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| <b>COMPANY NAME</b><br><b>PHILIPS Healthcare</b>                                  |                                     |  |
|  | <b>SECTOR</b><br><b>Electronics</b> |  |

Philips sells Magnetic Resonance Imaging (MRI) equipment to healthcare providers. Target customer segments include: university research hospitals; general public hospitals; private hospitals; and specialist private imaging centres.

## CHALLENGES

Customers need to ensure they have the right capabilities to deliver desired outcomes, at the right cost, over a product lifetime that can span 10 years or more. Additionally, this is against a backdrop of tightening healthcare budgets, structural changes in the industry, and technological change.

## INNOVATIONS

A key innovation has been to ensure that healthcare providers will be able to maximise value from the installed base of MRI assets for as long as possible. Philips' new business model has two aspects:

- During the initial years of the product lifetime: Services that optimise and enhance the value of the equipment through ongoing software and hardware updates.
- In the latter phase of the product lifetime: Extending the lifetime and value of MRI assets either through a full on-site overhaul; or trade-in for new MRI (with the traded-in machine being refurbished, upgraded, and re-sold).

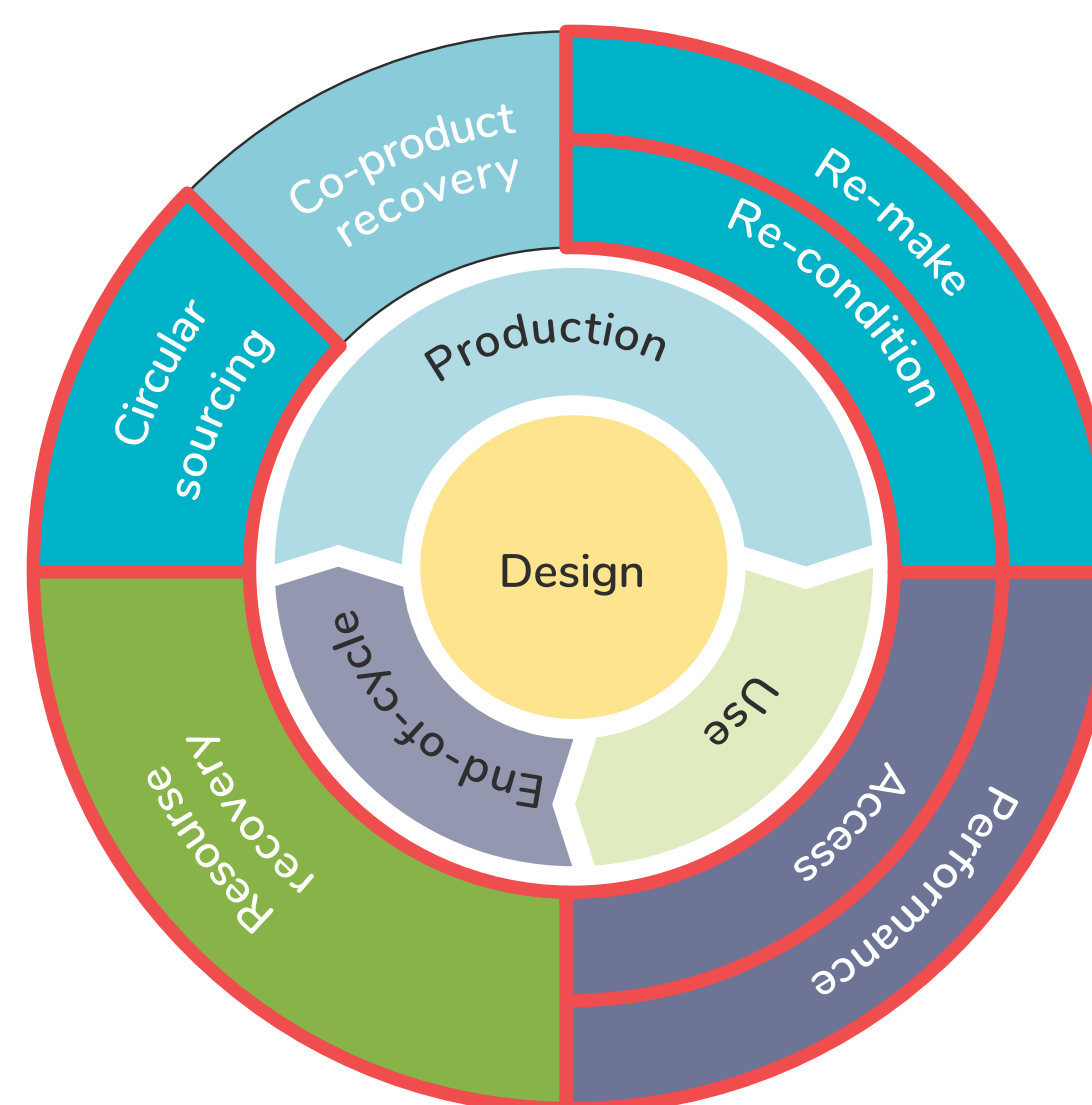
**“It is vital to shift our mind-set and culture towards focusing on our installed base, not just selling new. This is a winning formula when combined with customers wanting to get more out of their equipment.”**

## KEY ENABLERS

- Ensuring products are forward-compatible and upgradeable;
- Ensuring new updates and upgrades are backward-compatible and applicable to older models
- A significant shift in mindset with regards to customer relationship management and sales, supported through change management, target-setting and incentive systems.

