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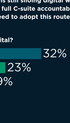
The State of Digital Product Adoption in Manufacturing

Analyzing the digital ownership, product strategy, and product development trends that will shape the manufacturing industry

West Monroe's Digital Disconnect signature research uncovers how consumers and industry leaders are thinking about digital transformations. Our data highlights key insights based on the perspective of manufacturers across the U.S.

THE BIG PICTURE



of manufacturers say digital transformation is a top priority this year.

Manufacturers have had to navigate headwinds over the last several years—from supply chain issues to labor shortages. As they look ahead, there's a clear focus on digital investments as they seek to optimize operations and processes.

While leaders continue to work with their teams to embrace digital and leverage technology strategically throughout the business, there will need to be a clear vision and implementation program. This begins with ownership within and across the organization—despite a majority of manufacturing organizations still siloing digital with the CIO or on a separate transformation team. Nearly 1 in 5 (19%) do have full C-suite accountability—the ideal approach for scaling digital solutions—and more will need to adopt this route to succeed in today's marketplace over time.

Who is accountable for digital?

Beyond internal ownership and accountability, digital challenges continue to be on the radar. Many manufacturer's biggest digital challenges come down to embracing the digital mindset and having a lack of customer insights from which to build. Another key flag for manufacturers is skillset gaps—which, combined with pressures and uncertainty in the macroenvironment, can lead to a snowball effect of issues if the right training and upskilling isn't implemented.

Biggest mistakes with digital transformation

As organizations look toward the future, both near and longer term, bridging the gaps between a digital mindset and tactical skills will be critical.

PRODUCT STRATEGY & DATA-DRIVEN DECISION MAKING

of manufacturers are very confident about their ability to position their product portfolio in the next 18 months.

Primary focus area for next 18 months

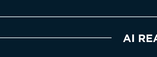
Manufacturers feel confident in their products and will primarily focus on product development over the next 18 months to maintain momentum. A close second focus area is data and analytics, showing how closely involved the two are and how vital it is for leaders to have centralized data and insights around which to build.

Once that data is captured, the next focus areas are leveraging it to further inform product portfolio strategy, talent management, and innovation—demonstrating how broadly data can be used.

Largest focus for leveraging data

As these focus areas evolve, leaders in manufacturing will need to be able to produce insights to inform product and process iteration, and then generate buy-in to bring the company along and properly execute. Part of this ties into data maturity: Manufacturers need to ensure they have a clear vision for where they're going and can community the vision effectively with employees and other stakeholders. There are several benchmarks for this, but it all stems back in quality data.

Data maturity in manufacturing



Nearly 1 in 3 manufacturing leaders say their highest digital priority for 2023 is smart products.

Looking ahead, data will determine whether digital initiatives and manufacturing industry priorities succeed or fail.

Data barriers to digital initiatives

PRODUCT DEVELOPMENT & MINDSET

of manufacturing organizations consistently co-create products and experiences with customers.

Manufacturers only work with customers to an extent. There is a great opportunity for organizations to be more consistent in how they co-create with customers throughout the process (versus just at the end or the beginning).

Co-creating with customers

Just 6% engage at every stage of the process, marking a long runway for seeking customer feedback and input around which to iterate.

What percent of your organization's strategy is focused on product iteration/evolution?

Manufacturing organizations still have room for improvement on customer feedback, co-creation, and iteration—and there's a great opportunity to inform the product over time as these efforts are implemented.

PRODUCT TEAMS

Nearly one-third of manufacturers say that less than half of their team has embraced digital.

Any progress toward digital will stall if leaders aren't intentional about ensuring teams have the necessary resources and skills to embrace digital. While some teams are progressing nicely, others have been lagging on the digital adoption side, which will need to be addressed in order to fully adopt digital solutions and strategies across the organization.

of manufacturing leaders say some teams are more digitally advanced that others.

Looking across departments, IT, finance, research & development, and compliance teams are more likely to have ownership over their products and experience initiatives.

Teams with ownership of their products and experience initiatives

Accountability to internal teams and customers is key for product teams, as is collaboration across departments—particularly as manufacturers adopt additional technology, machine learning, and IoT devices.

AI READINESS

Manufacturers are looking to AI and ML to innovate, enhance employee experience, and improve productivity. This shows a clear vision for how generative technology can truly streamline processes and enable employees to spend time on more critical thinking-based tasks.

Goals for AI and ML

This focus on back-office AI pilots shows that firms are really looking to unlock efficiencies, especially related to data insights & analytics and product-focused R&D.

Top Areas for Gen AI Pilots

While there is organization-wide interest, the manufacturing industry also expects a host of potential roadblocks. Quality of data continues to be essential to implementing AI, but leaders should also report significant concerns related to internal resistance and fear, security/privacy concerns, and a fairly large gap in skillsets. Keeping this in mind, leaders should take the time to pilot specific use cases, clearly communicating every team and team members' roles in each initiative while keeping security in mind.

Expected AI Roadblocks

Manufacturing organizations have made huge strides in a particularly tumultuous environment over the last several years, building more agility into their processes step by step to continue meeting customer needs.

While this progress should be recognized and celebrated, it should be seen as a benchmark toward additional growth and adoption of a digital mindset and skillset throughout the organization. Data quality, clear accountability, and greater adoption of digital skills will require prioritizing to be able to truly leverage digital to its full potential.