

PRODUCTS AS A SERVICE

WHAT IS THE PRODUCT AS A SERVICE BUSINESS MODEL?



CONTENTS

Expected Learning Outcomes _____	4
Self-Reflection Exercise _____	5
Setting Up A Product As A Service Business _____	6
The Practical Applications Of The 'Product As A Service' Business Model _____	9
Opportunities For Product As A Service Business Model _____	12
Setting Up A Product As A Service Business Model ____	15
Responsibility Of The Entrepreneur In Ensuring Product Sustainability And Safe Disposal ____	18
Final Assessment Task _____	21
Final Test _____	24
Further Reading And Resources _____	26



INTRODUCTION

Watch the video to learn about the Product as a Service business model.

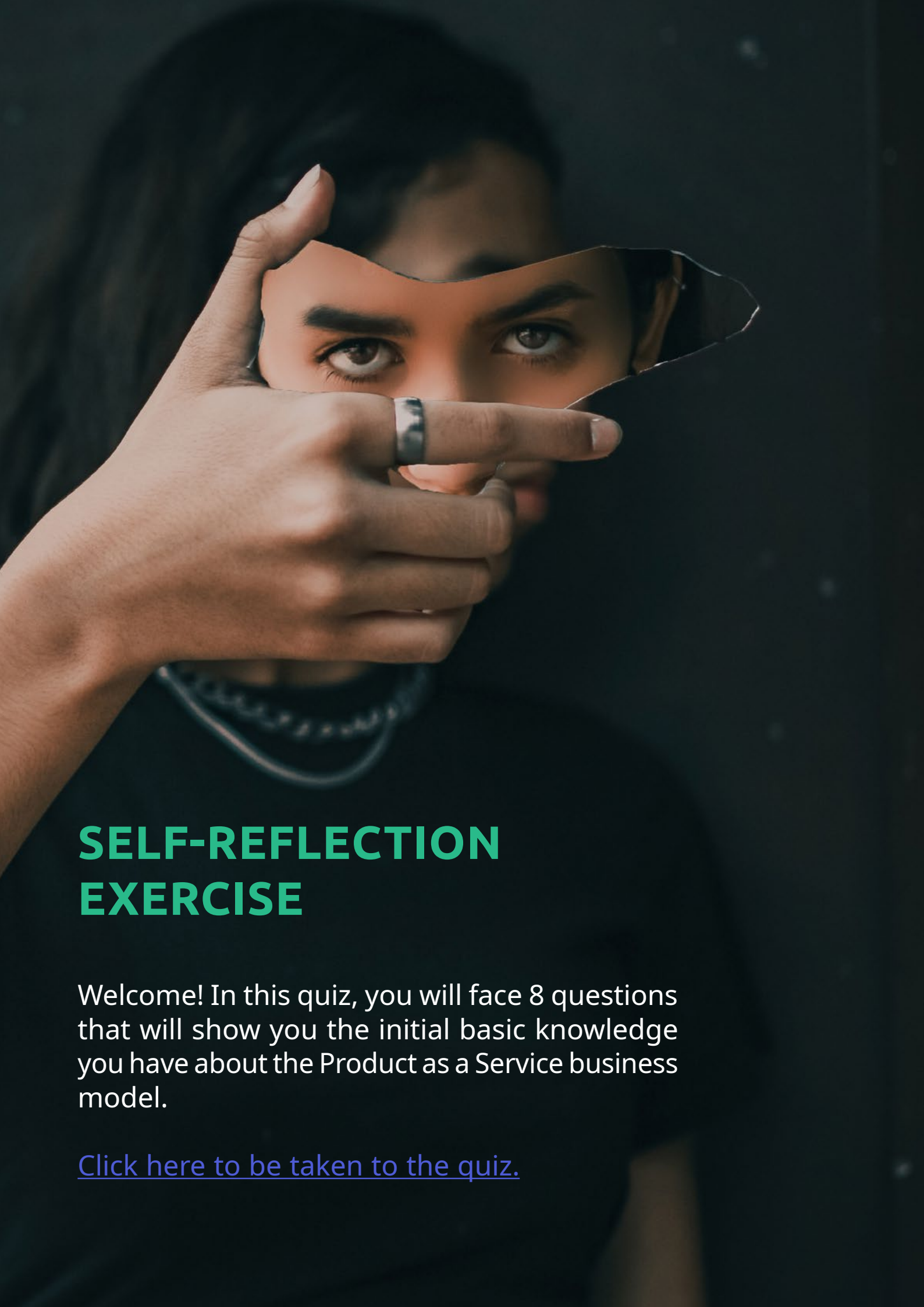
This video will introduce the Product as a Service business model and provide examples of it in action. It will explain how the Product as a Service business model can benefit both customers and manufacturers, and how it promotes sustainability and the circular economy.



