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Stories to watch at the Paris Air Show 2025

AUDIO TRANSCRIPT

0:07-1:20

Joe Anselmo
Welcome to Check Six with Accenture, a special edition of Aviation Week's Check 6 podcast sponsored by Accenture. I'm Joe Anselmo, Aviation Week's editorial director and editor in chief of Aviation Week and Space Technology magazine. And today, Accenture's John Schmidt, Joyce Klein, and I continue what has become an annual tradition, looking ahead to key themes heading into this year's major air show. In this case, the Paris Air Show, which opens June 16th.

John is the leader of Accenture's global aerospace and defense practice, and Joyce is the firm's global data and AI leader for aerospace and defense.

John, our podcast before last year's Farnborough Air Show was 11 months ago, and so much has changed since then. We've got a new US administration that is more skeptical about defense cooperation with Europe and less committed to supporting Ukraine in its war with Russia. We have tariffs and the threat of trade wars. We've got a new leader at Boeing. And of course, there's the ongoing challenges such as supply chain and workforce and continued opportunities with the emergence of AI. When you and Joyce put together your key topics for this year, the fence was right up there at the top. Tell us why.

01:20-4:00

John Schmidt
Well Joe, it's good to be with you here again to talk about these things as we head to Paris. And I think, as you know, every year we get ready for the air show and we take a look at, you know, what we're seeing in the market, what we're hearing when our clients are reporting their earnings, what we're hearing from our clients directly and the work we're doing with them and what research shows. And this year was 3 things that just jumped off the page. The first one, as you said, was your defense.

The second one, which is not so different from last year, although the implications and inflection is different in supply chain, which continues to be an Achilles' heel in this industry on both commercial and the defense side. And finally, what we're seeing in manufacturing, which is a little bit new and exciting in a lot of ways. And so when you talk about defense, you know, one thing we're seeing for sure is that, you know, our clients are clearly rotating towards Europe as a major focus in a in a major market, and it really comes down to growth. The countries from both Western and Central Europe have all announced major boost to the defense budgets, and perhaps this week we're going to see NATO agreeing on a 3.5% of GDP target. I know that there's some who'd like that to be higher, but even that is quite a change from eight years ago.

And more funding means more programs of all kinds, from traditional defense programs and munitions to new high-tech initiatives and products. Now, at the end of the day, and at the same time, procurement is changing too. So, our most recent research shows that 86% of aerospace and defense executives see at least moderate changes in defense procurement in Europe, and we expect actually to be a big shift in this area.

And it won't be business as usual anymore, and defense companies, whether they're established giants or new entrants, are gonna have to adapt fast. And our clients are also telling us that they see collaboration as a key to building up and keeping up in this new more competitive environment if they want a chunk of that business. I mean, almost half of the industry executives said partnership building is essential to get products and technologies they need.

And as an example, European defense firms particularly are expanding international partnerships and exports. I mean teaming up with local players in the Middle East, Asia, Africa, to reach new markets. I mean, one example recently was, you know, to try and land at Lithuania's mobile short-range air defense deal. Saab pledged to integrate its missiles on an Oshkosh built JLTV.

So, it's, you know, about partnering and reaching new markets and it's also about co-developing technology. And if I can wrap up and maybe see if Joyce has anything to add, I'd say, you know, you have other examples like Leonardo and Baycar who are teaming up to combine their unmanned tech and know how to design and build new products they can sell worldwide. Or Safron recently signing an agreement with Bharat Electronics to co-produce the HAMMER precision guided air to ground system in India.

So, lots going on in Europe, Joe. I don't know Joyce, if there's anything you'd have to add.

4:01-4:39

Joyce Kline

Yeah, I think John, building on your comment about how these companies are looking at the digital revolution, is we're seeing them more adopt AI autonomous systems, and also advanced materials. And one of the other interesting things is since 2022, more than half of the acquisitions made by major defense companies have been focused in three areas AI, cyber defense and machine to machine communication. So, you just see these organizations kind of making that shift into how we are leveraging technology and digital opportunities.

