

# The Rewards and Risks of Digital Transformation

Written by Marco Attard  
22 May 2015

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A study by Roland Berger Strategy Consultants and the Federation of German Industries (BDI) predicts digital transformation can add €1.25 trillion to European industrial value by 2025-- or diminish it by €605 billion.



Titled "The Digital Transformation of Industry," the study surveys over 300 top decision makers in Germany and 30 interviews with CEOs and CTOs in DAX-listed companies and SMEs. It states digital transformation offers both "enormous opportunities" and "stiff challenges," but either way European companies need to act fast unless they want to be crowded out of lucrative parts of the value chain by market players from outside the industry.

"Whether you take what Amazon did a few years ago or what Uber is doing now, these examples highlight what a sea change the digital transformation can bring to markets," Roland Berger says. "Service providers and industry need to quickly gear themselves up for this new competitive landscape. New cooperation between different companies is what's needed here – and it will even include working with competitors, for instance in piloting and establishing shared digital platforms and business models."

According to the forecast, digitisation hits different European industry sectors at different rates and with different intensities. For instance, the automotive and logistics sectors can access up to €445bn in additional value creation potential in the period leading up to 2025. The mechanical and plant engineering, electrical engineering and medical industries have to prospect of €630bn during the same period, and the chemical and aerospace industries represent €175bn.

Roland Berger and the BDI also suggest the continent needs "Digital Valley"-- a location similar to Silicon Valley in the US or China's Shanghai Shenzhen BRINGING together innovators, venture capitalists and talent, as well as companies, research institutions and decisions makers, all helping to defragment the European digital landscape.

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According to the analysts none of the 20 digital companies (by market cap) are European, since 13 are in the US and 7 are in Asia.

"Europe has a good chance of coming out of the digital transformation in a stronger position than when it went in," Roland Berger adds. "This is a major action item given the EU Commission's ambitious target of raising industry's share in economic output in the European Union from 16% to 20% by 2020."

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