

Product as-a-Service

A tree with green leaves and a brown trunk grows from a dark, rocky, and glowing landscape. The background is a gradient of blue, green, and yellow, suggesting a sunset or sunrise. The tree's roots are visible in the dark, rocky ground.

**From Idea to MVP: How to build
your Product-as-a-Service (PaaS)
business in 100 days!**

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Introduction

As customer demand for flexibility continues to grow, one business model is gaining significant traction among industrial product manufacturers: **Product-as-a-Service (PaaS)**.

Product-as-a-Service transforms traditional sales models by **turning products** into ongoing **service solutions**. Instead of selling a product once, companies provide it as a service, bundling in maintenance, upgrades, and performance guarantees.

This model is not just about leasing equipment; it represents a fundamental shift in how businesses deliver value, maintain customer relationships, and ensure **sustainable growth**. While the benefits of PaaS are clear, shifting from selling products to offering PaaS is no walk in the park.

In this report we summarize the **key learnings from 75+ PaaS projects** alongside what we learned from the key books and reports on PaaS.¹

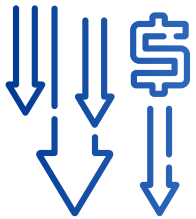
Our aim is to provide **practical knowledge** and **realistic actions** for businesses looking to kick-start or scale PaaS models effectively.

1) List of considered PaaS books and reports in appendix.

Whether you are considering PaaS for the first time or seeking to optimize your existing approach, this report offers valuable guidance and fresh perspectives to support your journey.



Why PaaS & why now?



OPEX instead of CAPEX

More and more customers prefer OPEX-based solutions over large upfront capital expenditures. PaaS allows them to manage cash flow more effectively, avoid asset ownership risks, and relieve their balance sheets.



Recurring revenues

Manufacturers are increasingly seeking predictable, recurring revenue streams rather than one-time product sales. PaaS models provide stable cash flows, improve customer lifetime value, and can lead to higher company valuations due to greater revenue visibility and business resilience.



Circular economy

PaaS aligns closely with circular economy principles by enabling manufacturers to retain ownership of products, extend product lifecycles, and implement reuse, refurbishing, or recycling strategies.

