



Digital Maturity Index Survey 2022

Digital value creation in an unsettled environment



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Executive Summary

After last four year's of the **Digital Maturity Survey** showed that, despite expectations, Covid was not an accelerator in digitization, this year's survey shows that companies have used the return to business as usual to drive their digitization agenda forward, albeit somewhat hesitantly.

The spotlight is shifting more from traditional efficiency improvement to a diversified digital solutions portfolio that focuses on **sustainability, resilience, and flexibility**. The continued high level of investment in the past year is also offset by increased revenues across all maturity levels of the companies. However, the **investment peak has not yet been reached** for the vast majority of companies and new investment areas are being developed. Capital intensity reduction still needs to be prioritized significantly.

The tentative **transition to the development of a profitable ecosystems** also plays a decisive role here, slowing the need for capital only hesitantly, but also opening up new opportunities for the first movers.

In summary, mature companies are taking up additional transformation signature issues and have largely left the core challenges of digital transformation behind them, at the same time capture most of the financial value add.

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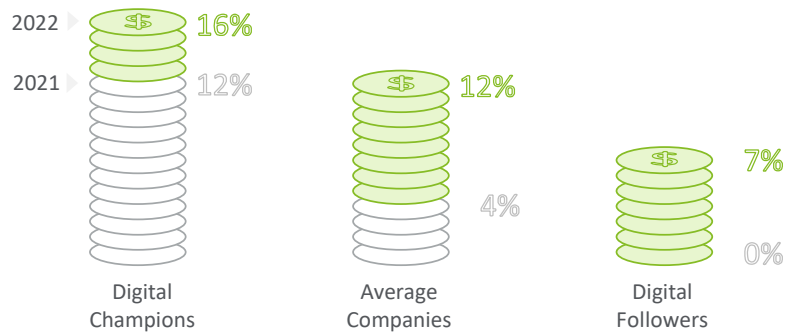
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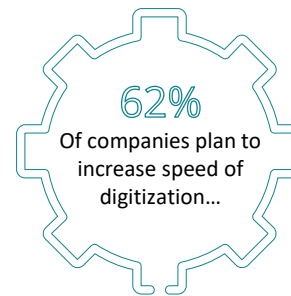
Key Results of the Digital Maturity Survey 2022

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Digital champions continue to increase their EBIT uplift – overall average is also rising even stronger

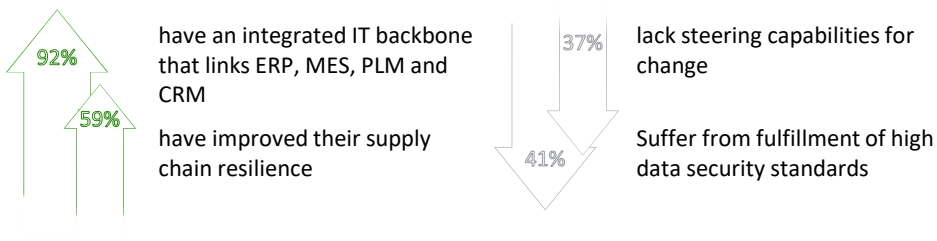


Companies are picking up speed again after the Covid pandemic and are increasingly targeting on topics beyond costs



- ... by driving Customer Centricity **41%**
- ... by increasing supply chain resilience **38%**
- ... by building seamless IT partnerships **36%**

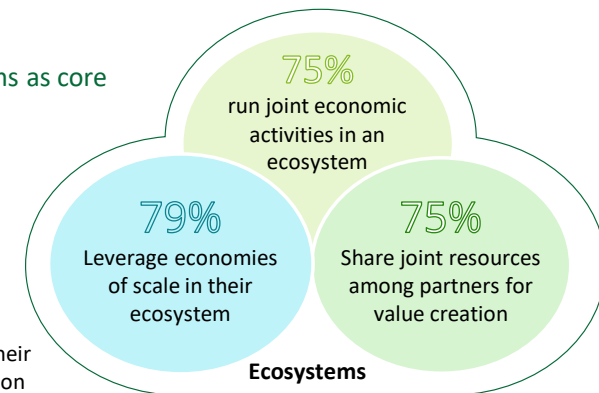
Traceability needs and action capabilities are largely addressed, security and efficiency are still underdeveloped



Companies see ecosystems as core drivers of scaling

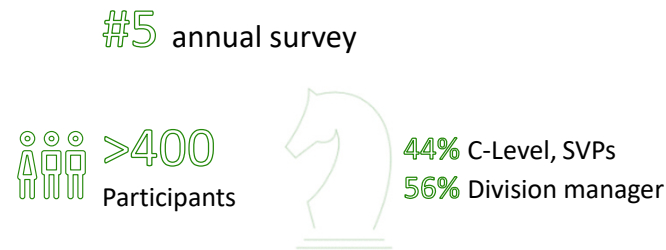


75%
...and strongly interlink their sustainability & digitization strategy

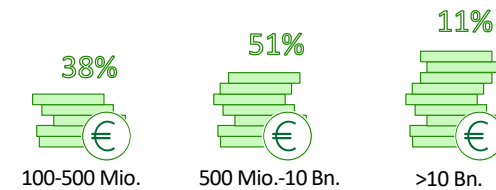


Participants of the Survey 2022

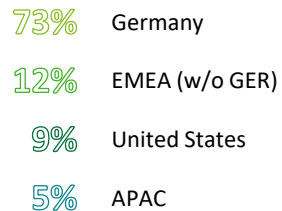
Our participants represent the breadth of decision makers in the manufacturing industry...



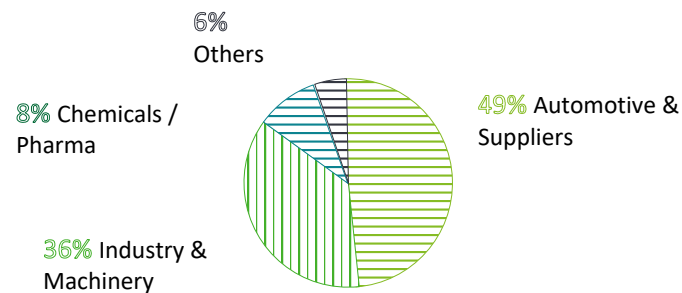
... with a broad coverage of revenue ranges.



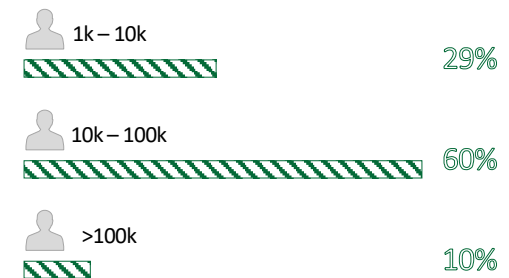
... across the globe with focus on German and European market ...



... covering the major industry sectors of producing industry ...



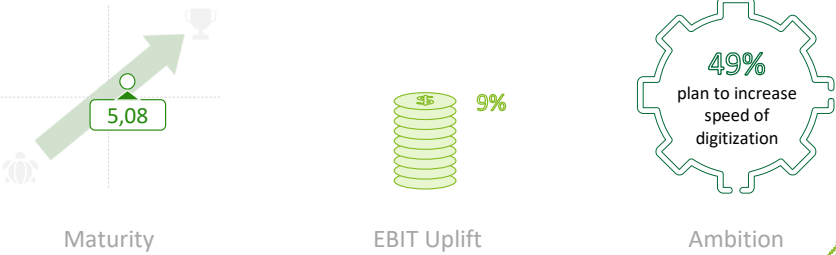
... ranging from medium-sized companies to large corporations.



