

IBM Institute for Business Value

# Cloud for industrial products

*Improving productivity, optimizing processes and enhancing customer satisfaction*



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## Overview

The industrial products industry is undergoing a transformation. In addition to a need for talent-driven innovation, industrial products organizations must contend with high maintenance costs, large capital expenditures, volatile energy and raw-material costs, extensive government regulation and dependence on a few large customers. Within this ever-changing landscape, cloud computing offers a new path for sustainable, efficient, flexible growth. Using a combination of cloud-delivered services, companies accelerate time-to-market and enhancements that differentiate the customer experience. Cloud can drive significant value creation and competitive advantage. So what can industrial products companies do to realize these benefits?

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Our experience with cloud computing underscores its power to fundamentally shift competitive landscapes by providing a new platform for creating and delivering business value.<sup>1</sup> To take advantage of cloud's potential to transform internal operations, customer relationships and industry value chains, organizations across industries must determine how best to employ cloud-enabled business models to drive sustained competitive advantage.

Today, the industrial products industry faces declining growth due to multiple challenges. Top-notch talent with expertise in advanced manufacturing is in short supply. High maintenance costs, large capital expenditures, and volatile energy and raw-material costs create financial pressures. Government regulation is intense and many manufacturers rely on a few large customers for much of their revenue.

Along with these challenges come opportunities. As global environmental awareness increases, organizations will need to become more agile and focus on effective design. New competitors and globalization make it imperative to optimize manufacturing processes. And using data and analytics, companies can engage customers and move into adjacent markets. Cloud computing can help organizations tackle these issues, while enhancing the customer experience and driving efficiency.

## Cloud is transforming the business of industrial products

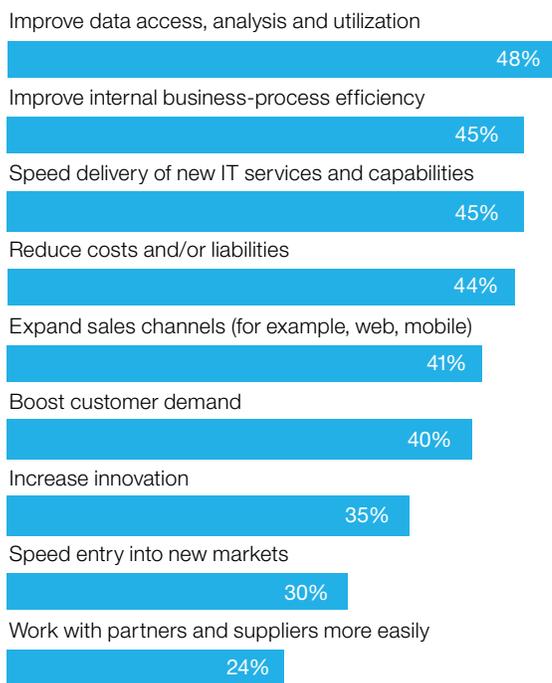
For industrial products organizations, cloud computing offers the potential to redefine customer relationships, transform operations, improve governance and expand business agility.



Leading industrial products companies leverage cloud for:

- *Operational innovation* – Simpler and faster processes drive internal efficiency; reduced complexity enables better governance and expanded access to more and broader data to manage risk; and IT capacity is better aligned to business volumes.
- *Revenue model innovation* – Customer relationships, data and other assets are monetized more readily; time-to-market is enhanced; and relevant partner services are incorporated more easily.
- *Business model innovation* – Third-party services extend into the industrial products ecosystem; open collaboration and sharing are expanded; new types of business can be pursued; and innovation is introduced systematically.