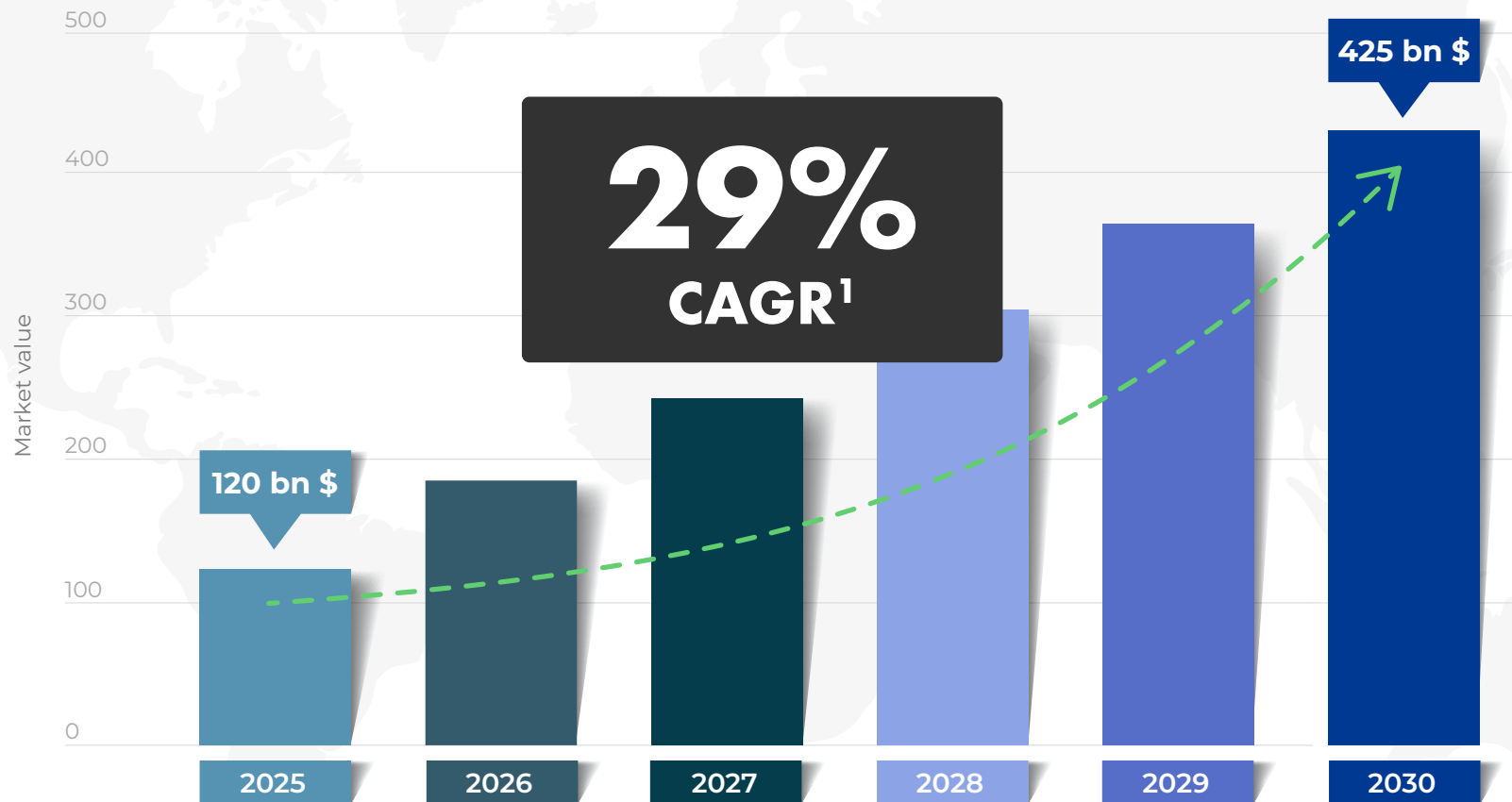
Market potential

Product-as-a-Service: A €425B Market Opportunity by 2030

The global market for Product-as-a-Service is set to grow from \$120 billion in 2025 to \$425 billion by 2030, reflecting a compound annual growth rate (CAGR) of 29%.

What this means for manufacturers: This growth signals a major shift in customer preferences toward flexibility, usage-based pricing, and outcome-driven solutions.

The momentum is clear — now is the time to explore how your product can generate value as a service.



1) Based on Mordor Intelligence Industry Reports

PaaS in action: Agilox is revolutionizing the AMR industry with Movement-as-a-Service

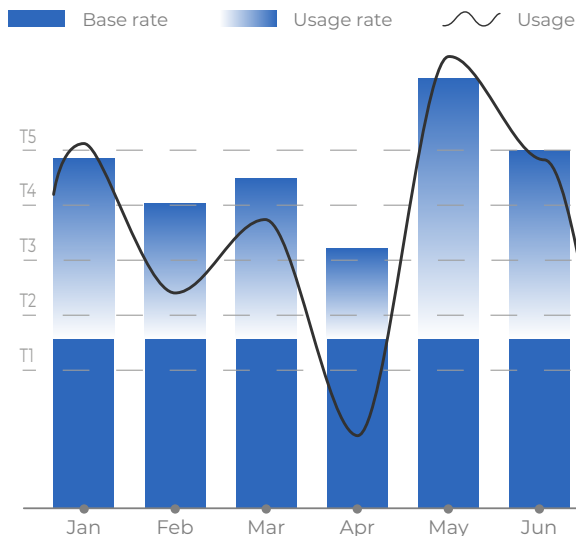
Agilox

PaaS features:

- With Movement-as-a-Service (MaaS), Agilox offers its customers maximum flexibility by charging a basic rate and a usage rate
- Agilox remains the owner and provides the device for the duration of the contract
- MaaS includes all services and spare parts throughout the contract period

Customer benefits:

- MaaS is significantly more cost effective than standard leasing and buying in a TCO comparison
- Full cost control – all services and spare parts are covered throughout the contract period
- Full OPEX solutions instead of CAPEX investments



Example of volume-based price tiers

	Usage	Usage rate
Tier 1	0 - 100 h	6,- €
Tier 2	101- 200 h	5,- €
Tier 3	201- 300 h	4,- €
Tier 4	301 - 400 h	3,-€
Tier 5	401 - 500 h	2,- €

About Agilox

AGILOX is a technology leader in the field of Autonomous Mobile Robots (AMRs) and Automated Guided Vehicles (AGVs), delivering intelligent material handling solutions. With more than 1,900 AMRs in use and customers including Siemens and BMW, AGILOX has established itself as a trusted partner in modern intra-logistics.



