



Rothschild & Co

It's Time for TICC Companies to Catch Up on Digital



About the study



TICC companies recognize digital's potential



Digital maturity lags other industries



COVID-19 distracted laggards from digitization

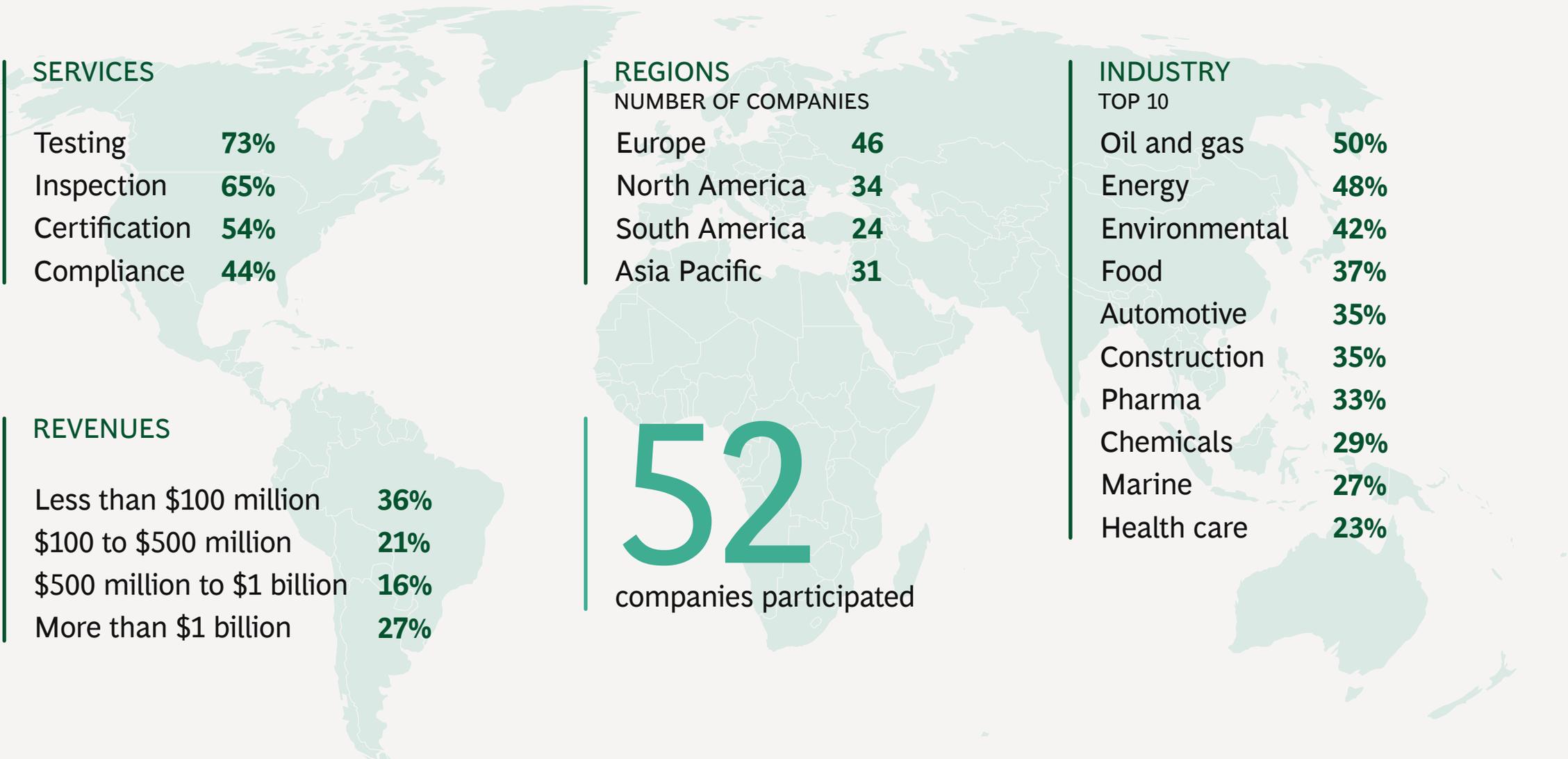


Growth is a leading objective of digital M&A



TICC players must adapt to succeed

Survey participants represent a wide variety of companies



Sources: TICC market study; BCG and Rothschild & Co analysis.

Notes: Companies may provide more than one type of service and/or may be active in more than one region or type of industry. Accordingly, the number of companies listed in each region, and the percentages listed in each category, reflect the share of participants including themselves in a particular region or category of services, revenues, or industry.

We used BCG's Digital Acceleration Index (DAI) to assess the TICC industry's digital maturity

The DAI assesses companies along 36 dimensions, grouped into six categories...

Defining a business strategy driven by digital

Digitizing the core

Customer offer
and go-to-market
approach

Operations

Support
functions

**Pursuing new
digital growth**

Changing ways of working

**Leveraging the power
of data and technology**

Integrating ecosystems

...and categorizes companies into four stages of digital maturity

Digital starter (DAI score 0-25)

Aware that digital might impact the industry, but doesn't yet have a well-defined digital strategy

Digital literate (DAI score >25-50)

Several functions or business units have their own digital strategies and separately analyze digital trends and the impact; the company has not defined a digital ambition

Digital performer (DAI score >50-75)

The digital target state for the organization is developed and the vision is articulated; digital ambition is defined and understood across the organization; metrics are defined and deployed to measure progress toward the ambition

Digital leader (DAI score >75-100)

Digital is one of the key priorities and an integral part of the CEO agenda; a clear process to update the vision has been defined, and a digital strategy across business units and functions is in place



