

PHILIPS PHILIPS Partnership business model

BUSINESS MODEL: **Product as a service**

SITUATION

- Global resource constraints on health systems are driving a shift to value-based healthcare in order to reduce cost, increase access to care and improve patient outcomes.
- Philips is working to address this shift in two ways:
 - **Industrialization of care:** standardizing and optimizing the building blocks of healthcare to enable health systems to deliver better outcomes at lower cost.
 - **Personalization of care:** the convergence of professional healthcare and consumer health, enabled by data and digitalization, leading to increasing self-management and individualized treatment paths.
 - **Inclusive care:** opportunity to increase access to affordable care and to make care more inclusive. For instance, by employing technology to provide cost-effective care in remote communities, or even leapfrogging existing systems, methods and procedures integrate with the application of new devices and allied services

CHALLENGE

- The rapid pace of technology development means equipment is often replaced with significant residual value at a high disposal cost for hospitals.

SOLUTION

- Philips is transforming to provide value-based healthcare by moving from solely selling equipment, to a long-term solutions model aimed at sharing risk for results with customers through a partnership business model.
- The partnership business model is based on an assessment of a customer's current state vs its ideal state in terms of quality, cost and throughput.

- Philips is rewarded for continuous improvement in clinical, operational and financial outcomes.
- Upgradable equipment, system refurbishment and parts re-use reduces the total lifecycle costs of equipment and extends equipment lifetimes.

KEY BENEFITS

- The partnership model enables care providers to reduce costs, share risks and access state-of-the-art solutions and services at a predictable cost.
- Deep clinical collaborations with hospitals allows Philips to deliver better customer value and to shift its innovation focus much closer to customers.
- By moving away from a purely transactional sales approach, Philips has achieved 50-90% material reuse (depending on the product) through its refurbishing activities, including 940 tons of refurbished medical imaging equipment in 2016.
- Philips measures its circular economy progress by quantifying the percentage of company revenues that comply with its circular revenues definition:
 - All revenues linked with performance and access-based models classify as circular revenues, including the hospital partnership model.
 - Revenues from upgrades, refurbishments and products with a recycled content of more than 25% (by total weight) of eligible plastics.
 - Currently, 9% of their total revenues qualify as circular (for 2016); the company aims to double that and reach 15% in 2020.
- Reclaimed and recycled 1,700 metric tons of spare parts in 2016.