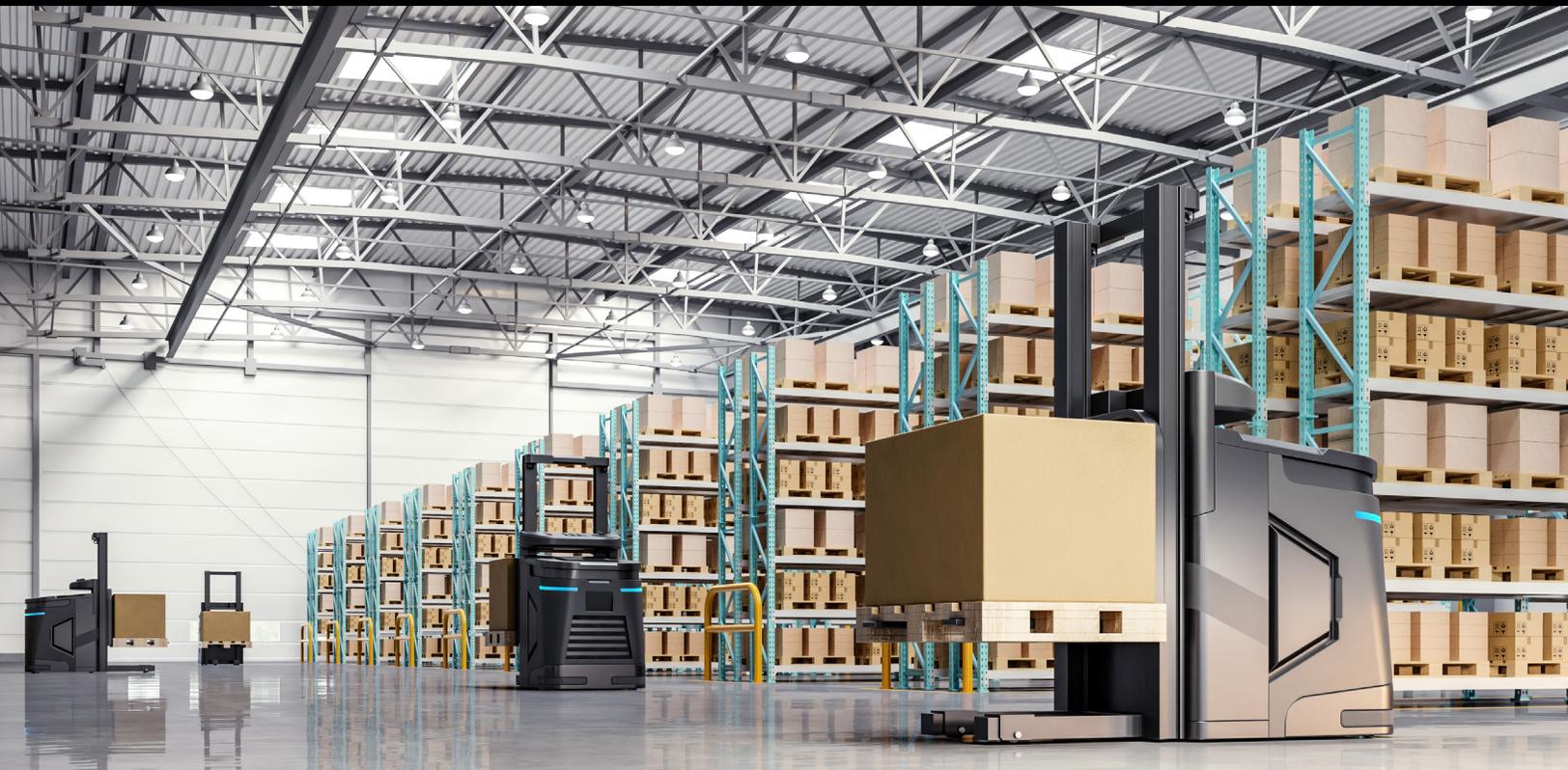


The State of Digital Manufacturing

2024

Unlocking the Power of Digital Transformation



Introduction

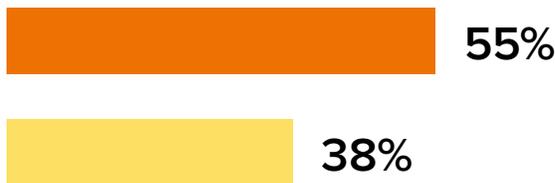
At Tacton, we are committed to understanding how manufacturers will navigate the path to a resilient future, strategically fortifying their operations. That's why for the fourth consecutive year we have engaged with manufacturing professionals, conducting polls to capture a snapshot of their plans for 2024 and beyond.

As part of our annual survey, we asked manufacturers about Digital Transformation efforts,

2024 Priorities and Sustainability. In addition to that, we also analyzed how the maturity of digital implementations impacts several areas of their business such as revenue generation, profitability & productivity. Our findings clearly indicate that manufacturers who are advanced in their digital transformation projects realize much more value than those who haven't planned or are just starting out. Let's review our key findings in this area.

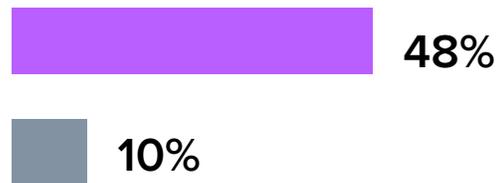
Key Insights:

Enhanced Profitability



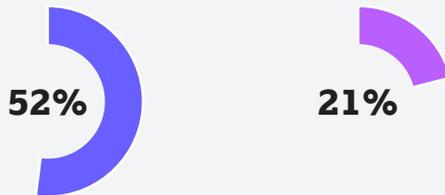
57% of firms with advanced digital implementations see improved profitability, compared to 38% of those just starting out.

Increased Sales



48% of firms with enhanced digital implementations reported increased sales vs only 10% who have not yet begun.

AI Enthusiasm



52% of companies ahead in digital implementations are more excited about AI compared to only 21% of those just starting out.

Investment Focus



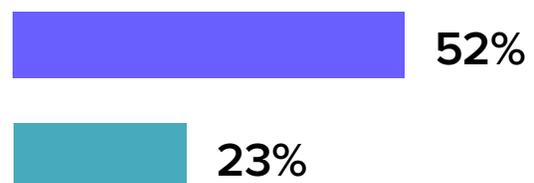
Advanced firms prioritize investment initiatives such as supply chain optimization (72%), digitalization of internal processes (55%), and digital direct sales (33%), more so than firms in the early stages of transformation.

