



THE AS-A-SERVICE EXPERTS

Product-As-A-Service webinar: What The Big 4 Won't Tell You

Key Takeaways

Product-As-A-Service: What the Big 4 Won't Tell You - Webinar Key Takeaways



On September 19th 2024, we hosted a one of its kind webinar featuring leading servitization experts who shared actionable insights beyond conventional theories. Participants engaged in deeper discussions inspired by our [Product-As-A-Service Champions Podcast](#), uncovering strategies to position PaaS models as market leaders.

If you missed it, here is the recording:



While academic frameworks from the Big Four are valuable, it's real-world experiences that truly drive the success of Product-As-A-Service solutions.

Participants engaged with executives from companies with revenues exceeding \$500 million, who successfully transitioned to an As-A-Service model across various sectors, including Energy, Audio-Visual (AV), Telecommunications, Healthcare, and White Goods.

E-Lin Tan
Global Head of
BlueMovement



B/S/H/



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This report has been crafted by distilling the essential insights from the original document. Think of it as a strategic guide for your PaaS development journey. This report aims to be action-oriented, offering straightforward and practical advice.

For each takeaway, we will contextualize it with a direct testimonial from our speakers, incorporate relevant market statistics, and present a theory versus practice comparison. This will illustrate what you should and shouldn't do when implementing these takeaways.


1. Shifting Focus from Product to Customer Value

Overview:

It's important to move away from product-centric thinking to delivering real value to customers. Barco found that their cinema customers were not interested in owning equipment but were more concerned about improving their core business of selling tickets and snacks.

Key Webinar Testimonial from Bas van Heek:

Bas van Heek from Barco Cinema highlights the importance of shifting away from product-focused thinking to truly deliver value to customers, stating:

 *“None of our customers are in the business of owning a projector so to say and they're all in the business of selling tickets and popcorn. So that means that, if you want to bring value to a customer, your value is not in owning the hardware but [in] what you offer for your customers that help them be successful in their business.”*



Key Fact:

Cinemas are adopting premium seating arrangements like recliners, and enhancing services with kiosks for food ordering and loyalty programs, which not only make customers feel more valued but also increase revenue (The Cinema Foundation). Cinemas now prioritize customer-centric innovations rather than simply owning and upgrading their hardware.

Actionable Insight:

Businesses in hardware-heavy industries should explore ways to offer their products as a service. By focusing on customer outcomes rather than hardware sales, companies can unlock new value and build stronger, longer-lasting relationships with clients.

Theory vs. Practice:

- Theory: Companies traditionally rely on hardware sales for revenue, believing customers want the best equipment.
- Practice: Barco's experience shows that customers prioritize outcomes, such as smooth operations and cost management, over owning the latest tech. The transition to as-a-service models aligned with their customers' business objectives.


2. Customer-Centric Value Delivery

Overview:

David Mackerness from Kaer emphasized a common mistake in product-based industries - focusing too much on the product's features instead of what truly matters to the customer: the outcomes and value it delivers. He shared how Kaer shifted from selling air conditioning units to providing a "Cooling-as-a-Service" solution after realizing customers were more interested in the comfort and business benefits the cooling provided than the technical specs of the units.

Key Webinar Testimonial from David Mackerness:

Mackerness stated that customers prioritize their experience and the advantages they gain rather than the air conditioning systems themselves:

 **“** We kept talking about air conditioning and how fantastic it was and how we could do things better and [our customers] didn't really care that much and they kept wanting to talk about their business and not really dive into the details of cooling. It was really understanding that customers may not love your product as much as you do but they may love the output that it brings and therefore we moved to servitization for that reason.”





Statistics:

80% of customers report that the overall experience a company provides is as important as its products and services. This focus on the end result is a key driver behind the success of servitization models in industries like HVAC, healthcare, and technology (Salesforce, 2021).

Actionable Insight:

Listen to your customers' needs. Understand that while you may be passionate about the features of your product, customers often care more about the outcome your product enables. Align your offering with the tangible results they need for their business.