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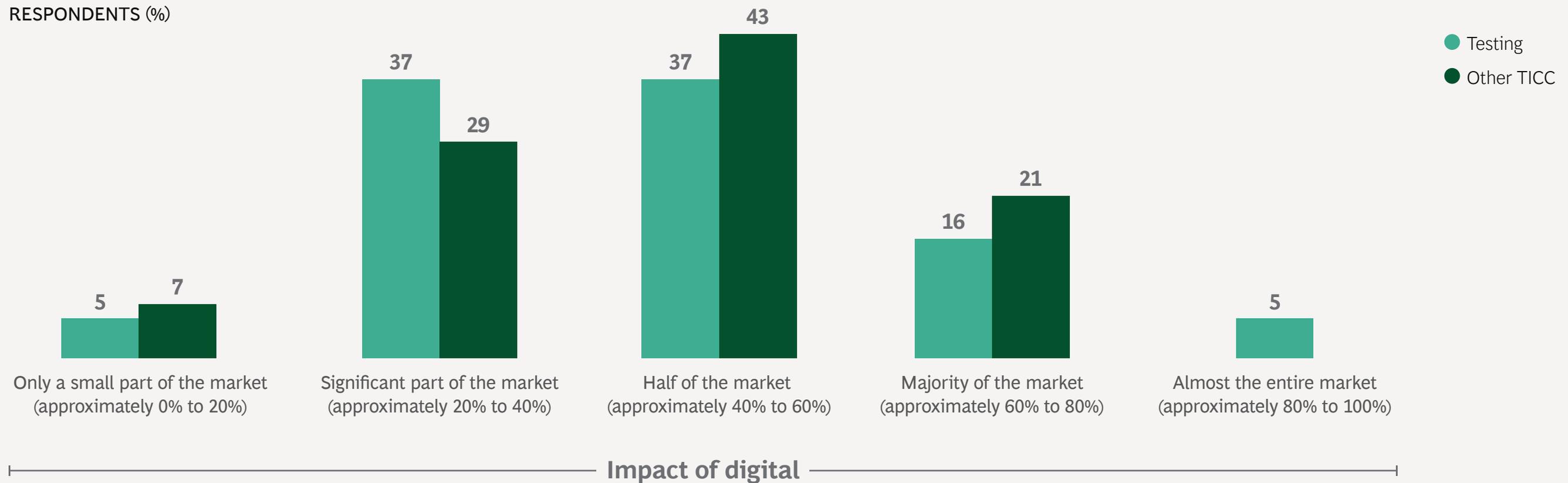


TICC players must adapt to succeed

TICC executives expect digital to transform about half of their overall market in the next five years

Proportion of the overall market, defined by respondents' scope of services, likely to be transformed by digital in the next five years

RESPONDENTS (%)



Sources: TICC market study; BCG and Rothschild & Co analysis.

Note: Testing is less susceptible to digitization because it is a lab-based activity, while other activities are location based.

Respondents' top strategic objectives of digitization are customer engagement, growth, and new services

RESPONDENTS (%)



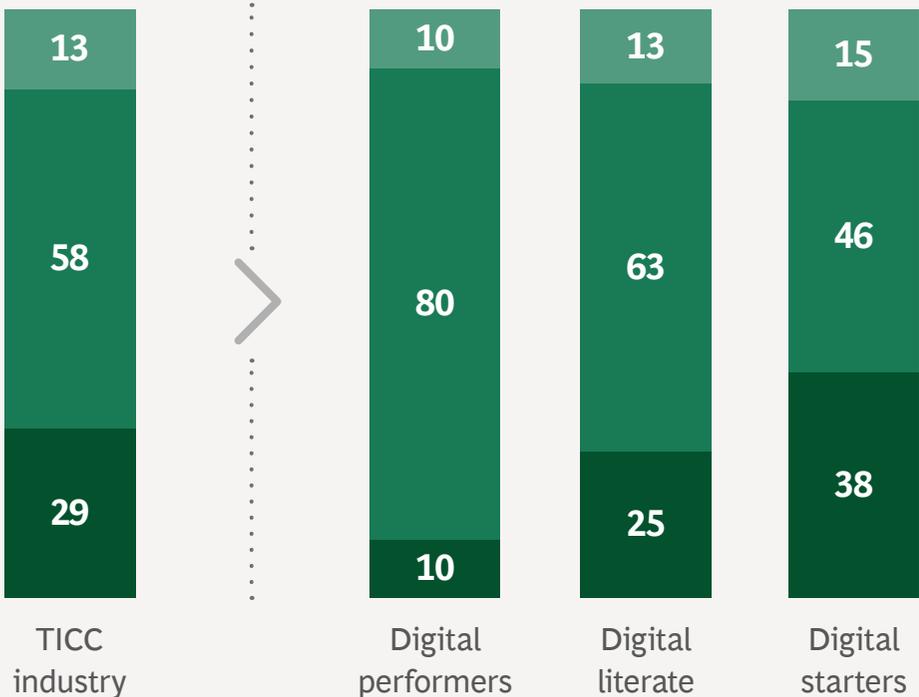
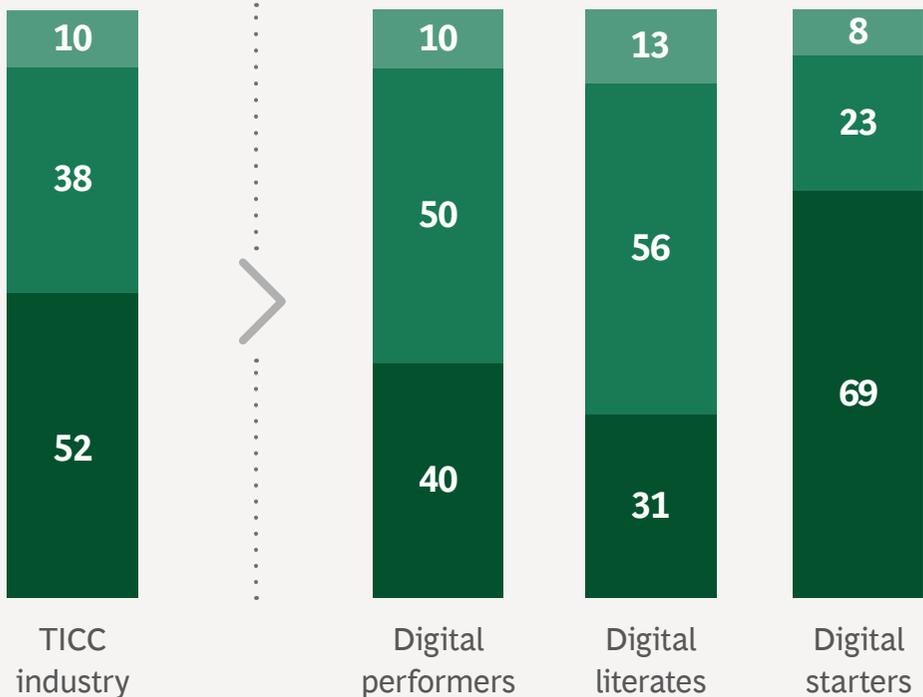
Company priorities differ across time horizons

For the next two years, the COVID-19 crisis has led companies (especially digital starters) to prioritize internal business process optimization

For the longer term (two-to-five years), seamless digital integration with customers is the highest priority across the industry

RESPONDENTS (%)

RESPONDENTS (%)



- Seamless digital integration with partners/suppliers
- Seamless digital integration with customers
- Optimization of internal business processes to promote digital workflows

Sources: TICC market study; BCG and Rothschild & Co analysis.

