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New research from Capgemini shows the automotive industry could gain $160 billion through smart factory adoption by 2023 onwards

Almost half of all automotive firms have invested over $250 million in smart factories, more than any other sector

Paris, April 30, 2018 – Capgemini today announced a new report by its Digital Transformation Institute, which reveals that the automotive industry can expect to achieve $160bn in productivity gains annually from smart factory[1] adoption from 2023 onwards. The report, *Automotive Smart Factories: How Auto Manufacturers can Benefit from the Digital Industrial Revolution* demonstrates that the automotive sector has set more aggressive targets for smart factory initiatives compared to other sectors.

A global top ten[2] automotive manufacturer can expect to realize an additional $4.6 billion or a 50% growth in operational profits annually within five years of a full smart factory implementation. The report predicts that the average productivity growth of smart factories within the automotive sector will be 7% as of 2023, while an automaker will break-even within a year of executing the full potential of its smart factories.

By the end of 2022, automotive manufacturers expect that 24% of their plants will be smart factories. Nearly half of automotive companies (46%) already have a smart factory initiative, behind only industrial manufacturing (67%) and aerospace (63%), while at further 43% of automotive companies, smart factory initiatives are currently being formulated. According to the report, the automotive sector has the highest share (49%) of organizations who have invested more than $250 million in smart factories.

However, 42% of automotive manufacturers accept they are not on track to realize the full potential of smart factories and are struggling with the technology move. This is the highest across all the manufacturing sectors studied. The report identified that those making the best progress are investing three times more than the companies who are struggling. The more advanced manufacturers are also investing in software such as advanced analytics and AI-based components, whereas those struggling focus too heavily on hardware-based components putting them on the back foot.

While a large proportion (46%) of original equipment manufacturers (OEMs) have been successful in their smart factory initiatives, less than a third of automotive suppliers (32%) claim to have been successful. The report highlights that OEMs are leading the way, but can do more to help suppliers adopt smart factories. For example, it highlights that OEMs can contribute through financial support and working closely with suppliers on innovation via startups and academies. When OEMs and suppliers work together to create smart factory processes, issues can be minimized early on in the production process.

Nick Gill, Chair of Automotive Council at Capgemini said: *"Digital maturity holds the key to realizing the full potential of smart factory initiatives. This study clearly demonstrates the enthusiasm among automotive organizations to invest in smart factories and the awareness of the long-term benefits. However, more can be done for automotive suppliers to take a collaborative approach with OEMs to optimize their smart factory*

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[1]A smart factory makes use of digital technologies across the whole production journey using technology such as artificial intelligence, internet of things, augmented reality, and components that help to increase productivity, quality, and flexibility of manufacturing plants
[2] With an average revenue of $158 billion, and an operating margin of 6%

initiatives."

He further added: *"The next few years will be critical as OEMs step up their digital maturity, accelerating outcomes to maximize business benefits."*

Grégoire Ferré, Chief Digital Officer at Faurecia and a Capgemini client said*: "By using smart factory technology in our business, we have seen great benefits with regard to our employees' productivity. They use sophisticated tools such as smart robots to create a safer environment, which in turn provide them with more time to focus on other important tasks."*

A copy of the report can be downloaded here

Capgemini's Smart Factories Report Methodology
Capgemini surveyed 326 senior executives from the automotive sector over the period of February 2017 to January 2018. These executives were drawn from director-level or above, from a diverse set of functions, and were closely associated with their organization's smart factory initiatives. The survey covered executives from 8 countries – China, France, Germany, India, Italy, Sweden, United Kingdom, and United States. The survey sample is evenly distributed between OEMs and suppliers, each having US $1 billion or more annual revenues. In addition to the quantitative survey, in-depth discussions were held with 8 senior-level executives from leading automotive companies across the world to understand their organization's vision, objectives and approach of implementing smart factory projects.

About Capgemini
A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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About the Digital Transformation Institute
The Digital Transformation Institute is Capgemini's in-house think-tank on all things digital. The Institute publishes research on the impact of digital technologies on large traditional businesses. The team draws on the worldwide network of Capgemini experts and works closely with academic and technology partners. The Institute has dedicated research centers in India, the United Kingdom and the United States.