Theory vs. Practice:

- Theory: Traditional product-based businesses rely on differentiating products through better features, efficiency, or innovation. The assumption is that if the product is superior, customers will naturally be attracted to it.
- Practice: Customers don't always care about the inner workings of a product or its technical specifications. What they truly value is the service it provides or the problem it solves. In real-world applications, companies that focus on delivering outcomes instead of features build stronger, longer-lasting relationships with their customers. The shift from a product to a service mindset is not just a strategic move, it's a necessary evolution to remain competitive in customer-centric markets. However, it requires substantial training and a cultural shift within the organization to achieve the right mindset.




3. Resilience Through Subscription Models

Overview:

Subscription-based models offer businesses resilience, particularly during economic downturns. By ensuring a consistent revenue stream, companies can better manage financial challenges.

Key Webinar Testimonial from Michael Mansard:

Michael Mansard from Zuora spoke about how the subscription economy is gaining traction, particularly in uncertain economic climates:

 *We found two things. One - OpEx spending is positively correlated with inflation. Higher inflation does not decrease OpEx but in fact increases it. Second - OpEx isn't always tied to economic growth, especially in downturns, so if I keep it very simple, OpEx is more resilient [and brings] deeper recurring real-time customer relationships in competitive markets, and that explains the rise of this kind of model."*



Statistics:

A six-month rolling correlation over 20 years between GDP growth and CapEx or OpEx growth shows that CapEx is continually positively correlated to GDP growth, meaning that in case of macroeconomic slowdown, it is likely CapEx will slow down as well. OpEx correlation isn't always positively correlated, implying that macroeconomic slowdown doesn't always result in OpEx slowdown. In other words, OpEx spending is more resilient (from Zuora and Thematics Asset Management Research).

Actionable Insight:

Shifting from selling products outright (CapEx) to offering them as a service (OpEx) can provide more financial stability. Businesses can retain customers through flexible, ongoing



service contracts, which are often seen as essential expenses, even in tough economic times.

Theory vs. Practice:

- Theory: Economic theories suggest that predictable revenue models lead to greater financial stability.
- Practice: Mansard noted that while the theory holds true, the practice requires robust infrastructure to support subscription services. Companies must invest in customer relationship management and billing systems to avoid pitfalls in revenue collection and customer churn.

4. Strategic Partnerships and Ecosystem Building

Overview:

Creating a robust ecosystem through partnerships is essential for enhancing service offerings and addressing customer needs more comprehensively.

Key Webinar Testimonial from E-Lin Tan:

E-Lin Tan from BlueMovement (BSH) emphasized the importance of integrating various services, stating:

“The Product As-A-Service ecosystem that I'm really keen on is truly what additional value can we create for our end consumer who subscribes with us. So the appliance, let's say the washing machine or dishwasher, is like a bridge into this relationship with the end consumer. But at the end of the day, to use this dishwasher, the consumer actually has to have the detergent, has to have electricity, etc. And therefore if we can package it as a deal together, like a single point of contact or a total cost of ownership viewpoint, [...] through the power of partnering, we can actually create more value.”



Statistics:

According to Forrester Research, 60% of organizations leverage partnerships to drive innovation and improve customer experience. Additionally, businesses that collaborate across the value chain report a 20-30% increase in customer satisfaction.

Actionable Insight:

Identify potential partners within your industry who can enhance your service offerings. Foster collaborative relationships to create bundled services that add value to your customers.

Theory vs. Practice:

- Theory: Collaboration theories highlight the benefits of partnerships in driving innovation and customer satisfaction.
- Practice: Tan shared that forming effective partnerships can be time-consuming and requires alignment on goals and values. They faced challenges in negotiating terms and integrating services with partners but ultimately found that patience and transparency led to successful collaborations.

5. Early Market Research to Avoid Costly Missteps**Overview:**

What's essential is to conduct comprehensive market research before launching a PaaS model. Understanding customer pain points and the perceived value of your offering early on can help avoid costly mistakes and streamline product-market fit.

Key Webinar Testimonial from Daniel Cho:

Daniel Cho from Philips Healthcare stressed the importance of conducting early market research to gain customer insights, which can streamline decision-making and accelerate time to market:



If you have a chance to do market research, talking to real customers, understanding their pain [points] and also their perception of the value you deliver, do it as early as possible. If we already have the customer insights from the beginning, [internal] debates can be avoided and time to market will be a lot faster."