Note: Digital performers, digital literates, and digital starters refer to rankings on BCG's Digital Acceleration Index (DAI). Columns may not total 100% due to rounding.



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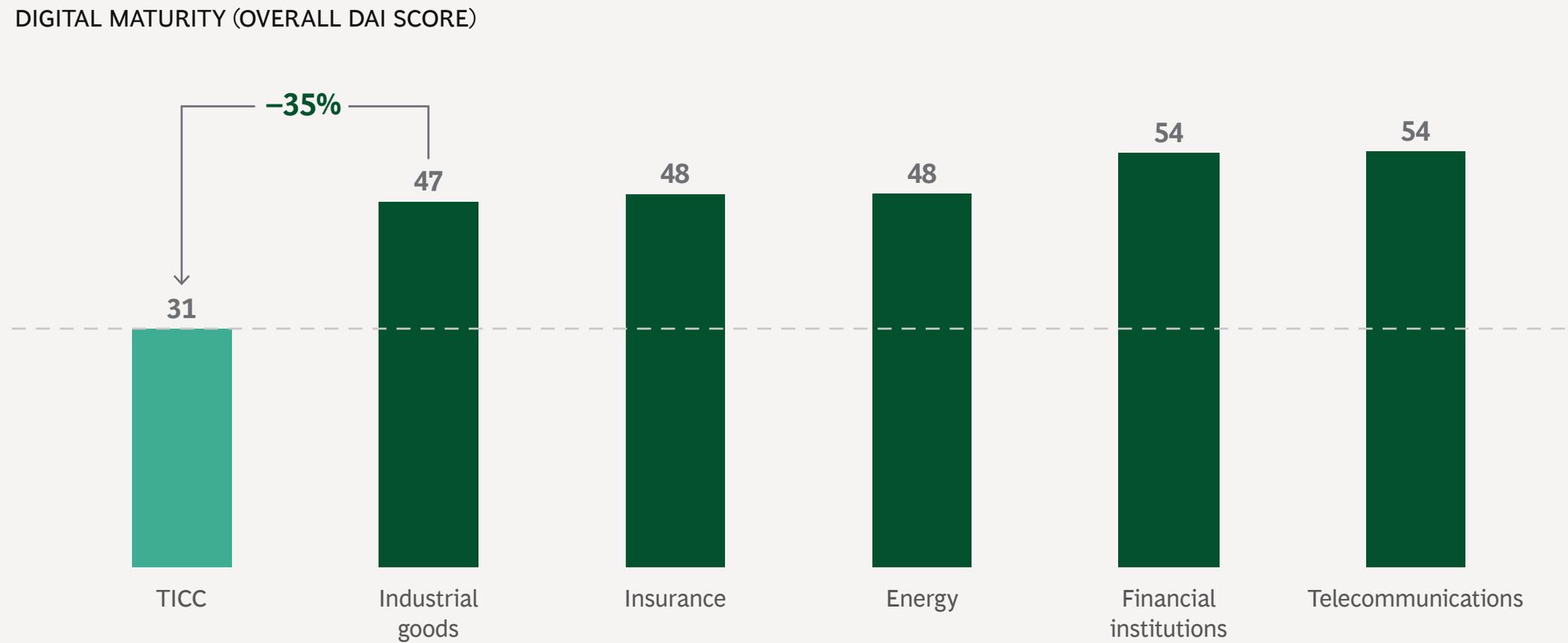


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TICC players must adapt to succeed

TICC companies trail far behind other industries in digital maturity

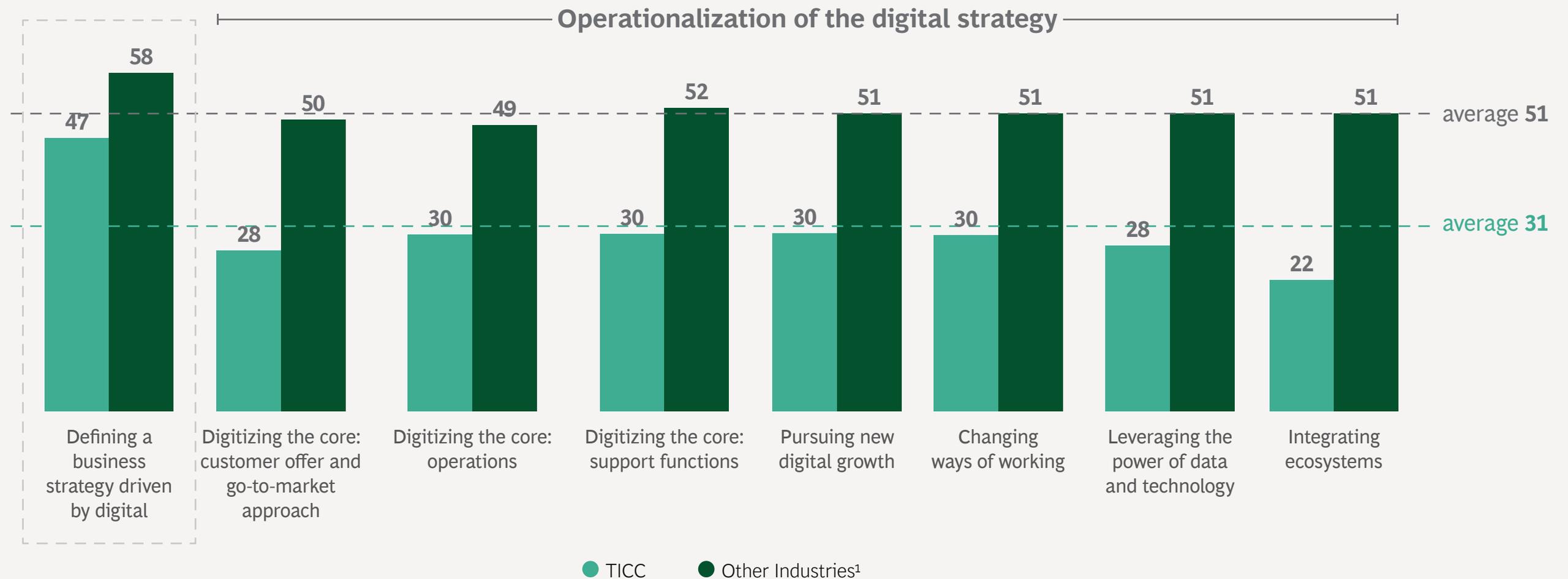


Sources: TICC market study; BCG and Rothschild & Co analysis.

