

## LIFECYCLE SERVICES:

Leveraging your service promise to drive improved performance — and profits

WHITE PAPER |



## **| New research offers opportunities for OEMs**

U.S. companies were expected to invest more than \$2 trillion into equipment and software in 2023.<sup>1</sup> Unfortunately, much of this investment failed to live up to expectations — not due to faulty equipment or software, but because buyers neglect ongoing maintenance, updates, training, education, and upgrades. The resulting breakdowns and downtime can kill customers' revenues and profits — and make them wary of subsequent investments.

Fortunately, there's a solution for equipment makers and buyers.

New research — the Ricoh Lifecycle Services & Equipment Management Study<sup>2</sup> — confirms that once equipment is sold, factors beyond the control of equipment manufacturers often limit machine performance at customer sites, damaging productivity and resulting in significant losses. But the study also finds that this issue presents a unique opportunity for equipment makers to offer lifecycle services that improve machine adoption, reliability, productivity, and profitability — for equipment manufacturers and their customers when uptime is mission critical.

Unfortunately, many equipment makers fall short in offering lifecycle services, frustrating customers and missing out on new revenues and profits for themselves. More importantly, they miss out on a service promise that improves customer uptime, first-time fixed ratios, and return on capital employed.

### **ABOUT THE STUDY**

The Ricoh Lifecycle Services & Equipment Management Study was conducted in August 2023 by The MPI Group (MPI), an independent global research firm. The study collected responses from 131 equipment manufacturers. MPI serves leaders with research, advice, and performance-targeted solutions that provide a competitive advantage in today's fierce marketplace. MPI combines the disciplines of research, strategic advice, knowledge development, and hands-on leadership to create a difference — in performance, in profits, and in the people who make them possible. [MPI-Group.com](https://www.mpi-group.com)

### **EQUIPMENT MANUFACTURER OR SOLUTIONS PROVIDER?**

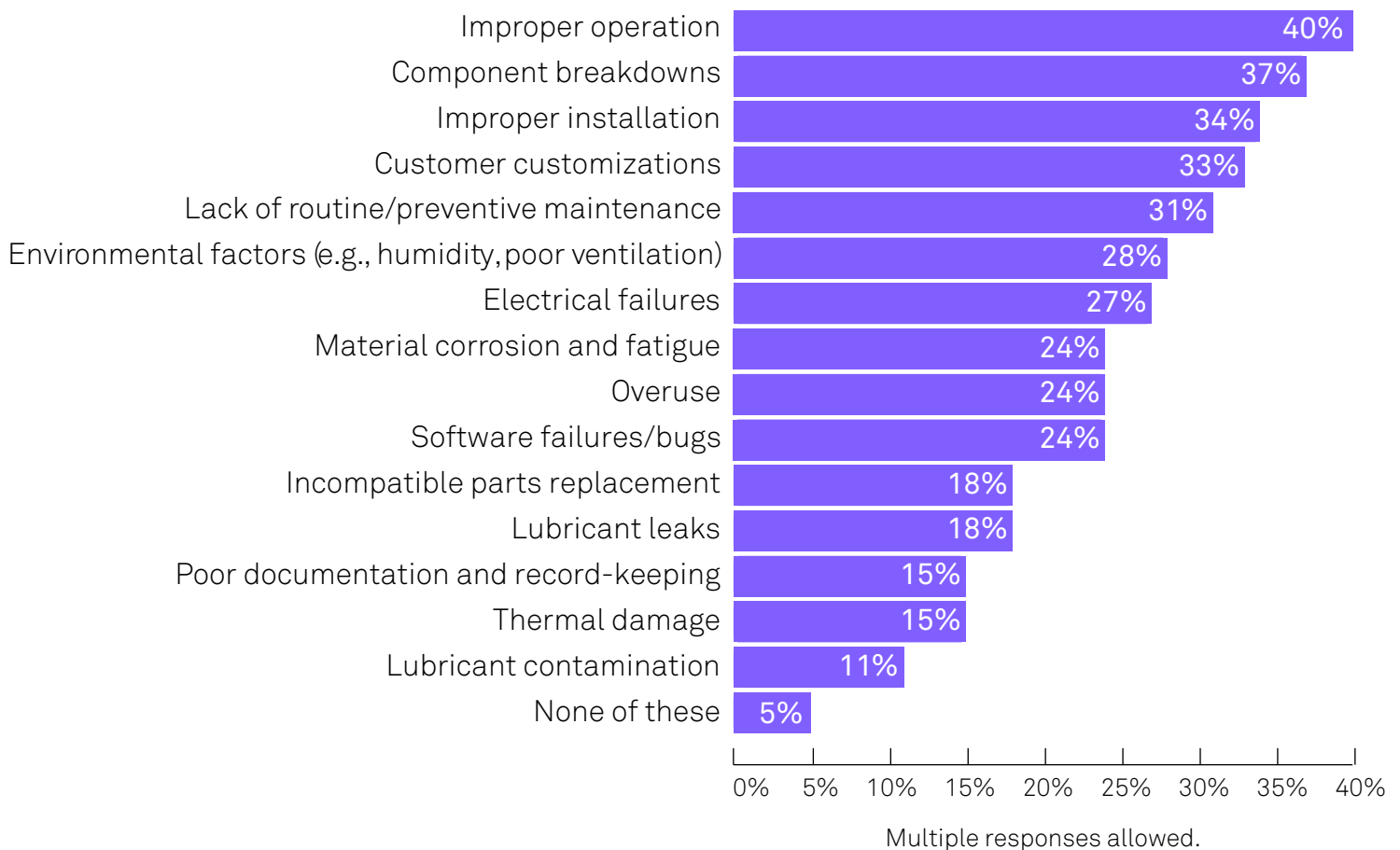
Equipment buyers no longer want just machines or parts; instead, they want original equipment manufacturers (OEMs) to be solutions providers — integrating hardware, machines, devices, data, and software to automate production and business processes. In this white paper, we'll use the terms "equipment manufacturer," "OEM," and "solutions provider" interchangeably to reflect this new reality.

