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Business Leaders Identify Digital as Critical to Europe's Growth but Predict It Will Trail the U.S. and China in the Development of Digital Technologies, Accenture Study Finds

Most expect digital to transform business models in their industry over the next 12 months

BRUSSELS; May 15, 2014 – The vast majority of European business leaders see digital technologies as important to improving Europe's competitiveness and economic growth, according to a study by Accenture (NYSE: ACN), but one-half believe that Europe will lag behind both the United States and China in the development of digital technologies over the next three years.

The study carried out by Accenture for the [European Business Summit](#), in collaboration with BUSINESSEUROPE, includes the views of over 500 C-level executives across the Europe on their expectations for the region's growth and the role that digital technologies can play in helping Europe make a sustained recovery.

The study helps identify a growing sense of optimism among business leaders about Europe's growth prospects, despite an IMF forecast predicting European Union (EU) growth will be half that of developed economies in 2014¹. Sixty percent of respondents are optimistic that Europe's growth prospects will improve in the next three years, compared to just 46 percent who held this view last year. Sixty-one percent of respondents believe that Europe is internationally competitive today, while 47 percent expect its competitiveness to increase in the coming three years – only one quarter (26 percent) expect it to decrease.

However, the study also helped highlight that, although 96 percent of respondents believe digital technologies to be important to Europe's competitiveness, business leaders fear Europe will struggle to compete with other major economies. While 51 percent think Europe is ahead of China in the development and use of digital today, only 30 percent believe this will be the case in three years. Additionally, 61 percent believe that Europe lags the U.S. today, and more than half (53 percent) expect this to be the case in 2017.

"While Europe's business leaders expect China's growth to power ahead of both the U.S. and Europe that does not equate to its competitiveness in digital technologies," said Mark Spelman, managing director, Accenture Strategy. "China is improving its digital capabilities but Europe's business leaders should not underestimate the U.S.'s strength and capacity for innovation, which will help it maintain its healthy advantage over Europe in digital competitiveness. Europe has growth potential but, in an increasingly competitive world, its policymakers will have to act to accelerate and scale the digital economy."

Accenture's study also helps demonstrate the immediate and profound impact that Europe's business leaders expect digital to have on their industries in the short term. A 62 percent of respondents believe that digital will result in major change or a complete transformation of business models in their industry in the next 12 months, and almost two-thirds (63 percent) are concerned they will lose customers to competitors if they do not embrace technology in that timeframe.

Nevertheless, the focus of their digital investments is on driving efficiencies (60 percent), instead of using digital technologies to transform products and services (40 percent).

Mauro Macchi, senior managing director, Accenture Strategy, commented, "Digital can drive process efficiencies and cost reductions but focusing only on these outcomes underplays the capacity of digital technology to drive growth. Digital can help move two of the main levers of competitiveness; productivity and innovation, so companies should shift more of their current digital expenditure towards growth enhancing initiatives and put technology at the heart of their business strategies."

While 80 percent of business leaders are unaware of the details of the EU's "Digital Agenda for Europe", it appears most have faith that Europe is moving in the right direction. Almost two-thirds of respondents (63 percent) are optimistic that Europe has the right level of activity in place to enable its digital transformation. Nevertheless, when asked what actions are most critical to help improve Europe's competitiveness, respondents point to more investment in a new generation of digital infrastructure across Europe (40 percent), the development of clusters to support innovation and job creation (38 percent), and new approaches to create an environment in which entrepreneurs can thrive (35 percent).

Markus J. Beyrer, Director General, BUSINESSEUROPE, said, "The successful dissemination of digital technology is crucial for Europe's global competitiveness. Digital must not be seen as a sector in itself, but as the enabler of business growth even in the "traditional" sectors of the economy. Industry is experiencing a massive change through ICT. Innovations, such as cloud services or data analytics are improving efficiency in industrial processes and intelligent connected machines could add more than €2000 billion to Europe's GDP by 2030². It is necessary that all regulatory actions in different policy areas ensure coherence and truly enable Europe's digital transformation".

"If the appropriate policy measures are adopted, the digital economy could generate a 5 percent increase in GDP and create 3.8 million jobs,"³ said Pieter Timmermans, chief executive officer, Federation of Enterprises in Belgium. "We need look no further for the expected boost. It is up to the policymakers to acknowledge this digital revolution as a key factor in growth and competitiveness."

¹ Source: International Monetary Fund, "World Economic Outlook Update: Is the Tide Rising", January 21, 2014, <http://www.imf.org/external/pubs/ft/weo/2014/update/01/pdf/0114.pdf>

² Source: GE, "Industrial Internet could add €2.2 Trillion to European GDP by 2030, says GE report" (News Release), June 19, 2013, <http://www.genewscenter.com/Press-Releases/Industrial-Internet-could-add-2-2-Trillion-to-European-GDP-by-2030-says-GE-report-407d.aspx>

³ Source: European Commission, "Digital "to-do" list: new digital priorities for 2013-2014" (News Release), December 18, 2012, http://europa.eu/rapid/press-release_IP-12-1389_en.htm



Methodology

Accenture's study "Accelerating Europe's Comeback" included the results of 513 telephone interviews with C-level executives in Europe. The interviews were conducted between February - March 2014.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.

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