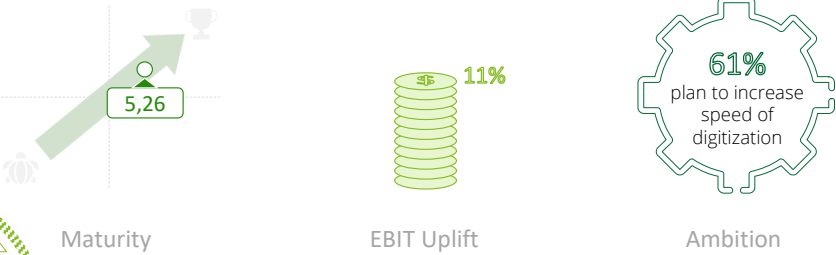
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Key figures for the different regions

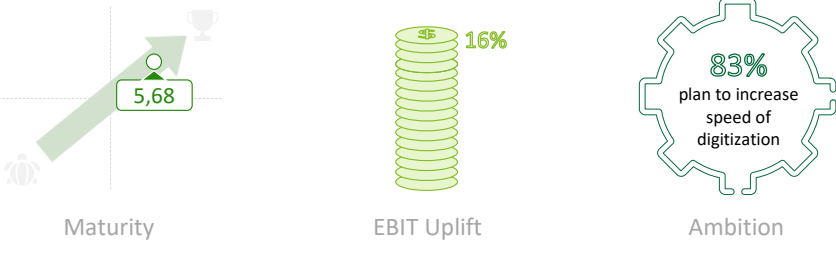
EMEA (w/o Germany)



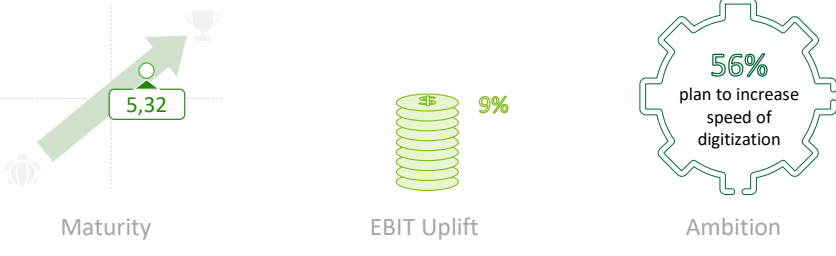
GERMANY



UNITED STATES



APAC



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Sectors progress in digitization varies

MANUFACTURING SECTOR IN FOCUS

Automotive Industry

The automotive industry has developed more strongly than the other sectors and is the most reticent in comparison with regard to the further acceleration of digitization but bold considering hot transformation plays.

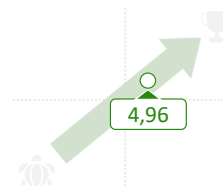
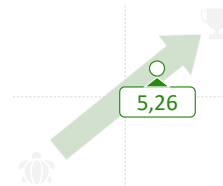
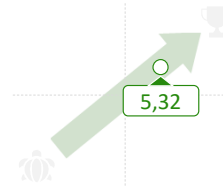
Industrial Products

The industrial sector performed rather weakly last year but plans to accelerate all of its digitalization efforts in the current year. This is already supported by the solid earnings from efforts to date. Linkage between key transformations is on the top of the agenda already.

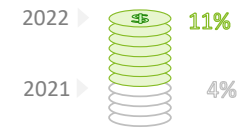
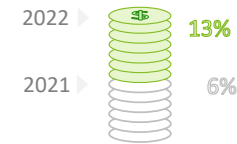
Chemicals

In the chemical industry, the Ebit uplift has increased the most, and further signs point to an acceleration of digitization activities. Still the industry needs to consider sustainability and ecosystems as top priority.

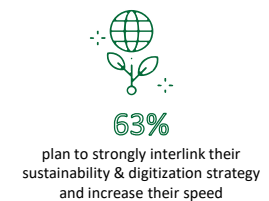
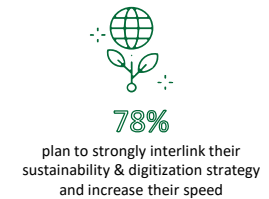
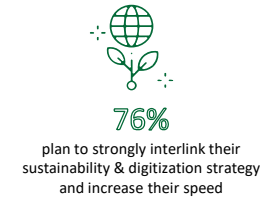
MATURITY



EBIT UPLIFT



AMBITION



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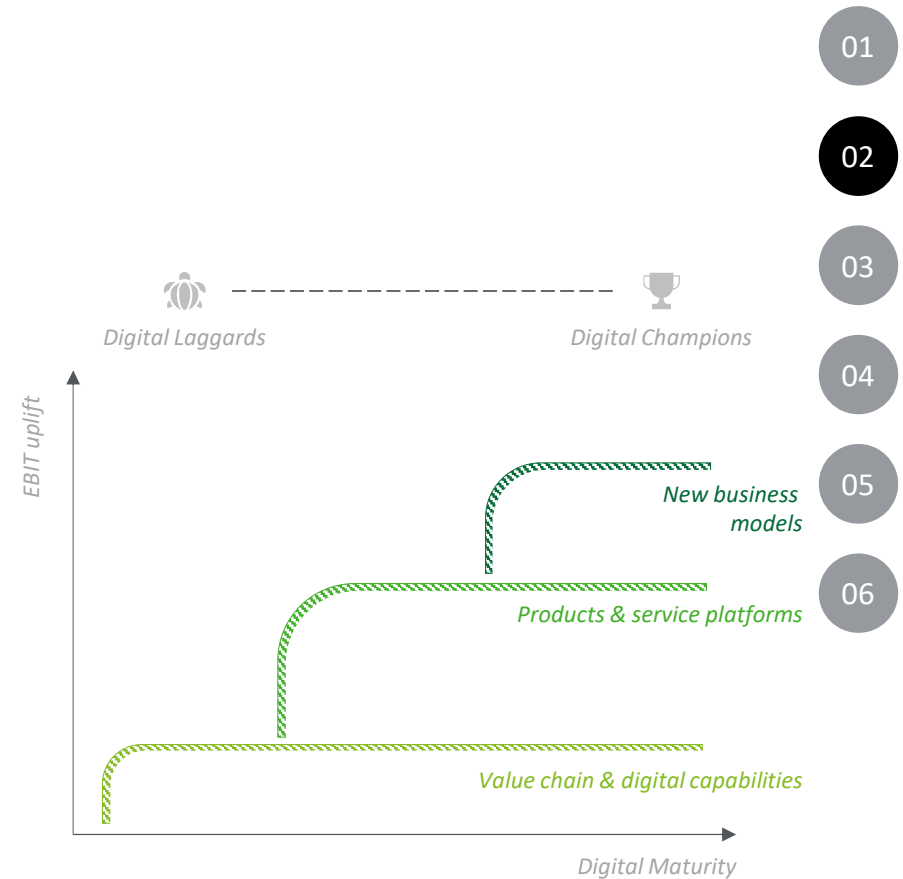
Background and Methodology of the Survey

Annually, Deloitte analyzes the degree of digitalization in the German manufacturing industry as part of an expert survey.

The basis of this study is the **Deloitte Digital Maturity Index**, which is made up of more than 90 different operational and strategic parameters resulting in six digital archetypes types - from Digital Laggards to Digital Champions - characterized by different digitalization approaches.

This year's survey is being conducted against a backdrop of broad economic recovery from two-year pandemic and ongoing disruptions of global supply chains.

When the pandemic hit in March 2020, manufacturing companies had varying levels of maturity; the following year, 2021, added supply chain bottlenecks and increasing global uncertainty. This year's survey aims to map the tangible, financially verifiable progress of post-pandemic digital maturity and how topics like resilience, sustainability, and ecosystems are paying into this.