Discover what Agilox says about Movement-as-a-Service:
[Watch the video now](#)

PaaS in action: Linz AG offers its solar systems from 0,07 € per KWh

LINZ AG
ENERGIESERVICE

PaaS features:

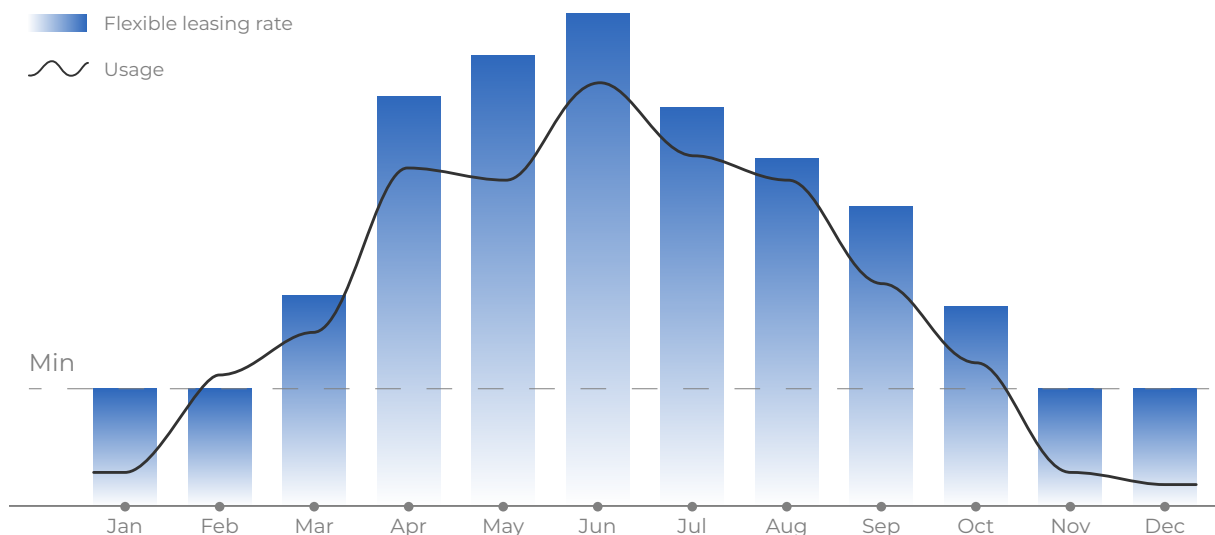
- With Solar-as-a-Service, Linz AG charges a variable rate based on actual electricity consumption from the solar system
- Excess electricity can be fed into the grid, creating an additional revenue stream
- Comprehensive, hassle-free solution covering installation, maintenance, and support

Customer benefits:

- Immediate costs savings through lower electricity rates compared to conventional grid power
- Tax advantages –payments are fully tax-deductible
- Access solar energy through a fully operational expense model (OPEX), avoiding upfront capital investment (CAPEX).

About Linz AG

LINZ AG is a leading Austrian utility and infrastructure provider, delivering essential services across energy, mobility, water, and waste management. Serving the city of Linz and surrounding regions, LINZ AG plays a vital role in shaping sustainable urban living through reliable public transport, smart energy solutions, and modern municipal services.

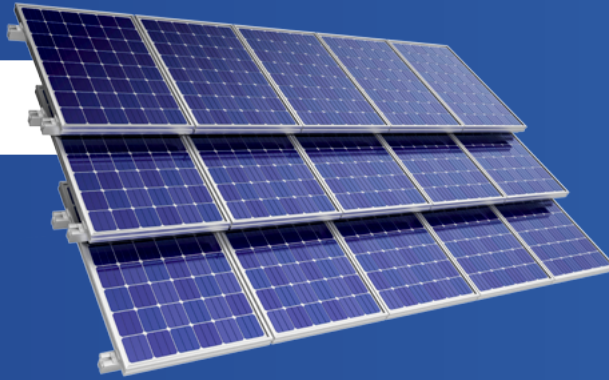


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Charger-as-a-Service

Solar-as-a-Service



Heating-as-a-Service



Robot-as-a-Service



Product-as-a-Service is revolutionizing all industries



Truck-as-a-Service

Movement-as-a-Service



Machine-as-a-Service



Our 5 key learnings from hands-on involvement in 75+ PaaS projects:

In the following chapter, we walk through these five key learnings. Each rooted in real-world experience, these insights offer a practical blueprint to accelerate your PaaS journey.

