



ARC Advisory Group
Industry Trends



ABB Full Service Provides Performance-Based Maintenance Solutions

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The services business continues to be the fastest growing segment in the world of process manufacturing. Outsourced maintenance contracts in particular are experiencing above-average growth. **ABB** recently briefed ARC on its Full Service business, where the company takes over responsibility for the engineering, planning, execution, and management of an entire plant's maintenance activities.

With a total volume approaching \$500 million, Full Service is a new approach to maintenance outsourcing services that takes a performance-based approach; i.e. ABB is rewarded based on the incremental improvements that are made in plant performance after a Full Service agreement is implemented. ABB and the customer measure performance improvements against a baseline that is established and agreed upon. ABB assumes full responsibility for maintenance from the customer 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 that tie compensation to the improvements in OEE.

The Full Service concept focuses on aspects of asset management, maintenance, and asset utilization in the plant. ABB's Full Service business in the Americas was boosted with the acquisition of HSB Reliability Technologies and the purchase of a 70 percent stake in CMS Tecnologia, a maintenance service company in the mining industry located in Chile. The Full Service business got its start in Europe, specifically the Nordic countries, where ABB has a very strong presence. In the past couple of years, the North American business has grown significantly.

The majority of Full Service agreements have so far been in the Pulp & Paper and Metals & Mining industries. More recently, however, there has been a lot of interest among users in the Chemicals, Food Processing, Electronics, and Automotive industries. The bottom line benefits achievable through the Full Service agreement include reduced spare parts inventory, OEE, and increased asset availability. In addition to the outsourcing of maintenance functions, Full Service also offers reliability consulting services and remote hosting of reliability management and maintenance processes for smaller to mid-size companies.

Full Service is benefiting greatly from the "pull-through" provided by ABB's process automation business, and process automation service related contracts are increasingly being bundled along with Full Service agreements. ABB does not have a lot of competition in this kind of business. Most of the process automation system suppliers have a large services business, but have shied away from full-blown maintenance outsourcing, and the number of large engineering companies offering outsourced maintenance is fairly limited as well. As end user customers get more accustomed to the idea of "letting go" of the maintenance function, however, we expect that ABB will experience increased competition from both automation suppliers and systems integrators in the next several years. ABB's early entry into this space should prove to be an advantage.



*In the Flat World
 slow and steady
 does NOT
 win the race*

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