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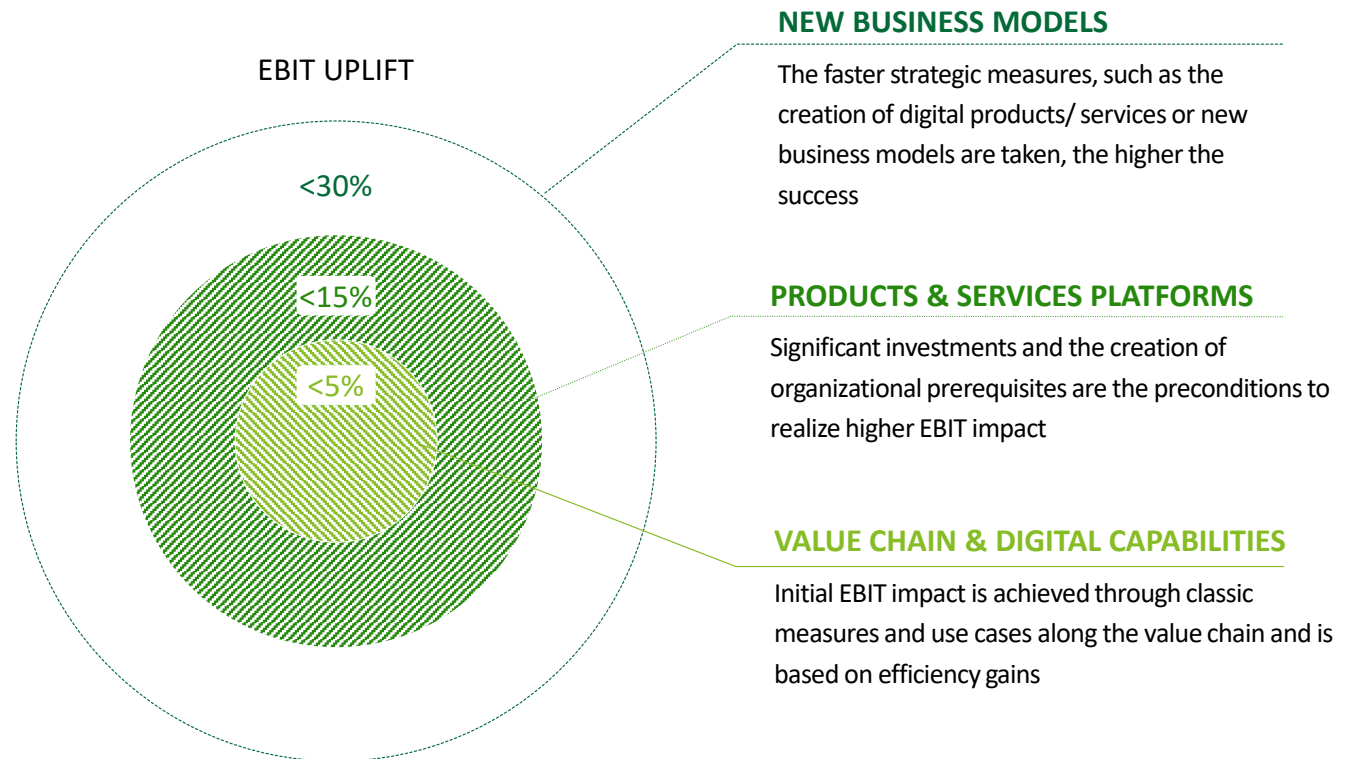
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Digital Maturity drives profitability uplifts

Digital maturity is not an end in itself, but the core factor for achieving revenue growth and profit growth today, as well as in the future.

Digital maturity pays off in hard currency and leading companies differentiate themselves in terms of EBIT uplift and create real competitive advantages.

Digitization has a self-reinforcing effect - companies that are already achieving high digital profitability today are planning all the more ambitiously for the coming year.



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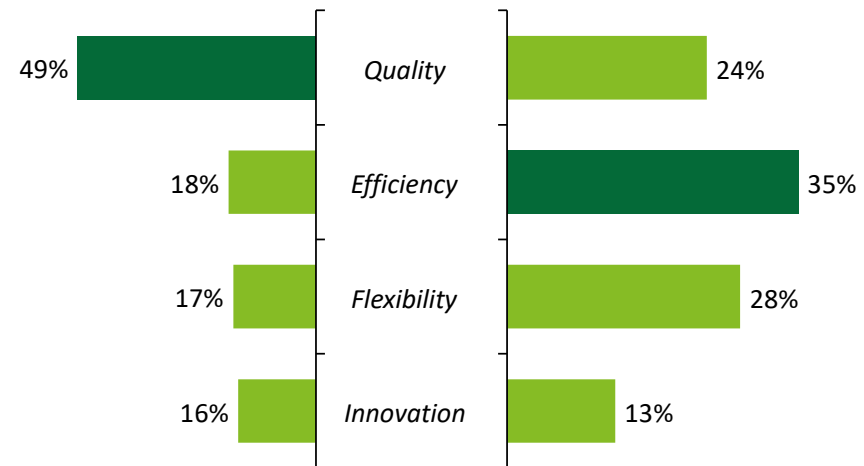
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Digitalization goals support companies competitive advantage

Quality pledge and innovative strength is seen as decisive competitive strengths for leading companies, who also have aligned their digitalization goals accordingly.

However, for the majority of companies efficiency and flexibility gains are the top priorities executing on digital strategies - in many cases driven by previous beliefs about digitization as bottom line optimization.

Competitive Advantage vs. Digitalization Goals (Average of all companies)



Key challenges and opportunities of digitalization remain

Digital transformation operational challenges are the no. 1 concern of directors, senior executives and CEOs also in 2022 as in the previous years.

Nevertheless, 50% of companies have fulfilled their transformation ambitions in the past 12 months, realizing financial ambition compared to previous years. Companies also unlocked on adapting to new demands.

However transformational prerequisites are still only partially in place.

Key challenges so far

41%
Suffer from fulfillment of high data security standards

37%
lack steering capabilities for change

36%
fail to implement scalable digital solutions

Opportunities already seized

92%
have an integrated IT backbone that links ERP, MES, PLM and CRM

63%
interlink digitization & sustainability

59%
have improved value chain resilience

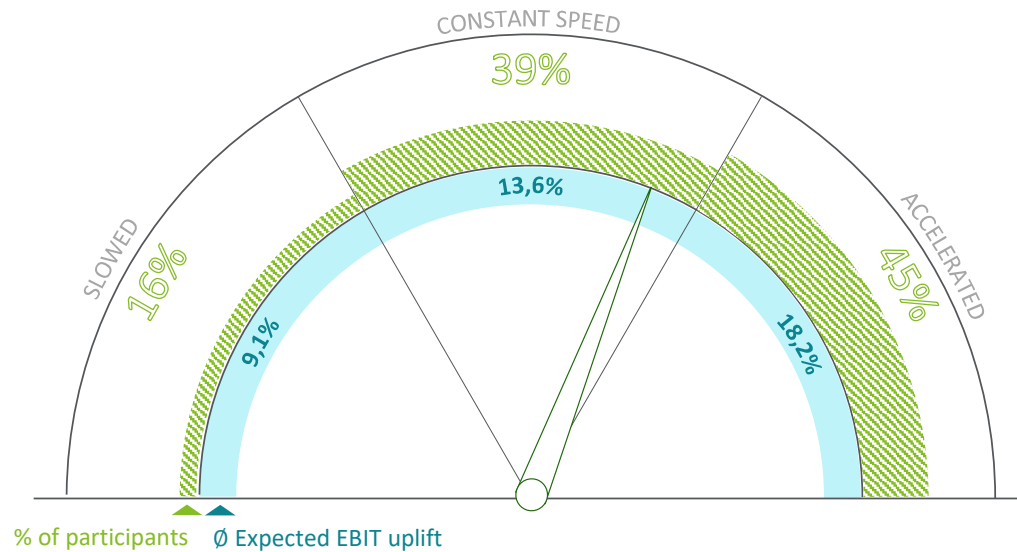
Increasing speed as a key factor in improving digitalization prospects

The tailwind from last year is leading to increased expectations regarding digitization progress in the current year.

Companies that are already successful capturing benefits, having a similar view of the future as companies that are still in the middle of their transformation.

Expectations of an increasing pace of digitization go hand in hand with increased expectations of returns in the form of increases in corporate profitability

Expected speed for the next 12 months



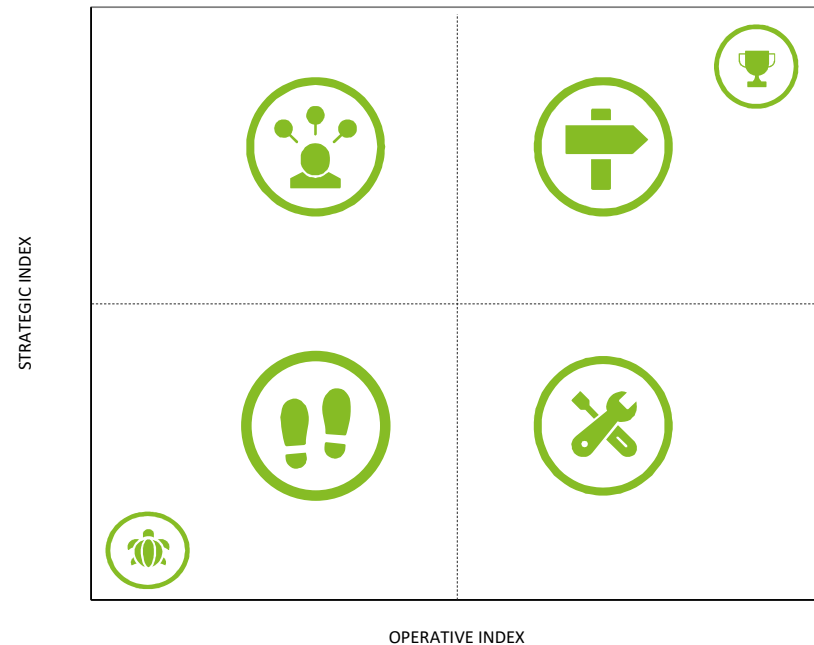
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Six Digital Archetypes evolving