1

PaaS offerings succeed when they deliver a lower TCO



2

Enable your sales department — selling PaaS is a different game



4

Don't fly blind: PaaS needs KPIs that reflect reality



3

Refinance your PaaS business off-balance sheet



5

PaaS takes off on execution — not on PowerPoint



SUCCESS FACTOR 1

PaaS offerings succeed when they deliver a lower TCO

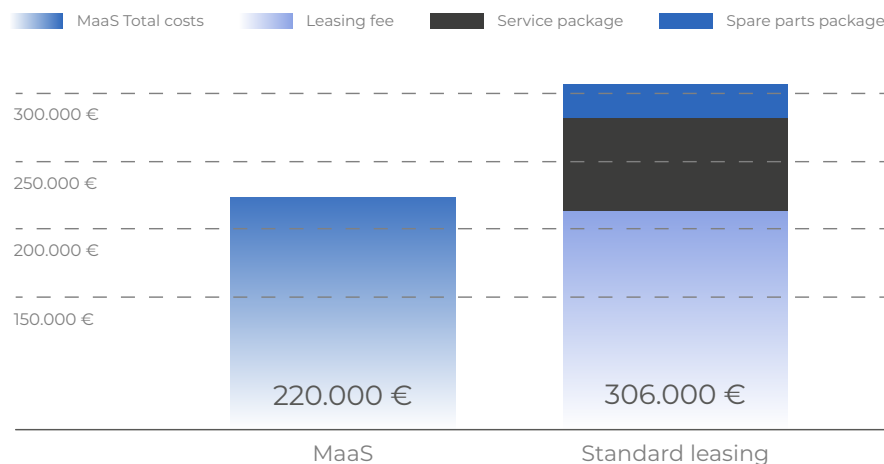
A critical learning from numerous PaaS projects is that customer adoption hinges on clear economic advantages — particularly a **lower Total Cost of Ownership (TCO)**. While the convenience and flexibility of a PaaS model are attractive, they are rarely enough on their own to justify the switch from a purchase model.

What sets successful PaaS offerings apart is their ability to reduce not just direct costs (e.g., fewer units required due to shared usage or better utilization), but also indirect costs that are often overlooked - such as procurement overhead, maintenance coordination, and downtime risk.

Providers like Hilti have proven this through offerings that help customers reduce emergency stockpiling, streamline procurement, and simplify operations for power tool fleets – see TCO comparison of Hilti's fleet management solution compared to the conventional model of purchasing their power tools.

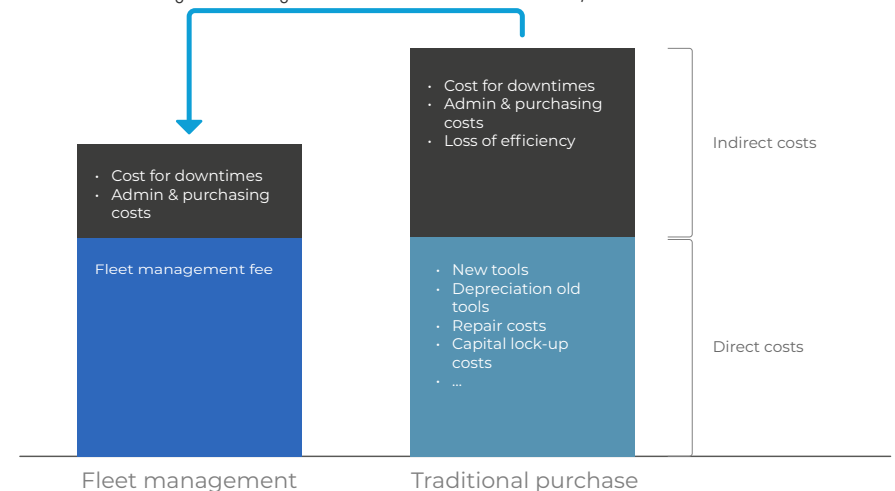
The lesson is clear: to gain customer buy-in, a PaaS model must be more cost-efficient across the entire lifecycle. Without a compelling and TCO advantage that can be made transparent for the customer, even the most innovative PaaS concepts struggle to scale.