## Many equipment customers struggle to operate and maintain machinery

Factors most likely to negatively impact the performance of installed equipment bases at equipment manufacturers' customers are improper operation, component breakdowns, and improper installation (Figure 1). Many of these factors result from how customers operate their machines, highlighting the need for best practices in operation, installation, and maintenance, which can be addressed by lifecycle services. For example, many support services, such as help desks and remote equipment monitoring, are focused on prioritizing machine uptime.

Why? Because machine downtime delays operations — and depresses sales. The Ricoh study finds that 51% of businesses lose \$100,000 to \$500,000 in revenue per hour due to equipment downtime — with 7% losing more than \$500,000 per hour.

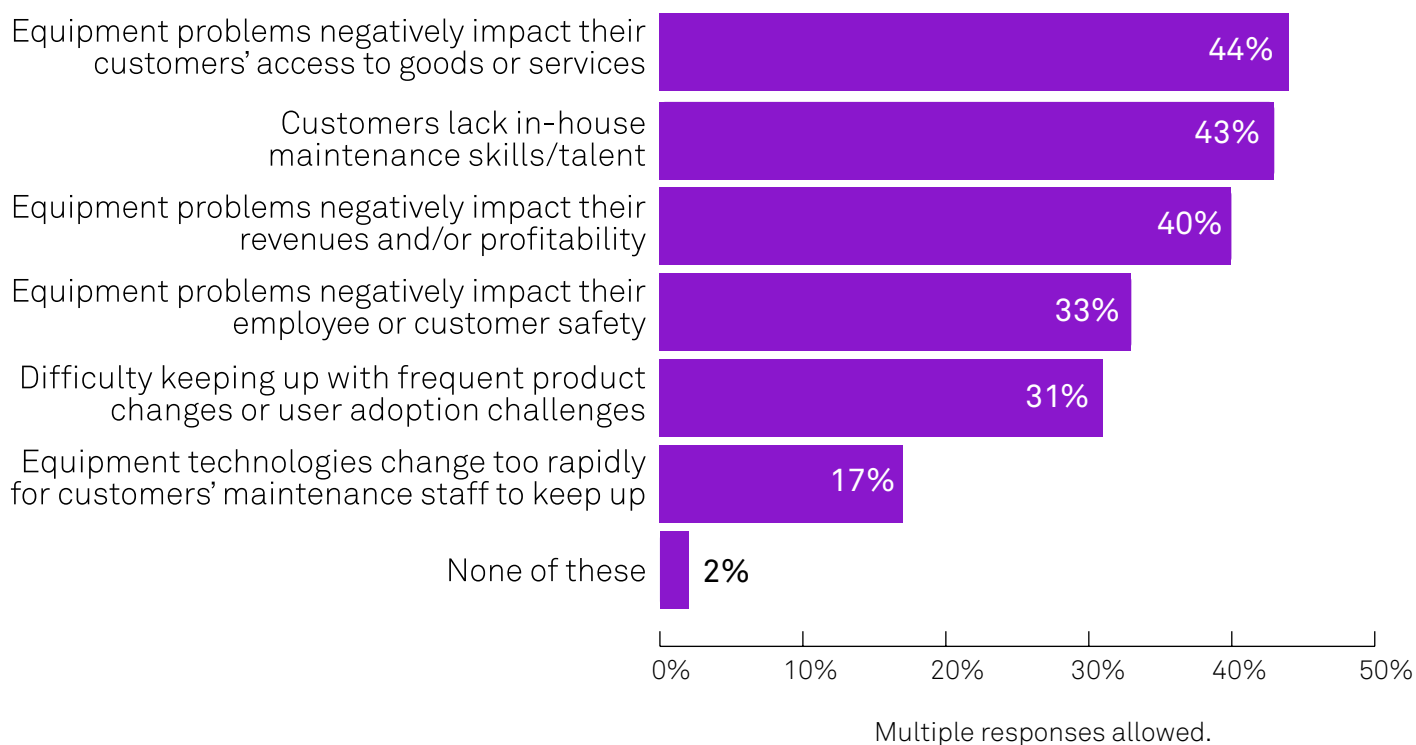
**Figure 1. Factors that negatively impact equipment performance (% of companies)**



Yet even as revenue losses from equipment failure keep executives up at night, those concerns pale in comparison to the tragic consequences that faulty machinery can inflict on employees, customers, and communities. In 2021 alone, there were 5,190 fatal work injuries — an increase of approximately 9% from 2020.<sup>3</sup>

These concerns are driving growth in lifecycle services. Customers of equipment manufacturers contract for help for many reasons, including a lack of in-house maintenance skills/talent and infrastructure. These gaps in their operations capabilities negatively impact performance and are frequently caused by inconsistent service programs that fail to deliver on OEMs' service promises to customers.