Notes: BCG's Digital Acceleration Index (DAI) scores are based on a self-assessment per dimension or topic. Participants choose which stage best resembles their organization's current maturity. TICC, n=52; industrial goods, n=527; insurance, n=952; energy, n=420; financial institutions, n=630; telecommunications, n=830.

TICC companies have progressed in crafting a digital strategy, but they lag other industries in operationalization

DIGITAL MATURITY (DAI SCORE PER TOPIC)



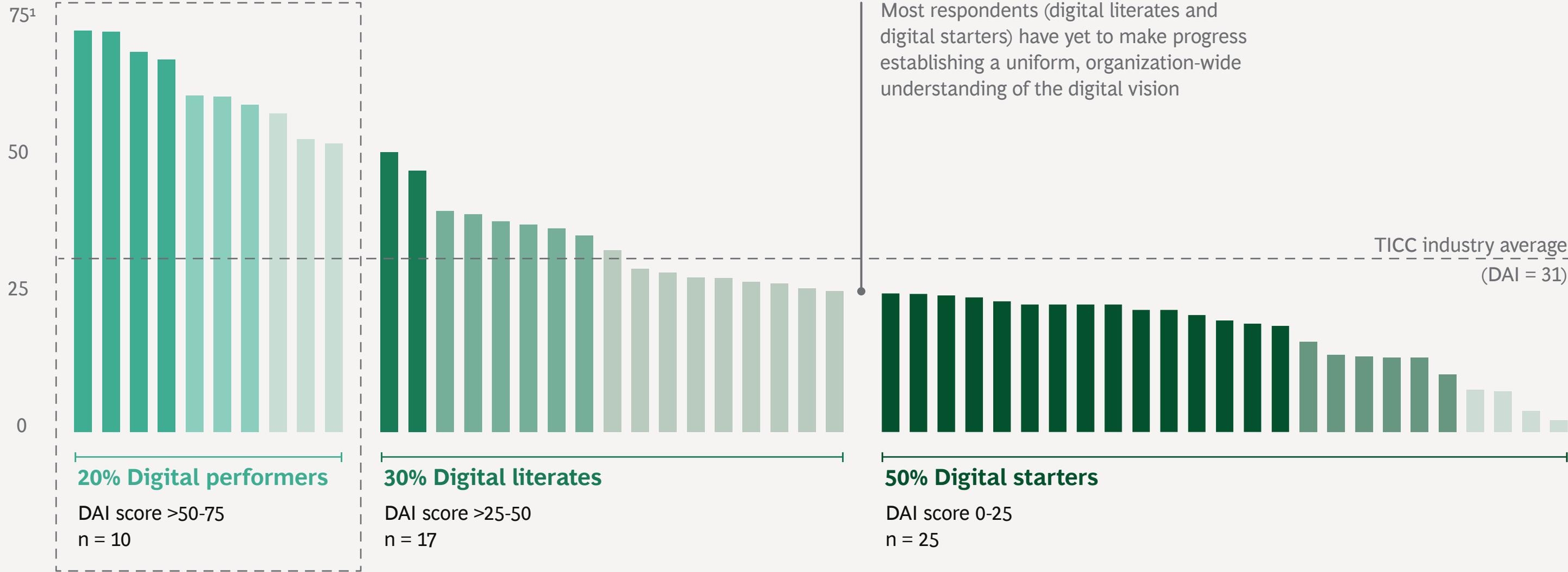
Sources: TICC market study; BCG and Rothschild & Co analysis.

Notes: BCG's Digital Acceleration Index (DAI) scores are based on a self-assessment per dimension or topic. Participants choose which stage best resembles their organization's current maturity.

¹Includes energy, financial institutions, industrial goods, insurance, and technology, media, and telecommunications (n=3,359).

Relatively few TICC companies have high digital maturity

DIGITAL MATURITY (DAI SCORE FOR INDIVIDUAL TICC COMPANIES)



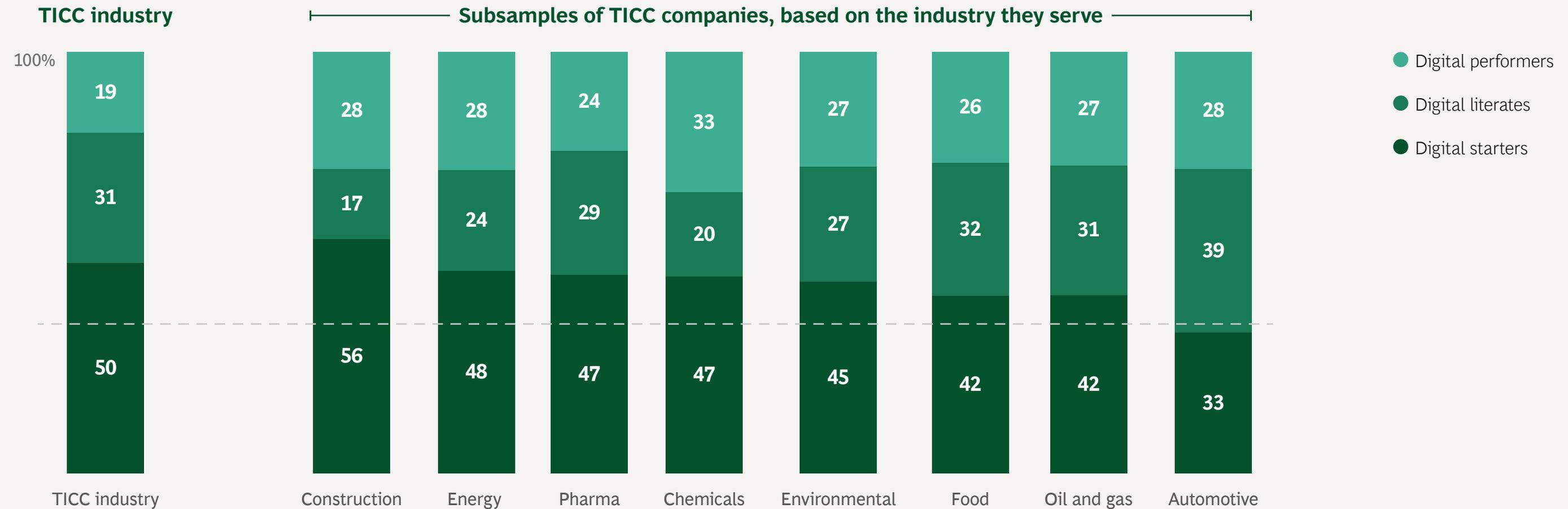
Sources: TICC market study; BCG and Rothschild & Co analysis.

