



Industry 4.0: Smart products, smart processes, smart profits

By Doug Gates, Global Head of Industrial Manufacturing and Aerospace & Defense, KPMG International



Manufacturers are getting better at integrating Industry 4.0 into their processes. Now they need to also start focusing on their products.

Amazing feats of performance improvement are being attempted at manufacturing plants and operations around the world. Indeed, most leading manufacturers say they have already adopted some form of 'Industry 4.0' technologies, capabilities or approaches within their production and operations.

However, in a series of interviews recently conducted as part of a global benchmarking effort by KPMG's Manufacturing professionals, the vast majority of leading manufacturers admit they are not yet prepared to fully integrate the lessons of Industry 4.0 into the way they view and manage their products.

Is your organization ready to integrate Industry 4.0 into your product lifecycle?

At KPMG, we believe that the ability to connect both dimensions — smart products and improved processes — is the key to unlocking the real underlying value of Industry 4.0. In fact, we see Industry 4.0 as the platform upon which forward-looking manufacturers will completely reframe the traditional business and industry value chain and, in doing so, create unprecedented competitive advantage.

To be clear, this isn't just about putting smart things into existing products. It's about using smart technologies and models to create value — for the organization, the end user and the value chain. And then it's about having the wherewithal and capabilities to harness and maintain that value.

There is no value in putting sensors into your plant machines or your products if your design teams can't translate the data into insights and real product improvements; or if plant operations cannot use machine data to increase plant utilization and improve changeover speeds; or if capturing

product performance and maintenance data does not lead to new revenue generating service models.

Our interviews and our experience suggests that manufacturers are not being nearly bold enough in their efforts to integrate smart products into their Industry 4.0 environment. Indeed, we believe that it is time for manufacturers to start rethinking the relationship between their products, their processes and their profits, using Industry 4.0 as the lens.

Manufacturers are not being bold enough. It's time to rethink the Industry 4.0 strategy.

There will be great opportunities to harness and new markets to grow. But there will also be disruption to navigate. Providing the component manufacturer with line of sight to customer usage patterns, for example, can lead to improved performance, cost management and customer satisfaction. But it might also mean that sales channels and aftermarket services are disintermediated as the 'customer relationship' moves further down the value chain. Those creating the value today (i.e. those that currently control the customer relationship and own the product usage data) may not be the ones creating the value tomorrow.

In this environment, manufacturers need to start thinking about how their smart products integrate into their smart operations. They need to carefully consider their current capabilities and operating model, their IT assets and their competitive environment and be prudent about what they can achieve by when. They need to synchronize their product lifecycles and product data with their long-term strategy to achieve measurable advances.

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Most of all, they need to be bold. At KPMG, we believe that Industry 4.0 can help unlock unprecedented performance

improvements for industrial manufacturers. But it all starts with the right strategic vision and roadmap. Those without a clear direction and strategy will risk being left behind.

Ready to harvest the value of smart products and Industry 4.0? Want to know where you stand versus your competitors? Stay tuned as we release our Industry 4.0 Benchmarking report in Spring 2017.

Contact us:



Doug Gates
Global Sector Chair
Industrial Manufacturing
T: 404-222-3609
E: dkgates@kpmg.com

kpmg.com

kpmg.com/socialmedia



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