Productivity Boost



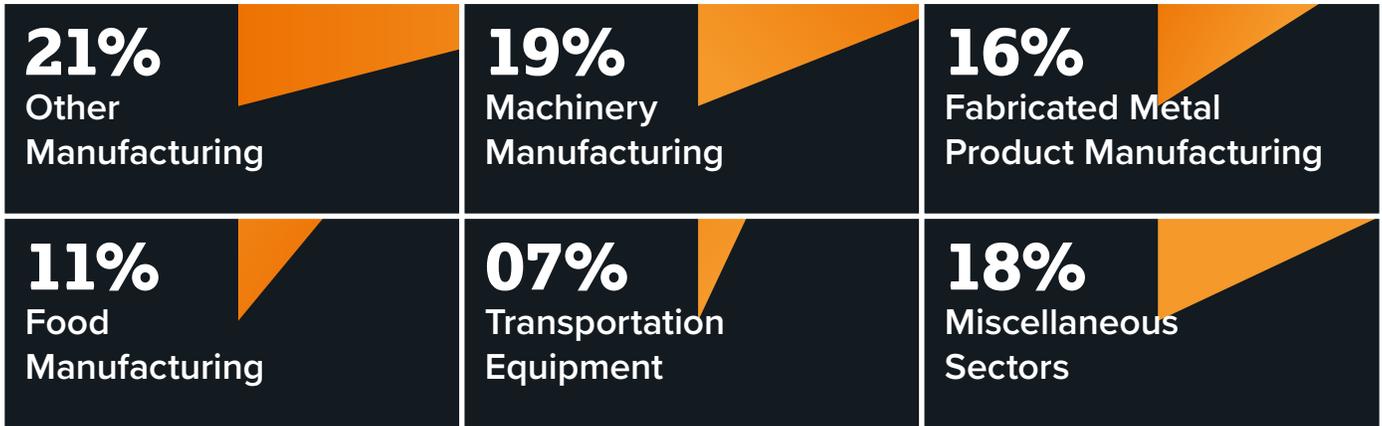
74% of manufacturers well into digital transformation report improved productivity, compared to just 53% of those at the initial stages

Adoption of Technology Solutions

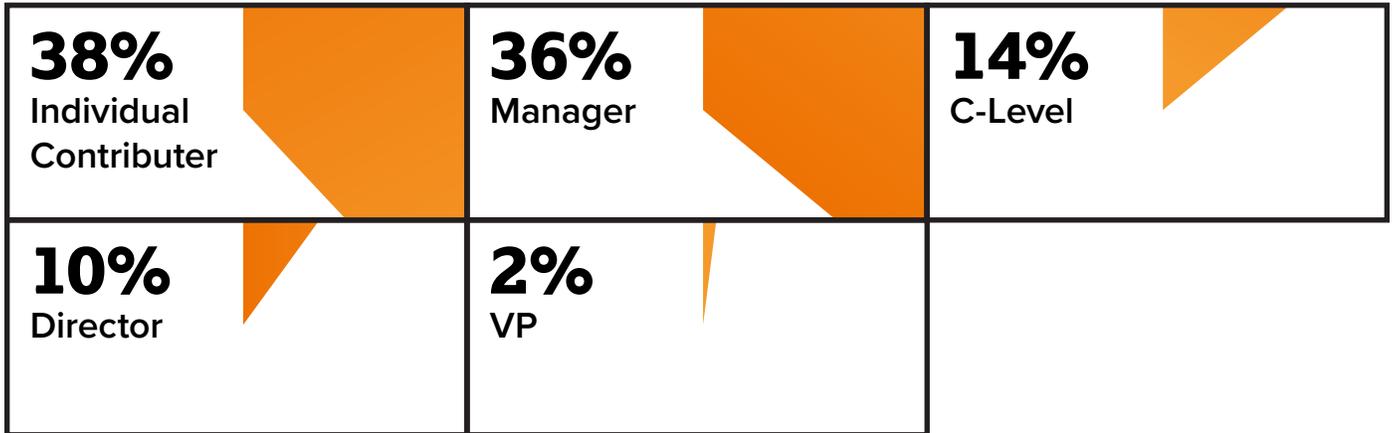


Advanced firms are more likely to use third-party software to improve their revenue generation such as CPQ (Configure, Price, Quote) software (52% vs. 23% of beginners).

What best describes your manufacturing sector?



Which of the following best describes your level at your company?





Digital Transformation

Over the past four years, the manufacturing landscape has navigated through a challenging terrain, with each year bringing its unique set of hurdles. The initial shockwaves of the pandemic created disruptions that reverberated across global supply chains, forcing manufacturers to swiftly reassess their operational strategies.

