

COMPANY NAME Rolls-Royce		 
	SECTOR Electronics	

Rolls-Royce's Civil Aerospace business is a leading manufacturer of aero engines for the large commercial aircraft, regional jet and business aviation markets. The company uses its engineering expertise, in-depth knowledge, and capabilities to provide solutions for customers over their product's lifetime.

CHALLENGES

Aircraft engines are complex, expensive assets whose value needs to be managed over a long operating lifetime. This is needed to not only meet mission-critical safety requirements, but also to provide reliable performance. Rolls-Royce's TotalCare solution emerged from customers demanding a service which addressed their challenges, enabling them to transfer risks on to the engine manufacturer.

INNOVATIONS

- A value proposition that shifts risks and uncertainties associated with engine maintenance from the aircraft operator to Rolls-Royce.
- Aligning incentives between Rolls-Royce and TotalCare customers by charging for the service on the basis of 'power-by-the-hour': Revenues are dependent on ensuring engines provide the required performance.
- Risk and Revenue Sharing Partnerships with key value chain players sharing costs, risks, and benefits. Revenue sharing aligns incentives between Rolls-Royce and its partners in a similar way to that with its customers.
- TotalCare has multiple variants to meet evolving maintenance and asset management needs of customers over their engines' lifetimes.
- TotalCare allows Rolls-Royce the option to buy-back and

reclaim end-of-life engines so that materials can be cycled back into the manufacturing supply chain. Rolls-Royce can in turn benefit from reduced material input costs and security of supply.

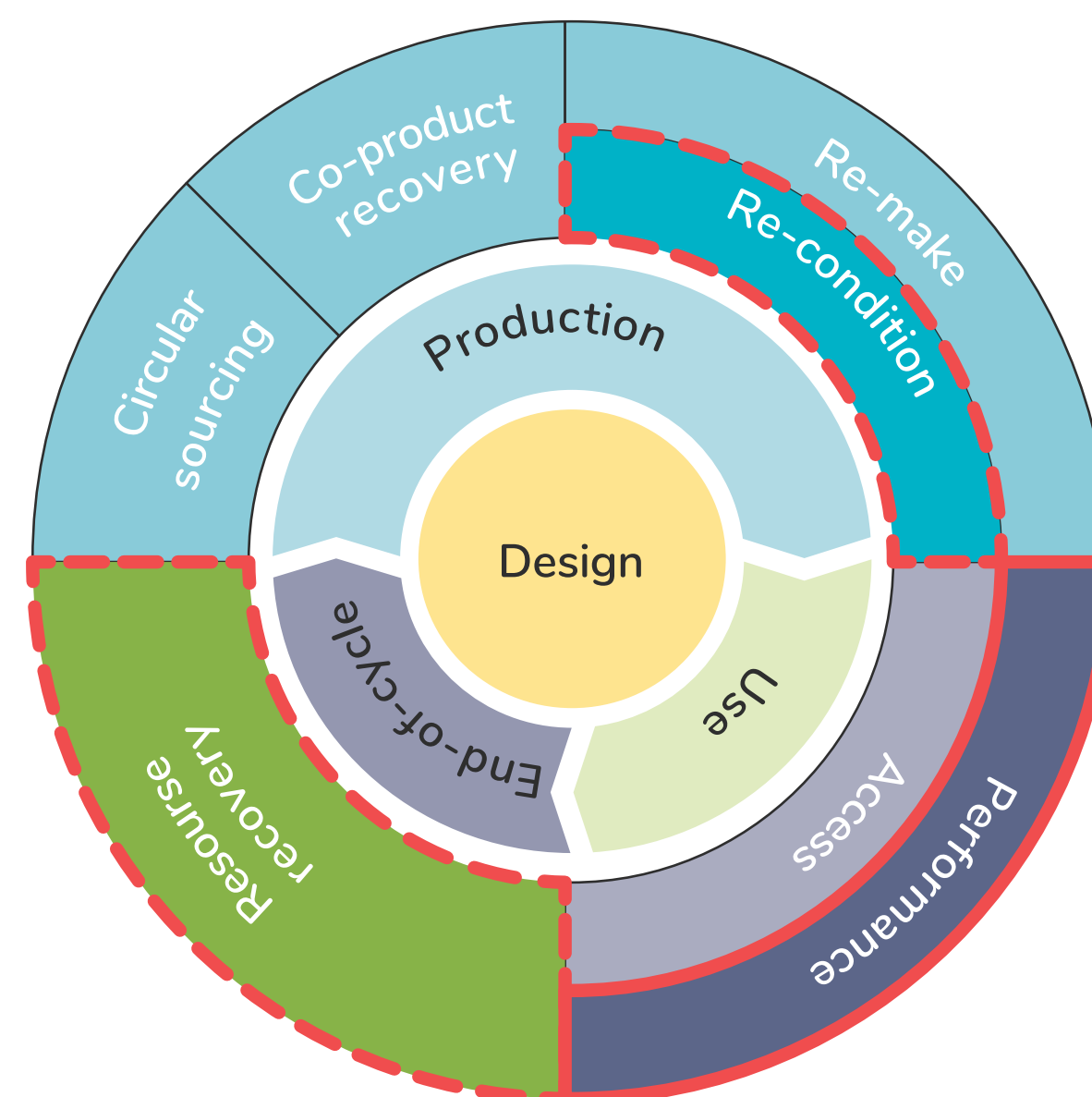
KEY ENABLERS

- A compelling value proposition addressing key customer needs, with a revenue model based on aligned incentives.
- Deep knowledge of service operations and engine technology, enabling Rolls-Royce to take on and manage transferred risk.
- Growing digitisation, enabling engine health monitoring and diagnostics as well as value added services that can be integrated into a service-focused proposition.
- Key partnerships that enhance and de-risk the business model.