Notes: BCG's Digital Acceleration Index (DAI) scores are based on a self-assessment per dimension or topic. Participants choose which stage best resembles their organization's current maturity.

¹No TICC company has a DAI score above 75 (digital leader).

TICC companies' digital maturity is generally consistent, regardless of the industry they serve

PERCENTAGE OF COMPANIES



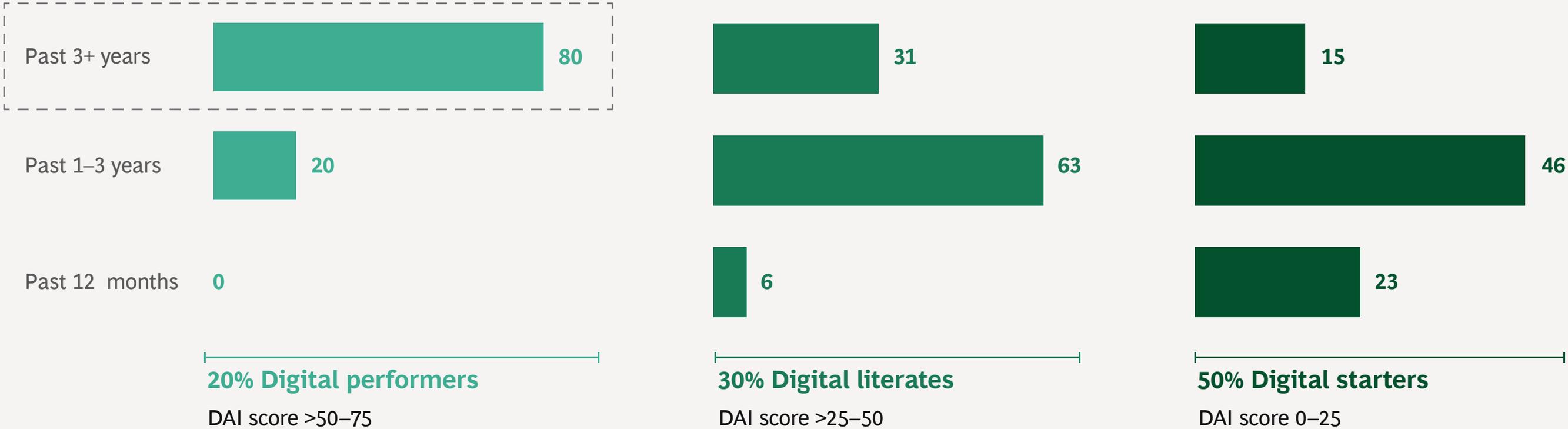
Sources: TICC market study; BCG and Rothschild & Co analysis.

Notes: Includes only industries with more than 15 companies in survey sample. Some TICC companies serve more than one industry. BCG's Digital Acceleration Index (DAI) scores (performers, literates, and starters) are based on a self-assessment per dimension or topic. Participants choose which stage best resembles their organization's current maturity. Columns may not total 100% due to rounding.

Most digital performers got an early start on their digital transformation

Length of time exploring digital as an organizational focus

RESPONDENTS (%)

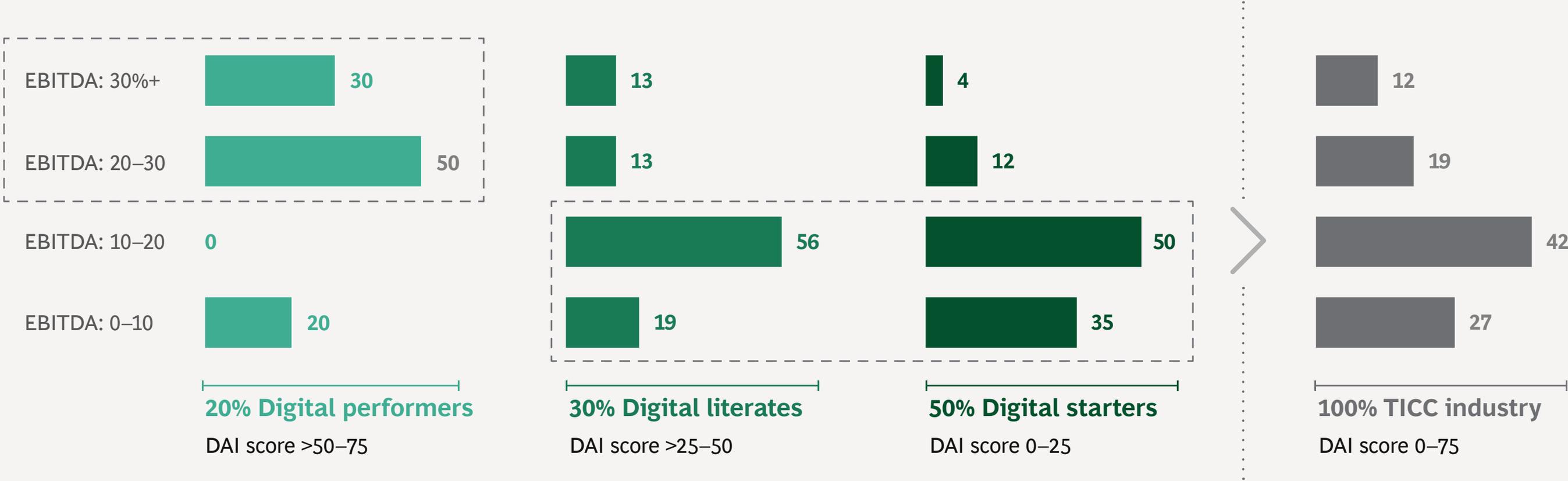


Sources: TICC market study; BCG and Rothschild & Co analysis.

Note: Digital performers, digital literates, and digital starters represent rankings on BCG's Digital Acceleration Index (DAI).