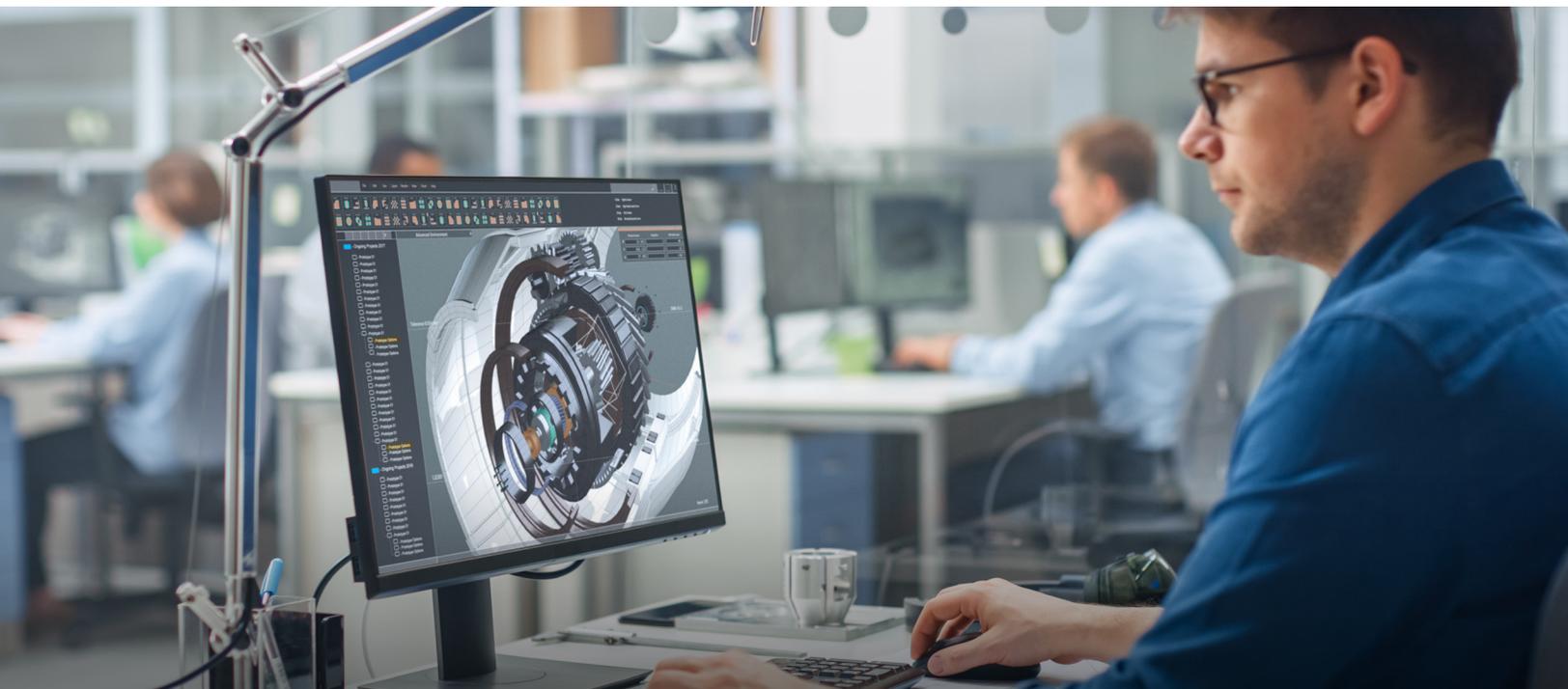
In addition to the pandemic, manufacturers also faced fluctuating markets, trade tensions, and geopolitical shifts added layers of complexity, demanding a nimble approach to decision-making.

With change being a constant, manufacturers faced a decision to digitalize or watch competition pass them by.

The journey towards digital transformation became a strategic imperative, offering a pathway for manufacturers to enhance efficiency, optimize resources, and build a more agile and responsive ecosystem.

64%

The survey found that 64% of respondents are either in the early stages or well into their implementation process of their efforts



How far along are your digital transformation efforts?



We have not yet begun



We planned our digital transformation strategy but have yet begun implementation



We are in the early stages of implementation



We are well into the implementation process and plan to continue into next year



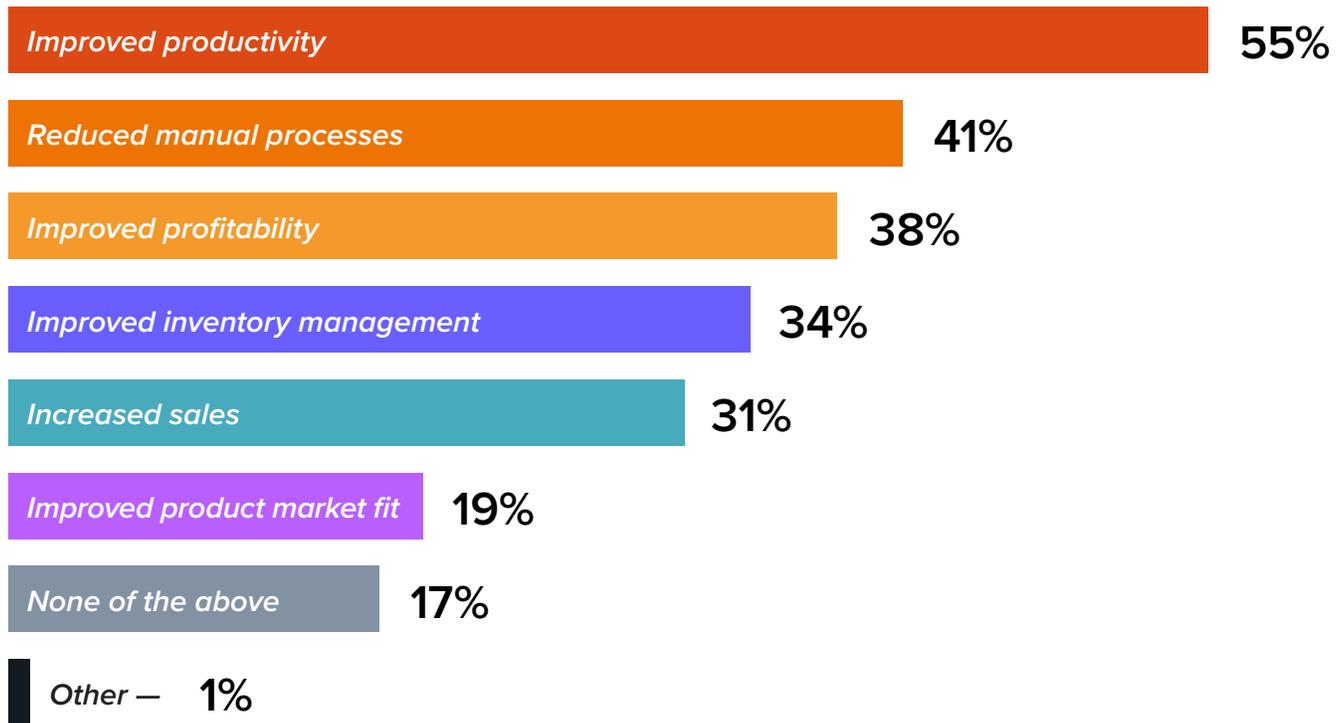
We are happy with where we are now and have no plans to continue into next year

While numerous manufacturers are making strides in their digital transformation endeavors, there remains a portion of companies, comprising 17%, that have yet to commence their efforts.

The percentage of manufacturers delaying their digital transformation journey raises red flags about potential consequences for those lagging.

