Powering clients to a future shaped by growth

A Frost & Sullivan Executive Brief

The Opportunity of Lifecycle Services

Creating and securing value across the digital transformation journey

In association with

Rockwell Automation

FROST & SULLIVAN

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Lifecycle Services: Converting Uncertainties into Digital Transformation Opportunities

Disruption in the industrial world is nothing new. It has always been a source of change and has always marked the beginning of a new phase of development. But 2020 was a year of unprecedented disruption as myriad forces converged: the COVID-19 pandemic, macroeconomic uncertainty, global competition, and rapidly changing consumer demands.

The COVID-19 outbreak was the biggest disruption of the year. The pandemic affected all industries with some (particularly automotive) experiencing a significant decline. In the first half of 2020, when COVID-19 uncertainty prevailed, many companies had to take extraordinary measures. Frost & Sullivan estimated that nine out of 10 automotive firms either completely or partially shut down their factories at that time. In Europe, the automotive industry experienced supply chain disruptions from the first shutdowns of Chinese factories. The average downtime in automotive factories in Europe was 30 days, with Sweden experiencing the shortest downtime (15 days) and Italy experiencing the longest (41 days). During the first six months of 2020, the EU auto industry suffered production losses of 3.6 million vehicles, which equates to a loss of $100 billion. As of September 2020, the total loss of motor vehicle production reached 4,024,036 vehicles or 22.3% of the EU total production in 2020. In the chemical industry of Europe, the fall in demand for chemicals resulted in decreased production and reduced supply. On average, chemical production in the EU27 declined by 5.2% between January and June 2020, with the lowest point in April.[1]

One more unexpected change brought about by the pandemic was repurposing of existing facilities in support of the COVID-19 response. In many countries, industrial companies responded positively to evolving government requirements to prevent the spread of the virus. Germany and the United Kingdom are notable examples. In the United Kingdom, a gin company started producing hand sanitisers at short notice.[2] In Germany, a leading automotive OEM repurposed its production facility to produce face masks for its employees across Europe.[3]

With COVID-19 slowly receding, the industry will need to identify and define new objectives and priorities. The need for agility, innovation, and flexibility in production has become essential, making digital transformation a top priority for all manufacturers. This is where lifecycle services present a great opportunity.

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Lifecycle Services: Enabling Digital Transformation

The objective of lifecycle services is to provide customers with traditional as well as advanced support services over the lifetime of their plants. A lifecycle services approach can effectively handle the complexity of digital transformation projects.

Such a proposition typically includes field support, maintenance, and reliability services; connected services (including consulting services and cybersecurity); and outcome-based or managed services. Frost & Sullivan expects the market for lifecycle services in EMEA to reach $19.34 billion in 2022 at a compound annual growth rate of 7.4% (2019-2022).[4]

Key insights from this research:

1. **EMEA Industrial Markets suffer operational losses of more than $250 billion each year**. A substantial portion of this cost can be avoided by utilising preventive, predictive, and protection technologies.
2. **One third of all projects are being handled by integrated suppliers.** Selling lifecycle services as part of capital expenditure (CAPEX) is becoming increasingly popular as customers look at total expenditure (CAPEX + lifecycle operational expenditure).
3. **Nearly 40 to 50% of services in EMEA are channel driven.** Proximity to the customer and multivendor agnosticism are critical to a successful lifecycle services strategy.

A lifecycle services approach is not limited to pure-play automation assets. Services are designed to cover all stages of a plant's lifecycle. The lifecycle services approach must be vendor agnostic because customer plants in general are heterogeneous, containing assets manufactured by different vendors and equipped with multiple legacy systems.

An example is the service proposition of Rockwell Automation, a leader in industrial automation and information technology. Having recognised the growing customer needs in digital transformation, Rockwell Automation LifecycleIQ™ Services provide a game-changing way to empower its customers' digital transformation journey.

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The LifecycleIQ™ Services from Rockwell Automation provide a comprehensive solution with five core components:

1. Consulting services tailored for customers with specific operational and business requirements in relation to digital transformation
2. Professional services related to project management and implementation
3. Connected services in cybersecurity, OT network, and remote support
4. Field services for asset management and onsite support
5. Workforce services in skill development training and enablement

The demand for traditional field services, workforce services, and professional services will persist; however, Frost & Sullivan anticipates that consulting services and connected services will be the major growth levers for the lifecycle services market over the next few years. A Frost & Sullivan survey conducted in 2020 indicated that more than 70% of customers intend to invest a majority of their future plant service investments in either consulting or connected services.

Consulting Services: Delivering Customised Value

An industrial customer's digital transformation project must balance financial considerations with technical requirements. All industrial customers are committed to accelerating time to market, minimising total cost of ownership, maximising asset utilisation, and eliminating operational risk. Every customer has unique requirements; as a result, the demand for customised services is rising. Consulting services are designed to meet a specific client need. By definition, consulting services primarily address needs in digital strategy formulation, engineering design, data analytics, and enterprise integration.