**Figure 2. Reasons equipment manufacturers' customers contract for lifecycle services (% of companies)**

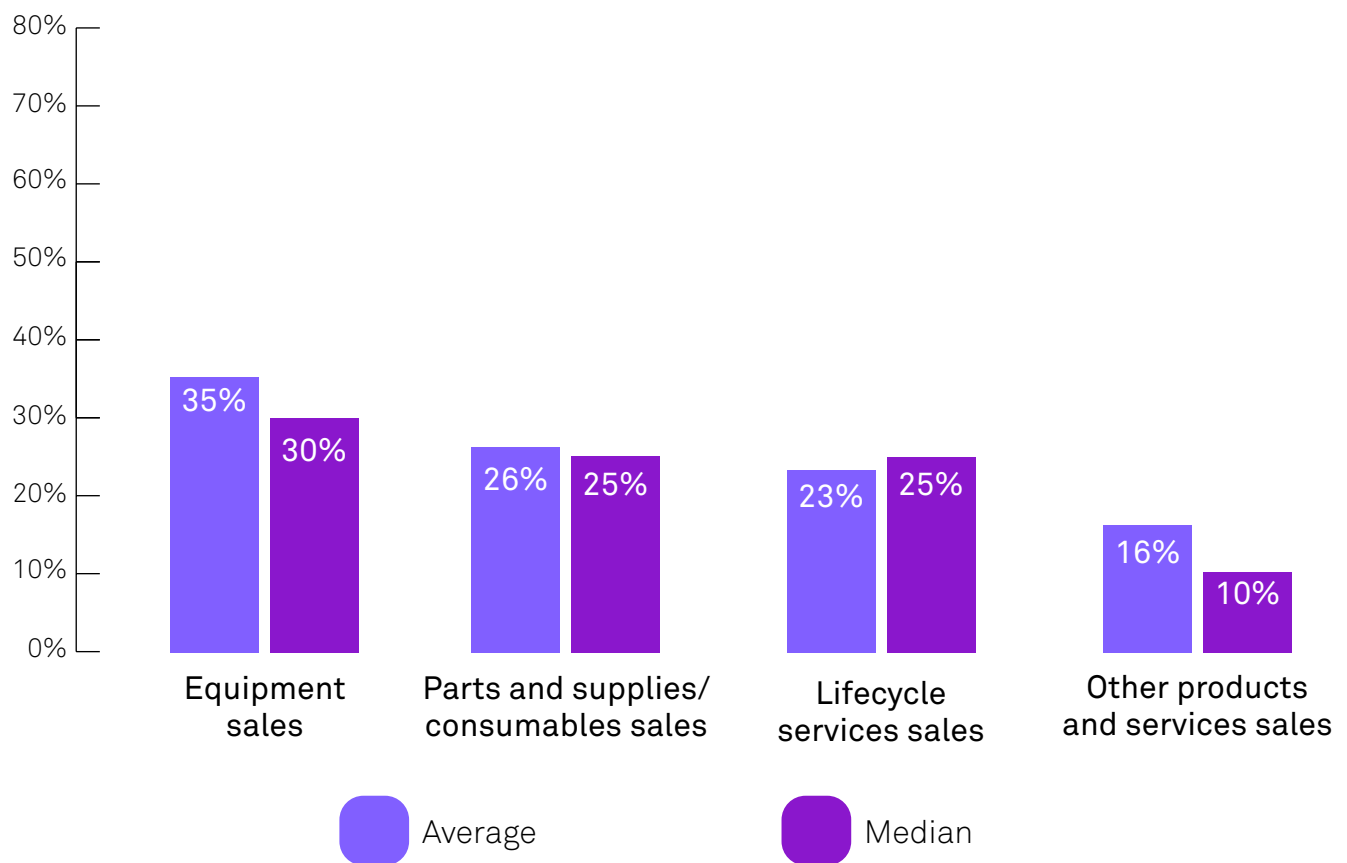


The Ricoh Lifecycle Services & Equipment Management Study finds that many equipment customers are willing to pay for help via lifecycle services provided by equipment makers. Yet many equipment manufacturers don't provide lifecycle services at all, while others offer limited packages, despite their proven profitability. **Why?**

## Lifecycle service offerings lag demand

Lifecycle service sales account for 23% (average) of equipment manufacturer revenues (Figure 3). Yet 15% of equipment manufacturers don't offer any lifecycle services, and roughly half generate 20% or less of their revenue from lifecycle services. Of those that don't currently offer lifecycle services, a majority may do so in the future (25% "yes" and 45% "maybe").

**Figure 3. Percentage of equipment manufacturer revenues**





## What are lifecycle services?

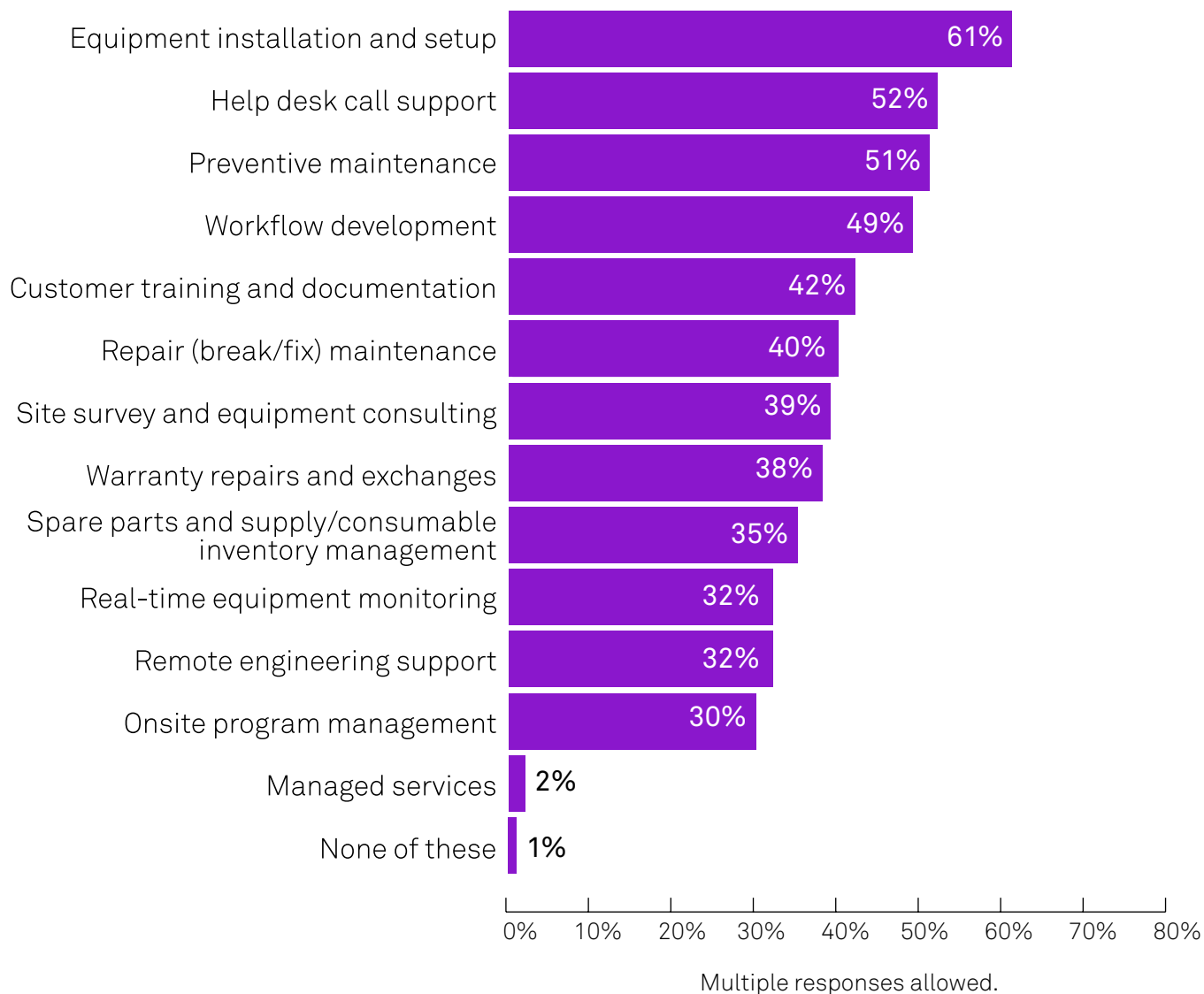
Lifecycle services are a group of comprehensive, connected services managed as a single program to integrate and optimize equipment performance, including training; provisioning and set up; repair (break/fix) maintenance; preventive maintenance; parts and reverse logistics; level 1 and 2 support; remote monitoring; and other IT managed services (e.g. hosting; software release management/distribution; security management; and change management). Ricoh's lifecycle services also include workflow development.