Digital archetypes

- 
CHAMPIONS combine consistent digital strategy with operational excellence to achieve a flexibility advantage
- 
POTENTIALS focus on developing their digital strategy hand in hand with operational excellence to achieve cost advantages
- 
INNOVATORS show distinct advances in digital business through an innovative portfolio but average operational success
- 
OPERATORS focus on digitalizing their core value chain, founding their success upon flexibility through innovative solutions
- 
FOLLOWERS seek to consistently advance digital skills in both index dimensions. Connecting initiatives is essential to improve
- 
LAGGARDS lack digital skills in both index dimensions using digitalization to improve overall efficiency

Strategic and operative maturity



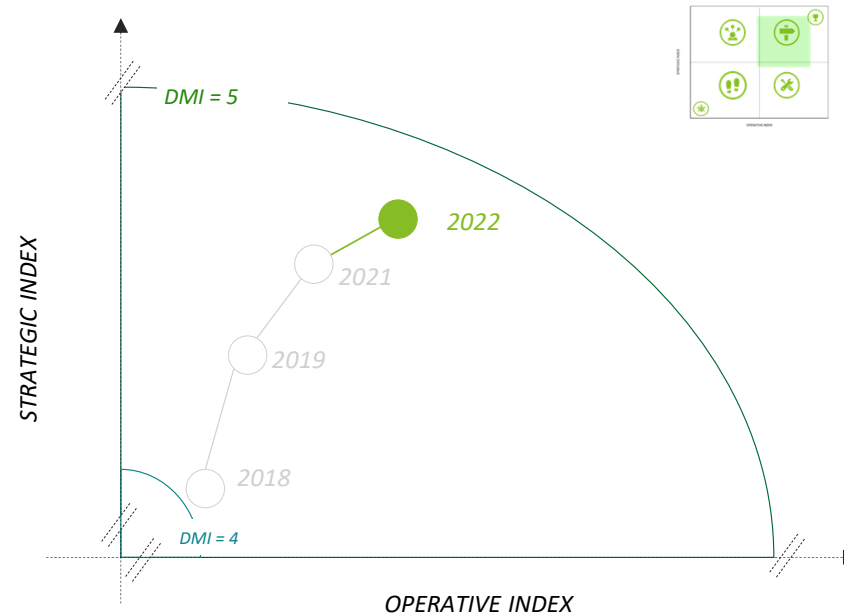
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Digital Maturity Index evolving slowly recovering from pandemic

Companies predominantly pursue a balanced strategy of bottom line excellence (efficiency) and top line growth (revenue and profitability uplift), which are reflected here on the axes shown.

Although the total number of companies is developing, the proportion of very mature companies is increasing only slowly - the higher the current maturity, the less progress can currently be observed.

Maturity development over time

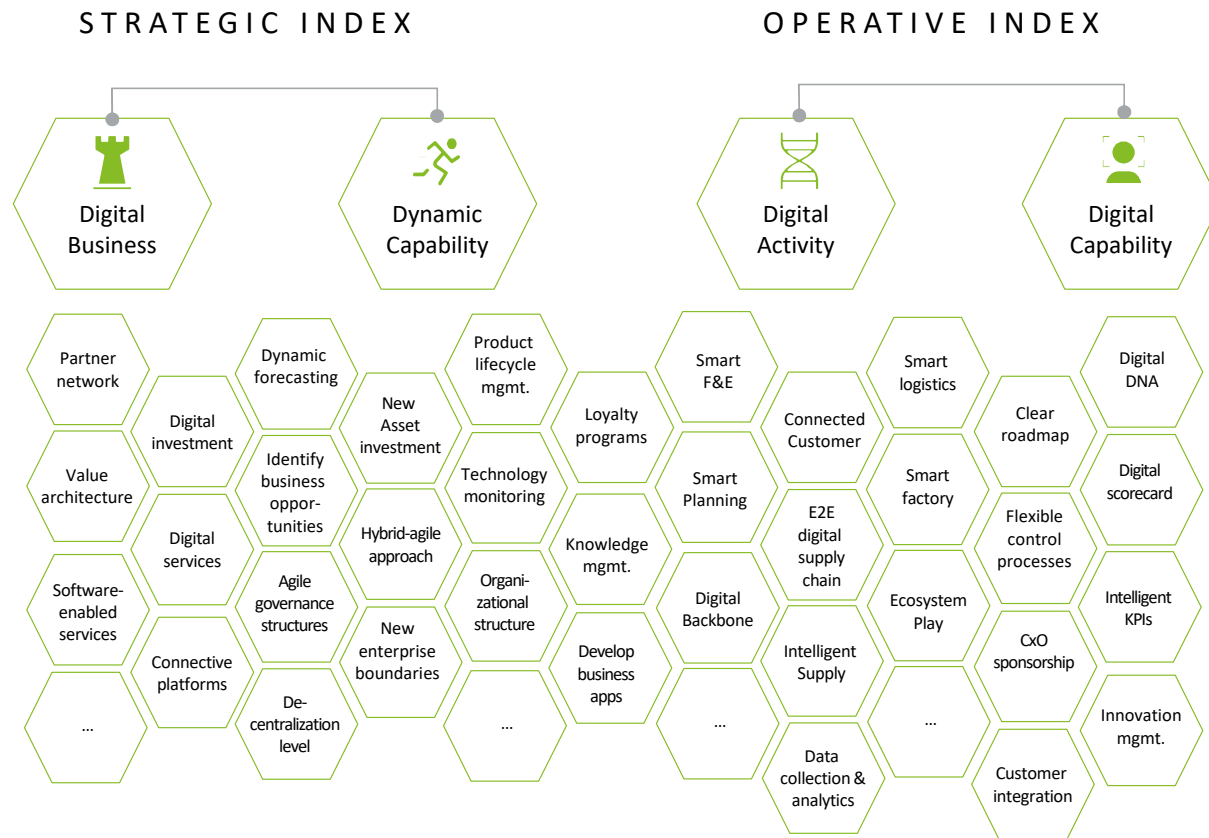


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Digital key capabilities & parameters determine maturity

Our Digital Maturity Index considers four holistic indices to analyze the status quo of a digital journey covering more than 90 different operational and strategic parameters.

We use the performance in each of these different parameters to define the six different digital archetypes.

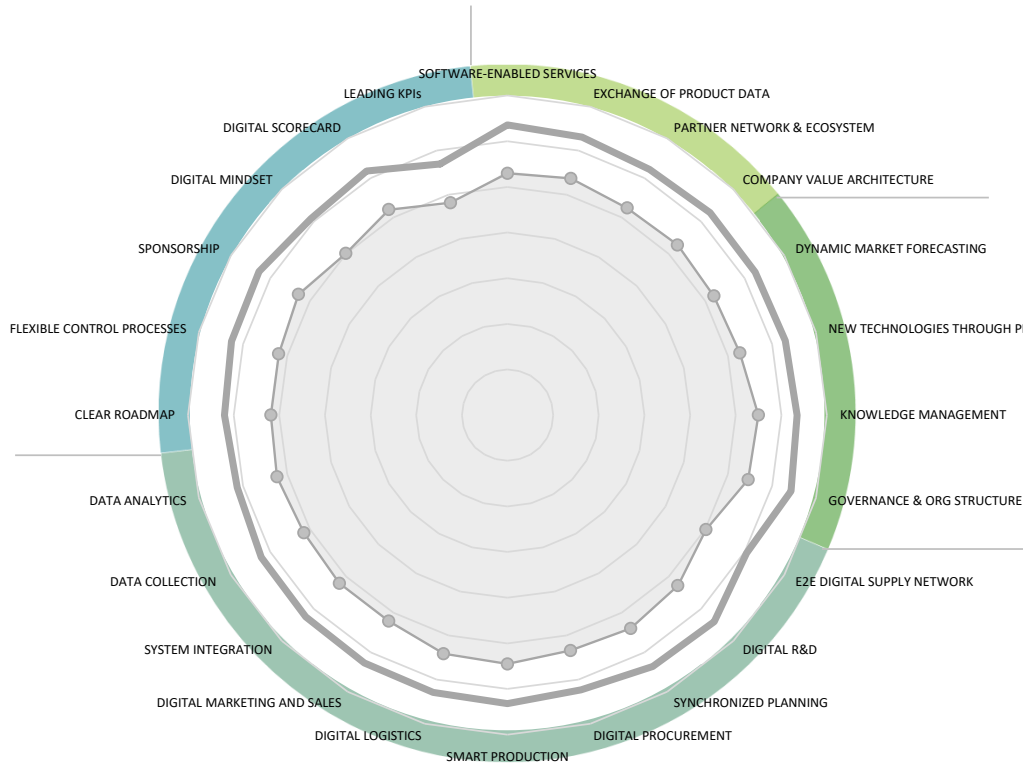


Insights on Digital Archetypes – Champions

The Champions outperforms the average along all key capabilities and parameters, as well as in key financial figures.

