



The Future of Retail via IoT and Subscription Models

The Path to Customer-Centric Innovation



Today's speakers



Alberto Fabiani

Alliance Director

Zuora

on behalf of the Zuora Subscribed Institute



Francesco Del Bello

WashPass Leader

Haier Europe

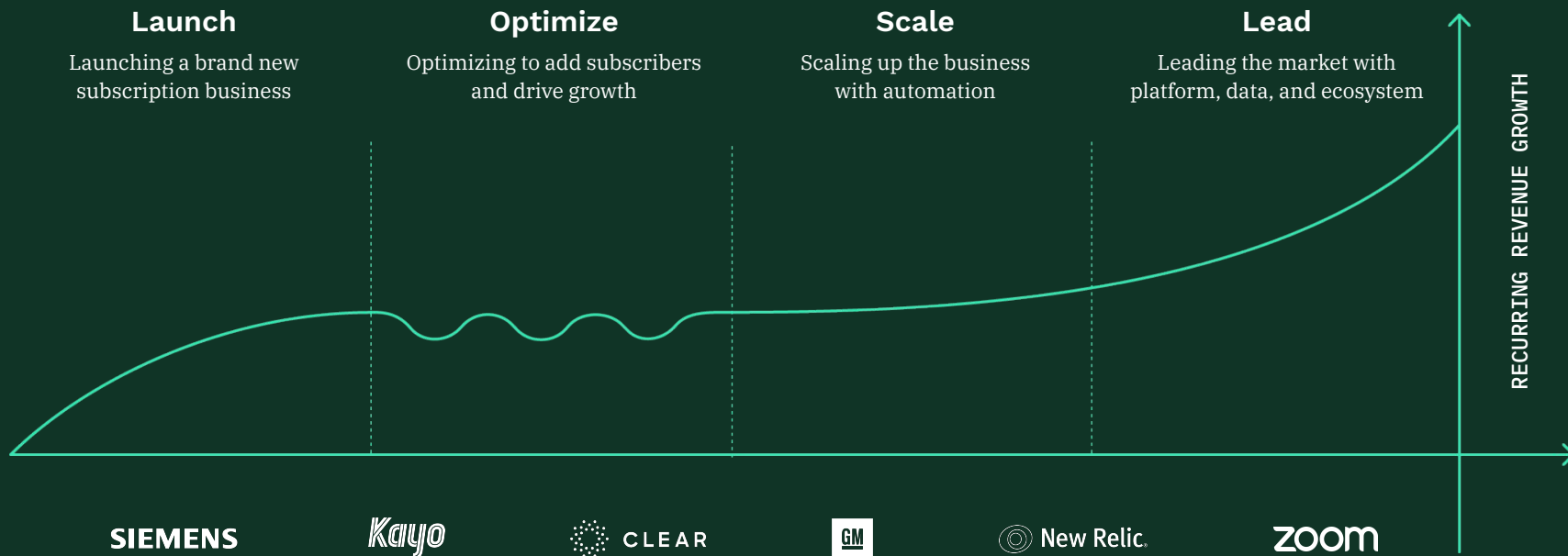


Technology

Expertise

Team

The Journey To Usership™



Zuora + Harris Poll Survey Data

How important is flexibility for recurring services?

78%

said that it's Important, Very Important or Absolutely Essential

10%

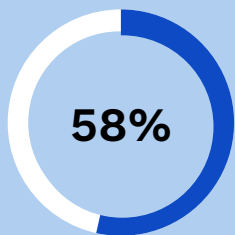
of respondents said flexibility is Absolutely Essential

56%

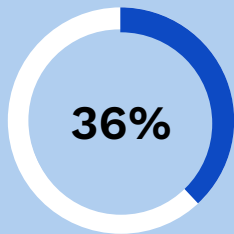
of Millennials said flexibility is Absolutely Essential or Very Important

Consumers want to be charged in a variety of ways

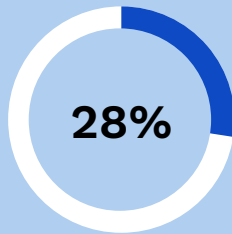
Zuora + Harris Poll: What are your preferred ways of being charged for recurring products and services (such as subscriptions)? Please select all that apply.



