

10 ways manufacturers can recoup the costs of digitalization efforts

With digitalization, manufacturers can achieve ROI in two ways: By reducing costs or by increasing revenue. According to, **“Manufacturing's next big act: Building an industrial digital ecosystem,”** nearly two-thirds of manufacturers expect digital manufacturing technologies, such as increased use of sensors, to help reduce overhead by at least 11%. A very optimistic 23% even hope to see cost savings of more than 30%. Most are basing their projections on the efficiencies gained from automation. In addition, more than half expect to see revenues gains of at least 11% (with 18% expecting revenues to rise more than 30%) over the next 5 years.

Here are 10 ways manufacturers can realize ROI from their digitalization efforts.

1

Increasing automation

We know from history that automation of processes or tasks almost always saves time and money. We also know that automation of responses is one of the key benefits of sensor technology. Paired with machine learning and data science, systems can collect sensor

data, aggregate the data, and spot anomalies that do not fall into the pre-determined acceptable boundaries. Such “out of bounds” issues will then trigger a specific response, without requiring human intervention. This automation saves time, creates consistent responses, and streamlines practices.

2

Becoming more proactive

One of the most important ways digitalization, in the form of increased use of sensors, offers ROI is by keeping internal assets running without unexpected downtime. Monitoring key conditions that are early warning signs of performance failure can help manufacturers spot symptoms early and take appropriate preventive action.

3

Understanding asset lifecycles

By tracking asset performance, through the use of sensors, over a period of time, manufacturers can more accurately estimate an asset’s lifecycle, maintenance needs, and factors that impact repair vs replace decisions. Having an accurate profile of an asset can help a manufacturer plan for routine maintenance, have necessary parts on hand, and plan for the capital investment when it’s time to replace that asset.



4

Modifying resource allocation

Manufacturers have numerous areas where waste routinely happens. One of the most dramatic is the waste of energy. Sensors can help to identify energy usage spikes, spot unneeded energy drains, and conserve energy, for example, by automatically shutting down lights when an area is not populated.

5

Controlling inventory investment

Accurate real-time visibility into location of goods means you can reduce your safety stock and keep a tighter control on just-in-time inventory levels. The smart allocation of inventory dollars can add up to significant savings, especially in industries like capital equipment, where parts and components are high cost, or in industries like dairy where ingredients have a short shelf life.

6

Maximizing in-plant generated data

Look for opportunities in the data you're collecting from sensors on in-plant equipment. That data will tell a detailed, multi-dimensional story about the way your industrial equipment operates in various conditions. Think about who can benefit from this data besides your own internal maintenance teams.

The manufacturers of the machinery, of course, can use such data to make product design improvements. Plus, other users of the same or similar machinery may find value in your guidelines for system performance improvement. You may be able to market valuable insights about the influence of the operating environment, early signs of degradation, and safety improvements that should be followed.

7

Using data beyond the plant walls

Look at data that is generated from your products in the retail setting or when being used by customers. Buying trends and consumer practices are extremely valuable to a wide range of audiences—including the consumer. Consumers are willing to pay for insights about their own products when it brings a value to them—such as an email notice when their car is ready for an oil change, especially if that email includes a coupon from a local resource.

You can also look to apply data value to supply chain partners. For example, service contractors will appreciate knowing trends about equipment sales so they can accurately forecast business they may see for installations/set-ups and 6-month inspections. Your data around sales or products types can help them be prepared with the right replacement parts and inventory of consumables, like filters or ink.

8

Monetizing data

Collecting data from sensor-embedded, Internet-enabled digital products opens paths to monetize that data, thus creating twin revenue streams—the product, and the product-as-a-service. This can give you new ways to deliver services. Take, for example, the service that is “bolted on” to a traditional product, such as alerting customers that a piece of machinery requires preventive maintenance before it breaks down (also known as “remote asset management”).

9

Selling upgrades

When you sell a product with software as one of its features, that automatically gives you opportunities to sell upgrades and enhancements that can be downloaded. “Increasingly, manufacturers who produce digital products will be able to update a product’s software and thereby offer product enhancements—and charge fees aligned to the robustness of the service offered, not unlike cable-TV packages. Suddenly, software licensing and ‘entitlement management’ software becomes as important as—or, in some cases, even more important than—the hardware,” says **Robert McCutcheon in a June 2016 blog, “Manufacturers are investing heavily in digital ecosystems but where will they get returns?”**

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641 Avenue of the Americas, New York, NY 10011

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Selling aftermarket services

Selling aftermarket services, service contracts, and extended warranties have been part of manufacturers’ arsenals for some time, but the advent of highly complex, Internet-connected, high tech components and sensors makes this revenue stream even more lucrative. Customers who have invested in complex product (whether B2B or B2C) want to make sure the product continues to perform as expected. Sell them service, and you have a win-win opportunity.

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Godlan, Inc.
15399 Canal Road
Clinton Township, MI 48038
586-464-4400
info@godlan.com
www.Godlan.com