In an era where digital integration is becoming synonymous with survival, companies that resist this inevitable shift may find themselves at a significant disadvantage. Let's look at how these transformation efforts are changing businesses:

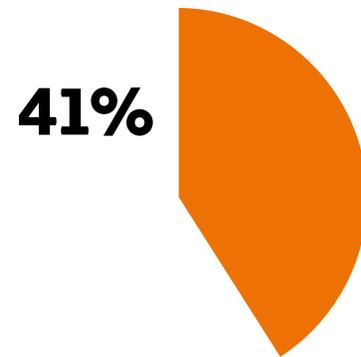
How have your company's digital transformation initiatives changed your business?



With so many changes for manufacturers it's important for them to see the actual results of their initiatives. With 55% of respondents seeing increased productivity, it is a testament to the power transformations can have for manufacturers.

Enhanced productivity is often the goal of digital transformation, and the positive response from many respondents validates the strategic significance of embracing new solutions to help teams work with less.

Reducing manual processes in manufacturing is vital for precision, efficiency, and overall operational excellence. 41% of respondents noted that their initiatives helped automate their processes. These initiatives enhance product quality, while real-time data generated enables data-driven decision-making.



41% of respondents noted that their initiatives helped automate their processes

Delaying transformation has consequences.

Delaying digital transformation can have significant consequences for manufacturers, as evidenced by the data highlighting the benefits of advanced digital implementations:

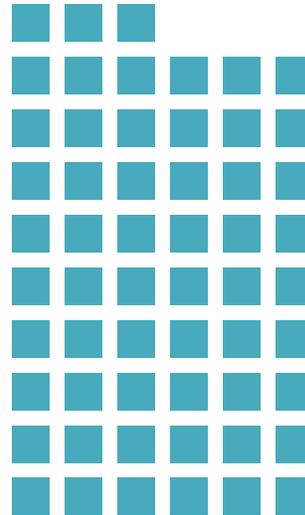
Enhanced Profitability: Advanced digital implementations correlate with improved profitability, with 57% of firms benefiting compared to 38% at early stages. Delaying transformation hinders process optimization, cost reduction, and revenue maximization, affecting the bottom line.

Increased Sales: Firms with advanced digital implementations see a notable increase in sales (48%), while those lagging report only 10% growth. Digital technologies drive sales by reaching new markets, streamlining processes, and enhancing customer experiences. Delaying transformation risks missing out on sales opportunities and falling behind competitors.

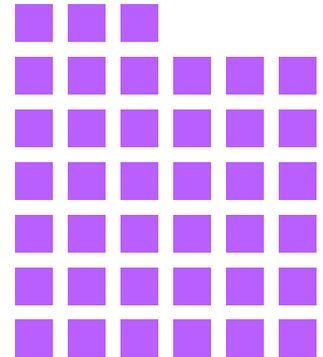
Productivity Boost: Manufacturers in advanced digital stages experienced improved productivity (74%) compared to those at initial stages (53%). Digital tools automate tasks, optimize workflows, and empower employees, enhancing efficiency. Delaying transformation reduces productivity gains and hampers agility in meeting market demands.

Enhanced Profitability

57%

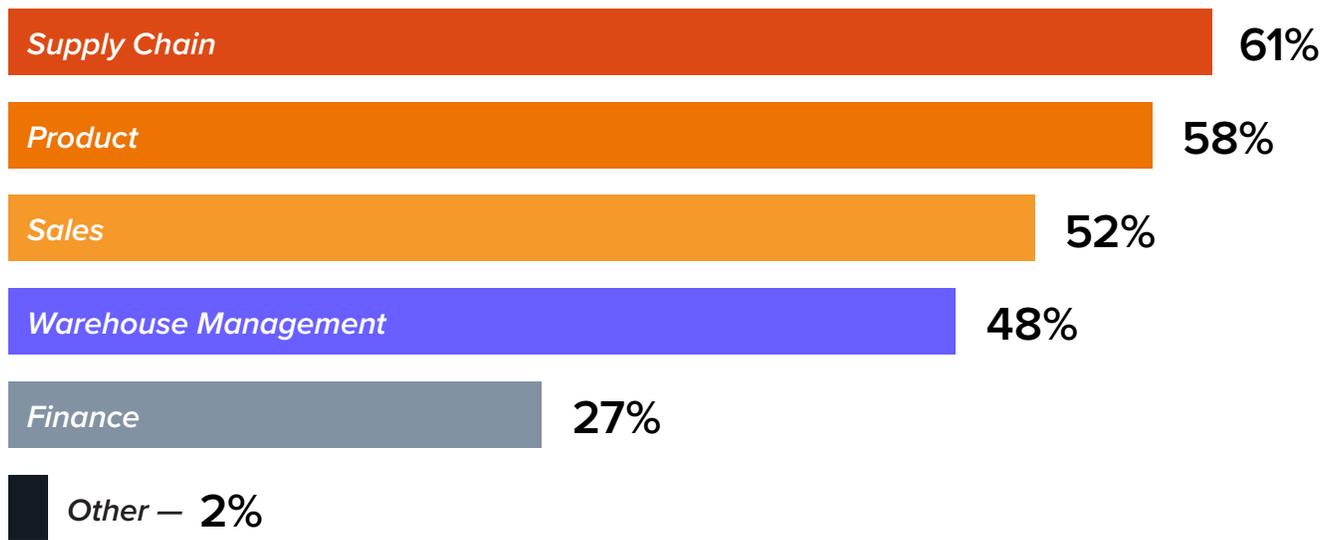


38%



*Advanced digital implementations correlate with improved profitability, with **57%** of firms benefiting compared to **38%** at early stages.*

What areas are your company's digital transformation initiatives focused on?



Supply chain has been an issue for manufacturers globally since the pandemic in 2020. This hasn't improved for many with 61% of respondents noting a focus on supply chain in the upcoming year. One respondent noted the changes in manufacturing, "It's also becoming a struggle because of supply chain issues."

The focus on supply chain solutions in the upcoming year reflects a recognition within the manufacturing industry that a well-orchestrated and technologically advanced supply chain is not just a competitive advantage but a prerequisite for navigating the complexities of the modern business landscape.

Delaying digital transformation can impose significant repercussions on manufacturers, as indicated by the data emphasizing investment focus:

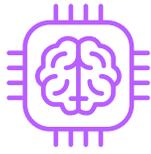
Supply Chain Optimization: Advanced firms prioritize supply chain optimization, with 72% emphasizing its importance. Streamlining operations, reducing costs, and enhancing

efficiency are crucial benefits. Digital technologies like CPQ offer real-time visibility, enabling manufacturers to identify inefficiencies and respond swiftly to market changes. Delaying transformation risks higher costs, longer lead times, and diminished competitiveness.