Even OEMs that offer some lifecycle services could do more for customers:

- A majority provide comprehensive lifecycle services to less than half of their installed equipment bases;
- Only 30% provide comprehensive lifecycle services to more than half of their installed equipment bases; and
- The only lifecycle services offered by a majority of equipment manufacturers are equipment installation and setup, help desk call support, and preventive maintenance (Figure 4). And, just 2% offer managed services (the provision of equipment, training, and expertise to install and maintain products and associated technologies, systems, and applications on a long-term basis).



**Figure 4. Equipment lifecycle services offered to customers (% of companies)**



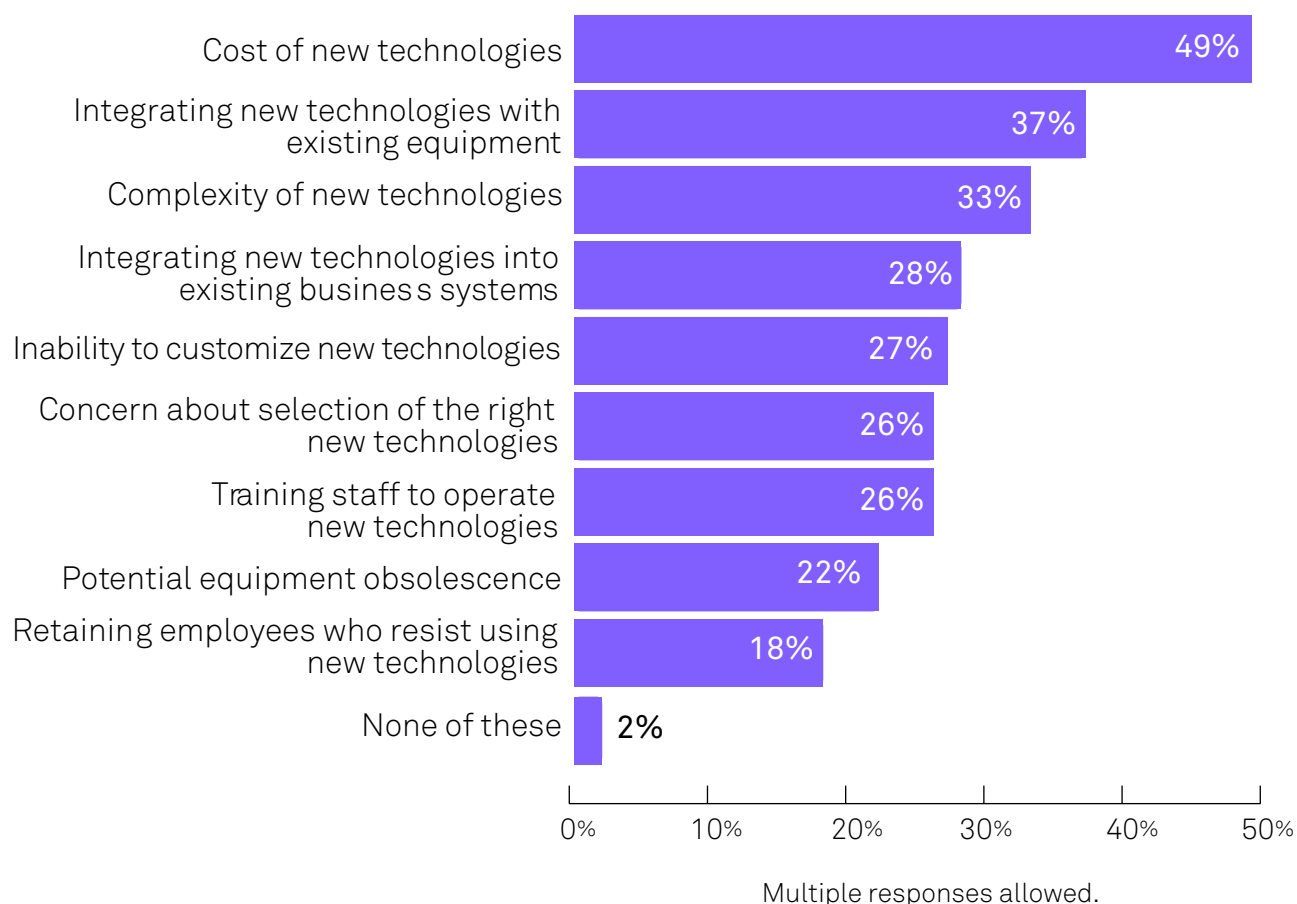
Yet the size of equipment makers' installed equipment bases illustrates an increase in the revenues and profit available if more offered lifecycle services:

- More than \$1 billion installed equipment base: **28%**
- \$501 million to \$1 billion installed equipment base: **30%**
- \$101 million to \$500 million installed equipment base: **28%**
- Less than \$100 million installed equipment base: **15%**

## Equipment manufacturers and their customers face lifecycle challenges

Equipment manufacturers report that customers are slow to adopt new technologies for a variety of reasons. And while cost is a concern, other reasons reflect difficulties in deploying new technologies and supporting staff in operating them (Figure 5).

**Figure 5. Factors that limit customers' willingness to adopt new technologies (% of companies)**

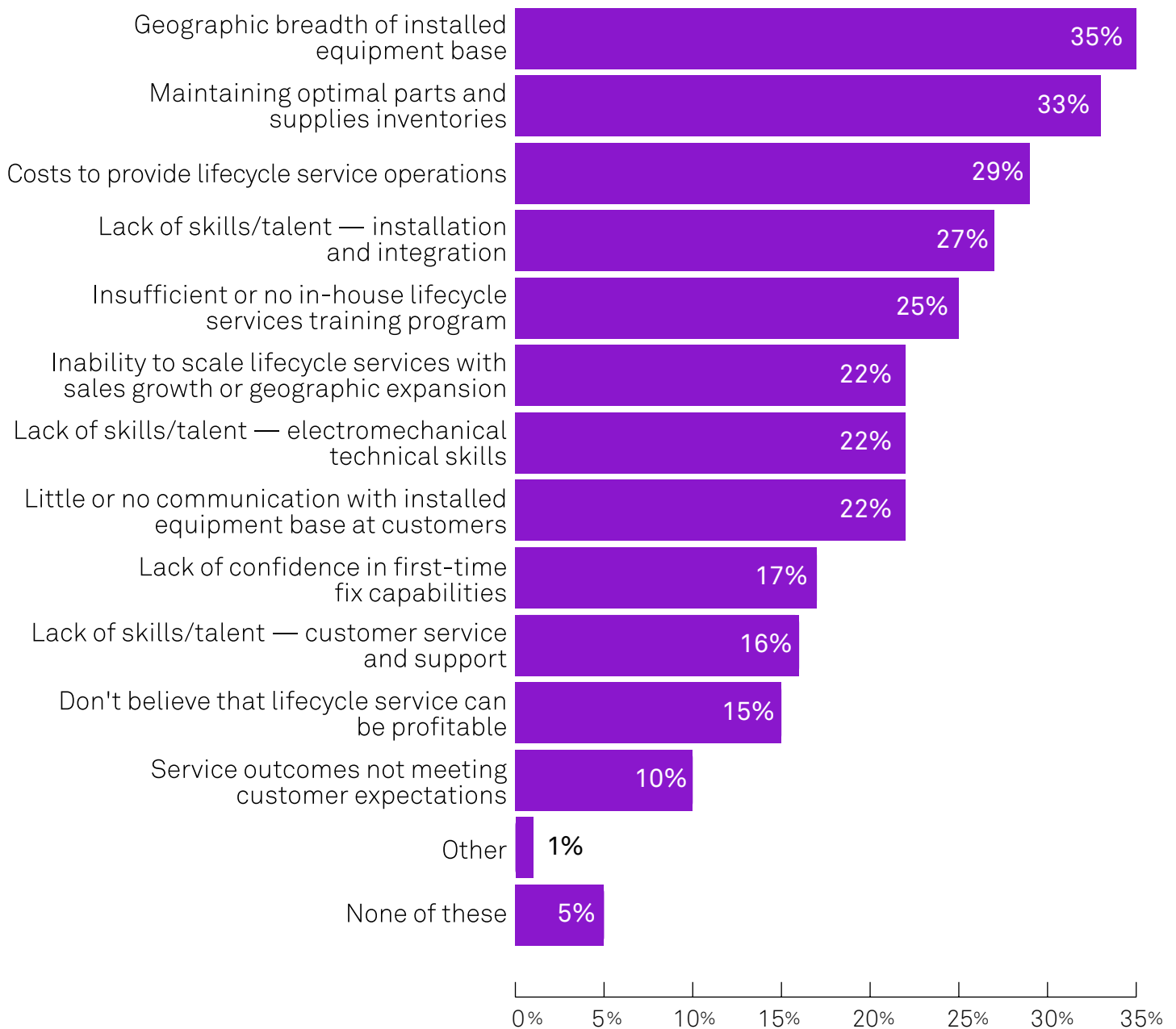




The Ricoh study also finds that some OEMs don't produce equipment with the intent of servicing it, likely making it harder to eventually offer lifecycle services. At the same time, equipment makers that do offer lifecycle services often confront a range of challenges, including the geographic breadth of their installed bases and their ability to manage optimal parts and supplies inventories (Figure 6).