**Figure 1**  
*Executives in our study report improved data access and increased efficiency from cloud technologies*



Source: “Mapping the cloud maturity curve” by EIU, March 2015.  
Question: “What business benefits has your company realized as a result of using cloud technologies?” n=784

As part of the “Mapping the cloud maturity curve” survey by the Economist Intelligence Unit (EIU) in March 2015, 784 executives from 17 industries were asked to identify their organizations’ *top business drivers* behind cloud adoption. The top-three drivers cited were to boost customer demand (cited by 40 percent); improve data access, analysis and utilization (37 percent); and reduce costs and/or liabilities (36 percent).

*Organizations across industries have realized significant benefits* as a result of cloud adoption during the last two years. Forty-eight percent of the same industry executives said cloud has improved data access, analysis and utilization, while 45 percent said it improved internal business-process efficiency, followed by 45 percent with faster delivery of new IT services and capabilities (see Figure 1).

As cloud adoption by industrial products companies matures, other benefits will also accrue. Business users will be able to design and prototype applications quickly. Organizations can benefit from new user-driven, mobile and cloud-centric information technology. Cloud is expected to support transformation of enterprise IT functions, roles and responsibilities. And business managers will increasingly use cloud for application development to enhance agility.

Along with benefits for the enterprise, cloud also brings the potential for increased customer benefits. Cloud can facilitate new and expanded channels, as well as improve access to client data, allowing for better tailored products and services. By enabling more integrated, compelling customer experiences, cloud helps strengthen customer loyalty and market advantage for first movers.

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Access the full “Mapping the cloud maturity curve,” study here: [ibm.com/cloudmaturity](https://ibm.com/cloudmaturity)

To learn more about how you can partner with IBM and explore our as-a-service cloud portfolio, please visit: [ibm.com/cloud-computing/us/en](https://ibm.com/cloud-computing/us/en)

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## Charting the path for cloud adoption

To succeed with cloud, industrial products companies have to assess its impact on the operating model and determine what actions are required for more effective cloud adoption.

- *Source and manage partnerships and alliances efficiently.* Automate procurement and sourcing functions. Define service-level agreements to secure customer data in a shared environment.
- *Proactively redesign business architecture and processes.* Integrate legacy processes into new cloud-enabled, dynamic processes. Establish available and reliable cloud-based platforms.
- *Change organizational design and governance.* Prepare to mitigate data privacy and compliance risks with strong risk management systems.
- *Evaluate existing performance management.* Develop strategy and metrics that address new levels of reporting complexity. Build performance metrics into contracts for cloud-based services.
- *Develop critical new cloud capabilities.* Foster skills in customer and service orientation; vendor and relationship management; and virtualization and network technologies. Build deeper data analytic and operational capabilities.
- *Increase adoption of emerging technologies.* Update IT strategy to support new business strategy and cloud enablement. Adjust budgets to cover costs of legacy systems and new network bandwidth.
- *Reassess location strategies for optimal cloud adoption and to enhance the customer experience.* Decommission or consolidate technology assets.
- *Promote organizational culture changes.* Educate employees about organizational changes, addressing resistance by IT and other functions.

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## How can IBM help?

IBM has a unique position in the marketplace with consulting services and enterprise-grade cloud offerings. We are ideally positioned to engage clients in conversations to identify cloud adoption entry points that move beyond cost cutting to transforming business models through cloud capabilities that include:

- Business and technology strategy consulting services that help clients leverage cloud to develop executable strategies and transform their businesses, operations and organizations by delivering business value through technology.
- The next generation, enterprise cloud service delivery platform, IBM Cloud solutions offer clients unprecedented service level control. This common IBM architecture for private, public and hybrid clouds is based on IBM hardware, software, services and best practices.
- A robust set of IBM Cloud services: computing, storage, backup, SAP, security and unified communications.
- Consulting, design, implementation and infrastructure component management services that create an IT environment dynamic enough to effectively support cloud computing deployment.



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#### Reference

- 1 Berman, Dr. Saul, Lynn Kesterson-Townes, Dr. Rohini Srivathsa and Anthony Marshall. “The power of cloud: Driving business model innovation.” IBM Institute for Business Value. January 2013.  
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