Press contact:
Florence Lievre
Tel.: +33 1 47 54 50 71
Email: florence.lievre@capgemini.com

Intelligent services to fuel growth in the next 3 years

The era of intelligent products and services[1] has arrived:

- *Organizations expect 28% of their revenue, on average, to come only from intelligent services in the next three years*
- *While only 35% of organizations currently offer intelligent services, more than a half (53%) plan to do so in the near future.*

Paris, September 28, 2022 – The latest report from the Capgemini Research Institute entitled *Intelligent products and services: unlock the opportunity of a connected business* reveals that more than 80% of organizations acknowledge that the shift to software and service-based models is a key trend impacting their industries. From connected cars to remote health monitoring to smart home services, and more, organizations are shifting their focus to service innovation. The report highlights that the majority of organizations (78%)[2] are at least in the strategy stage of transitioning to intelligent products and services and are moving away from traditional 'make, sell, ship' business models. And nearly 7 in 10 organizations believe not investing in intelligent products and services risks loss of market share and competitive advantage.

According to the report, nearly 90% of organizations expect to see revenue from intelligent services in the next 3 years, and 87% say that intelligent products and services are crucial to their business strategy. This is particularly prominent in industrial manufacturing (87%), closely followed by MedTech and consumer products manufacturing (both 84%). In the next three years, on average, 28% of organizational revenue is expected to come from intelligent services up from an average of 12% today. Not only does the development of intelligent products and services open up new revenue streams, but it also has the potential to drive growth, efficiencies and improved customer loyalty.

Multiple benefits gained by organizations for intelligent products and services
The report finds that organizations that have begun to implement intelligent products and services are seeing benefits not only related to revenue: 83% have reduced the cost of servicing, 83% are seeing improved customer experience, and 84% reduced environmental impact. Intelligent products and services, with their ability to capture and share data and insights, have the potential to drive sustainability by enabling measurement of waste; identifying opportunities to save energy, carbon, water, etc.; and promoting circular-lifecycle management.

The 'Fast Movers' (59%) – those with well-defined visions and strategies for intelligent products and services - have already seen reductions of more than 10% in their carbon emissions (56%); an improvement of more than 10% in Net Promoter/Customer Satisfaction score (55%); and almost half have seen an acceleration in time to market for R&D and a decrease in servicing costs of greater than 10%.

---

[1] Intelligent products are smart, connected, software-enabled products that can be continuously improved using real-time feedback. The data they generate and collect enables organizations to offer intelligent services – leading to new "servitization"-based business and revenue models. *Servitization* refers to industries using their products to sell "outcome as a service" rather than a one-off sale.

[2] The survey was continued with these 78% (1,000) organizations.

Transitioning from traditional products to intelligent products and services remains complex

The research highlights that organizations feel ill-equipped to manage the shift from a product- to a service-based business model, and many organizations are yet to reap these benefits: half of those surveyed reported they are currently at the pilot stage. Just a small cohort of organizations (8%) are ahead in their transformation journeys. These organizations have successfully strategized to transform their end-to-end value chains and operating models; actively focused on outcome-based or service-based business models; and moved away from legacy technology and systems.

Integration of new technology and existing systems and tools poses a challenge

Capgemini's research shows that 56% of organizations agree that legacy technology remains a severe hindrance to progress. Similarly, 76% of respondents cite data-related challenges, noting a lack of stable infrastructure to store the new data generated by intelligent products and services. This highlights the need for organizations to transform and invest in their digital infrastructures, ensuring access and robust management of data across the value chain.

The report recommends addressing these challenges by investing in talent to meet the demands of this developing growth area of their businesses. In fact, organizations reported more than 40% skill gap in key roles such data management and analytic professionals, agile specialists, and innovation specialists. Using training internally to upskill employees, hiring strategically or acquiring skills through external partnerships will be important focus areas. There is already strong progress being made as 84% of those already leading in the intelligent products and services area are transforming their design and engineering teams by adding talent in software development, systems engineering, and product clouds.

"Intelligent products and services, powered by digital technology and AI will create an enormous value for companies, consumers, and the global economy over the next three years. Traditional product companies are retooling to become software-driven enterprises, delivering rich new customer experiences that increase customer loyalty and drive ongoing revenue streams. The time to act is now. Companies that are able to scale intelligent product and services will leapfrog competition and drive speed to value," said Lisa Mitnick, Group Offer Leader Intelligent Products & Services at Capgemini.

For more information or to download the report, visit: link to the report

Methodology

The Capgemini Research Institute surveyed 1,000 executives from large organizations, with more than $1 billion in annual revenue, only traditional manufacturers in automotive, medical technology[3], consumer products, industrial and capital goods, hi-tech manufacturing, and energy and utilities, across 11 countries, in April-May 2022. The respondents were at Director level or above, responsible for either driving intelligent products/services strategy in their organizations or being closely associated with it. In addition, in-depth interviews were also conducted with industry executives from various organizations, which included the traditional manufacturers as well as the digital natives. Interviewees comprised those who are involved in the development of intelligent products and services working across all functional areas, such as strategy, product/service development, engineering, IT, and customer management.

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of over 350,000 team members in more than 50 countries. With its strong 55-year heritage

---

[3] Biopharma (biotechnology and pharmaceutical) firms are excluded from the sample for this research, as covered in Capgemini's report: *Unlocking the value in connected health*

and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering, and platforms. The Group reported in 2021 global revenues of €18 billion.
Get The Future You Want | www.capgemini.com

About the Capgemini Research Institute
The Capgemini Research 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, Singapore, the United Kingdom, and the United States. It was recently ranked #1 in the world for the quality of its research by independent analysts.
Visit us at https://www.capgemini.com/researchinstitute/