Example Agilox:



Example Hilti:

Source: Hilti fleet management: Turning a successful business model on its head)



SUCCESS FACTOR 2

Enable your sales department - selling PaaS is a different game

One of the most underestimated challenges in implementing a Product-as-a-Service (PaaS) business model is the **transformation required in the sales organization**. Traditional sales teams are typically trained and incentivized to close one-time product transactions, focusing on volume, margin, and short sales cycles. PaaS, however, demands a fundamental shift in mindset, process, and skill set.

Selling PaaS means selling value over time - not just a product, but an outcome. It requires understanding customer operations, identifying pain points across the lifecycle, and articulating how a bundled solution can reduce risk, improve efficiency, and lower total cost of ownership.

This consultative, solution-based approach is foreign to many sales teams and can't be improvised.

Moreover, compensation models need to be adjusted. Salespeople who are measured solely on upfront revenue may lack motivation to promote PaaS models, which often have lower initial revenue but higher long-term customer value. Without the right incentives and tools, even the best-designed PaaS offering can fail to gain traction in the market.

The clear learning: Companies must invest early in enabling their sales teams - with new training, sales materials, compensation structures, and support from cross-functional experts. Selling PaaS is not just a product extension—it's a new discipline that requires purposeful sales enablement to succeed.



SUCCESS FACTOR 3

Refinance your business off-balance sheet

Many companies hesitate to adopt a Product-as-a-Service (PaaS) business model - not due to a lack of market demand, but because of the **significant capital requirements associated with hardware financing**.

Unlike traditional sales models where products are sold and removed from the manufacturer's balance sheet, **PaaS requires the provider to retain ownership of the product**. As a result, the assets remain capitalized on the **manufacturer's balance sheet**, increasing the financial burden.

While this may be manageable - and even strategically beneficial - for small-scale pilots or early-stage deployments, it becomes a major constraint when scaling. **To scale a PaaS business, manufacturers must find ways to not capitalize assets on their balance sheet to preserve liquidity, maintain financial flexibility, and meet key performance metrics.**

This is where refinancing structures come into play. Solutions range from traditional sale-and-leaseback arrangements to more complex models involving Special Purpose Vehicles (SPVs).

The optimal structure depends on several factors, including the manufacturer's strategic goals, the creditworthiness of both the manufacturer and the customer, and the applicable accounting standards.