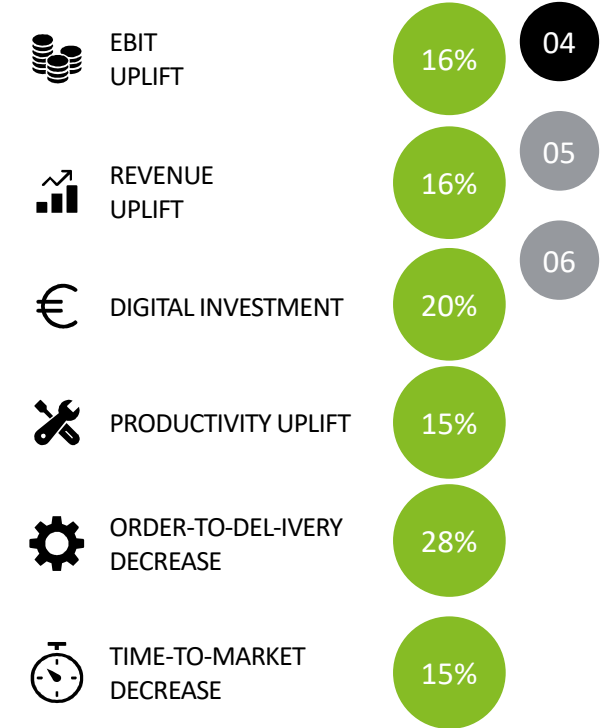
On average, the champion achieves a profitability improvement of 4pp, mainly driven by sales growth +3pp

However, reduction in efficiency ratios compared to previous year, therefore efficiency remains in focus



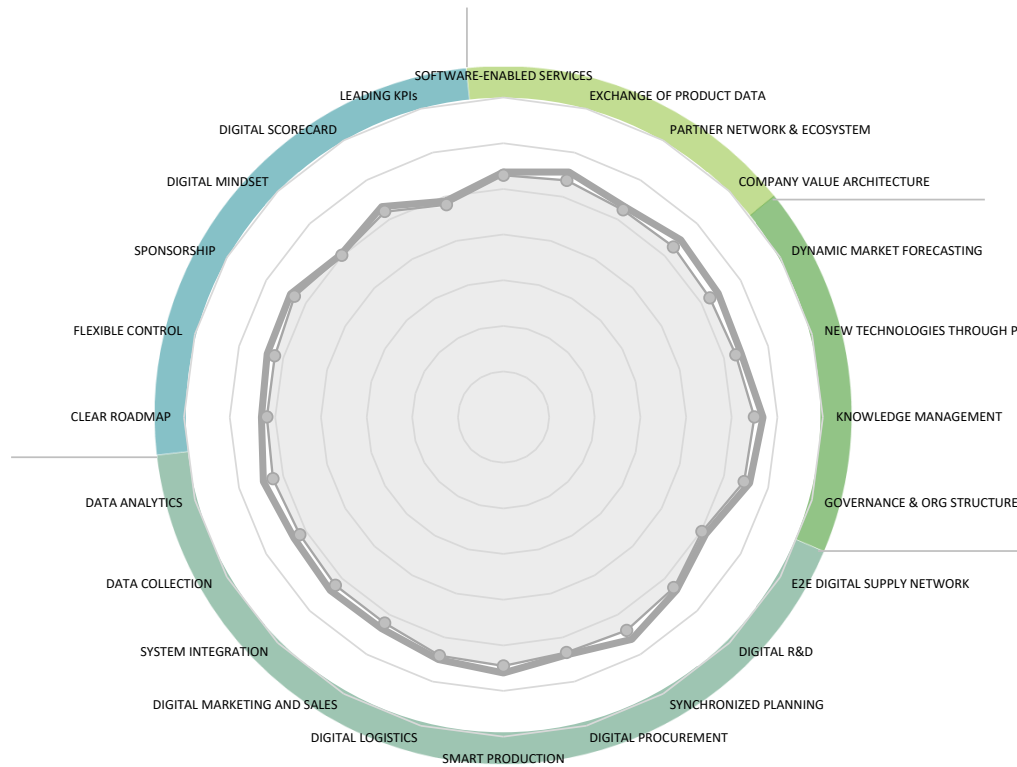
■ Digital Business Strategy
 ■ Dynamic Capability
 ■ Digital Activity
 ■ Digital Capability

Financial profile



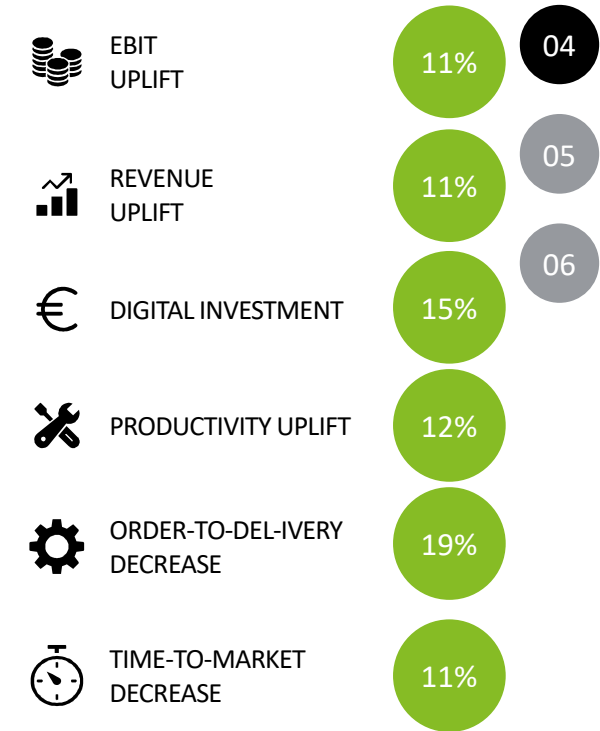
Insights on Digital Archetypes – Potentials

The Potential performs very close to the average and even outperform it in several capabilities and parameters. Compared to previous years they have improved across the board with significance regarding profitability and revenue uplift (+ 3pp), but also on efficiency metrics.



■ Digital Business Strategy
 ■ Dynamic Capability
 ■ Digital Activity
 ■ Digital Capability

Financial profile



Insights on Digital Archetypes – Innovators

Within manufacturing industry the Innovator group is one of the smaller groups (~5%).

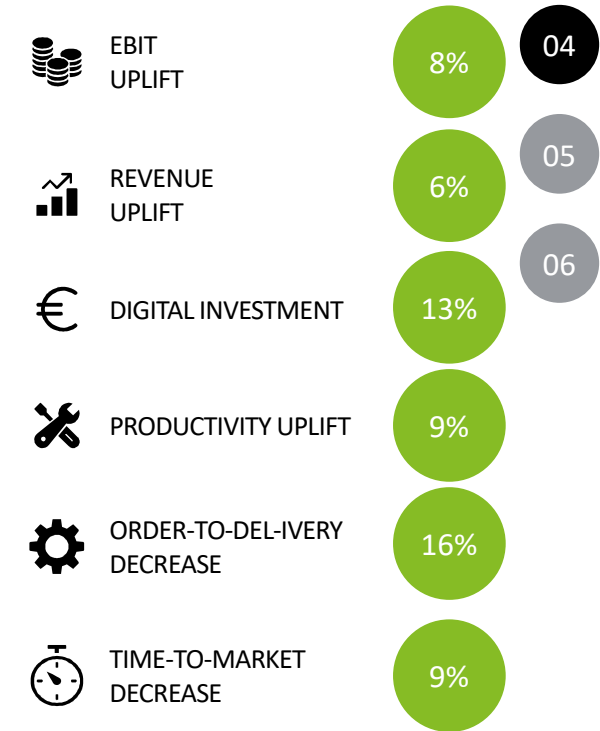
Innovators are outperforming on strategic dimension while lagging behind somewhat in other fields.

With regards to the financial performance Innovators are behind the average, however improved all financial metric compared to previous years (+3pp).