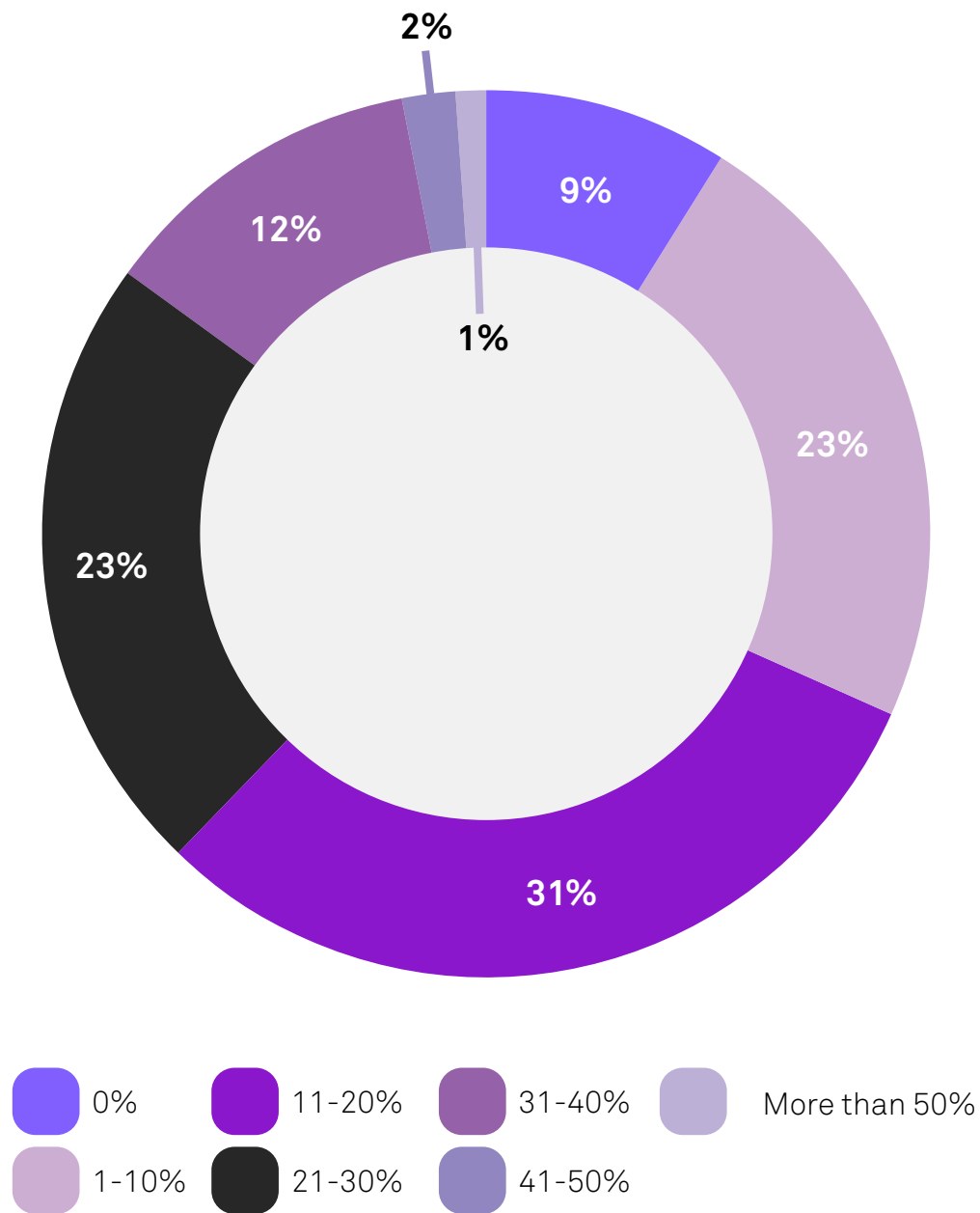
Most equipment manufacturers manage these challenges by relying on third parties for at least part of their fieldwork (Figure 7).

**Figure 6. Challenges faced when providing lifecycle services (% of companies)**



Multiple responses allowed.

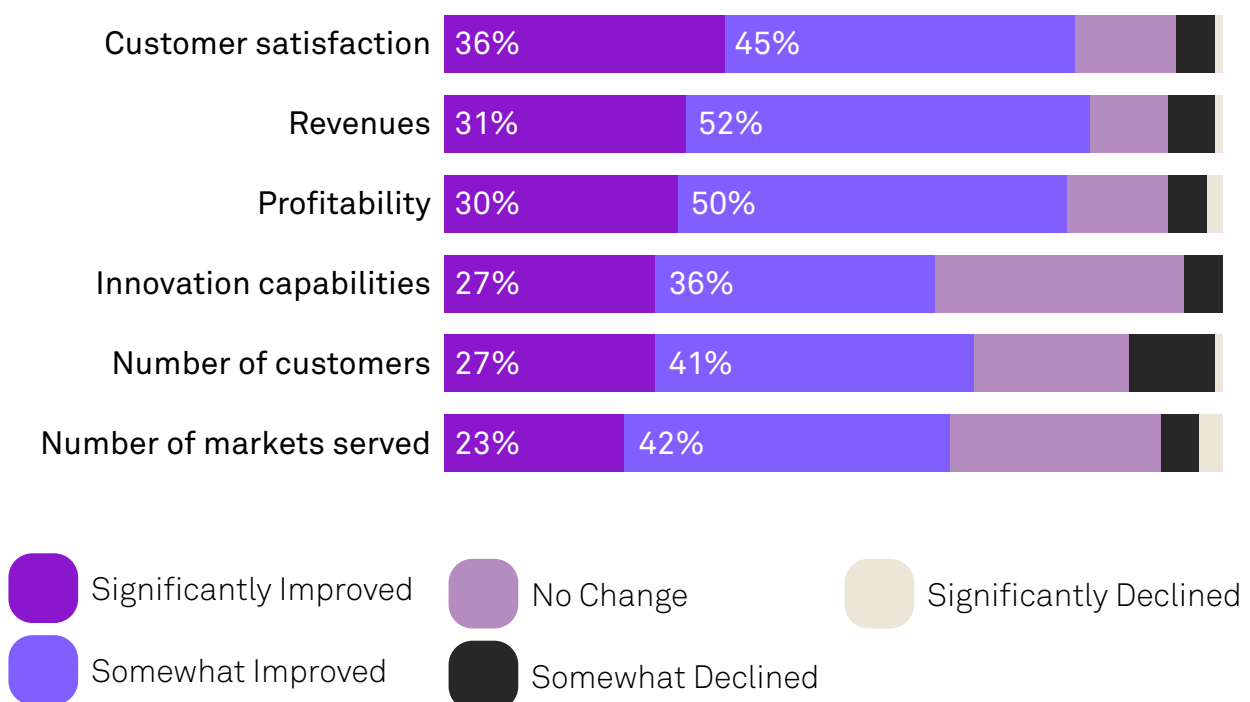
**Figure 7. Percent of lifecycle services work performed by third parties (% of companies)**



