

# From survival to revival

Industrial post COVID-19

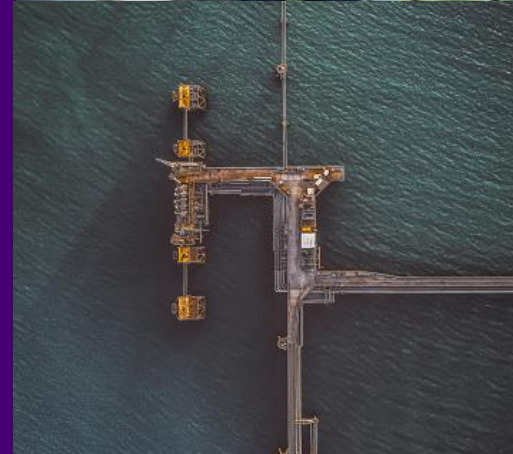
March 2020

# The state of industrial

Covid-19 has turned into a global crisis, evolving at unprecedented speed and scale. No industry is immune and Industrial Equipment is no exception.

Industrial Equipment companies are grappling with the immediate impact of Covid-19 as both their manufacturing and supply chain operations are being disrupted, and their customers' own operations face similar challenges.

This is having an exponential effect down the whole supplier network, hitting Industrial Equipment companies with a lag, but at full force nonetheless.





# Covid-19 comes at a time of economic uncertainty

This comes at a time when Industrial Equipment companies were already facing severe economic headwinds with clear signs of a recession in their main markets around the globe.

The global economy was cooling down (Global GDP growth declined by 13% from 2017-2019; Source: Accenture Research based on [IMF DataMapper](#) world economic outlook) and Industrial production in most global markets has strongly decelerated. The Covid-19 crisis is adding yet another vast layer of complexity to an already hugely challenging environment.

Industrial Equipment is critical to the world's economy: with over \$3 trillion in revenues it represents about 25% of the manufacturing GDP (21.2% of GDP in US manufacturing, 25.4% in Europe and 32.9% for Japan) with a significant workforce, up to 30% of all manufacturing employees across the globe.

# The time to act is NOW, while preparing for the future

Industrial Equipment manufacturers must act now to preserve the integrity of their operations and protect their people while preparing for the ramping back up of their operations and the future post Covid-19.

And while some companies have started responding to the immediate crisis—taking steps to protect their workforce, supply chains and operations—not all have. And even fewer have started to face the equally important challenge of planning for the new ways of working which will emerge as Covid-19 infection cases start to decrease significantly.



# How to manage now

There is no 'one-size-fits-all' solution to the issues facing Industrial Equipment due to the scale and diversity of the sector. Global operations rely on international supply chains which are under immense pressure, while different regions and markets mean many different reactions to the Covid-19 crisis.

## Right Now, Business continuity and Prioritization is the Focus.

The scale of the impact on supply chains eclipses anything most Industrial companies have had to deal with. And right now, companies must ensure the most resilient supply chain possible whilst protecting their workforce. This requires them to:

**01**

Establish a command center and begin rapid response deployment

**02**

Rapidly adjust operations and continue response cycle

**03**

Establish an ongoing operating capability

All of this must be done with a specific focus and prioritization on their customers' core needs, as client-centricity continues to be of the essence. At the same time Industrial Equipment companies must enable virtual work whenever possible to protect their people while ensuring highest levels of productivity.

This change in the current ways of working will clearly stress existing IT infrastructure and systems. System resilience is of the utmost importance putting even more pressure than before on technology teams and IT infrastructure across the whole enterprise. And digital channels must be leveraged to their fullest extent to keep commercial links with customers and partners as well as the products, machines and assets in operation.

