The value of digitalisation in Product-as-a-Service (PaaS) Webinar
Questions answered

Respondent panellists: Olli Kuismanen (O.K), Business Developer at Tamturbo; Achint Varia (A.V), Founder and Chief Revenue Officer at Industrility; Dr Parikshit Naik, (P.N) Commercial Director at The Advanced Services Group (ASG)

1. Can you describe your experience in selling with a focus on total cost of ownership (TCO)? You mentioned that your customers were not initially interested in your products. Does this suggest that they were unaware of their true TCO?

O.K: This is accurate. Companies don't often realise the total cost of producing compressed air. They usually know the CAPEX cost of equipment very well and understand that it's energy-consuming. However, they often don't know the efficiency of their compressors, as they have become accustomed to trusting the manufacturers' data sheets. These data sheets might be accurate for new equipment, but as the units wear, the energy consumption increases significantly.

Compressed air, being a utility (a necessary evil, if you will), is not very interesting to organizations, which means it is not analysed with the same detail as many other manufacturing KPIs. This is unfortunate, as compressed air consumes, on average, 10% of industrial electricity. Furthermore, since most of that energy is converted into heat, customers are often unaware that this heat could easily be reused.

A major part of our sales efforts goes into analysing the available savings and communicating the opportunities to customers. In subsequent projects for individual customers, this is, of course, easier.

2. Achint, did you ever come across challenges where customers were uncertain about sharing the data from their use of the equipment that was connected via IoT for As-a-Services? If so, how did you solve this?

A.V: Yes, There is an increased anxiety and focus on protection of data and so almost always there is a concern by IT when it comes to access to Data. Three areas of discussions happen: Ownership of data which is managed contractually; Security of data: Our product has the highest level of security in addition to the AWS and Azure infrastructure which means Industrial grade technology for the long term for critical equipment. Third: Regulation like GDPR and other data use: and we work with our clients to understand the outcomes and based on that decide how that data is managed. We have always found a pragmatic way to help the customers when it comes Data security, privacy, access and use.

3. Do you see a servitisation value proposition in the solar PV industry, or do you think it does not apply or has already been exhausted through Power Purchase Agreements (PPA) and other similar types of agreements?

O.K: Surely, as owning electricity production equipment is not a key function for most industrial companies or homeowners. Specialist organisations that focus on building and maintaining solar panel installations will be more effective in managing a fleet of installations than individual users.

The question is whether there is enough information asymmetry or operational efficiency to be shared.

4. How do we encourage the sellers of product organisation to look at servitised model rather than a service stream selling?

O.K: This is one of the hurdles in operationalising servitisation. The product-oriented sales approach needs to be transformed, first and foremost, into value-based sales. Additionally, the incentives of the sales organisation must be aligned with long-term contracts.

In one organization where I had the privilege of creating a servitised offering, this was accomplished by setting up a virtual unit that purchased the assets from the equipment business unit and the necessary services from the services business unit. This approach allowed the incentives and management practices of the businesses to remain largely unchanged.

However, there were still significant differences in how the servitised offering was accepted among the sales personnel.

5. From your experience, how long does it take for a firm to deploy the full scope of servitisation? Secondly, how does the team usually look like which lead the implementation of a full scope servitisation in a company (CFO? CSO? Product manager etc). Thirdly, What challenges and opportunities have you seen occuring?

P.N: The speed of servitisation depends on the company's size, its ambition to innovate, and four specific forces. The smaller the company, the faster it can servitise. The more ambition and autonomy a company has regarding innovation, the quicker it will progress.The four forces that affect the speed are:

- Organization-centric forces: This refers to how rigid or flexible the business is and how much senior leadership supports servitization.
- Technology-centric forces: This refers to how well the company is adopting new technologies to enable service offerings. If digitalization is slow, the company may deliver a few successful pilots of servitization but will struggle to scale.
- Market-centric forces: This refers to how ready the customer base is to adopt new services and how keen they are to buy outcomes rather than products.
- Value network-centric forces: This refers to the number of players that exist between the customer and the provider. The higher the number of players, the slower and more difficult servitization will be.

A successful servitisation initiative usually has a senior sponsor backing the transformation. This sponsor advocates for funding, resources, and time for a team of senior managers who are experimenting with and learning what servitisation could look like in the business.

The managerial team will be multidisciplinary, including service leaders, marketing experts, customer success managers, account managers, and digital services experts.

While this example is based on a specific set of people, the key is that servitisation requires the diverse knowledge these individuals bring. If this pool of knowledge can be created through a combination of other people, it would be equally effective.

6. What opportunities have unlocked since you deployed Compressed air as a Service with advanced digital services? Secondly, what has been the impact on your business, customers and assets' circularity? Thirdly, what are next as development opportunities for Tamturbo from a product side and value to the customer?

O.K: We have been able to penetrate large global customers that would not have been possible through traditional sales, at least at this pace. By removing the technology risk from the customer and aligning their costs to the delivered value this has greatly expedited the customer aquisition, especially in the large global customer segment. They often also are very strict on acceptance of suppliers into their global portfolio - selling and sharing the value has been key. Additionally, through a much higher energy recovery we have been able to tap into their CO2-neutrality targets and help them in concrete terms in these goals.

The biggest and most immediate impact on circularity is related to energy recovery and reuse. This is a significant improvement to the past where most of the energy is wasted. From an asset circularity point-of view the biggest impact is felt through selecting long-lasting components instead of components that need service and replacement. So far we don't have a lot of experiences where assets have been returned. When they at some point are they of course can be refurbished and reused with other customers.

Now that financing of the Product-as-a-Service business is in better shape we expect to increase the portion of this business, growing it very fast. There seems to be a very good fit with customers wanting to outsource this responsibility and benefitting from the opportunities the new technologies bring.

7. Are you able to measure asset degradation, life-cycle if assets? What inputs are typically required and how easy is it for a firm to deploy/ integrate this inhouse?

A.V: Yes, we are able to track asset degradation and manage the asset lifecycle. Industrility uses a variety of data sources as well as AI and ML algorithms and asset scoring to track, communicate and create actionable insights that results in not only insightful reporting but extending asset lifetime.

8. What opportunities are unlocked through advanced digital services? From the projects you have live, what has been on average the GHG reductions thanks to servitisation & digital monitoring? What are some of the common optimisations companies apply thanks to advanced digitalisation and how much time does it take to deploy?

A.V: This Era of Data, digital services and AI is the golden era of improving productivity, increasing sustainability impacts and improving the speed of innovations. We enable people to do things much faster, cheaper, and better than they have done before enabled with Digital and Data. e.g. Parts identification improved by 80%, reducing machine downtime by 12%, increasing sales order conversion by 28%.

9. How does a customer onboard Industrility services?

A.V: Industrility helps customers with their business model and go-to-market when it comes to Aftersales and Servitisation. We help with Data and Technology consulting and provide a product that can be deployed within a couple of weeks to unlock opportunities of Aftersales, service, and AI in the Industrial space.