

# EUROPEAN MANUFACTURERS THRIVE ON CLOUD.

## What European Companies Can Learn from the Industry's Cloud Leaders



Manufacturers heeded the call to move to digital during the COVID-19 pandemic. That much is clear from how eagerly they embraced cloud. In Europe, manufacturers used the transition to make strides in adopting cloud for production and other vital business aspects that set them up for success in the future.

European manufacturers have seen multiple benefits from their cloud investments, including more effective operations, quality control, customer experiences, and product development and R&D. They also cut costs and improved profitability. As a result, they expect to increase investments in cloud applications over the next two years.

Those are some of the key takeaways from a Wipro survey of approximately 93 C-level executives and key decision-makers at manufacturers in four European countries: France, Germany, Switzerland, and the U.K. The survey was part of the broader Wipro FullStride Cloud Services' manufacturing cloud report.

For European companies' investments to pay off in the long run, though, they need to expand cloud use beyond fundamental manufacturing functions, adopt new quality engineering practices that match new cloud-based applications, and sink cost savings back into cloud efforts.

## Where European Manufacturers Excel in Cloud

European manufacturers' overall cloud maturity is on par with the global average, with 30% of companies meeting Wipro's definition of cloud leaders, 44% as intermediate-level cloud users, and 26% as beginners. Germany has the most manufacturers that are either advanced or intermediate cloud leaders (82%), those with the highest level of cloud maturity based on total cloud initiatives, among other factors.

The survey also uncovered other key trends among European manufacturers' cloud use:

**Modernizing Production.** They may be average for overall cloud maturity, but manufacturers in Europe have made more progress than those anywhere else in adopting it for key factory functions. Forty percent or more report making "significant" progress in key manufacturing activities, including IT and operations, production, production planning, and procurement and supply chain. "The most successful use cases of the cloud in our organization are cloud-based supply chain planning and centralized data access," the chief technology officer of one German manufacturer said.

Perhaps because they've already moved many sector fundamentals to cloud platforms, European manufacturers expect to expand their future cloud investments beyond the basics. In the next two years, they believe the most significant increases in new investments will be in using cloud for marketing and financial management, as well as for additional manufacturing and production applications.



#### Where firms have made significant progress in using the cloud

Business area	Now	In 2 years	% ppt increase
IT management and operations	59%	71%	+12
Manufacturing and production*	46%	62%	+16
Data and customer analysis	46%	56%	+10
Production planning*	42%	56%	+14
Procurement and supply chain	41%	53%	+12
Product development, R&D	34%	39%	+5
Strategic planning and market analysis	33%	44%	+11
Sales and business development	30%	38%	+8
Customer management and CX	28%	41%	+13
Service and distribution*	27%	37%	+10
Financial management, reporting	26%	43%	+17
Quality control*	26%	40%	+14
Cybersecurity and risk management	24%	39%	+15
Marketing and distribution	14%	35%	+21
*Specialized areas for manufacturing			

**Making Manufacturing More Effective.** The progress that European manufacturers have made in adopting cloud for fundamental functions has paid off in the form of more effective operations. Quality control is a foundation of effective manufacturing, and 79% of companies say cloud has made QC better. Specifically, cloud helps centralize, standardize, and bring transparency to QC data, and it supports transforming operations. Because QC is so important, close to half (49%) expect to increase investments in cloud-based QC in the near future.




## 79% of European manufacturers say cloud has made quality control more effective.

Cloud has also been effective for these companies' customer experiences (58%), product development and R&D (56%), product planning (56%), and manufacturing and production (53%). An even higher proportion of cloud leaders in the industry reports success in implementing cloud in production planning (70%) and product development (64%).

In the future, European manufacturers expect to see the biggest increases in their cloud investments in noncore functions such as strategic planning and market analysis (59%) and HR and employee experience (55%), as well as in core production functions such as service and distribution (56%) and production planning (50%).

**Protecting Cloud Investments.** Switching from legacy and on-premises systems to cloud requires more than adopting new technology and training people on how to use it. For one, vital operations have to be safeguarded against potential attacks. European manufacturers realize this and have made safety a top priority. Fifty-seven percent of all manufacturers in the region and 61% of cloud leaders say developing cybersecurity teams and skills is the number-one step they are taking to ensure their move to cloud is effective.

Maximizing cloud doesn't end with protecting it against attacks. A majority of manufacturers in the area also set and track metrics to measure effectiveness (56%), provide training to IT and business staff (51%), and implement a change-management strategy in conjunction with cloud initiatives (51%).



**Lower Costs and Greater Profits.** European manufacturers' cloud spending varies by country, but most see decreased costs and improved profitability as top benefits. European manufacturers average spending 4.8% of their total IT budget on cloud, a fraction lower than the 5% average for manufacturers everywhere. Spending is higher in the U.K. (7.6%) and Switzerland (6.9%) than in Germany (3.8%) and France (4.6%), possibly because companies in the latter two regions are further along on their cloud journey and previously made substantial investments.



Until now, cloud's top benefits for European manufacturers have been decreased costs (58%), improved productivity (56%), improved planning and decision-making (51%), and increased revenue (49%). Cloud leaders also report improved profitability, faster time to market, faster innovation, and greater teamwork (43% respectively). "Cloud-based technology has fewer technical problems than software used on individual computers and allows (us) to work more effectively and reduce costs," according to the CEO of a French manufacturer.

Manufacturers of all cloud maturity levels in the region believe that over the next two years, cloud will have the biggest impact on growth, with a full 67% forecasting that it will drive revenue increases.



## Final Thoughts

To maximize their investments, companies should take the following into consideration when migrating to cloud:

- Building a future-ready, digital-era factory takes time and an expansion of investments to cover more than just the applications that modernize the supply chain. To match manufacturing cloud leaders' effectiveness, companies should invest in other areas that drive growth, including using cloud for financial reporting and customer management.
- Quality control plays a key role in manufacturing, but switching to cloud-based applications and processes means taking a different approach, since distributed cloud-centric functions have different potential failure points than traditional business and production environments. By incorporating modern quality engineering practices into their cloud applications and initiatives, organizations promote IT resilience, improve product reliability, and ultimately drive their business forward.
- To ensure that cloud use results in the expected revenue increases, companies need to invest the cost savings they're getting today into expanding cloud applications.

**Please visit [wipro.com/cloud](https://wipro.com/cloud) to learn more about Wipro FullStride Cloud Services**

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