In 2022, Frost & Sullivan expects the market for consulting services in Europe to reach $1.51 billion.[4]

Under consulting services, Rockwell Automation provides various bespoke services that combine strong IT and OT capabilities. A core feature is digital transformation strategy and design services for developing a strategic plan that includes priority use cases, business justification, change management, and a roadmap for technology implementation and support. Customers' specific goals and digital maturity level are taken into account.

Connected Services: Realising Benefits of IT-OT Convergence

An integrated IT-OT network is the basis of digital transformation. Continual service support is necessary when an industrial customer runs a converged IT-OT network and includes management, security, and remote monitoring. In addition to focusing increasingly on digitalisation, customers also are seeking alternatives (such as equipment as a service) that can help reduce their total cost of ownership. Managed services and connected services offer a way to address this need. Frost & Sullivan predicts wide adoption of this lifecycle services component in EMEA, with the managed services reaching $1.24 billion by 2022 and the connected services market reaching $5.02 billion.[4]

With a strong background in manufacturing automation, Rockwell Automation offers an array of connected services for OT customers. The portfolio of connected services includes OT network management, OT infrastructure as a service, predictive/prescriptive analytics, managed services, and industrial cybersecurity. Rockwell combines its traditional OT expertise with state-of-the-art IT and digital capabilities to enable customers to achieve milestones in their digital transformation journey.

Industrial Cybersecurity: the Key to a Successful Digital Strategy

A Frost & Sullivan customer focus group survey conducted in 2015 identified industrial cybersecurity (ICS) as an “important yet neglected” trend in the industry. Frost & Sullivan concluded in the report that ICS was the "biggest elephant in the room" that the industry chose to ignore. In the years that have followed, the industry has been plagued by an increase in cyberattacks that have caused substantial losses to customers and pose a serious threat to operational safety.

In 2019, a Frost & Sullivan study noted that cyberattacks have increased significantly in the midstream and downstream oil and gas industry due to the convergence of IT and OT. On average, these cybercrimes cost energy companies $13.2 million each year in operational losses and equipment damage. The impact on any other industry will be no different.[4]

Digitalisation and customer awareness have now led to a shift in the perception associated with ICS. The increasing level of connectivity in plants is forcing all industrial customers to establish a cybersecurity programme. Frost & Sullivan expects that cybersecurity services will be one of the fastest-growing markets in the next 3 years.

Rockwell Automation approaches ICS in a comprehensive, all-encompassing manner by offering strong microcapabilities at different ICS layers. The company's ICS services address a variety of customer needs, helping those that have just begun their journey and those that have already progressed considerably. Rockwell Automation's ICS proposition is a proactive, risk-based approach that offers the following services:

1. Asset identification and migration for assessing the risk associated with customer assets
2. ICS countermeasure deployment services for a robust IT-OT network design to reduce risks
3. Threat detection services for threat monitoring and support against cyberattacks
4. Remote monitoring and managed services enabling remote access and network infrastructure management
5. Backup and recovery services in the event of a cyberattack

The Last Word

There is no doubt that the future of the OT industry lies in digital technologies. Digital transformation has become a strategic imperative for industrial customers. From improving productivity to reducing total cost of ownership, driving innovation, and maximising asset utilisation, digitalisation can benefit industrial customers across the value chain. While digitalisation opens new opportunities, it also increases risks—especially in the area of industrial cybersecurity. Industrial customers require service providers with domain expertise and digital capabilities that will support them throughout the transformation process. Customers also will need continuous support in securing their plants and factories from potential cyberattacks.

LifecycleIQ™ Services from Rockwell Automation offers every industrial customer the perfect combination of diverse service elements that they need for their digital transformation. From traditional needs to advanced consulting and connected services, the LifecycleIQ™ Services proposition has all the ingredients to support an industrial customer. This portfolio encompasses design, development, operation, maintenance, and cybersecurity. With a large-scale transformation of industrial customers on the horizon, comprehensive lifecycle services will be a must.

Next Steps

- Explore LifecycleIQ™ Services from Rockwell Automation to take the next step on your digital transformation journey.
- See Lifecycle IQ™ Services in action, with this interactive demo.
- Learn more about the capabilities of lifecycle services in this eBook.
- Watch this webinar – "3 Steps for a Successful Digital Transformation" – for a trusted perspective on transforming automation and information opportunities into reality.

References

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2. How factories change production to quickly fight coronavirus - BBC Worklife
3. Flexibility in times of COVID-19: Mercedes-Benz designo manufaktur produces masks for employees - Daimler Global Media Site
4. Extracted and extrapolated from Frost & Sullivan Research K42E: "Zeal for Productivity and Profit Pressures Accelerate the Growth of the Global Automation Lifecycle Services Market, 2019–2022" (published September 2020)

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