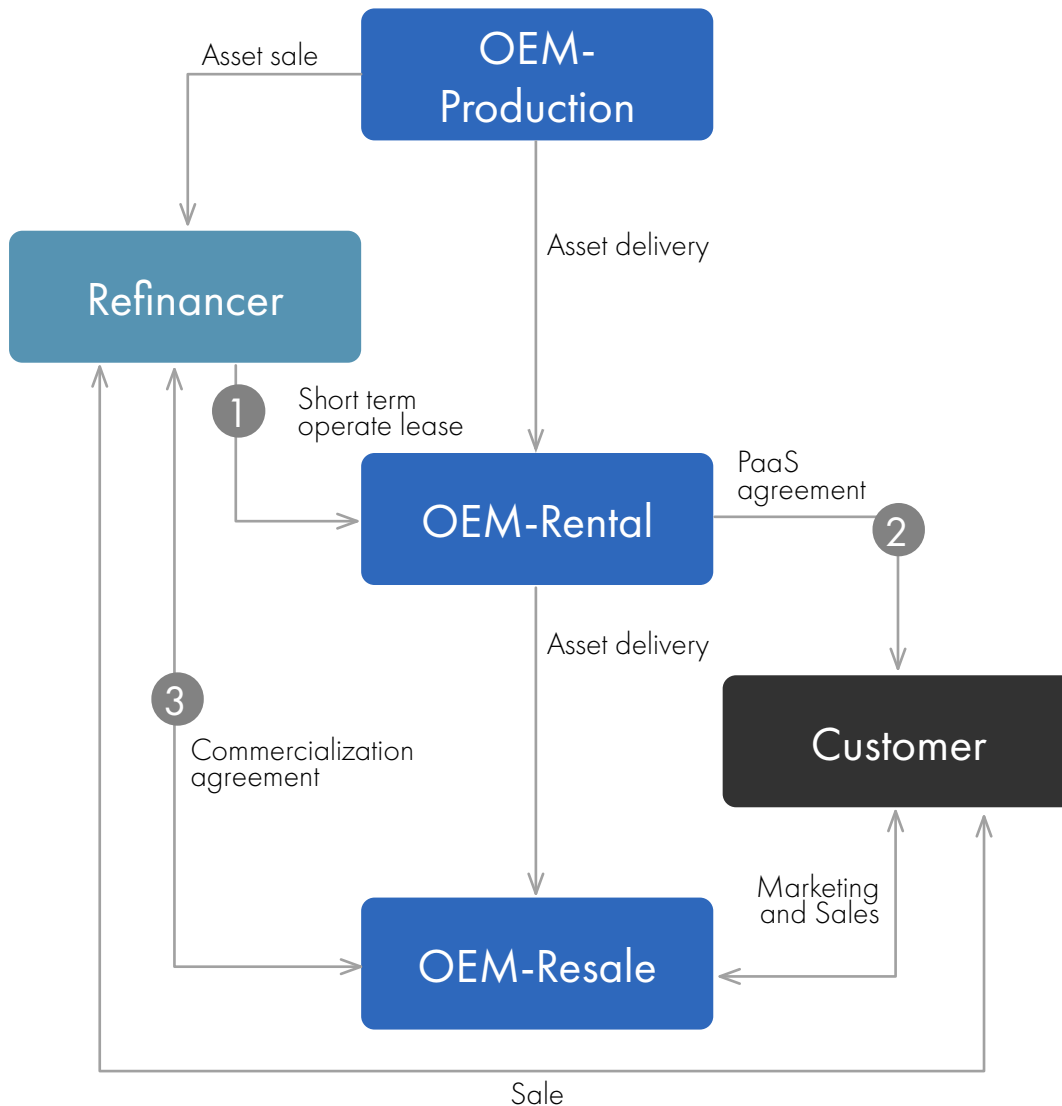
Lesson learned: Selecting and structuring the right financing model is critical—not only for compliance and reporting purposes but also as a foundation for scalable and capital-efficient PaaS growth.

For more insights on how to refinance your PaaS:
[Download now](#)



SUCCESS FACTOR 3

Refinancing model 1: Sale + short-term lease back



Description:

- 1 Short-term lease with a **12-month term** (without purchase option or obligation) and a rolling renewal "option"
- 2 **Service agreement** (not a rental agreement) that can be flexibly structured, e.g., in terms of duration and pricing
- 3 OEM handles sales logistics and **ensures market success** within certain margins (any surplus or shortfall is borne by the OEM)

Advantages:

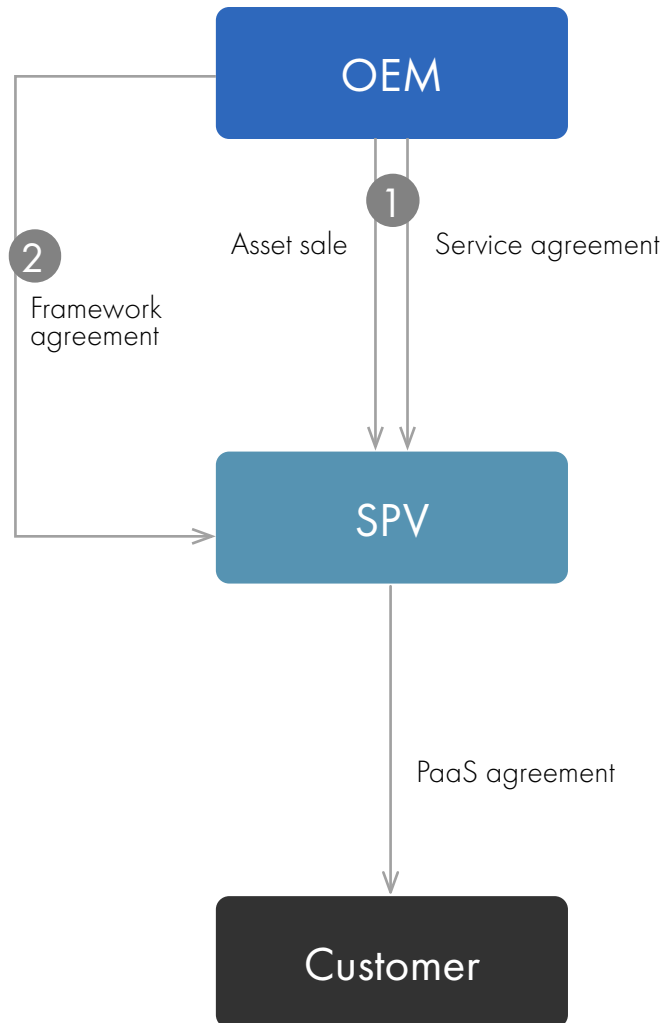
- + **IFRS off-balance solution** achieved through a short-term operating lease without purchase obligation
- + Applicable volume **EUR 10-50 million leasing liabilities**¹ (set-up possible starting from EUR 2 million)
- + Costs comparable to **standard leasing agreements**