04:39-4:55

John Schmidt

In fact, you reminded me now, our research also showed that 90% of the executives reported military needs in the US and Europe are shifting towards software defined capabilities. And but software defined capabilities comes all those elements that you just mentioned in terms of other capabilities surrounding it, cyber being one very primary one.

04:55-5:16

Joe Anselmo

And, and what Accenture is finding is in lockstep with our analysts at Aviation Intelligence Network, Craig Caffrey, looked at procurement spending for the last 25 years and for the first time European procurement spending in the military has caught up to the US for the first time since World War II has caught up. So, this really is an inflection point we're at.

05:15-05:24

John Schmidt

We're seeing the same dynamic and the growth rates are interesting. I mean, Europe being a smaller base, but the growth rate there is growing quite rapidly compared to what we're seeing in the US.

05:24-05:37

Joe Anselmo

One last question before we move on to the

next point. When I say European defense procurement, that's a lot of different countries with parochial interests. Is Europe ever going to get its act together and act as a unified force?

05:37-06:30

John Schmidt

Well, it's an interesting question. And I'll leap into this even though you know, I don't like making prognostications on things like this. I, I think we're seeing and hearing a lot more about, you know, they call the, the Airbus approach, right? We're taking the best of the what European companies have to offer and bring it together instead of having multiple smaller in some cases sub-scale partners or players playing in the marketplace.

And you know, I think you're seeing some of that with uh what's going on with UCAS, with the French and the Germans or GCAP, but the UK and Italy and Japan coming together, you know, trying to bring the best of capabilities there. I think you've already seen it in some of the companies that exist today for, you know, missiles and so there's a possibility that to really compete and grow European at scale footprint in in defense. It's gonna take some type of Airbus type approach, where we can take that best of for the NATO countries.

06:30-06:38

Joe Anselmo

Accenture story number 2, this one's familiar, supply chain. So why is supply chain still on the list?

06:38-08:22

John Schmidt

It seems like every discussion I get into, no matter what the client is or who is the client I'm talking to, it comes down to supply chain, right? So, uh, it's still an Achilles heel for the industry and, you know, as demand picks up and as, as both Airbus and Boeing continue to try and ramp as we see a ramp in some of the defense products out there, particularly on the munitions side, I mean, we're putting a lot of pressure on the supply chain.

You know, and if you look at, you know, one of the examples, you know, Airbus recently warned airlines that the delays in deliveries are going to persist for another 3 years as they work through a backlog of supply chain problems. Now, that might be a little bit of setting the bar low so you can, you know, do better than the bar, but it's reflective of some of the challenges, and they're not going to be simple fixes. And on the bright side, 76% of the aerospace executives that we surveyed expect revenue to grow over the next year.

And so, you know, the production is going to be ramping up. We are going to see more aircraft coming down the line. But as you mentioned in your intro, geopolitics are gonna make things potentially tough. I mean, trade tensions and tariffs can quickly disrupt the flow of critical parts and drive-up costs and destabilize supplier networks. I mean, since January 1st, 1990, companies in aerospace didn't have to concern themselves with tariffs.

Now they're all running around looking at their supplier and customer contracts to assess the potential impact, what happens when those tariffs come into play, and who's gonna bear that cost. You know, I think at the end of the day, there's gonna be a number of other things that are coming to play, you know, one point there was worries about titanium, then it was a certain critical metals which still exist today, and you see what's going on in automotive with the concerns around magnets, I mean. This is a continuing challenge, and Joyce, I know you spent a lot of time talking to our clients about supply chain, particularly around how to leverage technology to help, so maybe I'll turn it over to you.