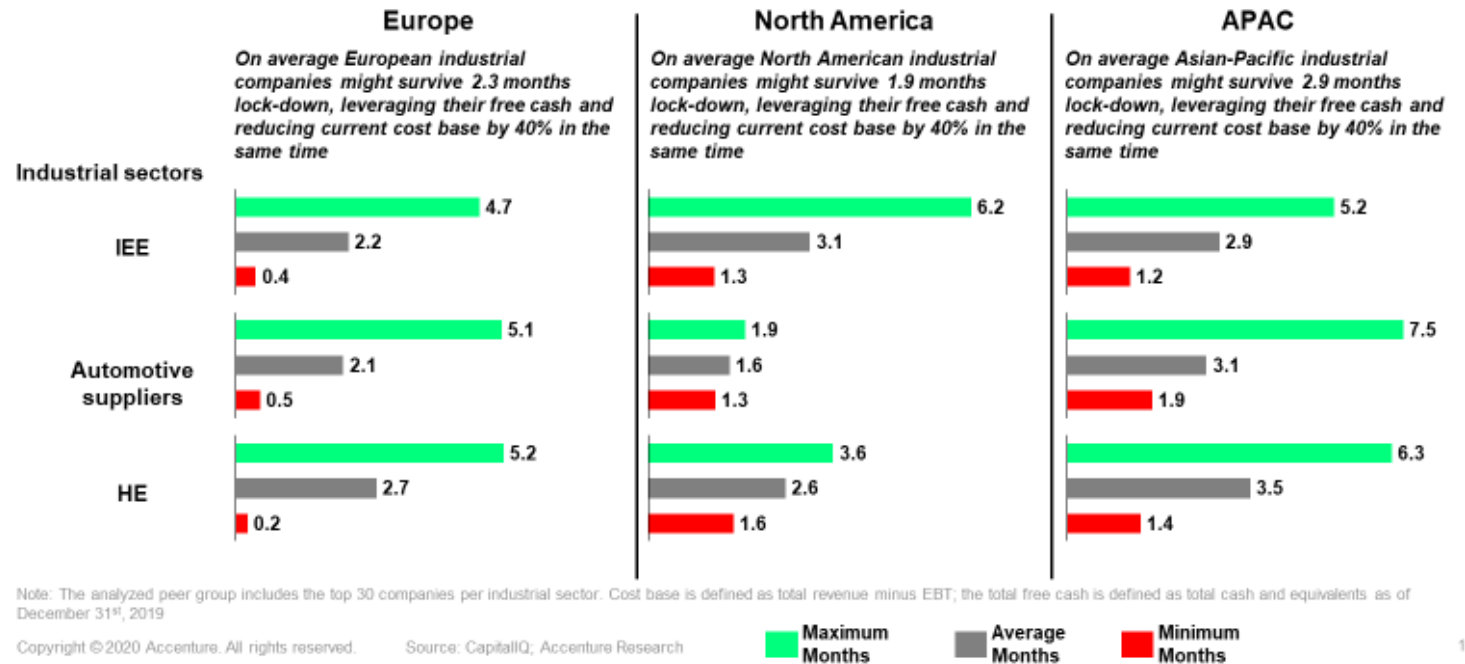
# But cash is becoming critical

The potential of lockdown is looming, and based on current cash reserves, Industrial Equipment companies can only afford a full lock-down of business for a maximum of 2-3 months.

Yet those same cash reserves are also vital to prepare the company to ramp up business and go back to industrial markets. This requires companies to (1) reprioritize investments and put on hold all non-essential investment programs, as well as (2) launch cost reduction initiatives across the enterprise with both immediate and longer-term impacts.