Disadvantages:

- **Not infinitely scalable**, as the OEM's creditworthiness is considered for the credit rating
- **Interest rates** are fixed for a period of only **12 months at a time**

SUCCESS FACTOR 3

Refinancing model 2: Special purpose vehicle (SPV)



Description:

- 1 Asset sale to an SPV, and establishment of service agreement for the duration of the contract
- 2 Agreement on distribution (e.g., sales through the OEM) and remarketing of the asset at the end of the contract term

Advantages:

- + Clear risk separation, with business operations and associated risks transferred outside the company boundaries through contract sale to an SPV
- + Achieving a **true sale** on day one
- + IFRS off-balance solution possible

Disadvantages:

- High setup costs and profit-sharing with SPV
- Only **service revenue** qualifies as ARR for OEM
- Customer enters **PaaS agreement** directly with the SPV

For more insights on how to
refinance your PaaS:
[Download now](#)

SUCCESS FACTOR 4

Don't fly blind: PaaS needs KPIs that reflect reality

What gets measured gets managed - also holds true implementing and scaling a PaaS business model. However, traditional KPIs designed for conventional product sales fall short in capturing the dynamics and complexity of a PaaS business model.

Beyond the standard bottom and top-line metrics, PaaS companies use five additional metrics to monitor the performance of their PaaS business:

	Definition	Calculation	Benchmark
Deployed ARR (DARR)	How much recurring revenue comes from products actually in use?	$= \text{monthly recurring revenue} * 12$	~ 10% of total revenue
Gross Payback Period	How long does it take to recover the cost of deploying a product?	$= \frac{BOM + \text{setup costs}}{\text{monthly revenue}}$	~ 24 months
Lifetime Value to BOM and Service Cost	What is the value potential of your PaaS solution?	$= \frac{\text{Ann. revenue per product} * \text{expected service life}}{BOM + \text{service cost}}$	~ 2.5
Churn	Are customers renewing?	$= \frac{\text{Terminated PaaS contract in period}}{\text{In place PaaS contracts at beginning of period}}$	~ 7%
Total Cost of Ownership (TCO)	Is your offering truly more cost-effective for the customer than buying outright?	$= \frac{TCO \text{ PaaS}}{TCO \text{ of buying}}$	< 1

SUCCESS FACTOR 5

PaaS takes off on execution - not on PowerPoint

Shifting to a Product-as-a-Service (PaaS) business model is one of the **most important strategic moves** a product company can make. In today's economy, staying relevant means **focusing on delivering outcomes and value-in-use for customers—not just selling products.**

But this shift isn't easy. Moving from a traditional product mindset to a service-oriented one takes real effort. The pull of the old way of doing business is strong, and without enough momentum, companies risk falling back into their old habits.