Digitalization of Internal Processes:

Digitalizing internal processes is another key priority for advanced firms, with 55% investing in this area. Automation, collaboration improvement, and data-driven decision-making are central. Delaying transformation leads to inefficiencies, siloed data, and fragmented workflows, hindering business agility and innovation.

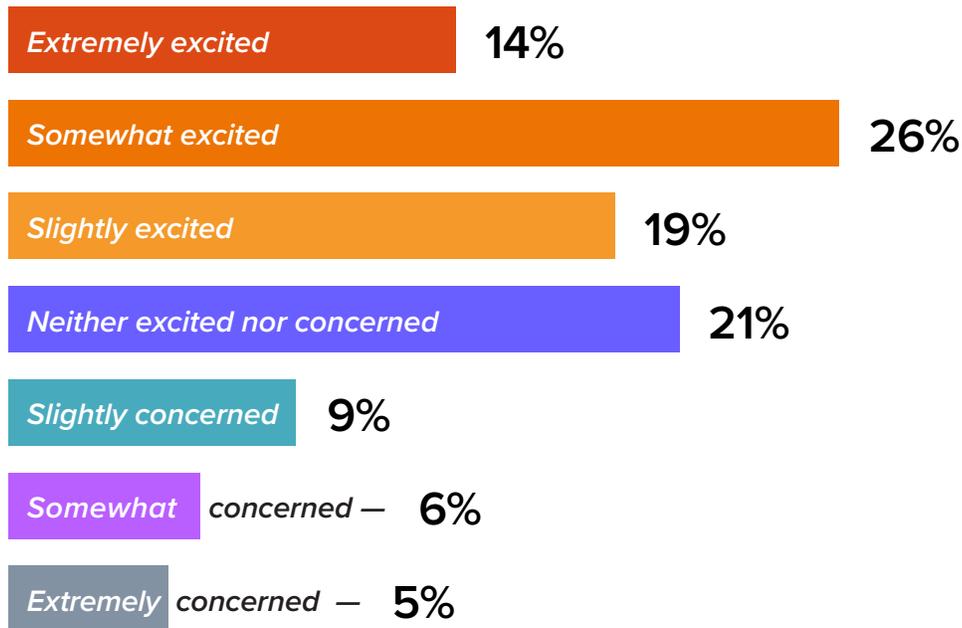
Digital Direct Sales: Advanced firms focus on digital direct sales, with 33% prioritizing investments. Leveraging online channels and e-commerce platforms allows direct engagement with customers, expanding market reach and driving revenue growth. Delaying transformation limits manufacturers' ability to capitalize on online commerce, leaving them vulnerable to competitors embracing digital sales models.



Artificial Intelligence

Like many industries, manufacturing is taking a deeper look into the AI revolution that is happening across businesses.

How excited or concerned are you about AI in manufacturing?



59% of our survey respondents are showing some level of excitement for AI in their manufacturing process. This group views AI as a catalyst for unprecedented innovation, efficiency, and competitiveness. They foresee a future where intelligent machines optimize processes, enhance productivity, and contribute to the development of cutting-edge products.

While the level of excitement is high, 20% of respondents do have varying levels of concern about how AI will impact the manufacturing process at their business.

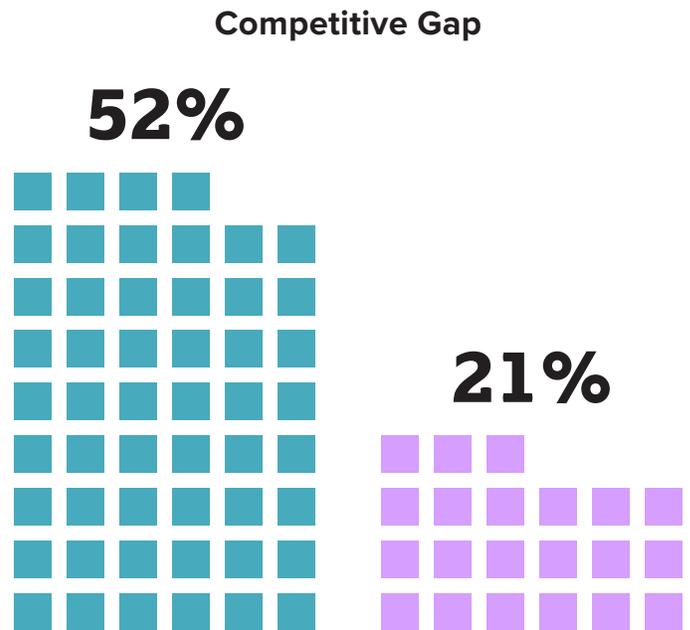
This nuanced spectrum of sentiments underscores the importance of responsibly navigating the integration of AI in manufacturing, ensuring that its potential benefits are harnessed ethically for the industry's continued advancement.

Delaying digital transformation, especially in adopting AI, can severely impact manufacturers:

Competitive Gap: Companies advanced in digitalization are much more excited about AI (52%) than those just starting out (21%). This indicates a significant competitive disadvantage for laggards, as AI drives insights, efficiency, and personalized experiences crucial for sales success.

Missed Opportunities: Delaying AI adoption means missing out on opportunities for enhanced sales effectiveness, better forecasting, and streamlined operations. This can lead to lost revenue and hindered growth compared to competitors leveraging AI-driven strategies.

Limited Growth: AI-powered sales solutions offer deeper customer insights, optimized pricing, and efficient sales processes. Without embracing AI, manufacturers risk impeding their growth potential and falling behind in adapting to market demands and customer expectations.



Companies advanced in digitalization are much more excited about AI (52%) than those just starting out (21%).



2024 Priorities

The fluctuating economic outlook has presented manufacturers with a challenging decision-making environment, as evidenced by the survey responses. 46% of respondent's effort

remains the same, this consistency suggests that these companies are committed to their digital transformation goals and will likely see gradual progress over time.

How have recent uncertain economic times impacted your digital transformation efforts?