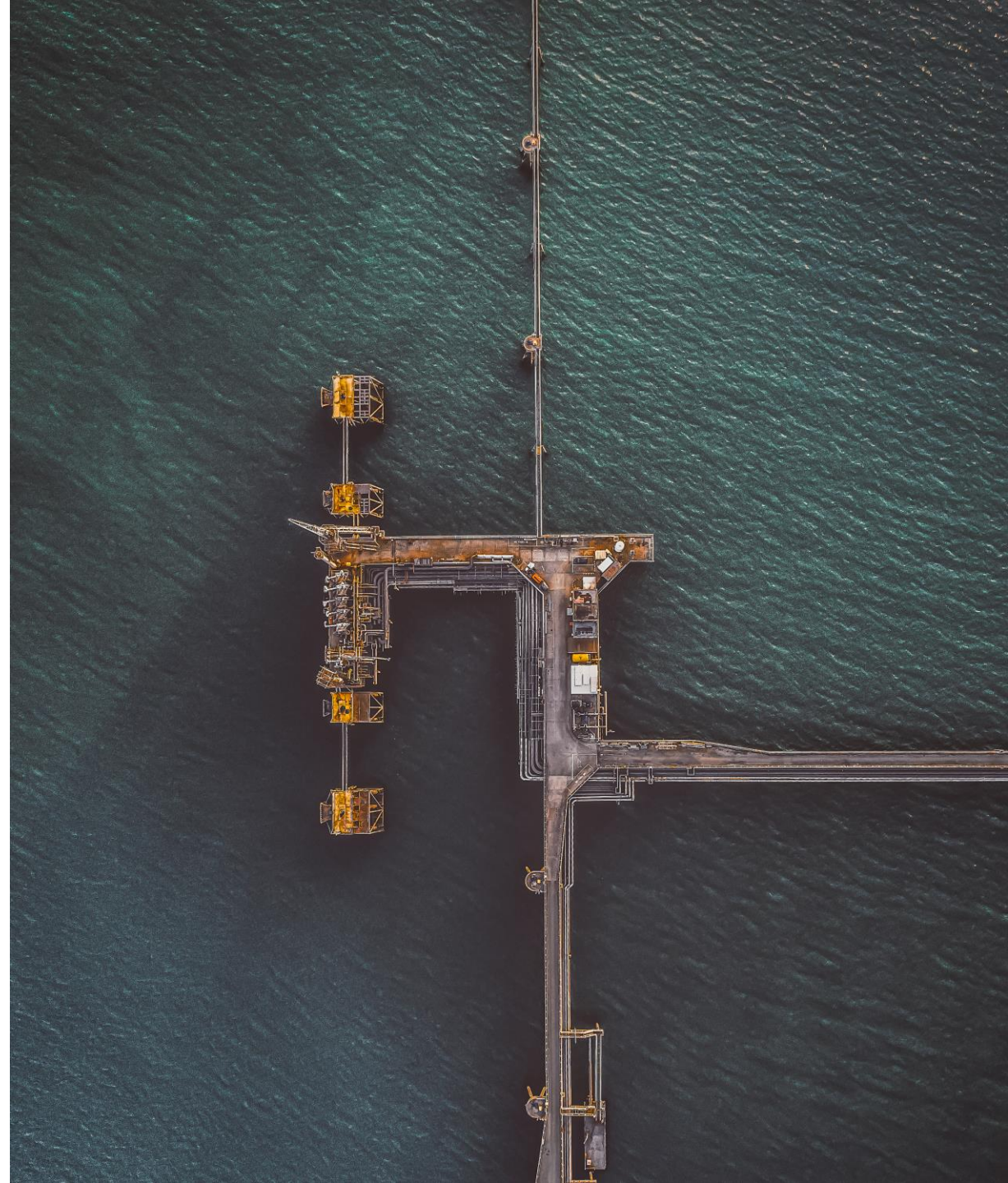
This makes managing the Covid-19 crisis a timeline battle: the remaining cash buffer vs the necessary financial demands to revive the company.

## A COMPLETE LOCK-DOWN OF BUSINESS IN THE INDUSTRIAL CORE MARKETS WILL CAUSE A SEVERE IMPACT ON INDUSTRIAL COMPANIES



# What's on the horizon: Reinventing industrial

Industrial Equipment companies, while focusing now on maintaining their customers' core operations, should also start anticipating the ramping back up of the business. They must take a longer-term view and think through the post Covid-19 implications.



# Industrial equipment will never be the same again

There are several critical business capabilities Industrial Equipment manufacturers will have to adjust. These are ‘no regret’ moves that should be anticipated:

1. A more elastic workforce and digitally enabled workplace
2. Differentiated and resilient supply chains by customer segment
3. Resilient and distributed IT infrastructure and systems and
4. Digital channels and ecommerce platforms.

Industrial Equipment companies will need to scale their leverage of digital across the enterprise and its ecosystem—from PoC to scale deployment. But this requires rethinking the portfolio of products with an acceleration of the development of digital services.



# The 'what if'-questions to ask

Building these capabilities, while mandatory, must be put in light of what's possible post Covid-19. Leaders of Industrial Equipment companies should think through the following "What if"-questions:

**What if the lockdown of the operations of their customers lasted for another 4 to 6 months?**

**What if demand patterns post Covid-19 changed significantly and never went back to 'normal', or took 24 to 36 months more?**

**What if markets in North America or in Europe failed to recover while Asia went back to growth?**

**What if B2B customers reduced drastically all investments in new industrial equipment in the months post-crisis or will it come to significantly delayed demand for new equipment? Will supply issues prevent many industrial manufacturers to rapidly fulfil a demand pickup post-crisis?**

**These are just a few of the "What If"-questions that will guide CXOs of Industrial Equipment companies in the necessary reinvention of Industrial.**