■ Digital Business Strategy
 ■ Dynamic Capability
 ■ Digital Activity
 ■ Digital Capability

Financial profile



Insights on Digital Archetypes – Operators

Operators achieve similar scores to the average along operative dimensions, clear action fields for strategic market initiatives.

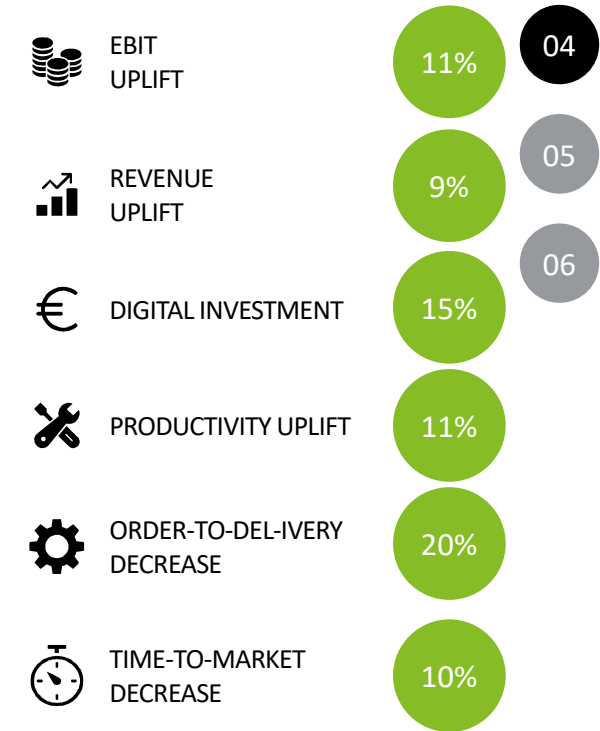
Operators financial performance overall comparable to the average of the survey.

They continue to work on efficiency metrics, thus initial investments in digital products and services are already paying off in terms of revenue and profitability uplift (+1pp).



■ Digital Business Strategy
 ■ Dynamic Capability
 ■ Digital Activity
 ■ Digital Capability

Financial profile



Insights on Digital Archetypes – Followers

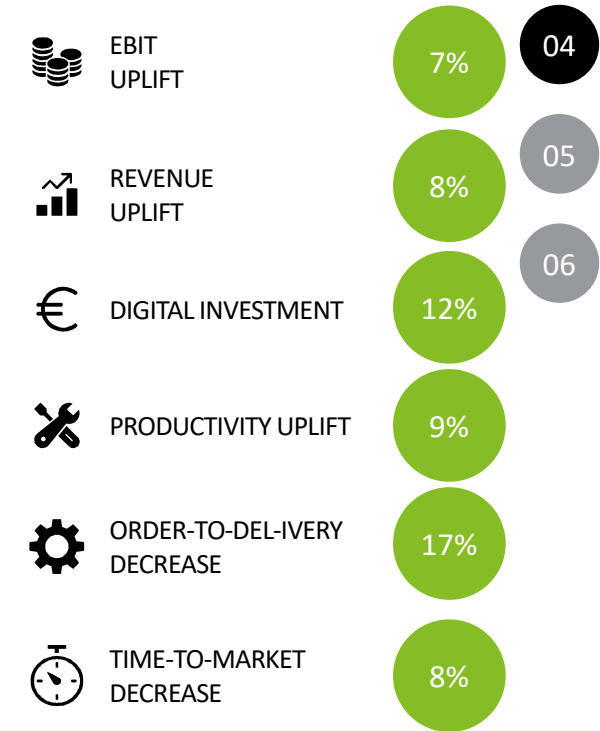
Follower companies are being outperformed by the average company along all key capabilities and parameters as well the financial metric.

Compared to previous years they have improved across with significance on efficiency metrics (+5pp) and tangible effects on profitability.



■ Digital Business Strategy
 ■ Dynamic Capability
 ■ Digital Activity
 ■ Digital Capability

Financial profile



Insights on Digital Archetypes – Laggards

Laggards still noticeably lag behind competition across the board.

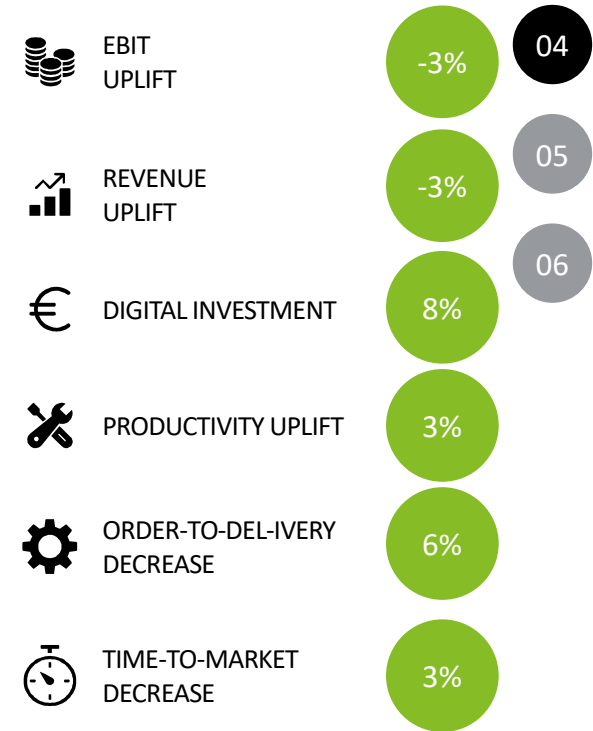
Compared to the previous year, minor improvements are discernible regarding the efficiency metrics, which is also considered as focus to jump-start the value capture.

Due to the COVID crisis topline improvements couldn't been realized.



■ Digital Business Strategy
 ■ Dynamic Capability
 ■ Digital Activity
 ■ Digital Capability

Financial profile



Investment Behavior

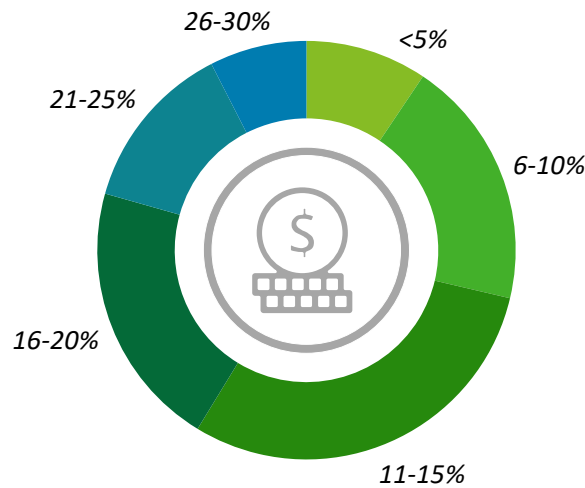
Digital transformation is now one of the largest cost blocks in the Profit & Loss statements of companies.

As already known from previous digital maturity surveys, at least 10% investment is required to initiate an EBIT-effective transformation.

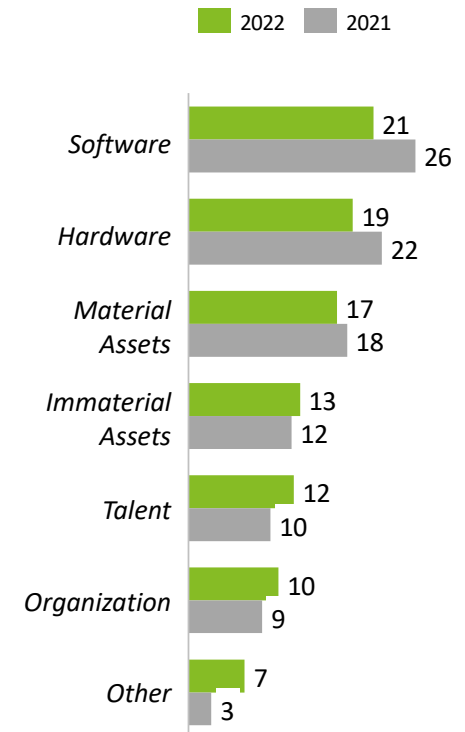
50% of companies already surpassed this threshold with roughly half of them investing between 10-20 % of their revenues.

Those with a lower investment share in digitalization focus their efforts on acquiring and implementing necessary hardware and software capabilities, others still work on prerequisites.

How much do you invest in digitalization (as % of revenue)?



