

ABB's Service Offerings Address Future Business Requirements

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Summary

ABB recently briefed ARC on advancements in the company's services business. ABB, the largest overall provider of automation-related services of all the major suppliers, is making some significant investments in new

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service offerings. These will have a big impact on the way process automation end users do business in the near future. Among others things, this initiative includes a detailed analysis of a company's installed base using sophisticated analytical tools, increased investment in remote services for managing ongoing operations, and a rapidly expanding outsourced maintenance business.

A Full Line of Services

Currently, more than 20,000 people in 100 countries work in ABB's total services organization. The company has added several hundred million dollars worth of services capability to its portfolio over the past several years. Recent acquisitions include Canadian oil and gas automation services provider, Ber-Mac and HSB Reliability Technologies. ABB also recently acquired a 70 percent stake in CMS Tecnología, a maintenance service company in the mining industry located in Chile.

ABB's services business cuts horizontally across all product and vertical industry business areas. ABB's service portfolio consists of Product Lifecycle, and Performance Services. The Product Lifecycle Services portfolio consists of six basic offerings: Maintenance and Field services, Advanced Industry services, Parts & Repair services, Support & Remote services, Evolution & Migration services, and Training services. The Performance Services portfolio consists of four offerings: Global Consulting services, Equipment Performance Management, Reliability & Maintenance Management, and ABB Full Service.



Most of our discussion with ABB centered around the two key growth areas for the company's service offerings: ABB Full Service and ABB Global Consulting. Full Service provides maintenance outsourcing in key industry segments. Global Consulting provides high-end consulting services to a wide range of industries.

Full Service is a new, performance-based approach to maintenance outsourcing services. ABB's compensation is based on the incremental improvements made in customer plant performance after a Full Service agreement is implemented. ABB and the customer measure performance improvements against a mutually established baseline. ABB assumes full responsibility for maintenance and minimizes the risk by offering a performance-based contract tied to key performance indicators (KPI), such as overall equipment effectiveness (OEE). ABB has had very good success with performance-based contracts with customers that tie compensation to the improvements in OEE.

Installed Base Provides Ample Opportunities

ABB has the largest installed base of process automation systems in the business, which provides fertile ground for opportunities in services. The company has developed increasingly sophisticated tools to analyze its installed base. These allow ABB to mine data from these systems to create a complete picture of any services that may be required for maintenance, upgrade, and so on. The company has also made significant investments in remote and mobile services technologies. All of these technologies provide a foundation for better lifecycle prediction and extension of its installed base. This is a major issue in the industry, as most end users don't have good models for when legacy equipment, such as controllers and I/O, will fail. Many of these installed components are over 20 years old, increasing the urgency for a planned migration path.

Rapidly Growing Market for Remote Services

End users are becoming increasingly acceptable to remote access and connectivity to their systems, a rapidly growing market. Moving forward, remote operations will be a key requirement for many industries, most notably the offshore oil and gas industry, where ABB is a very strong player. Remote access and connectivity also enable increased productivity of service engineers by reducing travel.

Industrial Energy Efficiency Program

The current economy and focus on sustainability have many end users looking at the related issues of energy efficiency and cost savings more than ever. ARC believes that while significant opportunities exist to reduce energy costs, most users don't have a complete view of energy usage and cost savings opportunities in their plants and facilities. ABB takes a consultative approach to energy management, and in many cases, can recommend opportunities to realize energy savings that do not require capital investment. The ABB process for energy efficiency includes the three basic steps of opportunity identification, master plan, and implementation, all in the context of a continuous improvement process.

Conclusion

ABB is well-positioned to take advantage of the businesses opportunities available in services. Key to this is the company's understanding of its installed base. Understanding the requirements of the installed base, even before their customers do, will prove to be a powerful advantage for DCS suppliers moving forward. The other key piece to ABB's strategy is a strong approach to consultative services and outsourced maintenance services through Full Service. The labor crisis among end users is only going to become more challenging, and the ability of process automation suppliers to assume responsibility for functions such as overall maintenance of automation assets will be crucial.

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