EXPECTED LEARNING OUTCOMES

KNOWLEDGE	<ul style="list-style-type: none">• Knowledge of the practical applications of the 'Product as a Service' business model.• Knowledge of the responsibility of the entrepreneur in ensuring product sustainability and safe disposal.• Knowledge of setting up a Product as a Service business.
SKILLS	<ul style="list-style-type: none">• Brainstorm and mind-map opportunities for Product as a Service business model.• Discuss the role and responsibilities of the entrepreneur and the consumer in the Product as a Service business model.• Research and author a contract for entrepreneurs and customers engaged in Product as a Service agreement.
ATTITUDES	<ul style="list-style-type: none">• Willingness to develop ideas for a Product as a Service business.• Integrity and responsibility towards the products and the customers.





SELF-REFLECTION EXERCISE

Welcome! In this quiz, you will face 8 questions that will show you the initial basic knowledge you have about the Product as a Service business model.

[Click here to be taken to the quiz.](#)

SETTING UP A PRODUCT AS A SERVICE BUSINESS

What is the Product as a service business model?

Product as a service is the vision of selling services and results in a product can deliver rather than the product itself. The product as a service is a business model that blends physical products and services and has the objective of fulfilling the consumer's needs better.

Why adopt the Product as a Service business model?

By trading products as services, businesses can become stable and profitable businesses. Rather than selling products to consumers, businesses can, for instance, lease them as an element of a service package. In complement to the products themselves, consumers can disburse a monthly fee for their maintenance and restoration, including any other required services concerning the product. In addition to being simple and hassle-free, consumers can save finances as they no longer must make costly once-off buys. Simultaneously, businesses providing services can create long-term consumer relationships. Understanding their consumers' requirements makes it simpler for businesses to market them just the proper services. The regular cash flow from monthly fees improves predictability in business and the strength of development. After a product has served its purpose, it is reclaimed by the business. By examining used products, businesses can collect useful data about the product, for instance, products should be made long-lasting, upgradeable, and straightforward to preserve. That way it can also be resold continuously. Products that have come to the end of their life can be recycled and produced into new products.



Why does the PaaS business model work?

As noted previously, the Product as a Service Business Model is cited as a mixture of products that are blended and sold concurrently with services. In this circumstance, the product is primarily covered by features or service warranties to entice consumers to purchase the product. This has been a repeated design that various businesses have embraced around the world.

They want to guarantee that the consumers acquire an added benefit when they buy the product, and they do not require to purchase that 'extra' feature of service individually. Having the two merged and presenting it as a service is one such example.

The central spine of this model can be defined as business models that are laboriously reliant on consumer service as part and parcel of their day-to-day habits.

Being little distinct from conventional rental businesses, product as a service business primarily depends on the producer is liable for product upgradation and frequent maintenance.



**THE PRACTICAL
APPLICATIONS OF THE
'PRODUCT AS A SERVICE'
BUSINESS MODEL**

Many businesses currently use the product as a service model to reach different consumers and guarantee that they can produce the most out of the current situation. In this respect, it is crucial to mention that this sort of business model is usually suited to products with a significantly high production expense or capital expenditure. For example, a robot might be designed to carry out a certain task at a certain location. For a company that needs to use this robot for a smaller chunk of their overall work, it might not be practical to procure one for themselves.

Therefore, in this circumstance, they may depend on the product as a service to maintain their costs downward and acquire the necessary benefits from the product at a certain subscription fee.

Xerox and HP are examples of businesses that employ Product as a Service as their subsidizing business model. HP's business model entails creating and expanding its products and services. It employs outsourced manufacturers (OMs) for the production of its offerings to lower fees and time-to-market; they are primarily based in Asia.



The HP model depends on key partnerships:

- Retail chains that market their products via their brick-and-mortar outlets or websites.
- Resellers that market their products and services to distinct consumer groups.
- Distribution partners that provide its products to resellers.
- Original equipment manufacturers (OEMs) that integrate their products/services into their solutions and then market the merged offering.
- Independent software vendors (ISVs) that market their products and services to their consumers.
- Systems integrators that offer their expertise in the trade of its products and services.
- Advisory firms that deliver IT and management consulting services using HP products/services.

HP has three revenue streams:

- **Products** – The company makes income from the sale of hardware and software products.
- **Services** – The company brings about revenue from maintenance and support warranties, as well as the sale of outsourcing services.
- **Licensing** – The company makes revenue from the sale of endless software licenses.