Key Investment Areas

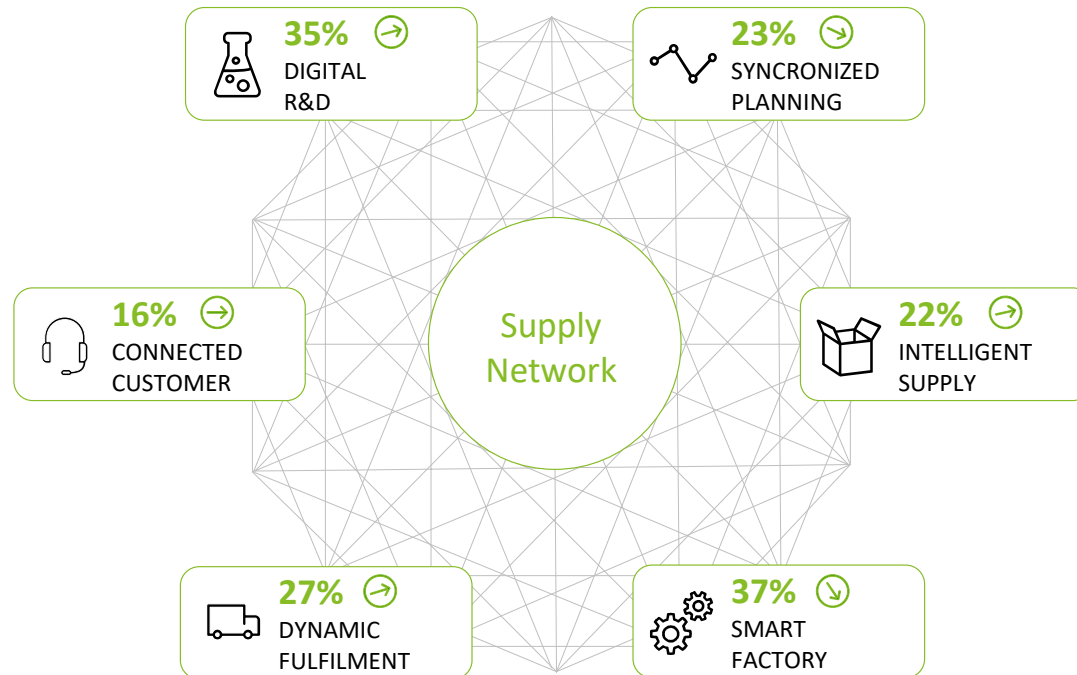


Investment Behavior relies on connectivity

As in previous years, many companies are focused their investments predominantly on production as the core of value creation. Learning from leading companies shifting investments into digital R&D, dynamic fulfillment, synchronized planning to achieve end-to-end value stream connectivity.

It is becoming clear that for the transformational shift, investments in digital R&D are the game changers to unlock future profits fueled by massive investments into soft- and hardware infrastructure.

Focus areas of investment

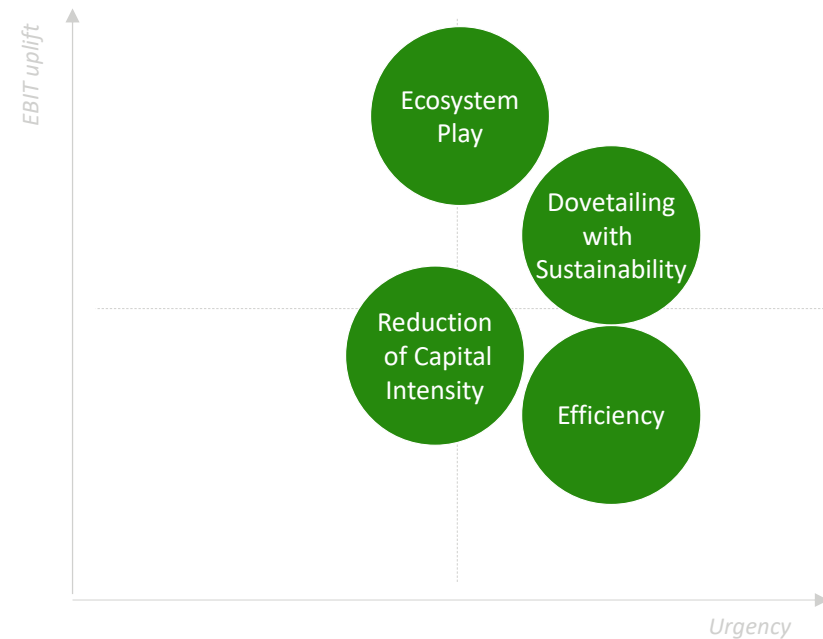


→ Shift compared to 2021

Better manage complexity through digitalization

Mature companies are able to drastically reduce complexity through digitization (e.g., elimination of interfaces, better data availability, end-to-end alignment of value chains).

At the same time, the effects describe a necessity for even realizing additional transformational signature topics coming up, such as dovetailing of sustainability and digitization, manufacturing-as-a-service or a profitable ecosystem play. These transformational themes are increasingly displacing more traditional transformation topics such as efficiency.



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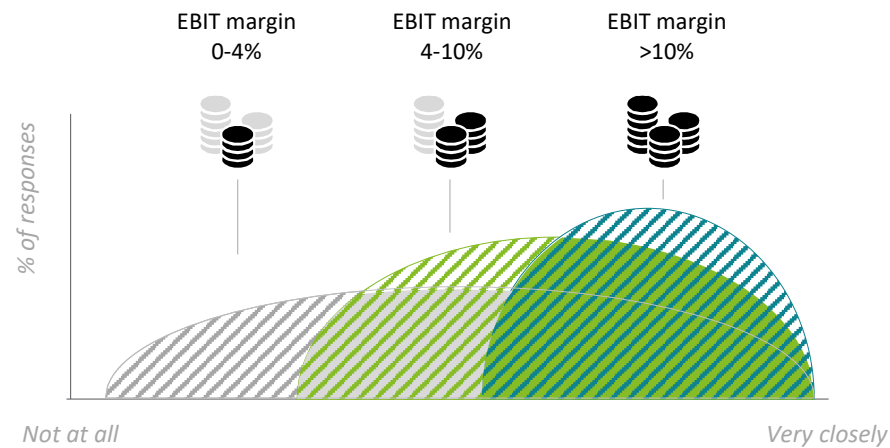
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Early dovetailing of sustainability and digitization

Leading companies, those who already generate high returns from their digital branches, have meanwhile anchored the topic of sustainability even more firmly on their digital agenda.

This results in an interlinked approach that takes ESG criteria into account holistically.

How closely are sustainability and digitization intertwined in your company?



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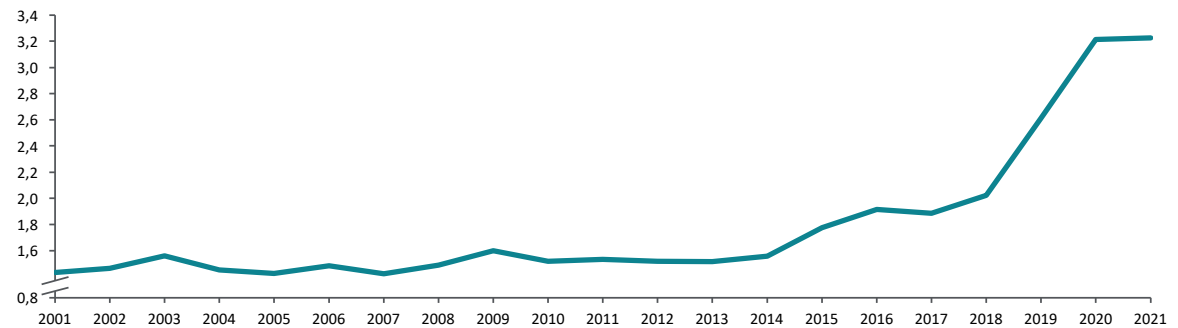
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Key challenge is to enable basic requirements

Companies are suffering from the enormous capital requirements driven by costly back-end software implementations as well as the creation of hardware infrastructure.

For many companies, the challenge of capital lockup is already on the agenda and innovative strategies to reduce it have been initiated.

