customer-facing processes and operations.

AI-Based Prediction and Decision Intelligence

Organizations are anticipating a greater impact from data and AI-driven decision-making on both internal and external processes.

Across all these different perspectives, expectations around AI reflect a mix of optimism, a drive for efficiency, and a transformative vision for the organization. Expectations are high. At the same time, as we have seen, current AI usage is still mostly focused on straightforward efficiency improvements instead of underpinning new propositions for customers or new business models.

It is therefore interesting to note that of all suggested digital investment targets for the upcoming year, AI scored the lowest. This seems to suggest that although expectations are high, they are perhaps not clearly defined enough yet to justify big investments. Nevertheless, while there is still uncertainty hanging in the air, the strategic integration of AI is a promising resolution for 2024.



04.

Expert insights



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When asked to reflect upon decisions they wish they never took, or that still make them cry just thinking of them:

I only wish we started sooner.

I wish we had a platform with a proper PIM solution integrated.

I wish we had built a customer portal already.

I wish we decided sooner to invest seriously in digital solutions.

I wish we focused more on data/ analytics and continuous improvement.

I wish we created a product out of an MVP instead of restarting from scratch.



No two digital transformation journeys look the same. And as we've seen in this report so far, digital leaders are on different degrees of maturity and integration. Many organizations are confronted with pivotal decisions that shape their trajectory. Delving into their experiences and reflections on decisions made, they provided expert insights to help steer the industry as a whole in the right direction.

Organizations expressed regret over opting for "creating custom solutions when there are many options already available." In the same vein, others expressed regret over trying to find one solution that fits all the business challenges. Also, the misguided use of machine learning in pricing decisions during times of crisis was mentioned, which shows that for many, last year was one of trial and error.

However, a widespread sentiment among respondents was wishing to have started the

digitization process sooner or in a smarter way. Due to starting too big or too slow, some have fallen behind the competition. Others admit that the delay was caused by a lack of vision, organizational alignment, or support from the top level.

Likewise, some were hesitant to launch ecommerce until certain systems were completed. This once again shows that they were confronted with delayed decision-making, and potentially missed out on valuable market opportunities.

Another regret was overlooking data quality and investing in the right talent to organize and analyze data. This was the case in previous years as well, and many leaders have warned against starting the transformation journey before organizing datasets. The quality of data has a major impact on digital technologies and processes and can lead to inaccuracies, poor decision-making, and redundancy.

I wish we pushed digitalization faster forward, while we could have still been the leader in our segment!

I wish we didn't start the digitalization as an R&D project before getting handshakes from all in the organization.

I wish we hadn't developed subscription systems without having a sufficient workforce to handle the added workload.

I wish we wouldn't have built a solution for customers without proper prototyping and testing to validate the service.

I wish we hadn't spent too much time (and money!) on trying to find a one-size-fits-all platform. We are now componentizing and using the fit-for-purpose approach.

I wish we hadn't created custom solutions when there are MANY options already available. It may sound like a fun and creative idea, but it's simply too costly—especially if it's not being used enough.





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When asked to provide a successful example of an as-a-service proposition that generates significant new revenue, three out of four respondents expressed that they don't have one:

Not yet, unfortunately. This is why we are here!

Not right now.

Not realized but in planning.

Our equipment has extremely high capex, therefore not until now.

New business models based on digital services are not flying yet

Many reported a lack of significant outcomes. It seems that the Industrial Manufacturing market is not yet ready to switch to outcome-based as-a-service propositions. For many, it is just too complex to be able to offer these services, or the clients are not yet ready to purchase them.

Although some organizations reported positive outcomes from data-driven services or software solutions, most acknowledged that their digital endeavors are still in the planning or early stages. They are still experimenting with innovative approaches, including IoT-supported full-service agreements and predictive maintenance.

The survey results highlight a significant gap between the industry's awareness of the potential benefits of servitization and their current implementation of this business model. While industrial manufacturers recognize the potential for servitization to drive revenue and customer value, they're still grappling with the complexities of implementing and monetizing outcome-based, as-a-service propositions. This hesitation possibly stems from several factors:

Complexity of Implementation

Transitioning from traditional product sales to servitization requires a fundamental shift in mindset and organizational capabilities. Manufacturers need to develop new expertise in internal collaboration, data analytics, predictive maintenance, and customer relationship management to effectively manage and monetize as-a-service offerings.