## Lifecycle services deliver performance and profitability to equipment manufacturers

Among the 85% of equipment manufacturers that report at least some lifecycle service sales, two-thirds or more have improved performances surveyed by the Ricoh Lifecycle Services & Equipment Management Study (Figure 8).

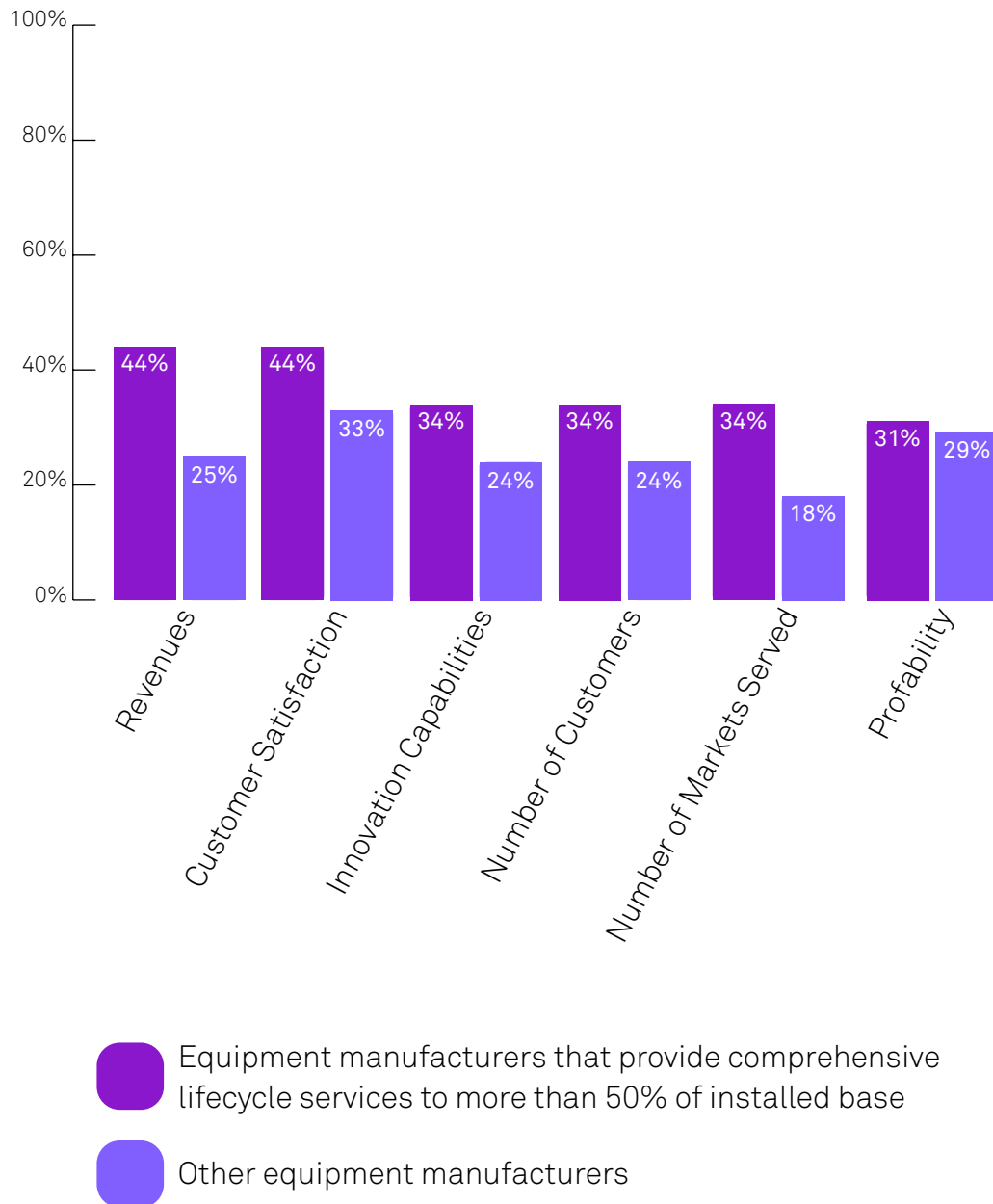
**Figure 8. Improvements by equipment manufacturers with lifecycle service sales (% of companies)**