2024

- *We have accelerated our digital transformation efforts*
- *We have made no changes; our efforts remain steady*

- *We have slowed our digital transformation efforts*
- *We have shifted our focus, but our efforts remain*

The 25% of respondents who are accelerating their digital transformation efforts signify a proactive approach to embracing change and innovation. This acceleration indicates a heightened commitment to staying ahead of the curve and leveraging digital technologies to drive growth and competitive advantage. By prioritizing speed and agility in their transformation initiatives, these companies are positioning themselves to adapt more rapidly to market shifts and emerging opportunities.

However, a cautionary tale emerges for those hesitating in the face of uncertainty, as slowing down transformational efforts could prove to be a risky bet. With newer technologies like AI poised to revolutionize the landscape, those pressing forward are gaining a significant advantage. This underscores the imperative for adaptability and forward momentum, even amidst turbulent economic waters.

Which key investment initiatives do you consider most important during current economic uncertainty?



Which strategic areas do you consider most important to remain competitive and bolster growth in the coming year?



Reducing costs has remained the most important area for manufacturers to bolster growth in 2024. This can be attributed to companies trying to maximize profit and reduce risk with the possibility of an uncertain economy.

Reducing errors and rework is vital for manufacturers as it directly impacts financial efficiency, product quality, and brand reputation, these are just a few reasons why there was a 13% increase in these initiatives since last year. Minimizing mistakes not only cuts additional costs but also ensures consistent high-quality products, enhancing customer satisfaction and safeguarding the company's image.

The noteworthy 8% increase from last year, bringing the percentage of manufacturers prioritizing increased product quality to 57%

since last year, underscores a pivotal shift in industry focus. This surge indicates a heightened recognition among manufacturers of the direct correlation between product quality and overall success. Elevating quality standards not only aligns with customer expectations but also serves as a strategic response to a competitive marketplace.

In an uncertain economic landscape, the supply chain's resilience and adaptability have emerged as paramount concerns for manufacturers. The fact that 62% of respondents continue to underscore the importance of supply chain optimization reaffirms its status as a top investment area. Manufacturers are acutely aware that a well-optimized supply chain not only weathers economic uncertainties but also positions them for sustained success.

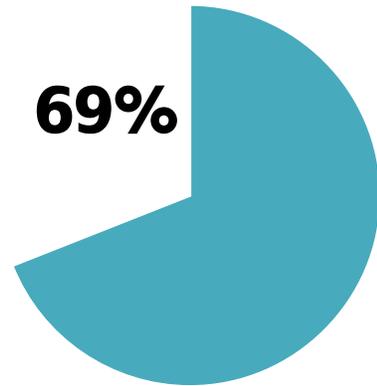


Sustainability Planning

Sustainability has become a top priority for manufacturers. Beyond meeting the changing requirements of customers, sustainability will also drive economic resilience by reducing costs and resource dependency.

Embracing sustainable practices aligns with changing consumer preferences, enhancing market reputation. It mitigates risks associated with regulations and supply chain disruptions, fostering a more robust business model.

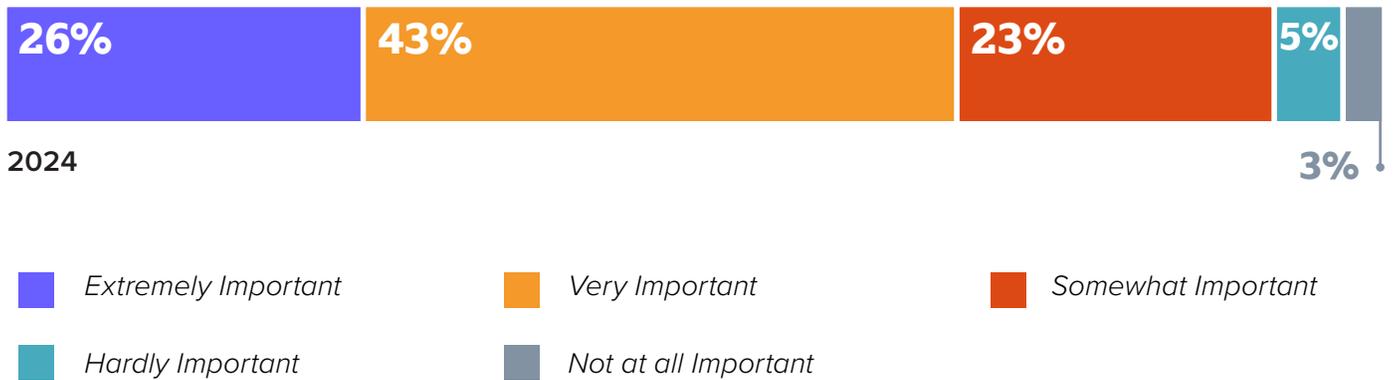
Sustainability also fuels innovation, improving operational efficiency and ensuring compliance with evolving environmental standards. In a world demanding responsible practices, manufacturers find that sustainability is not just a choice—it's a key driver of long-term success. Let's take a closer look into the impact sustainability is having on manufacturers.



69% of manufacturers believe sustainability initiatives are either extremely or very important to their 2024 goals



How important are sustainability initiatives for you this year?