Client Readiness

Customers are often accustomed to purchasing

products and managing their own maintenance and upkeep. Convincing them to adopt a subscription-based model that focuses on outcomes requires demonstrating the value proposition and providing a seamless user experience.

Investment in Technology

Implementing servitization often necessitates significant investments in technology infrastructure, data analytics tools, and so forth. Manufacturers need to carefully assess their return on investment and prioritize projects that align with their strategic goals.

Despite these challenges, the untapped potential of servitization remains significant. As industrial manufacturers overcome these barriers and fully embrace servitization, they can unlock a new era of profitability, customer loyalty, and sustainable business growth. An important part of the future of industrial manufacturing lies in providing solutions that go beyond product sales and encompass a holistic approach to customer success. —





Executive summary



The most significant takeaway from this year's report is the expected growth in digital channels in the aftermarket. Traditional channels like personal sales and distributors stay dominant, but the Digital Leaders see ecommerce and customer portals as the high potentials for growth.

The hot topic in the upcoming years seems to be the integrated offering of commerce and multiple value-added digital services through customer portals. Portals with data-driven personalized services deliver a seamless user experience to the clients. This is, among others, emphasized by the envisaged budgets for 2024, where ecommerce and customer portals are ranked as the most important areas of investment.

Compared to last year, digital leaders in the manufacturing sector have a clearer vision of the future. After a lot of trial and error with digital solutions and strategies, there is now a significant level of self-awareness among organizations and recognition of where they stand on the maturity scale. There is a significant focus on achieving digital maturity and transforming operations as they strive to stay competitive in a global market with new entrants that disrupt business-as-usual.

Main trends

1. The upcoming year, manufacturers will focus their digital efforts and investments on existing clients, especially in the aftermarket. The sweet spot is the combination of commerce and multiple value-added digital services. Often integrated into customer portals and delivering a seamless customer experience to their clients. Much is expected of expert services like predictive maintenance, based on IoT and AI, significantly contributing to improved asset management.

2. Much of the potential of digital for many manufacturers is not yet seized, due to organizational challenges. The focus should be on professional change management strategies, where special attention is needed to onboard internal sales teams and clients.

3. AI is being used by more and more manufacturers to increase operational efficiency. Expectations for AI are much bigger though, with some expecting AI to change the whole operational model of the organization. Investments in AI are not yet on par with these expectations, probably pending more clearly and holistically

All in all, we see that the Digital Leaders have some interesting years ahead with many opportunities around the existing customer base, especially in the aftermarket. Unfortunately, there are still serious challenges preventing them from harvesting these opportunities, such as organizational change and the complexity of the existing IT landscape.

We foresee that a composable approach around software solutions, but also a composable mindset towards the challenges will be on the rise. Compartmentalizing the problems and addressing them one by one, instead of a big bang approach is the way to go.

Either way, exciting times are ahead for industrial manufacturers and their clients. A great moment for me personally to be in the midst of it all!



Herbert Pesch
Managing Director,
Valtech B2B

defined visions and strategies for applying AI within the organization. AI's potential contribution to organizations' sustainability efforts seems an obvious incentive for broader adoption.

Concluding this year's survey on manufacturing's digital future, the focus turns to integrated commerce and digital services, with customer portals driven by data insights gaining momentum. 2024 budgets underscore a continuous strategic emphasis on digital initiatives.

Digitizing the customer experience is crucial, recognizing a shift to online transactions as a

competitive edge. Ecommerce integration is a key driver of digital business value especially in the aftermarket. Overcoming resistance through change management, involving strategic vision and interdepartmental collaboration, remains essential. Manufacturing is in the gradual digital transformation journey from crawling to running.

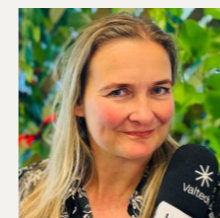
Looking ahead, the journey of The Voice of Digital Leaders in Manufacturing continues into the evolving manufacturing landscape, with a focus on the digital era, client-centric strategies, and deeper dives into future-shaping developments. —

Join our [Let's talk B2B](#) LinkedIn group

We are looking forward to your views and ideas on the topics in this report.

We are very much open to any remarks, questions, or ideas you have. Maybe even for next year's edition! Feel free to reach out to us, see contact details in the final section. Valtech values the strength of knowledge

sharing and is creating thought leadership for the B2B community together. Do you want to be part of this community? Make sure you join the conversation with your peers in our LinkedIn group, Let's talk B2B!



Mascha Tamarinof
Global Vertical
Lead B2B, Valtech

**Let's talk
B2B**



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