

# Design – the key to your success with Products-as-a-Service

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## A critical shift from product to service

Driven by growing opportunities to create and capture value and increasing policy pressures and incentives, manufacturing companies seek to provide their products through rental, leasing, and other contracts. This type of offering is often called Products-as-a-Service (PaaS). Many OEMs have service organizations and long-term partners to ensure they can support their products throughout its life. Moving to a PaaS business model could appear as a simple change in the contract – which it is not!

## Design is the key to success

Designing the entire solution with a system perspective is vital when moving to PaaS. This concerns product components, service components, and their interplay during the whole lifecycle. Manufacturing companies meet challenges here! Experience and investment decisions focusing on the legacy product sales business make sweeping change difficult. Understanding the fundamental differences between designing for sales and PaaS is critical to succeeding with the expansion. One such difference becomes evident through the variety in the product components provided.

## A mismatch between sales and PaaS – The example of variety

When selling products, variety is often considered a major value driver, as it gives customers precisely what they want: A product specific to their needs. However, in the case of PaaS, this differentiation strategy leads to a dead end: After the initial contract has elapsed, physical products return to the provider's facility. A customer for the product's second life must be found – a challenging, sometimes impossible task!

Our research has shown that it is the second and subsequent lifecycles that lead to much of the profitability of PaaS for manufacturers. Thus, manufacturing companies require strategies and tools to measure and manage variety throughout the lifecycle to capture value through PaaS.

## Become successful in *both sales and Products-as-a-Service*

Through our research and collaboration with industry, we have identified impactful approaches to measure and manage variety towards efficient value creation and capture through PaaS:

- Key performance indicators focusing on product development; production; software and data; sales; aftersales, maintenance, and service; remanufacturing, and second-hand.
- Management strategies centered on simplicity and modularity
- Methods and tools supporting the critical investigation and improvement of existing design and development processes