Higher digital maturity translates into higher EBITDA margins

Percentage of survey participants self-reporting each range of EBITDA margin

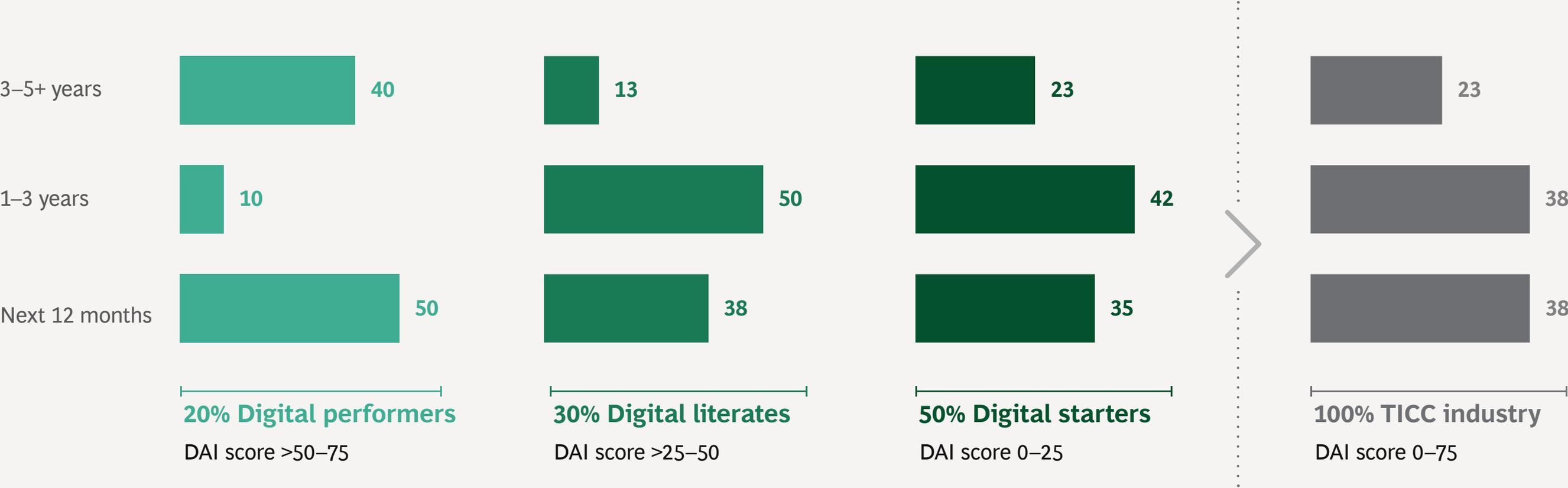


Sources: TICC market study; BCG and Rothschild & Co analysis.

Note: EBITDA=earnings before Interest, taxes, depreciation, and amortization. Digital performers, digital literates, and digital starters represent rankings on BCG’s Digital Acceleration Index (DAI).

Digital performers are more likely to have a longer planning horizon

Percentage of survey participants self-reporting each range of planning horizon



Sources: TICC market study; BCG and Rothschild & Co analysis.
Note: Digital performers, digital literates, and digital starters represent rankings on BCG's Digital Acceleration Index (DAI).



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TICC players must adapt to succeed

Digitization efforts of less mature companies suffered most from COVID-19

STANDARDIZED SURVEY STATEMENTS

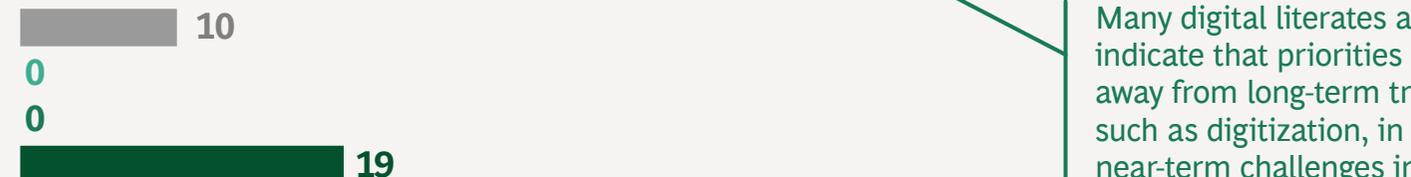
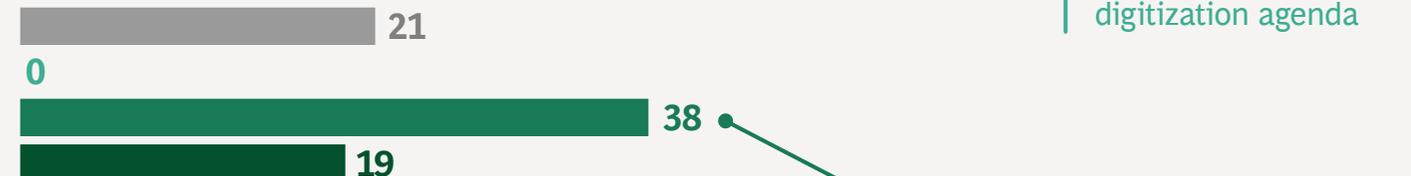
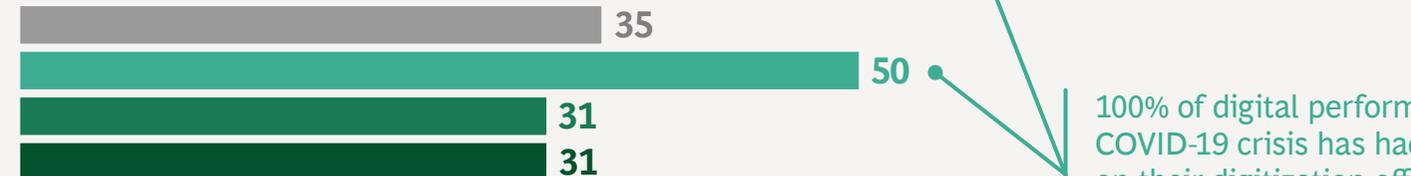
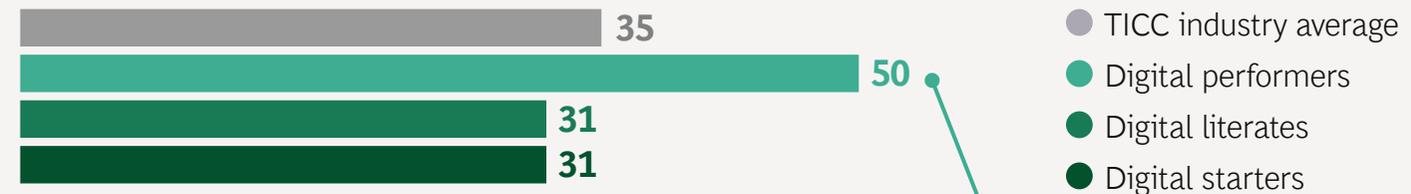
In response to the COVID-19 crisis, we have accelerated our digitization agenda.

The crisis has no significant effect on the implementation and timelines of our digitization strategy.

Priorities have temporarily shifted away from digital due to the ongoing situation.