Statistics:

Market research can reduce product launch failure rates by 60%. Companies that engage customers in the research phase are more likely to see faster adoption and higher profitability.

Actionable Insight:

Conducting thorough market research at the earliest stages of product development ensures a smoother market entry and a better alignment of product features with customer needs. Businesses should invest in understanding not just what customers say, but how they experience value.

Theory vs. Practice:

- Theory: Many companies believe they know what customers want based on industry trends and general feedback.
- Practice: Philips initially launched their PaaS model without comprehensive customer research, leading to delays and misaligned product features. However, after conducting in-depth interviews and market analysis, they repositioned their service to meet the real needs of healthcare providers, focusing on operational improvements and patient throughput.

6. Flexibility in Pricing Models to Drive Value

Overview:

Remember the importance of flexible pricing models when transitioning to service-based offerings. Customizable pricing strategies help companies cater to diverse customer segments and improve their competitiveness.



Key Webinar Testimonial from Pierre-Yves Noel:

Pierre-Yves Noel from Alcatel-Lucent Enterprise highlighted the importance of pricing flexibility to meet customers' needs and grow alongside them:



“ We have various product lines in different business divisions internally and they're all addressing different market segments potentially so the idea was really to have the maximum flexibility on offer management and creation of those pricing.”



Statistics:

Flexible pricing strategies can boost customer acquisition rates by 25%, particularly in competitive industries like telecommunications (Gartner).

Actionable Insight:

Implement tiered or flexible pricing models to meet the varying needs of different customer segments. This will allow your business to cater to a broader market and create more personalized experiences.

Theory vs. Practice:

- Theory: One-size-fits-all pricing simplifies the process and reduces complexity.
- Practice: Alcatel-Lucent Enterprise's Rainbow platform offers communication services on a pay-as-you-go basis, which allows customers to choose from tiered pricing models based on their specific needs. This flexibility helps them capture a larger customer base.



Conclusion

The insights shared during the webinar "Product-As-A-Service: What the Big 4 Won't Tell You" highlight the transformative potential of adopting PaaS models in various industries.

By shifting from ownership to access, focusing on customer-centric value delivery, leveraging subscription resilience, building strategic partnerships, and embracing data-driven customization, businesses can thrive in the evolving marketplace.

This report serves as a comprehensive and concrete guide to navigating the complexities of transitioning to a Product-As-A-Service model, emphasizing both theoretical frameworks and practical applications drawn from industry leaders.

By implementing these insights, you can not only meet the evolving demands of consumers but also drive sustainable growth and innovation.

Feel inspired? Today is the day to take action!

Book a call with Black Winch experts now to put things in motion and reach your As-A-Service ambitions.

book a call now



Black Winch



THE AS-A-SERVICE EXPERTS

Black Winch is the world's exclusive authority in As-A-Service solutions.

We are on a mission to empower intrapreneurs to achieve their As-A-Service ambitions by building and scaling their in-house recurring revenue models.

We take our customers through a holistic methodology focusing on strategy, sales, marketing, funding, finance, back office, ecosystem & circularity to master the subscription journey.

- We have 20+ years within the subscription market.
- We have experts specialized in As-A-Service challenges and solutions.
- We have a unique methodology to reach As-A-Service ambitions faster.
- We are not a traditional consulting firm, we are very hands on. We provide on-the-ground support, rather than focusing on theory.
- We generated \$2,8bn revenue of As-A-Service business for our customers (2022).
- We donate 1% of our annual revenue (to REEFolution and Room to Read).

Black Winch supports organizations to create and/or improve their As-A-Service business model according to their objectives: feasibility analysis, improving profitability, securing the market share, improving customer loyalty. By turning and developing the product-based linear business model into an in-house subscription model, it will bring value to the end users, the stakeholders and the shareholders.

The Black Winch experts help organizations develop a successful As-A-Service business model through a proven methodology. With a personalized framework, Black Winch helps build or adapt an As-A-Service offer, find financial partners, train teams, and provide the financial engineering required to ensure the success of the project. Additionally, it opens the door towards the circular economy and sustainable development. Black Winch is proud to be part of the [1% for the Planet](#) movement.

Learn more: <https://www.blackwinch.eu/>





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