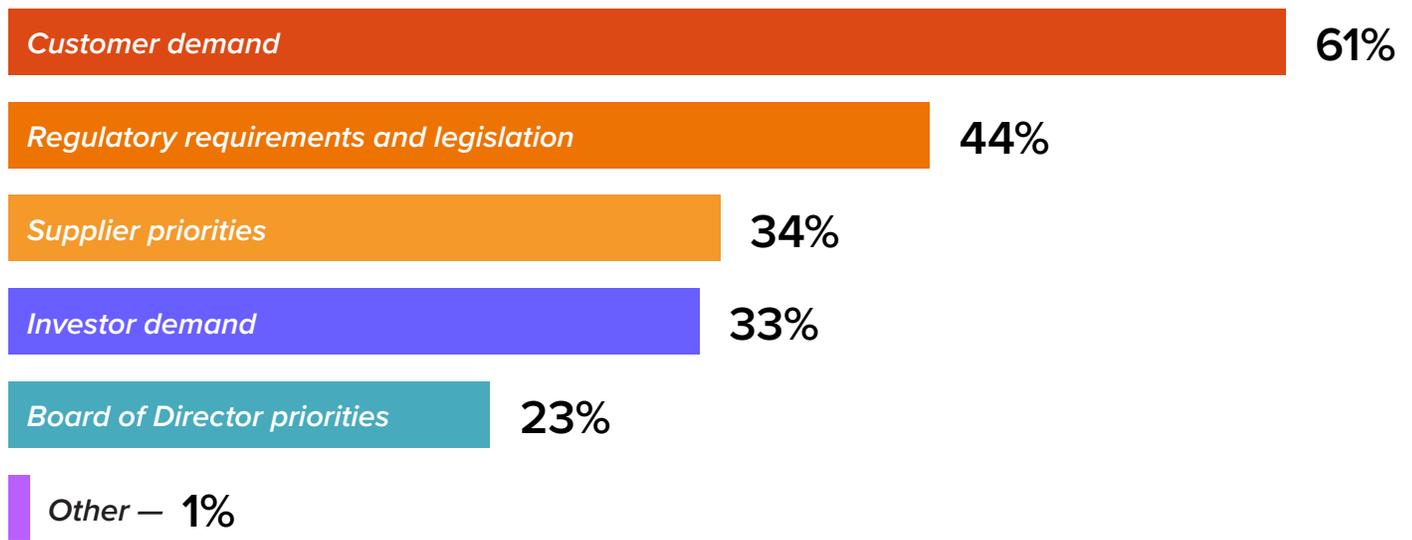


The importance of sustainability is here to stay for manufacturing. 69% of respondents rated sustainability as extremely or very important. This reflects a growing industry awareness that sustainability is not just a trend but a strategic necessity for long-term success.

Manufacturers are recognizing the impact of sustainable practices on competitiveness, compliance with regulations, and meeting the expectations of an environmentally conscious consumer base. This shift underscores the integral role sustainability plays in shaping the future of manufacturing.

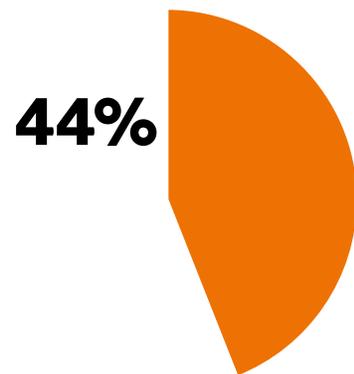


What factors are driving your organization's need for increased focus on sustainability?



Manufacturers are increasingly propelled towards sustainability by a two-fold force: 61% respond to the demands of environmentally conscious consumers seeking products with minimal environmental impact.

Simultaneously, 44% are driven by a shifting regulatory landscape, including initiatives like the EU Green New Deal and the SEC climate disclosure Rule. These regulations set higher standards, compelling manufacturers to adopt sustainable practices not just for compliance but as a strategic necessity. The intersection of consumer preferences and stringent regulations underscores that sustainability is no longer a choice but a pivotal aspect shaping the present and future of manufacturing practices worldwide.



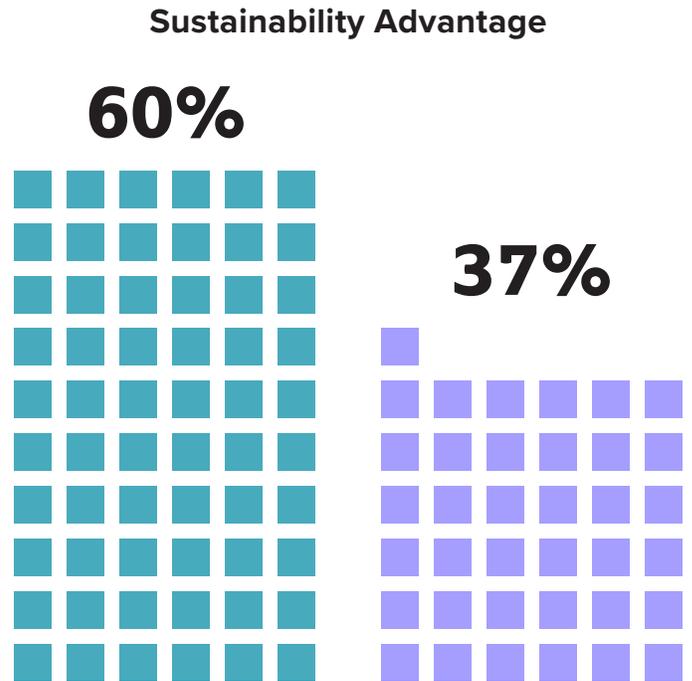
44% are driven by a shifting regulatory landscape, including initiatives like the EU Green New Deal and the SEC climate disclosure Rule

Delaying digital transformation can have significant consequences for manufacturers, particularly regarding sustainability initiatives:

Sustainability Advantage: Advanced firms are much more prepared for sustainability initiatives (60%) compared to those yet to embark on digital transformation (37%). Embracing digitalization enables better integration of sustainability principles into business practices, improving environmental footprint, reducing costs, and enhancing brand reputation.

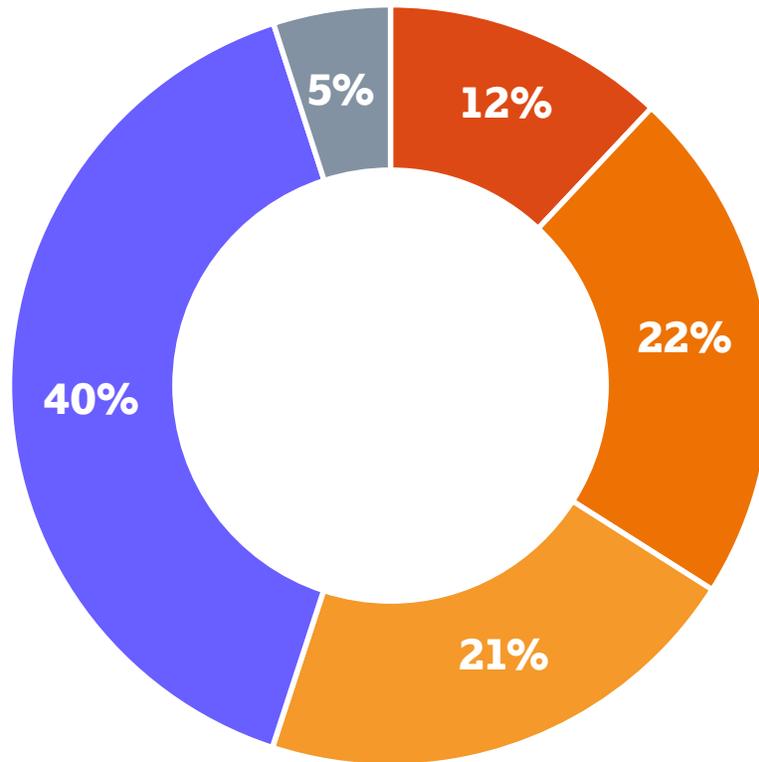
Missed Opportunities: Digital technologies offer tools for monitoring energy consumption, optimizing resource usage, and reducing waste. Delaying transformation risks missing out on opportunities to improve sustainability performance, comply with regulations, and meet consumer expectations.