08:22-10:48

Joyce Kline

Yeah, absolutely. And, you know, I think it's the supply chain resilience topic has been one that we've been highlighting since before the pandemic. And my sense is we'll

be talking about it, as you said, for many years to come. If I think about some of our recent research, we've looked at how important it is for organizations to map their supply networks and to understand that visibility across the extended supply chain. And while executives recognize that importance, less than half, it's actually 48%, report that they've completed that assessment. So, it means that there's a huge opportunity to really understand that extended supply chain. And then you couple that with another piece of our research, and that is that more than 55% of the executives indicate that they're still using manual processes to manage their extended supply chain and to monitor risk. So, there's an opportunity ahead of us.

And while building a resilient supply chain, it's complex and it's multifaceted, we have technologies today that can actually help accelerate the achievement of some of the objectives that our A&D supply chains need. And this is what we're calling autonomous supply chains. And what is an autonomous supply chain? It's one that leverages agentic AI, digital twins, and also helps from the standpoint of integrating knowledge graphs.

So, when we are able to achieve this, we're able to fundamentally streamline the supply chain process and achieve some of these benefits of activities being conducted in a more streamlined manner, while also being able to achieve visibility and to be able to mitigate and minimize any disruptions that might be occurring.

Now, an autonomous supply chain, just to give you an example of one component of it, we could look at the process of creating purchase orders. And we can think about it from the perspective of, you know, there's a human that would kick it off, but then there's these agents, consider them the digital co-workers that could actually be involved in that process. And these digital co-workers would be in a, in a framework where there's an orchestrator agent, a super-agent, utility agents, all doing different parts of the process. Most effectively, those manual process steps that take a long time to complete.

And so we see this opportunity of really streamlining processes and leveraging these digital co-workers who can work 24/7.

10:48-11:07

Joe Anselmo

I get all that Joyce, sort of, when you look at it from the top down. I was just at a show earlier this week, the Space Tech Expo in Long Beach, California. There was a lot of tier 1, tier 2 space suppliers, some of them literally mom and pop shops. How do you flow this down to them and, and what do those suppliers do to even survive these changes?

11:07-12:42

Joyce Kline

Well, I think one of the key things for those suppliers is they, you know, need the information that's gonna help them better understand where they fit in the process so that they can make the parts that are necessary to keep the extended ecosystem moving forward. So what that means for them is the achievement of more accurate forecasts and getting those forecasts on time so that they're not chasing parts to be able to build for an OEM. But a lot of what I was highlighting in many ways is geared towards the OEMs so that they can fundamentally give better information to those suppliers, build trust across that extended supply chain, while at the same time building that internal set of capabilities, removing the manual tasks from their resources to free up time to work with those mom and pops to be able to have them execute more effectively.

But the other part of it is those mom and pops have extended supply chains as well. So what's really important is for them to be able to feel that trust and transparency, that they can share information with those

OEMs so that the OEMs can get that extended supply chain mapped. So, there's a lot of mistrust in, in these extended supply chains. And I think, you know, some of the pressure that's being placed for near shoring, onshoring, as well as tariffs are really gonna create questions for some of these mom and pops about who are they ultimately supporting? Are they gonna stay as an A&D supplier? or are they going to look to other industries?

So, lots to, you know, manage and monitor, but at the same time, I think technology used effectively, while also providing that ability of building trust and transparency, you know, is a, is an ultimate win-win situation.

12:42-13:53

John Schmidt

Joyce, I might throw one other thing in here because there's a lot about technology, certainly, and a lot of that's going to be deployed at the OEM level and present some of the challenges. There's also kind of old school supplier development work to be done, and, you know, Joe, you may or may not know that we actually operate supply chains on behalf of several of our clients. in aerospace on both the commercial and defense side, including doing processes like first article inspection. And what we found is working with companies who are supplying that first article, you know, data package, we can actually help them be able to do that more efficiently and effectively so that we can quickly get those articles into the line where they're needed. And that's the old school supplier development work just helping them understand the process, the data that's required, how to context the data so that you can get it in and the process runs smoothly.