Priorities have shifted away from long-term transformation projects such as digitization in order to address the COVID-19 pandemic.

RESPONDENTS (%)



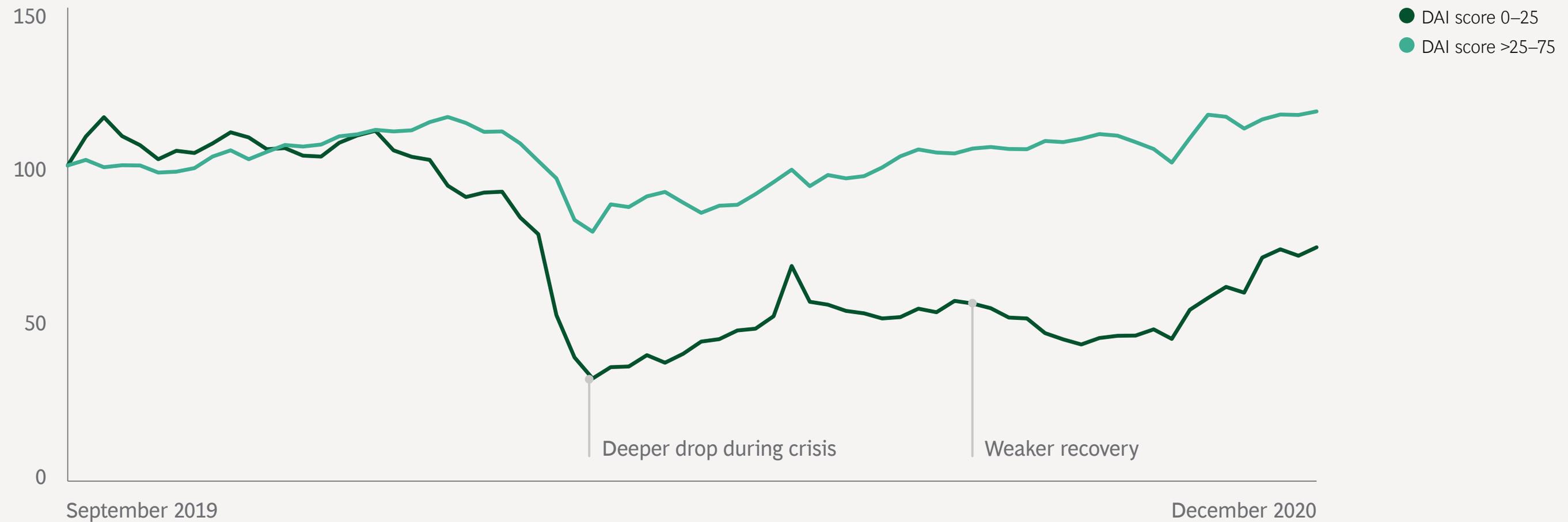
- TICC industry average
- Digital performers
- Digital literates
- Digital starters

100% of digital performers indicate that the COVID-19 crisis has had no adverse effect on their digitization efforts, with half indicating that it has accelerated their digitization agenda

Many digital literates and digital starters indicate that priorities have temporarily shifted away from long-term transformation projects, such as digitization, in order to address near-term challenges imposed by COVID-19

TICC companies with higher digital maturity appear to have rebounded faster from the COVID-19 crisis

NORMALIZED CAPITALIZATION (%)
SEPTEMBER 2, 2019 = 100



Sources: TICC market study; BCG and Rothschild & Co analysis.
Note: DAI = BCG's Digital Acceleration Index.



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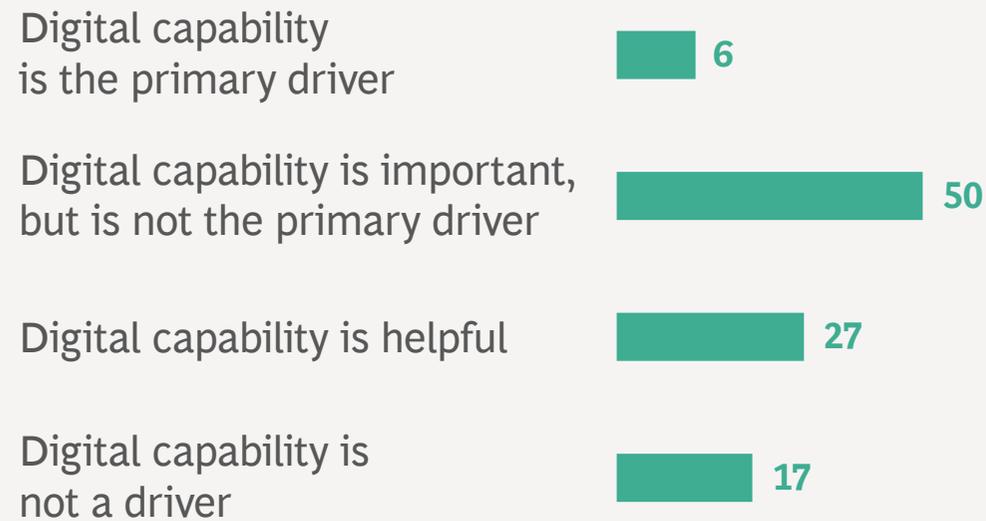


TICC players must adapt to succeed

TICC companies seek to promote growth via acquisitions

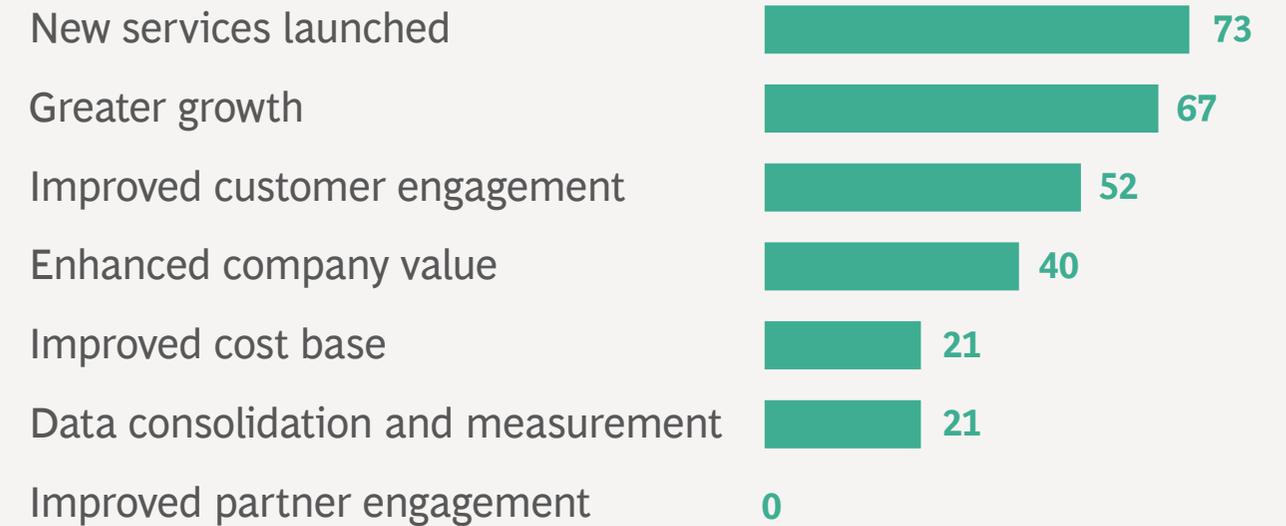
Digital capabilities are relevant for appraising M&A targets, but are not the most important driver

