The St. Gallen EaaS Navigator

66 pattern cards to guide the development of customer-centric product-service systems
Equipment as a Service (EaaS) is a major paradigm shift for many enterprises in the industrial sector. More and more industrial companies have started to bundle their products with services and offer product-service systems. Thereby, they do not only sell equipment, but offer comprehensive solutions that solve customer problems.

Prominent EaaS cases are:
- Rolls-Royce’s jet engine as a service – selling flying hours instead of jet engines
- Signify’s light as a service – selling light instead of LED lights
- Bosch’s heat as a service – selling heat instead of heating systems

The specific services that are bundled with the equipment depend on market demand and actual customer needs. However, four fundamental service categories can be distinguished along the customer’s equipment lifecycle:

A. **Finance services** help customers to finance the equipment and range from simple credit brokerage to advanced models shifting customers’ capital expenditures (CAPEX) into operating expenditures (OPEX).

B. **Provision services** help customers along the equipment lifecycle and include, for example, commissioning, monitoring, maintenance, repair, updates, upgrades, optimization, or decommissioning.
C. **Operate services** are provided by manufacturers to assume responsibility for parts of the core operating process for the equipment they supply, such as management of consumables.

D. **Derisk services** create value through reducing customers’ operational risks (e.g. equipment failure) and/or business risks (e.g. decline in demand), e.g. by introducing pay per outcome payment schemes.

Compared to service contracting business models that rely on complete outsourcing, EaaS is generally not about outsourcing an entire equipment operation. Ultimately, EaaS providers enable their customers to focus on the core operation of their equipment. With ongoing digitization and automation however, borders between EaaS and complete outsourcing can become increasingly blurred.

EaaS did not just emerge. There are well-established EaaS business models, such as Rolls-Royce’s jet engine as a service dating back to the early 1960s or Xerox’s copier as a service going back to the late 1960s. But only recently has EaaS gained momentum through the advent of the Internet of Things – a catalyst for new services and service-oriented business models. Thus, most companies are just beginning to investigate EaaS business models and still have to explore its art and science.

By analyzing over 200 manufacturers that offer EaaS, we have identified 66 fundamental patterns that are core to EaaS business model innovation. This knowledge is what we share with The St. Gallen EaaS Navigator. Not all patterns will be helpful for your business and the patterns are certainly not exhaustive. But we believe that every manager should be aware of them in order to sustain competitive advantage.

Today and tomorrow, products will be at the heart of viable business models. However, industrial companies have to challenge, innovate, or even disrupt their traditional product business models.
How to apply the navigator? The seven steps

I. Set the scope
The patterns in this section outline the diverse nature of EaaS. EaaS is not only about machines, but also about fleets of machines, components, and consumables. Use the patterns to identify a broad set of EaaS opportunities that you can challenge and refine in the next steps.

II. Identify core value drivers
This step is an unconventional way of identifying important customer value drivers by looking at customers’ preferred payment schemes. Put yourself in the customer’s shoes and identify what matters most to them. Use the patterns to discuss how your customers want to pay and thereby identify promising revenue models.

III. Explore customer gains and pains
In this section, the patterns capture common customer pain points along the equipment lifecycle. Use the patterns as a starting point to identify where your customers experience pains and might benefit from an EaaS offering.

IV. Investigate strategic rationale
The patterns for this step outline strategic rationales for offering EaaS. Clear strategic rationales are a must to justify EaaS investments and to manage progress. Go through the patterns and discuss whether your company should offer EaaS.
The best way to use The St. Gallen EaaS Navigator is in a creative workshop setting. A group of three to five participants is ideal. Divide larger groups into smaller groups.

Select participants from a wide range of backgrounds, as outside-the-box thinking needs diversity. Take care that people are open minded and creative. A devil’s advocate is only helpful after initial results have been derived.

We always recommend thinking through all 7 steps. However, you might want to adapt the overall process on the basis of your setting and requirements. Depending on the maturity of your EaaS activities, for example, you do not necessarily have to start with step 1.

Don’t limit yourself to what is happening today. What will be possible 5 or 10 years from now, e.g. when equipment is fully connected and your competition also moves towards EaaS?

The format quickly leads to initial results. However, involve your customers as early as possible to validate these initial results.

General tips

Define service offering
The underlying patterns of this section outline service elements that can be included in the EaaS value proposition. Go through the pattern cards and pick those which are necessary to turn your customers’ pains into gains. Discuss the feasibility of offering these services and get customer feedback as early as possible.

Apply proven management tactics
These patterns represent best practices to turn EaaS ideas into action. Explore winning management tactics to get answers to the following questions: Where should you start with EaaS? How can EaaS solutions effectively be marketed? How can EaaS offerings be run and scaled successfully?

Leverage enabling technology
The enabling technology patterns provide an overview of use cases that help you to offer EaaS in a sustainable and profitable way. Browse through the patterns and discuss which technologies and use cases are core to your EaaS offering.

V.

VI.

VII.

Define service offering

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General tips
What is it good for?

SCHUNK, global competence leader for gripping systems and clamping technology and leading technology supplier of robots and production machines, used the EaaS patterns in a set of two concise workshops to challenge their (current) way of doing business and identify strategic development paths.

“The business development department of Bosch, a multinational engineering and technology company, used the St. Gallen EaaS Navigator as an inspiration and workshop guide to design EaaS value propositions that customers really want and need.

“I was really skeptical about EaaS. It is just so hyped, and we are quite successful with our existing product business. The playbook gave me a new and very fruitful perspective on EaaS. EaaS will have a lasting impact on our business and we will start exploring EaaS offerings.”

Timo Gessmann, Chief Technology Officer (CTO) SCHUNK

“We are in the process of developing a product-service business model for a completely new product. Before we used the playbook, we already had developed a fundamental business model based on customer insights. Hence, we used the patterns of phase 3 to 5 to operationalize and execute on our primary use case. We will continue applying the playbook to additional use cases we have identified.”

Sebastian Budischin, Vice President Bosch
Imprint

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**Illustration:** Malte Belau, Duisburg

**Print:** Rhiem, Voerde

**Circulation:** 1'000 pcs, first edition 2021

**Publisher:** Felix Wortmann, Claudio Lamprecht, Heiko Gebauer, Elgar Fleisch

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