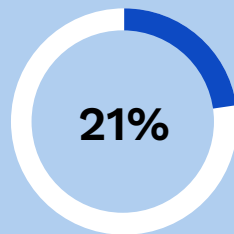
Monthly flat fee



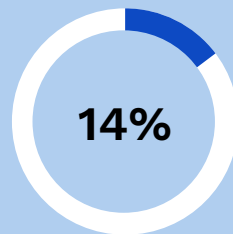
Annual flat fee



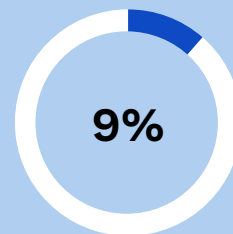
Limited free trial



Discounted or free
access in
exchange for
being served
advertisements

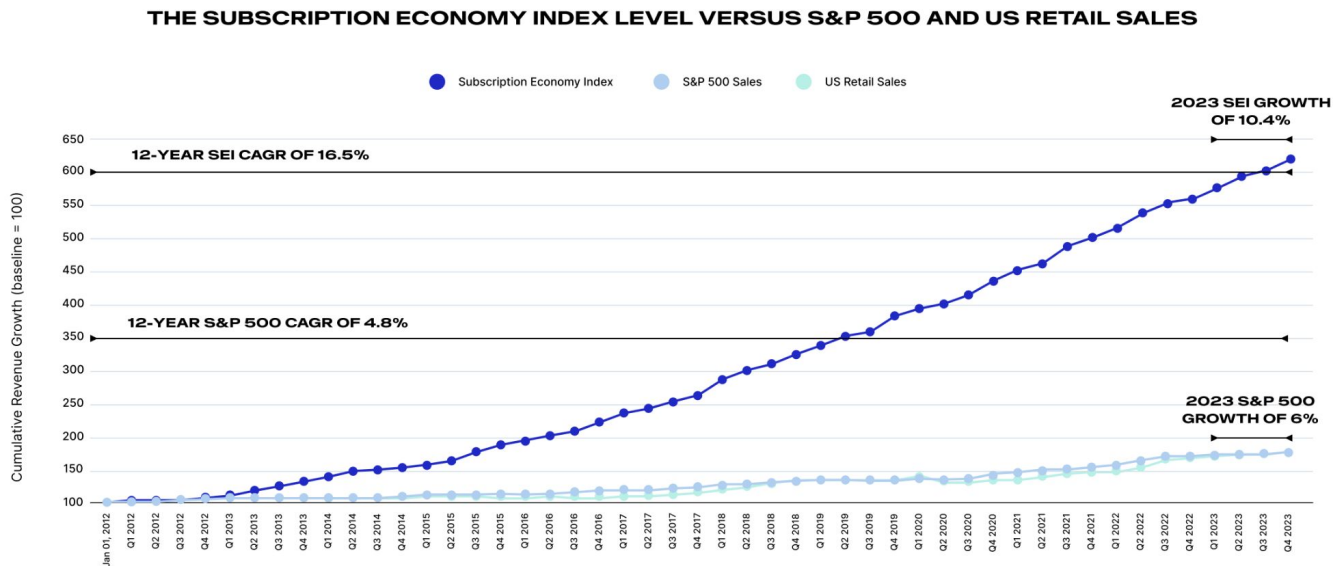


Fee based on
usage (ex:
ride-sharing
services)



None of these

Companies in the SEI (i.e., modern businesses) continue to outpace the S&P 500



Companies utilizing hybrid pricing strategies outperform other businesses in the SEI



Common challenges to launching a usage business model

New product instrumentation required.

Products need instrumentation to capture granular usage below the user level.

Cost of dealing with data.

Usage event data from multiple sources needs normalization, alignment, and aggregation before they can be rated - adding to processing times, storage needs, and reliability.

Unpredictability for buyer *AND* seller.

Without real-time data, there's no way to accurately forecast revenue or buyers' costs.

Complex accounting rules to recognize revenue.

Accounting for usage-based revenue introduces increased compliance risk and can take longer to close your books.

Haier



EUROMONITOR
INTERNATIONAL

**Haier has been ranked
No.1 Global Major Appliance Brand
for 14 consecutive years.**



Source Euromonitor International Limited;
Consumer Appliance 2022ed, % unit share,
2021 volume sales data.





Intuitive Online Subscription

Insert the delivery address and the payment method for the monthly fee.



Hassle free washing

Let AI take care of your clothes and re-order the ingredients before they run out



Home Delivery

Appointment based delivery
Track and trace of delivery
Trained technician to deliver and install welcome kit



Detergent Fulfillment

Live monitoring through IoT
Track and Trace through hOn app



Maintenance Included

Connected appliance through IoT



Disposal & Revamping

Hassle-free for the consumer

Notes

- WM is rented
- Consumables included
- Maintenance included
- Shipment and Installation included



One shot activation fee

Consumption based subscription

Overall Feedback



Washing Performance Feedback



PERFORMANCE

- **Superior Performances:** up to 70% better than traditional WM – certified by third party
- **No User2User performance variation:** two users in the same family will get the same results – the only thing you have to do is select the right program for your problem on the app, your WashPass will do the rest

HASSLE-FREE

- **No pre-treatment needed:** WashPass optimizes the washing performance for you
- **Do not think about replenishment:** WashPass will automatically ship your replenishment where you want
- **Limited user intervention:** Chemical ingredients works for tens of washes
- **Shipment and delivery included** in Activation fee
- Machine is rented, so **maintenance included** in monthly fee - as a perpetual Warranty Extension
- **Easy Up/Downgrade:** Subscription plan can be updated for free