RESPONDENTS (%)



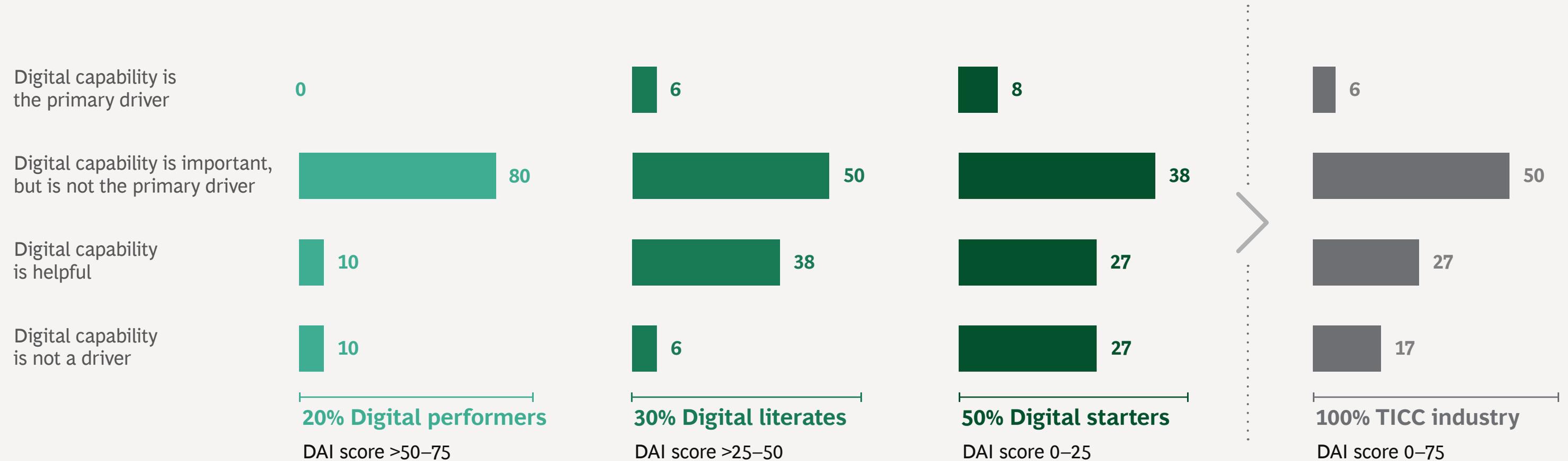
The primary objective of digital-focused M&A is realizing accretive growth

RESPONDENTS (%); SELECTING UP TO THREE OBJECTIVES



Acquiring digital capabilities is an important factor in M&A strategy, especially for digital performers

RESPONDENTS (%)

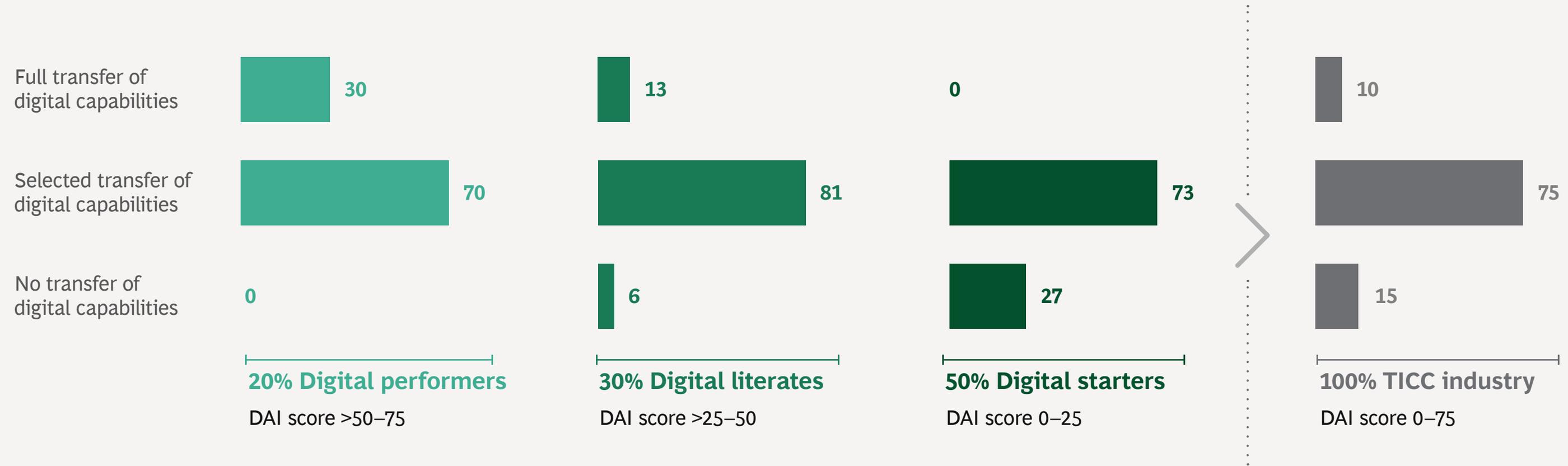


Sources: TICC market study; BCG and Rothschild & Co analysis.

Note: Digital performers, digital literates, and digital starters represent rankings on BCG's Digital Acceleration Index (DAI).

Digital capabilities of acquired businesses are often only selectively transferred to the remainder of the company

RESPONDENTS (%)



Sources: TICC market study; BCG and Rothschild & Co analysis.

Note: Digital performers, digital literates, and digital starters represent rankings on BCG's Digital Acceleration Index (DAI).



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TICC players must adapt to the changing role of digital in the industry