Increasing capital intensity (total asset/ revenue) for manufacturing industry



>50%

...of companies increased capital intensity noticeable or significantly

Changing to product-as-a-service

Vertical Integration

Upgrade of amortized assets

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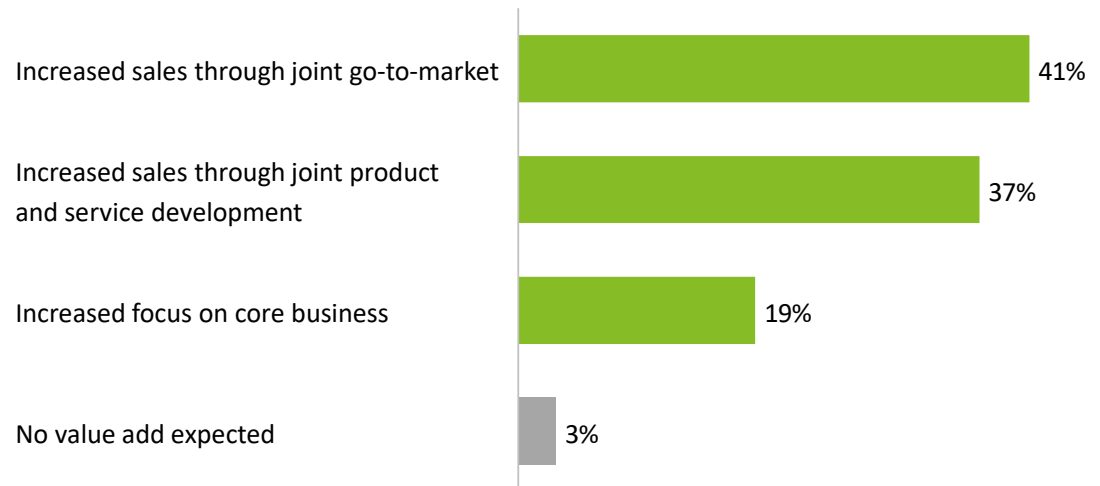
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Profitable Ecosystem Play

Most companies are putting great effort into building ecosystems because they expect added value in return. Through joint product and service development or joint go-to-market activities, companies anticipate an uplift in sales.

Value-add expected from ecosystem play



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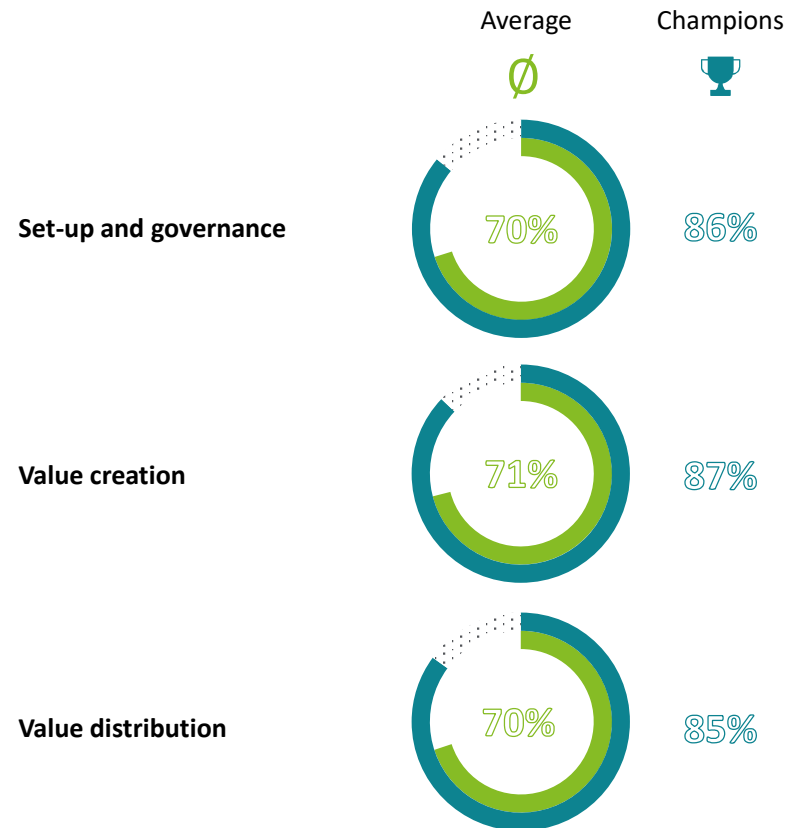
Profitable Ecosystem Play & Success Factors

Companies consider all factors for building a profitable ecosystem as equally relevant

- **Ecosystem Governance** for joint economic activities – most importantly to consider participants involved and how collaboration, governance and steering must be designed
- **Ecosystem Value Creation** for modularization in cooperation – a dynamic, open, and flexible approach should be followed that enables continuous value creation
- **Ecosystem Value Distribution** with joint resources and benefits among partners and an effective steering are basic prerequisite for long-term collaboration between ecosystem participants.

Those criteria are of higher importance for those companies aspiring an above-average profitability expectation (>16%).

Expand activities in an ecosystem

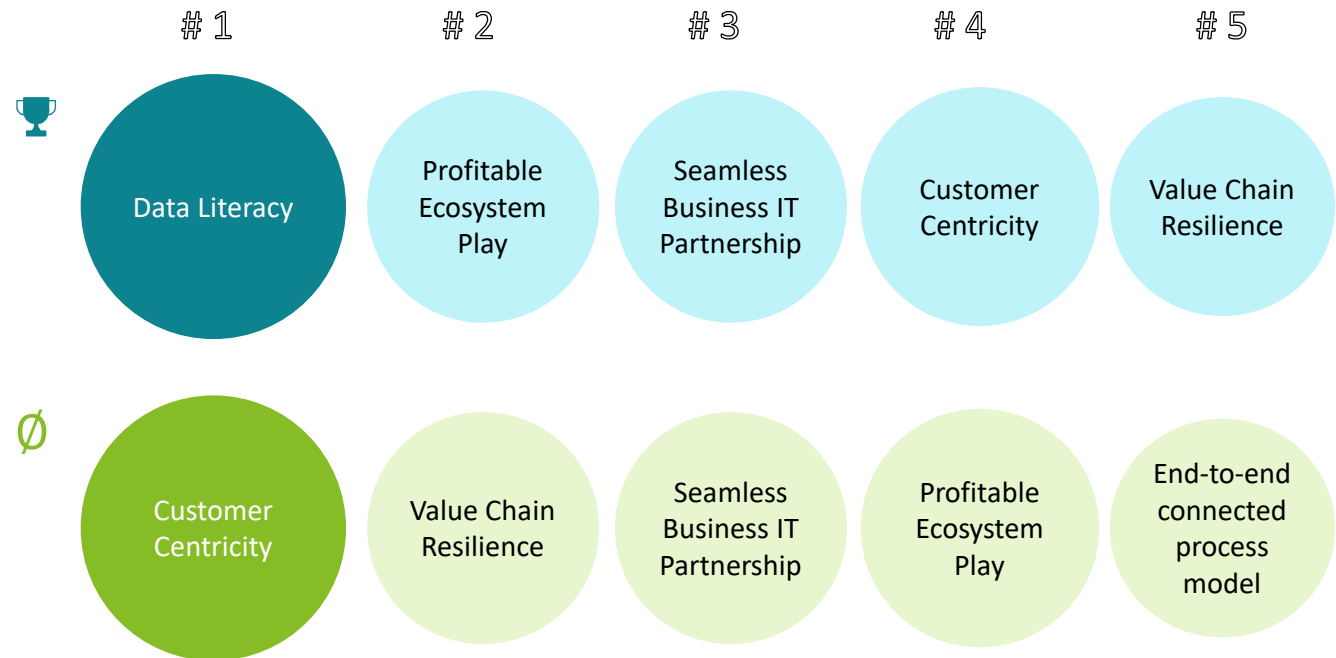


Top 5 Priorities for the upcoming 12 months

Leading companies have put data literacy as top priority to achieve end-to-end connectivity entering next transformation into a profitable ecosystem play.

However, majority of companies top priorities on CDO agendas solve key digital transformation requirements for example customer centricity, and resilience and collaboration between business and IT, which still remains a seemingly insurmountable hurdle for all companies.

Key action areas for the upcoming 12 months

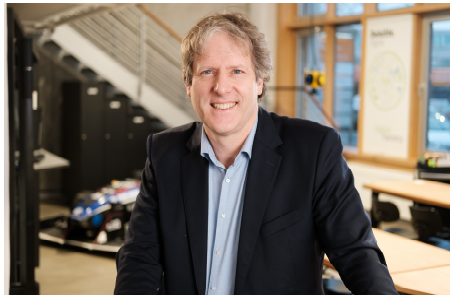


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Your Contacts



Claudia Ahrens
Director Digital Operations
cahrens@deloitte.de



Dr. Harald Proff
Global Lead Partner Automotive
hproff@deloitte.de



Dr. David Mueller
Senior Manager Digital Operations
dmueller@deloitte.de



Michael Grigore
Consultant Digital Operations
migrigore@deloitte.de



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