We've been able to take a lot of time out of that first article inspection process simply by doing that. We've also deployed technology. I mean, we are taking the specs and we're reading them in using, uh, you know, natural language processing and optical character recognition and using an AI engine, which then can do the compare for us and help assist the humans in making the digital dispositions on each of the characteristics. But that old school development of going and working with suppliers and saying, hey, this is what we need from you, and this will make everything go faster, helps everybody.

13:53-14:20

Joyce Kline

Maybe to add on to your point, we're also helping and training those suppliers so that first article inspection process, you know, operates much more efficiently as well, so that those suppliers understand where they've had non-conformances and their packages are not passing. So, it becomes this two way of leveraging technology while to free up time to make sure that those extended suppliers understand what they need to do to more effectively get their packages processed and passed first time through.

14:20-14:21

Joe Anselmo

Should we move on to story number 3?

14:21-14:22

John Schmidt

I would love to.

14:23-14:34

Joe Anselmo

Manufacturing. How are aerospace and defense manufacturers evolving with all this AI and automation? Uh, and what challenges come with these, these changes on the factory floor? Well.

14:34-16:09

John Schmidt

You know, let me just, you know, step back and just put it, the reason this is so exciting to me is that we now have enough pressure points to bring real investment into manufacturing floor. Whether it's coming on the commercial side and trying to satisfy

the growing demand as a Boeing and Airbus ramp, or if we're looking on the defense side, particularly on the munitions, our clients are making investments and making their factories smarter and more autonomous.
They, they have to. We don't have time to build 4 new walls and go populate it to try and get more capacity. We need to get more capacity out of what we have in front of us.

And I think most of our clients have a pretty clear vision of what we might call hyper-automated factor the future looks like. You know, if you think about things like autonomous operations, smart and connected production sales, robots, you know, crews of people digitally connected with AI. But at the end of the day, getting there continues to be a challenge. And while 65% of the factory managers we surveyed in our most recent Defense Insights report say they're prioritizing key technologies to make that vision a reality, you know, things like implementing digital twins and IoT and edge computing. You know, at the end of the day, there's still a lot of challenge and bring it all together to get more out faster and have that payback period be something that's fairly reasonable.

And if you look at some recent examples, you know, Airbus has automated their production facility in Hamburg, streamlining workflows for the A321 XLR, and actually something we did in partnership with G Aerospace and Microsoft, we developed a new tool that is intend to be called the Gen AI Assistant, but it's something that airlines and lessors can use to access critical maintenance records really quickly.

So, there's things we can be doing to really help drive improvements and get us to that kind of end all be all factory of the future.

16:09-16:37

Joyce Kline

And John, I think the other thing that A&D can leverage is look at sister organizations in the areas of industrial equipment and automotive, and see how these organizations and companies have been leveraging this hyper automation within their factories and use that as a benchmark for A&D transformation. Because in many cases, these other industries are a bit ahead in terms of leveraging these technologies.

16:37-16:47

Joe Anselmo

And that right into my next question, Joyce, which was how does A&D stack up against other industries in adapting these technologies? Or are we keeping up? Are we behind or are we ahead?

16:47-17:21

Joyce Kline

My sense is that, as John said, there's the aspirational side of things and the knowledge of the investment, but when you look at these other industries, they are ahead. Automotive has for many years, been leveraging hyper automation within their factories, and the same thing for industrial equipment, where they're really looking at how can we leverage autonomous robots, how can we bring more capabilities around smart and connected cells. So I think A&D has things to learn, but it's not a far put, if you will, to see other organizations and to learn from the successes and, and the journey that they've been on.