**“We now need to start thinking about the hardware architecture and platform design. For example, modularisation, re-using components across hardware models and generations..”**

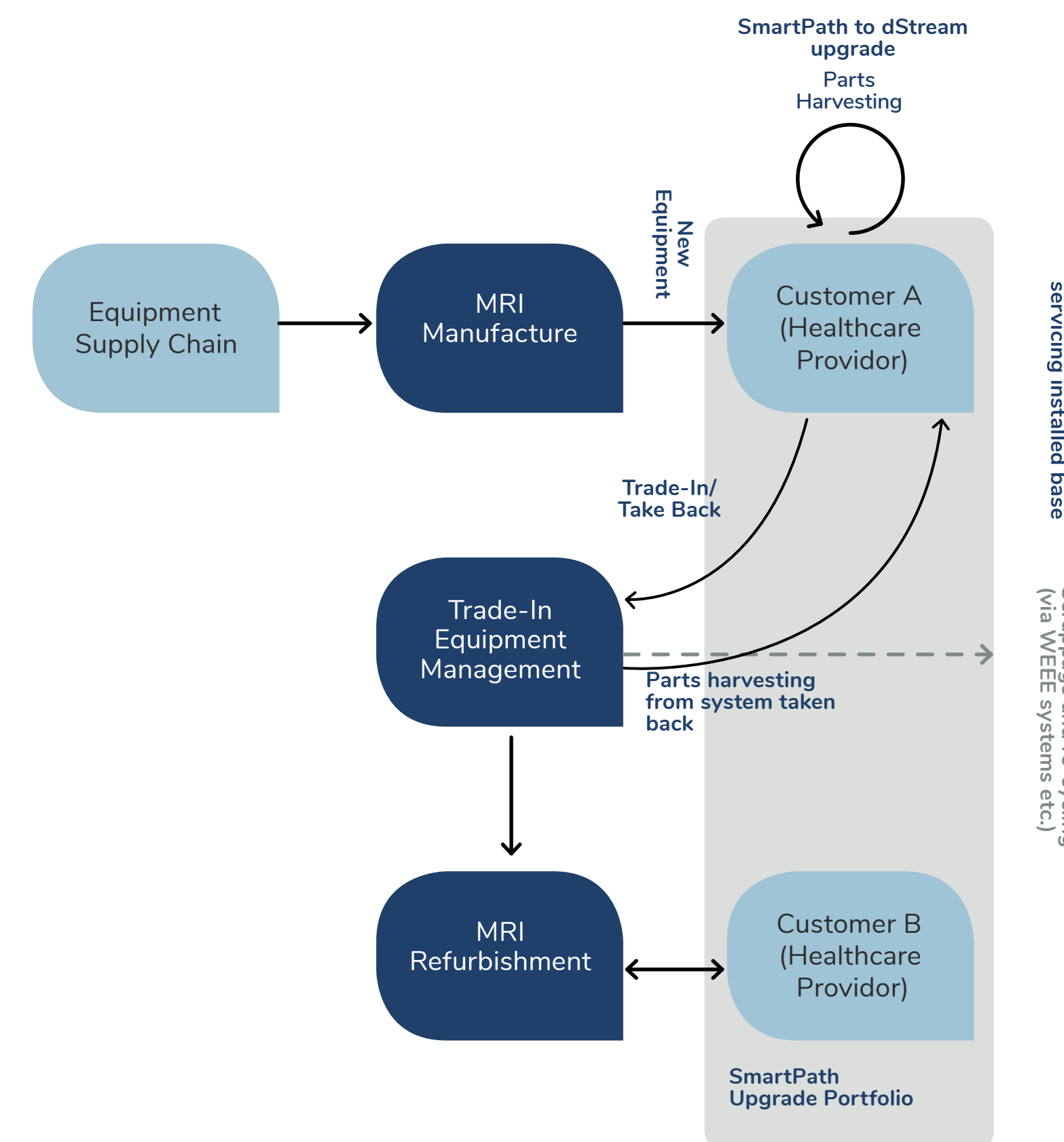
## CIRCULAR ECONOMY BUSINESS MODELS



## KEY OUTCOMES

SmartPath provides additional value to customers while also creating a more sustainable and profitable business model. By taking a whole product lifecycle and customer lifetime perspective, Philips is creating a model that maximises the value of assets for longer, as well as capturing and re-using assets and resources through trade-in/take-back, refurbishment and re-sale. The business rationale provides a foundation upon which Philips can continue to innovate new service-based business models that are more resource-efficient.

## MATERIAL FLOWS



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