"We care about the performance of our solutions throughout their lives. Our whole-life capabilities maximise availability and enable us to meet changing customer needs"

Rolls-Royce 2017 Annual Report

CIRCULAR ECONOMY BUSINESS MODELS

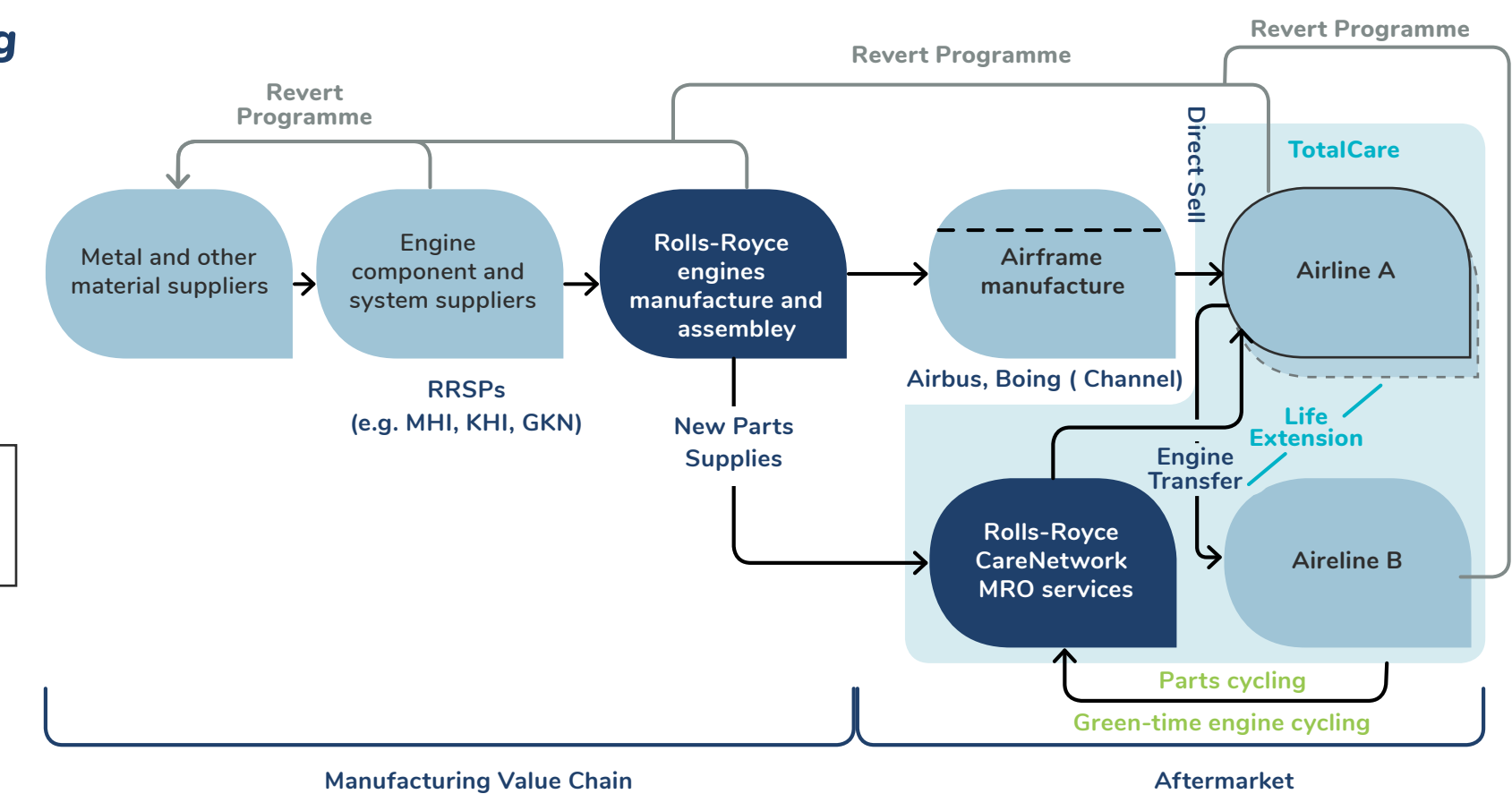


KEY OUTCOMES

The TotalCare solution has resulted in a number of positive financial and sustainability outcomes:

- Profitable service-focused revenue model, with service revenues over the lifetime of an engine programme being typically four times that of revenues from actual engine sales.
- Material efficiency during asset operating life through extending engine lifetime and utility; better parts management and reuse; and better repair processes.
- Material efficiency at end-of-life by capturing and recycling engine materials.
- Increased customer satisfaction and deeper relationships.

MATERIAL FLOWS



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