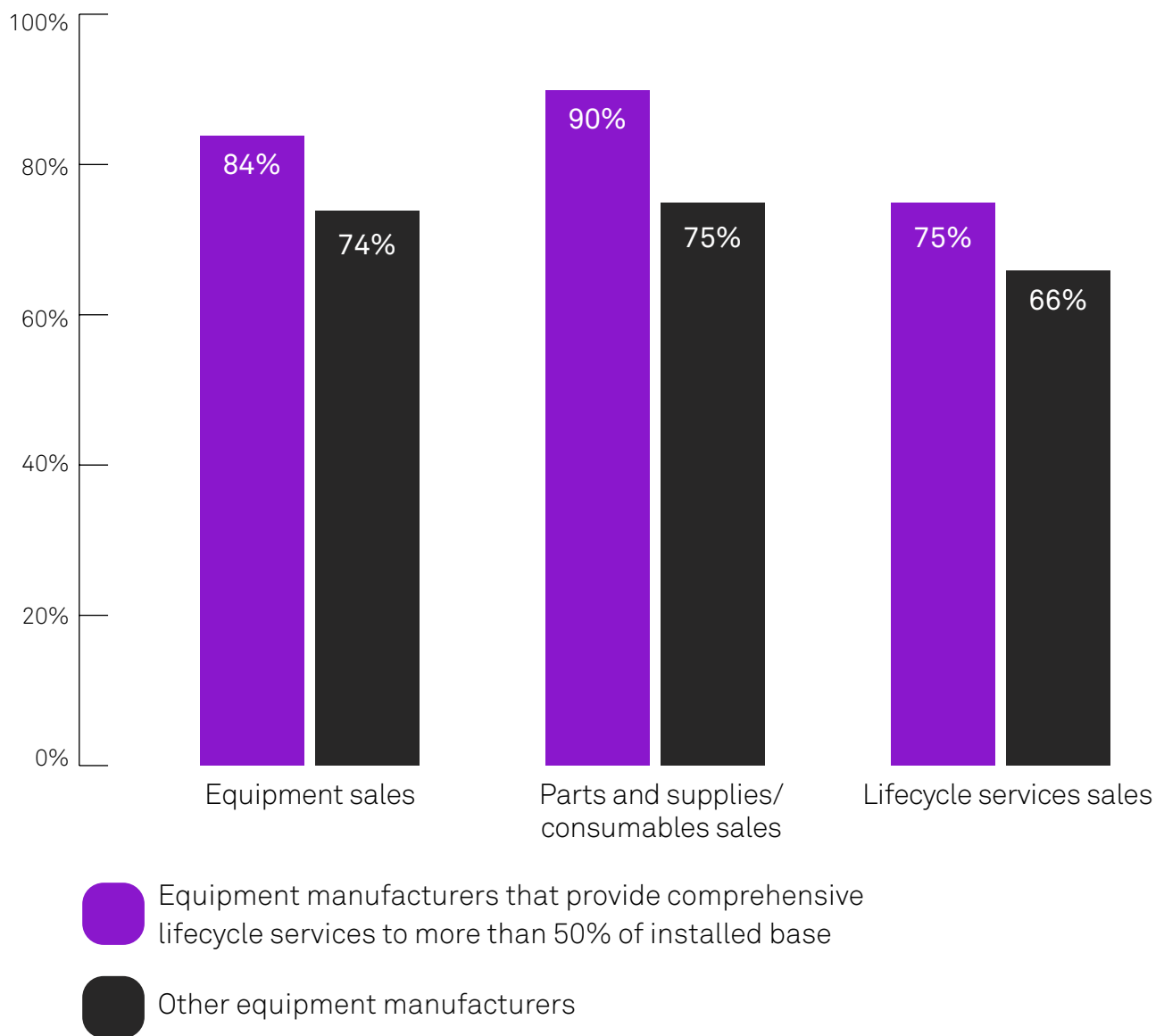
OEMs that offer comprehensive portfolios of lifecycle services — interconnected and collectively managed as a single program — positively impact value for customers and themselves. Equipment manufacturers that provide comprehensive lifecycle services to more than 50% of their installed equipment bases are more likely to report “significantly improved” performance (Figure 9), and are more likely to anticipate increases in equipment, parts, and service sales over the next 12 to 18 months (Figure 10). This high-service group also reports better metrics:

- Machine availability at customer sites: 73% vs. 68% for other equipment manufacturers
- Renewal rate for lifecycle services: 77% vs. 70%
- Customer retention: 78% vs. 71%

**Figure 9. Significant improved performances  
(% of companies)**



**Figure 10. Anticipated sales increases in next 12 to 18 months (% of companies)**



Equipment manufacturers providing comprehensive lifecycle services to more than 50% of their installed equipment base also are more likely to rely on third-party contractors: 53% rely on third parties for more than 20% of their lifecycle services work, vs. just 32% of other equipment manufacturers. These machine makers recognize they need help in providing all the services their customers require.



## Increase your lifecycle service sales and profits

Every business needs help in maintaining their equipment — and most are willing to contract for services to keep machines at optimum performance levels. Equipment manufacturers that deliver comprehensive lifecycle service to their customers — independently or with the assistance of third parties — are improving the performance of equipment at customer sites and boosting their own performances.

### If your OEM could be doing more, ask yourself five critical questions:

- 1 Is equipment downtime a critical customer issue?
- 2 Which customers need help maintaining equipment?
- 3 Is your company ready to deliver lifecycle services to make sure that customer equipment remains reliable and productive?
- 4 How can your company offer additional lifecycle services that delight customers — and capture new revenues and profits?
- 5 Are you living up to your service promise to customers, as measured by key metrics (e.g., net promoter scores)?

**Ricoh offers a range of lifecycle services to equipment manufacturers to help them support customers with mission-critical technologies. RICOH Service Advantage creates programs that allow OEMs to focus on innovation while deploying working capital for accelerated growth — while Ricoh manages their service delivery plans.**



**Ricoh lifecycle services have helped equipment manufacturers across a range of industries to boost performances for themselves — and their customers. Contact [RICOH Service Advantage](#) to learn more.**

## Endnotes

---

<sup>1</sup> Equipment Leasing and Finance Association. “Top 10 Equipment Acquisition Trends for 2023.”

<sup>2</sup> Ricoh Lifecycle Services & Equipment Management Study, conducted in August 2023 by The MPI Group, an independent research firm, of 131 companies.

<sup>3</sup> U.S. Bureau of Labor Statistics. “Injuries, Illnesses, and Fatalities.” December 16, 2022.