

# Digitization

Companies are beginning to walk the talk

by Jing Chen

The chemical industry is at the beginning of the digital journey—with limited digital innovation and the majority of companies and customers still offline—but is now starting to move into a decisive phase. While digitization has been a hot topic in the industry for the last several years, industry experts expect the trend to accelerate even more in the next several months.

SpecialChem (Paris) founder and CEO Christophe Cabarry recently told CW that digital transformation in the industry is happening so fast that companies that were conservative just months ago are now investing heavily in a digital overhaul. “Japanese [chemical] companies were lagging, but now we see many of them investing in digitization. From an organizational standpoint, Japanese [chemical] companies are very traditional ... but now almost all companies above a certain size have a CRM [customer relationship management] system, or are investing in CRM.”

In terms of digital maturity, European chemical makers tend more to be more advanced than North American companies. Germany has been especially proactive in tackling digitization in the industry. The country’s chemical industry employers association BAVC (Wiesbaden) created a committee last year that works alongside social partners to reach an understanding regarding the overall political direction for chemical companies in relation to digitization. A recent survey from German chemical association VCI found that 71% of participants use digital technologies or consider themselves digital innovators—up 29% from just two years ago.

Larger industry players also tend to be more digitized than smaller companies. Sam Samdani, senior expert with the Chemicals and Agriculture practice at McKinsey & Company, told CW that larger companies “typically have access to more and better-structured data, and are more likely to have employees with the technical skills needed to understand the business case for digitization investment and to successfully engage

suppliers.” He adds that the bigger firms also have an advantage because “the kind of fixed-cost investment required for digitization tends to generate higher returns when applied to a bigger base of costs and revenue.”

Business-to-consumer (B2C), the process for selling products directly to consumers, is more digitized than business-to-business (B2B), the process for selling products or services to other businesses. With B2C, customers are taking the driver’s seat in steering the products that companies develop, according to the April 2017 issue of *McKinsey Quarterly*, “The global forces inspiring a new narrative of progress.”

With a digital overhaul, additional personnel and a new way of working are typically needed to implement digital solutions effectively, Samdani explained at Chemical Marketing and Economics’ “Digital Meets Chemical” meeting last month. He says that new roles could include a product owner, whose responsibilities include making final decisions about scope and prioritization; a scrum master, who oversees the design process; a digital navigator/translator, who acts as an organizational behavior change-agent and collects user feedback during rollout; and a design lead, who ensures that teams are building user-centric and innovative solutions. Samdani adds that a company should make digital investments toward its commercial, operations, and procurement divisions as they have the “biggest potential” for functional excellence.

Digital adoption is also increasing on the plant floor as companies recognize the technologies’ financial and operational benefits, according to Accenture’s “Digital Technology in Chemical Plant Operations” survey. While also in the early stages of implementation, 80% of the 360 chemical executives interviewed said that they were planning to invest more in digital technologies for their plants, while 85% expected overall digital investment to increase during the next three years. Almost all of the survey’s respondents said they were satisfied with the benefits from their digital investments, with effective plant management and improved product quality being the most significant. ■



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