Competitive Positioning: Sustainability has become a key differentiator in the market, influencing consumer decisions and brand loyalty. Manufacturers delaying digital transformation may lose out on opportunities to differentiate products based on sustainability attributes, impacting market share and revenue growth.



Advanced firms are much more prepared for sustainability initiatives (60%) compared to those yet to embark on digital transformation (37%).

How have requests to provide information about the environmental or climate impact of your products changed in the past year?



 *Increased Significantly*

 *Increased Somewhat*

 *Increased Slightly*

 *Stayed the same*

 *Decreased*

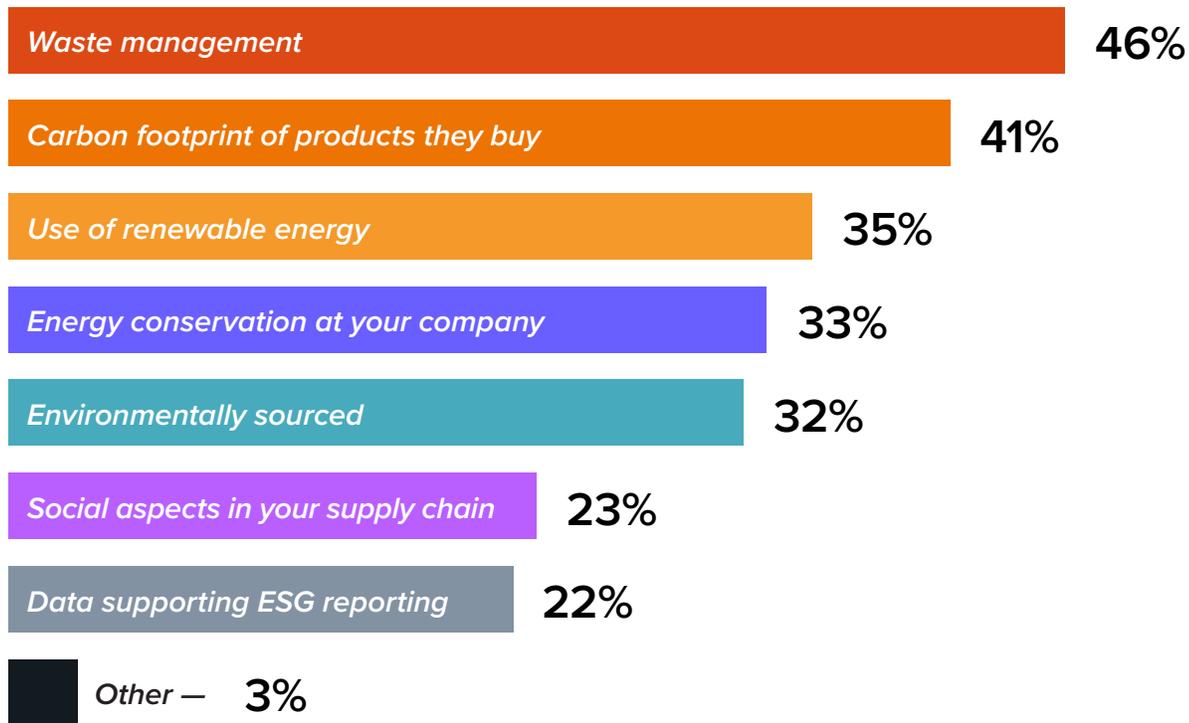
Manufacturers are under increasing pressure to be more transparent, driven by both customer expectations and regulatory requirements. As purchasing influence transitions to a younger

generation, meeting their demand for sustainable products becomes crucial. 55% of our respondents have seen at least some increase in requests for data on the environmental impact.

This shift presents a golden opportunity for manufacturers to innovate and develop sustainable offerings, not only meeting consumer preferences

but also unlocking the potential for increased sales and profits. Let's look at what customers are most interested in:

What aspects of sustainability are your customers most interested in?



In response to heightened expectations for transparency, customers increasingly seek specific outputs from manufacturers. Carbon footprint reporting emerges as a critical element, serving as a key indicator of a product's environmental impact. This information is pivotal for customers who are not just interested in the product itself but in its overall contribution to sustainability.

Equally significant is providing comprehensive product data, allowing customers to report the impact to their own stakeholders, including both

consumers and boards. By meeting these specific demands for detailed reporting, manufacturers not only align with customer expectations but also contribute to a more transparent and accountable industry landscape.

Is your planning to share the environmental impact of your products with your customer?



■ *Yes, we're already doing this*

■ *No, no plans*

■ *Yes, but we don't know how*

■ *No, we haven't started to estimate the impact, but plan to do so*



Looking Ahead

As we conclude our fourth consecutive survey at Tacton, the insights gathered from manufacturing professionals paint a vivid picture of the industry's trajectory toward a resilient future. With a focused lens on digital transformation, 2024 priorities, and sustainability, our survey has not only captured the current landscape but illuminated the strategies and innovations that will shape the future.

As manufacturers gear up for the challenges of 2024, the quest for solutions addressing high-variance products and customer demands remains paramount for sustained success. In this pursuit, Tacton Configure, Price, Quote (CPQ) stands as a strategic ally.

Building on our proven track record as the industry leading CPQ solution, Tacton empowers manufacturers to efficiently navigate intricate product variations and meet dynamic customer expectations. As the industrial landscape evolves, Tacton continues to be the go-to solution, providing manufacturers with the agility and precision needed to thrive in the complex and demanding market of 2024.

[Learn more today by visiting www.tacton.com](https://www.tacton.com)
[or scheduling your personalized demo](#)

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