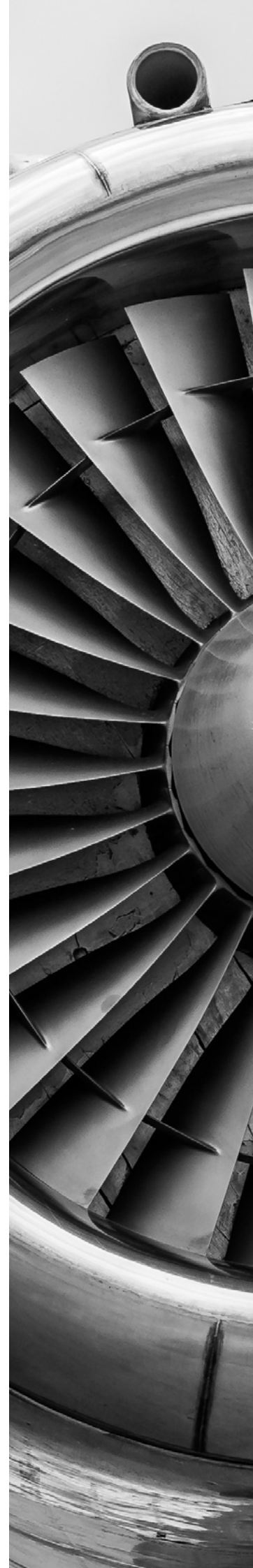
OPPORTUNITIES FOR PRODUCT AS A SERVICE BUSINESS MODEL

The PaaS business model provides new opportunities and revenue streams for businesses willing to adapt and transition.

A successful PaaS business has more close-knit relationship with the consumer. When businesses work more closely with their consumers, they usually have an early understanding of consumer likings, preferences, and regional buying patterns, supplying a long-term competitive edge.

The PaaS business model generally boosts businesses' involvement and accountability to stages in the product life cycle, usually exceeding the conventional buyer-seller relationship. These duties comprise servicing products during the use stage and procedures for takebacks, retrieval, reuse, refurbishment, and remanufacturing.

The PaaS business has straightforward environmental benefits that derive primarily from the more efficient usage of the product itself, raw material, and energy. For instance, it may motivate a business that trades dishwasher machines to prolong the usage phase of the product life cycle if it's not the unit sales that make the profit but the regular income. The longer a single dishwasher machine can benefit the business, the more income it generates.



Likewise, while the right of the product stays with the service provider, there's an increased incentive to design recycling, refurbishment, and reuse strategies. Ideally, this would lead to complete closed product processes, resulting in more significant resource efficiency and less environmental effect.

The more intimate relationship with consumers allows the product as a service business to get information and understanding of the changing consumer tastes earlier. Similarly, the more adjustable nature of services compared to manufactured goods makes responding and forming new service models quick.



The background is a solid teal color with several large, overlapping, curved shapes in a lighter shade of teal, creating a modern, abstract design.

SETTING UP A PRODUCT AS A SERVICE BUSINESS MODEL

The product as a service business model is gaining popularity as businesses look to establish lucrative subscription-based product lines. To simplify the transition, follow some of these approaches:

1. **Figuring out the Return of Investment (ROI):** When establishing a product as a service business model, entrepreneurs should factor in the upfront expenses, as well as additional aspects such as maintenance that can affect the total price of rights such as taxation and liability.
2. **Factor in Product Redesign:** Merely put, you can't pivot from producing a product without a service without measuring how frequently the product is used. The use of information is just one component of knowledge that plays into creating a more satisfactory product and service.
3. **Map out All of the Relevant Business Impacts:** The finest product a service business model comes with advantages. Businesses that accumulate data from their products should employ it to optimise maintenance and execution. The better a business knows about its products it assists in ensuring the quality and uptime of the product and services.



4. **Don't Just Reimagine Products.** Rethink the Entire Business: The transition from marketing a product to service can send waves rumbling throughout a business. To pull off the transition, a business must consider how the shift will impact everything from analysis to IT architectures, business processes, and sales and marketing. Businesses changing over to a service model will probably have to alter their quarterly revenues, reports, taxes, sales processes, and marketing activities. Businesses should not solely concentrate on individual products or services, but on how the whole organisation can change.
5. **Find Leadership to Navigate the Change:** To handle the transition there is tremendous importance in producing the right aptitude as it is challenging for industrial companies to find the right talent to assist in managing the transitions externally.
6. **Read the Fine Print Through a Security Lens:** If you are on the buying end of a service agreement, you will probably guess that the merchant selling it will guarantee that it is unassailable. Security, nevertheless, is seldom so straightforward in the world of business! This fact encourages all companies involved to minimise their liability and jeopardy. When establishing liability, it is typical to think about whether an organisation's actions were warranted. One key area for this implementation is if something goes awry, both groups are feasible to point the finger. If the provider has accepted suitable precautions and a violation happens, a signed waiver would presumably transfer the liability onto the consumer consuming the service.