SUSTAINABLE

- **More Sustainable:** -26% Climate Change

CONVENIENT

- **It is convenient:** the total cost of ownership for a system able to obtain similar (but not equivalent) performance is greater than WashPass costs for 9 years. And this evaluation does not include the hassle free benefit

- **WASHPASS** is a **HIGH PERFORMING HOME WASHING SERVICE**
- **WashPass** is the ***servitization*** applied to the Home Appliance for Washing: technological innovation - data, IoT, disaggregated chemistry – is not the goal, but the tool to add value -- *WashPass* Value Proposition is not just a consequence of technologies but the combination of the two technologies enables the WashPass Value Proposition

Market Trends – period: 1999-2022*

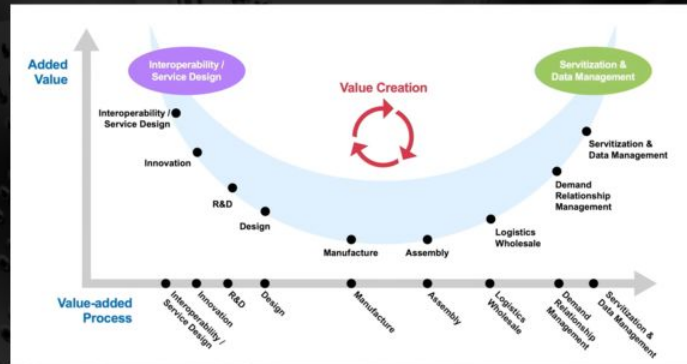
Worldwide

- **Manufacturing**
 - Value Added (%of GDP): decreased from 19% to 16%
 - Value Added (\$Trillions): increased from 6.04 to 16.19
 - Growth of the Value Added: x 1.8
- **Services**
 - Value Added (%of GDP): between 61.5% and 65%
 - Value Added (\$Trillions): increased from 20.19 to 62.24
 - Growth of the Value Added: x 2.1
- **Services generate $\approx 2/3$ of the world's GDP Value Added**

Euro Area

- **Manufacturing**
 - Value Added (%of GDP): decreased from 17% to 15%
 - Value Added (\$Trillions): increased from 1.23 to 2.12
 - Growth of the Value Added: x 1.7
- **Services**
 - Value Added (%of GDP): between 62.5% and 65.4%
 - Value Added (\$Trillions): increased from 4.45 to 9.30
 - Growth of the Value Added: x 2.1
- **Services generate $\approx 2/3$ of the Euro Area's GDP Value Added**

The Smile Curve: the value added along the Value-Chain. In the extreme regions barriers to competitors are higher



*Source: The World Bank

- <https://data.worldbank.org/indicator/NV.IND.MANF.KD>
- <https://data.worldbank.org/indicator/NV.SRV.TOTL.CD?end=2022&start=1995&view=chart>

“customers may purchase quarter inch drill bits, but what they really want is a quarter inch hole”*

- *Servitization* concerns with the bundling and integration of products and services, where different combinations support different types of customers
- *Servitization* is about shifting from outputs to outcomes:
 - Outputs: machineries, hardware, ...
Haier: Washing Machine,...
Michelin: tires
Rolls Royce: Airplane engines
 - Outcomes: what the user obtains using the Outputs - There are outcomes when the service is used (pay-per-use)
Haier → washing cycles → Pay-per-Wash
Michelin → km performed → pay-per-km
Rolls Royce → flight hours → pay-per-hour
 - it tells about a firm transformation that compete offering also outcomes to his customers
- *Ownership to Usership* transition enables and enhances *Servitization*
- *Servitization* takes place where provider takes responsibility for the outcomes

Benefits enabled by *Servitization*

Economic Performance

- **Revenue** – many surveys and published studies shows as manufacturing companies make >40% of revenues from Services (y2y increasing)
- **Profitability** – and profitability increases – even if less than revenues stream
- **Productivity** – the efficiency of assets/machines usage and employees

Resilience

- **Continuous Revenue** – more resilient to Economic Disruption
- **Response to Competitors**
 - Competitive Differentiation
 - the more the firm invest in Advanced Service and the more is difficult to competitor to close the **knowledge and technology gap**
 - **long and strong relationship with consumers**, offering a barrier to consumer migration to other suppliers

Economic Growth

- **New Market and Internationalization** – the service market is a contiguous but different market than product market
 - **XaaS Market size:** 559\$b in 2022 → 3222\$b @2030 – CAGR: 24.4%
 - **Note:** focus on complementary, we're not saying that manufacturing won't be important
- **New Products** – Servitization reduces the barrier in new products (and new technologies)

Sustainability

- **Resources efficiency:** shifting from product-centric to service-oriented, the manufacturing company is incentivized to reduce wasting and to reuse assets/components/... to reduce costs and increasing assets profitability
- **Circular Economy (Revamping):** Servitization and business model innovation, shifting from product to service,... enable the opportunity to reverse logistic, reuse and revamping to give new file to assets to generates profits for other