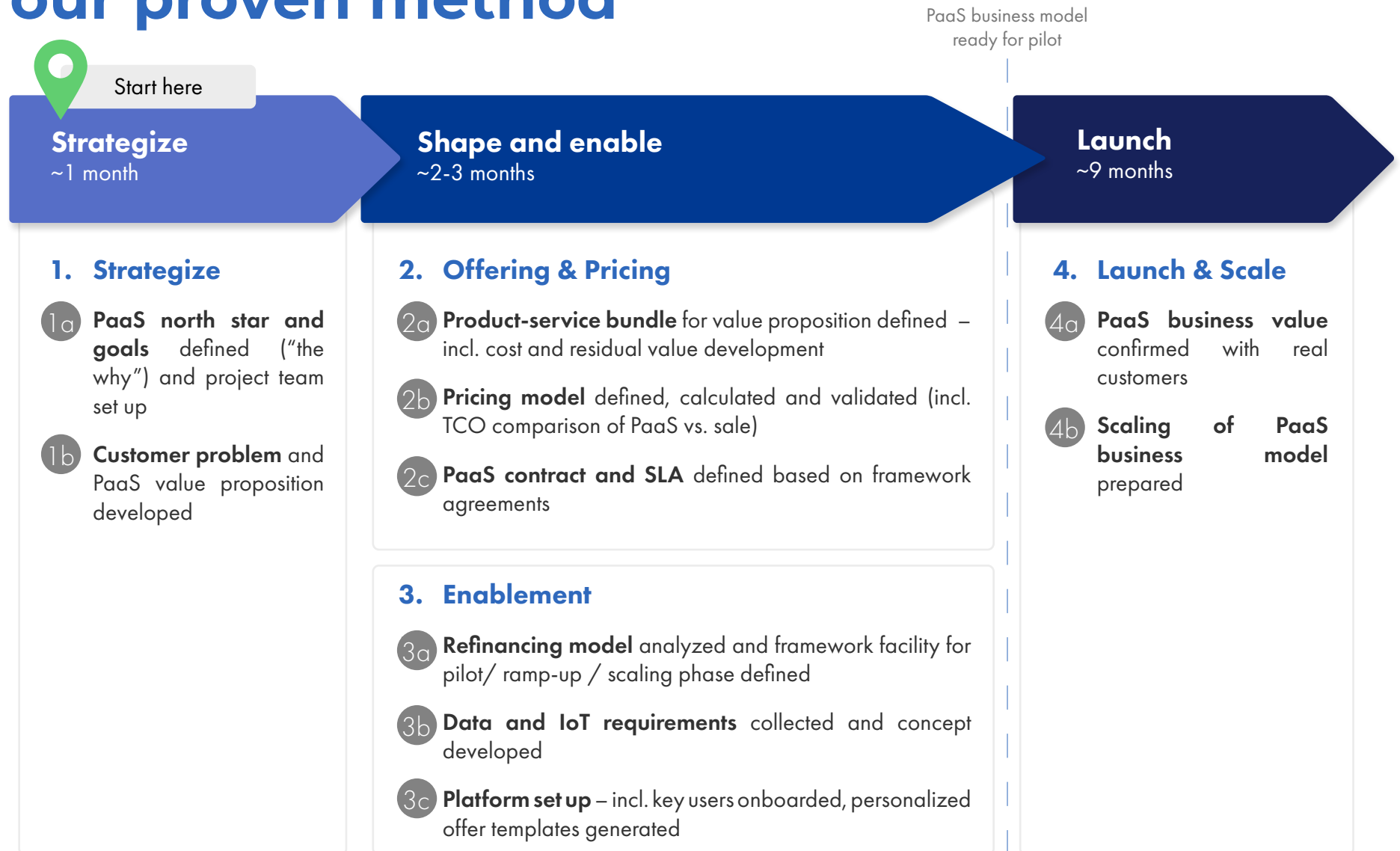
Think of it like launching a rocket. If you only give it a little push, it won't escape the gravitational pull—it'll just come crashing back down.

To truly make PaaS work, you need fully committed leadership, a clear vision, and early MVPs that quickly demonstrate financial success.

In the end, only the companies that successfully launched initial PaaS use cases with real customers - and proved their business value - were able to build the momentum needed to drive a broader shift toward a PaaS business model.



Launch your PaaS MVP in 100 days with our proven method



We understand your journey!

Discover how we can help solve the dynamic challenges



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Book a free strategy session now

Why book your free strategy session?



Tailored guidance: Get personalized advice on how to structure and finance your Product-as-a-Service offering – based on your business model and goals.



Expert insights: Learn from industry experts how to overcome common barriers in transitioning to usage-based models.



Clear next steps: Walk away with a concrete action plan and recommendations for implementation – no strings attached.

Together we'll grow your business into a steady **source of recurring revenue**, bringing more ease to your daily operations.



PaaS reports and books

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