**RESPONSIBILITY OF
THE ENTREPRENEUR IN
ENSURING PRODUCT
SUSTAINABILITY AND
SAFE DISPOSAL**

There are many aspects to guaranteeing product sustainability throughout its lifecycle.

Source and use sustainable raw materials:

- You might be able to use better sustainable raw materials merely by a process of change. For instance, you could use recycled paper from certified sustainable sources.
- Explore the benefit of other businesses' waste. Could you utilise another business' waste, or could they utilise yours?

Consider using certified sustainable supplies:

- Prospects for sourcing sustainable goods and services are growing in numerous business sectors. For instance, you can purchase certified sustainable palm oil as well as Fairtrade Fountain goods.

Reduce waste:

- Audit your waste. Review all your business operations and see where you may be able to improve efficiency. For instance, can you reuse materials you are presently dumping?
- Discover how and where waste is being produced. Recognise that waste isn't simply what you discard, it's also where you are not acquiring the most profitable use out of a resource.
- Concentrate foremost on the procedures that have the most harmful environmental effect. For instance, if you're sending a lot of waste to a landfill, consider your other alternatives for this waste first.



Minimise packaging:

- Downsizing packaging can slash your expenses, as well as make your business more sustainable.
- Think about how much you can lessen your packaging. For instance, are you utilising containers that are not filled? Can you utilise thinner or smaller packaging to do the same function?
- Contemplate reusing packaging. Can you change to reusable packaging or tailor your packaging so it can be utilised throughout the supply chain, evading repackaging?
- If you can't further reduce or reuse packaging, attempt to guarantee that what is left is recyclable or biodegradable.

When developing for sustainability, it is vital to consider product sustainability from the beginning of the design stage:

- Design is more than just what something looks like - it is a comprehensive strategy for how something is developed and employed from the start to the end of its life.
- At the design phase, think if you can uncover practices to make the goods or services more effectively operate or make them last longer. Can you make their end-of-life more sustainable?
- Are there raw materials that you can utilise that are more sustainable that serve an equivalent function? And if there are, can you adjust your current procedures to make use of these materials on other goods or services?
- Can you enhance your business model to make it more sustainable? For instance, can you source materials from local suppliers, cutting transportation expenses and energy use?



FINAL ASSESSMENT TASK



TITLE OF THE TASK:

Product as a service business model

AIM OF THE ACTIVITY:

Introducing the Product as a service business model via a voice-over presentation

TIME REQUIRED:

Participants will require 4-6 hours to achieve this task.

3 or 4 hours to think of an idea, research, and develop the presentation.

1 or 2 hours to record and upload the presentation.

MATERIALS REQUIRED:

Articles, links, and videos in EduZine

Microsoft PowerPoint or Google slides

Editing Software

Laptop

Internet Access

Microphone

Format for the Presentation:

PowerPoint or Google slides presentation

STEPS TO COMPLETE THE TASK:

- **Step 1:** Develop a few concepts for your presentation. Your task is to develop a short voice-over presentation to promote the product as a service business model.
- **Step 2:** Clarify your concepts to 1 or 2 you like the most or that have promising potential, and then decide which you will use.
- **Step 3:** Your voice-over presentation should include an introduction to what the PaaS business model is, successful examples of the PaaS business model in action, and how the PaaS business model is more sustainable and connects to the circular economy.
- **Step 4:** It is up to you to choose the style and structure of the voice-over presentation, but remember, it must be interesting or fascinating enough for individuals to want to watch and listen to it. So, be creative and think outside the box!
- **Step 5:** It is time to record. Remember you are presenting a presentation. People will not be interested if you don't sound interested in the topic. Be enthusiastic!
- **Step 6:** Edit the voice-over presentation so that the sounds and slides are corresponding.
- **Step 7:** Once completed, participants are invited to share their work. Good luck!



Are you ready to show what you have learned from the EduZine? Do you feel you know more about the PaaS business model now than when taking the self-reflection quiz at the beginning? Once you have read all the articles in the Eduzine, you will have no problems completing this quiz.

[Click here to be taken to the final test.](#)



FURTHER READING AND RESOURCES

What is Product-as-a-Service (PaaS)?

<https://www.firmhouse.com/blog/what-is-product-as-a-service-paas>

Product-as-a-service: a business model that transforms commerce

<https://www.rentle.io/blog/rental-business/what-is-product-as-a-service>

Product as a service – Circular economy business models

<https://www.youtube.com/watch?v=jZIpGloj88>

'As a service' business models: What it is and its benefits

<https://www.consultancy.eu/news/7350/as-a-service-business-models-what-it-is-and-its-benefits>

Product as a Service

<https://billwerk.io/wiki/article/product-as-a-service-paas/>





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