17:21-17:54

John Schmidt

Yeah, I think one other challenge that we have in aerospace defense is, is really getting in place the right digital infrastructure. It's absolutely critical and, you know, frankly, there's a whole lot of companies, even some of the largest are still playing catch up on their digital core, and as they lack that, that robust digital core, it's harder to put in, you know, the digital twin or to really leverage all the data

coming out of the robotics and automation that goes into the factory floor or the assembly floor. So, when data is siloed or if it's inconsistent or hard to get to, you know, you don't get the full benefit of these newer technologies, you know, whether it's AI or automation.

17:54-18:51

Joyce Kline

And, John, maybe just to build on that, what I would say, you know, if we think about what are the components of the digital core, it starts off with the infrastructure, you know, cloud strategies on-prem, and also making sure that it's managed securely. And then, as you said, the data, you know, internal data sources, structured unstructured, third party data, all coming together, managed effectively, tagged, monitored, um, with the appropriate ontology.

And then what is that analytics, you know, framework that the organization's gonna use to be able to allow them to explore AI and ML solutions, generative AI. And then most importantly, I think for now, making sure that they're building for an agentic framework so that they can leverage all those capabilities as well. So as we think about that digital core, it's all those components coming together. And I think, you know, many of our clients are kind of on a journey, but as, you know, John highlighted, the other industries are in many ways slightly ahead in, in some of their investments and activities.

18:51-19:10

Joe Anselmo

And not to get too far afield because we are going to an air show, but it is, uh, stunning to me to see what the Chinese have done in harnessing these technologies to create a dominating role in the electric automobile industry. You don't see it in the United States, but you travel to Mexico, you certainly see it and other regions. It's, it's certainly a wake up call now.

19:10-20:03

John Schmidt

No, I fully agree. I mean, you know, look, we've been saying this for a long time on, on podcasts, and we say with our clients, I mean, at the end of the day, you know, the companies that are investing in the digital core, the companies are investing in partnerships and ecosystem partners to help them accelerate and de-risk what they're trying to accomplish. They're the ones that are going to be at the lead of this thing. I mean how DoD and European governments acquire is changing. We've got new entrants or a much more digitally born coming into play. I mean, look what just recently happened in Russia.

You know, I mean, the technologies that are being deployed are, are becoming very vastly different between exquisite and one to many, if you will, I think about that and versus a lot less exquisite and 1 to 1 and how they interact, you know, companies are gonna have to respond quickly and in the digital core and have a robust digit core is the critical element to making all that stuff happen. You can't run around managing your supply chain with paper.

20:03-20:14

Joe Anselmo

OK, well, I think it's that time. We always wrap up this podcast by pulling on our crystal balls or your crystal balls. What are your predictions for the Paris Air Show this month? Who wants to go first?

20:14-20:46

John Schmidt

Joyce, I was gonna say you go first, but you always have the more interesting predictions. So I think I'm gonna just jump the gun here and say my prediction, and this is... I thought a lot about this show, but really I think the prediction here is there has been a tendency in the last few years of people kind of limiting who shows up at these air shows and how many people travel and all those kinds of things. What I'm hearing is that this is gonna be the best attended Paris air show ever. I think we

would have more people there than we've had in any previous show. I mean, there's so much going on, commercial, defense. It's gonna be a very well attended show. That's my big prediction.

20:46-21:17

Joyce Kline

I'm gonna jump over to, I think, the aspect in the area that I'm most excited about, and that is around data, AI and generative AI. And my prediction, Joe, is that we're gonna hear a lot more about companies leveraging generative AI uh technologies than we did last year. And I'm really looking forward to hearing about organizations talking about agents, and agentic frameworks. So, I'm gonna have a keen ear for, you know, those types of stories and those types of capabilities.

21:17-21:36

Joe Anselmo

OK, well, we will look forward to seeing how that all unfolds. Uh, for now, that is a wrap for this edition of Check Six with Accenture. A special thanks to our podcast editor in Georgia, Ollie Sylvester. John, Joyce and I, along with our teams will soon be headed to Paris, and we hope to see you there. Thank you for your time and have a great week.