**Companies who develop target-oriented action plans now to tackle these challenges – and who execute them when indicators show the time is right – will be revived, revitalised and ready to reap the rewards in a post Covid-19 world.**



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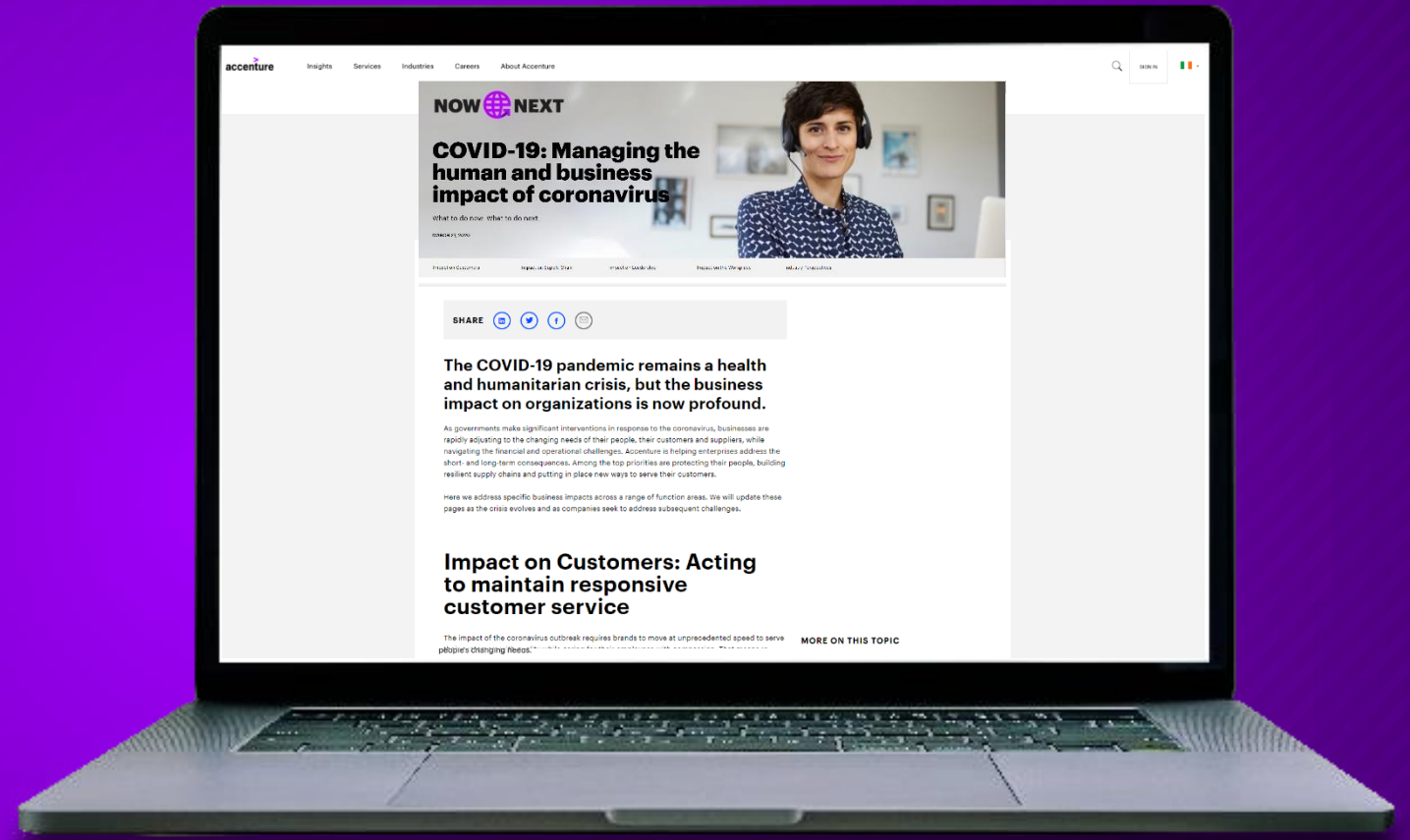
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To help our clients navigate both the human and business impact of COVID-19, we've created a hub of all of our latest thinking on a variety of topics.

Each topic highlights specific actions which can be taken **now**, and what to consider **next** as industries move towards a new normal.

From leadership essentials to ensuring productivity for your employees and customer service groups to building supply chain resilience and much more, our hub will be constantly updated. Check back regularly for more insights.

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