

Canadian industrial companies need to up their digital game: KPMG in Canada

73 per cent expect to invest less than 5 per cent of annual revenue on digital technology, KPMG survey finds

TORONTO, Feb. 19, 2020 – Almost three quarters (73 per cent) of Canada’s industrial companies expect to invest less than 5 per cent of their annual revenue on digital technology, not nearly enough to make them competitive globally, finds a new KPMG in Canada [report](#).

The KPMG in Canada [report](#), called *Building up to transformation*, examines the digital maturity of Canada’s industrials sector. To explore their digital readiness, KPMG surveyed C-suite leaders at 165 companies across Canada, from regional and national players to global giants in the manufacturing, mining, oil and gas, power utilities, construction, transportation, and infrastructure industries.

“We found that companies have significant digital ambitions and high expectations for returns on investment, but their level of investment is too modest and, at times, too linear,” says Stephanie Terrill, KPMG’s national leader of its management consulting practice. “To truly move the dial, companies need to do more than make incremental investments to build digital capabilities; they need to build a modern digital foundation for a great leap forward.

“Digital transformation is no longer an option – it’s essential to remaining competitive,” she says. “They need to at least double, if not triple, their investments.”

Key Findings:

- 73 per cent of industrial companies expect to invest less than 5 per cent of annual revenue on technology and digital transformation.
- Just half (50 per cent) are investing in digital technology to create a competitive edge.
- The vast majority (80 per cent) expect a return on investment (ROI) in three years or less, with just over two in five (41 per cent) looking for returns in two years.
- Only 34 per cent think digital transformation will require a significant hiring of new talent.
- Less than half (45 per cent) feel they are in a good position relative to their peers when it comes to digital implementation.
- 60 per cent are concerned about cyber security risks.

While mining and energy companies already use digital technologies, such as self-driving trucks to haul ore or integrated sensors to monitor pipeline, machinery, or equipment integrity, more could be done. Industrial companies need to capitalize on the benefits from new exponential technologies, such as robotics, machine learning, machine-to-machine (M2M) communication, and the Internet of Things (IoT), the report says.

Companies are overlooking quick wins that are comparatively easy to implement, such as cloud services, while others struggle to achieve the integration needed to realize the full potential of data, the report says. As well, many seem to have dismissed the opportunities and insights that big data can offer. The survey findings reveal that only one in five (21 per cent) are actively leveraging data analytics.

Accelerating the digital journey

Few industrials have achieved the kind of holistic, end-to-end integration that is the hallmark of a digitally transformed and truly connected enterprise, the report says.

“Everyone is dabbling in digital technology to some degree, but it’s not clear many are doing so with a destination in mind,” says Ms. Terrill.

Robotics and M2M capabilities can speed up production, while IoT facilitates predictive maintenance, reduces downtime and costs, and provides greater visibility into production and delivery.

“Productivity expectations are only going in one direction: up,” says KPMG’s Yvon Audette, Chief Operating Officer, Management Consulting Services. “Companies should already be investing in IoT-compliant technology, especially to connect their legacy equipment. It’s fast becoming a baseline requirement for companies in these capital asset-intensive sectors; those that fail to invest in IoT will quickly fall behind.”

Although slow in the past to invest in digital technologies, close to half of the industrial companies surveyed by KPMG plan to implement intelligent automation and IoT technologies within the next three years.

Areas in which industrials are currently spending their tech dollars and their planned investments over the next three years:

| Technology Investment | Active or industry-leading adoption | Planned or in discussion |
|---------------------------|-------------------------------------|--------------------------|
| Cybersecurity | 72% | 37% |
| M2M communication | 29% | 41% |
| Robotics | 25% | 40% |
| IoT | 23% | 43% |
| Intelligent Automation | 21% | 46% |
| Additive Manufacturing | 18% | 30% |
| Augmented Decision Making | 14% | 40% |
| Digital Twin | 6% | 19% |
| Blockchain | 4% | 19% |

Access a full copy of KPMG’s *Building up to transformation* [report](#).

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