

# Financing PaaS models

13 solutions

Asset based solutions

Business case-based solutions

Relationship based solutions

Asset based solutions

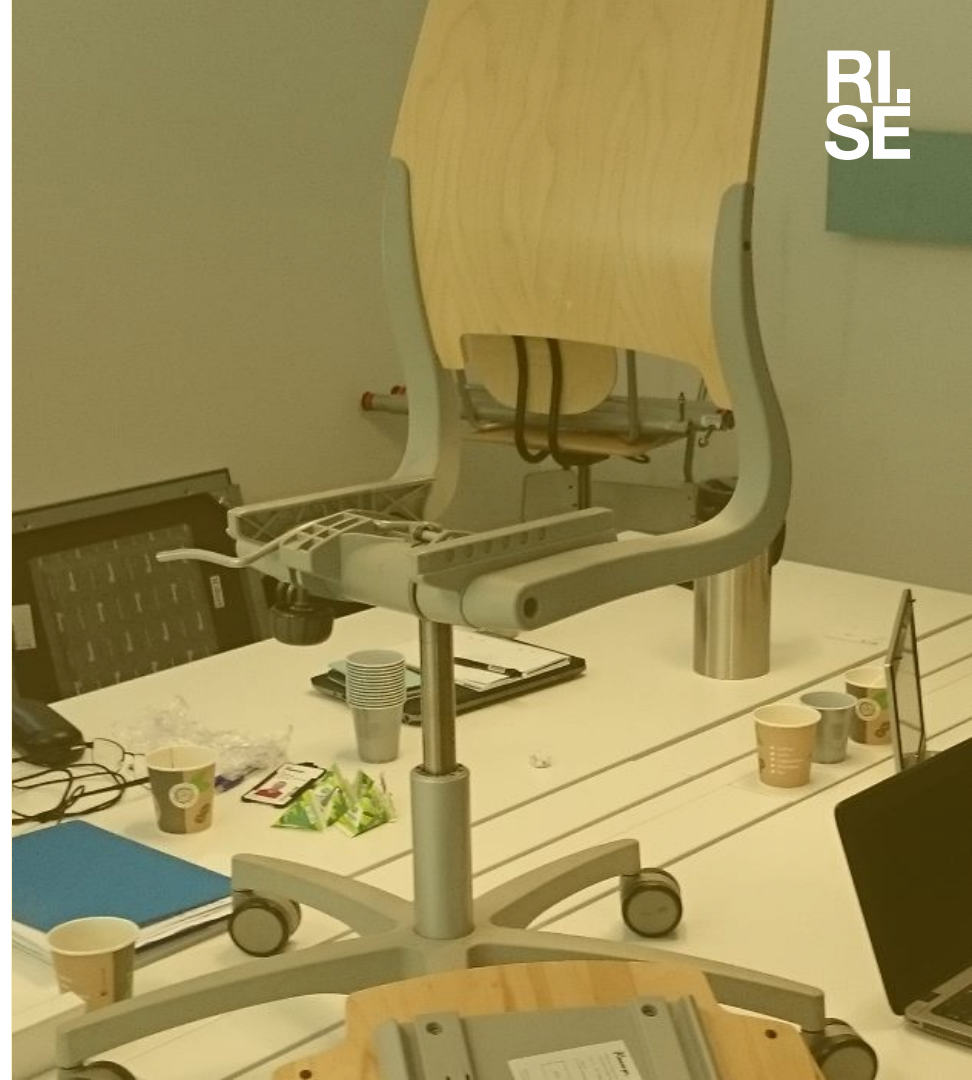
Business case-based solutions

Relationship based solutions

# 1

## Future adaptive design

- Ensure future demand and willingness to pay
- In addition to being technically sustainability i.e. not breaking, products need to be adaptable:
  - Functionally (manages new needs)
  - Esthetically (manages trend fluctuations)
  - Socially (manages new norms and policies)



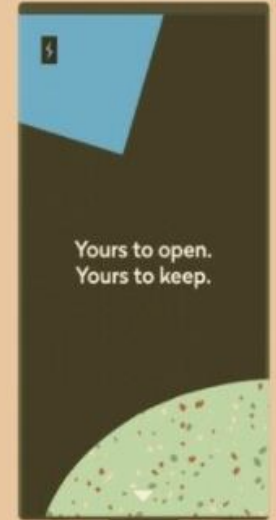
# 1

## Future adaptive design

- Fairphone designs mobile phones with focus on longevity and sustainable value chains
- The phones are designed to be easy to repair and, in some areas, upgradeable in order to meet new customer demands
- Customers owning the Fairphone 2 and 3 can upgrade the camera

*Case*

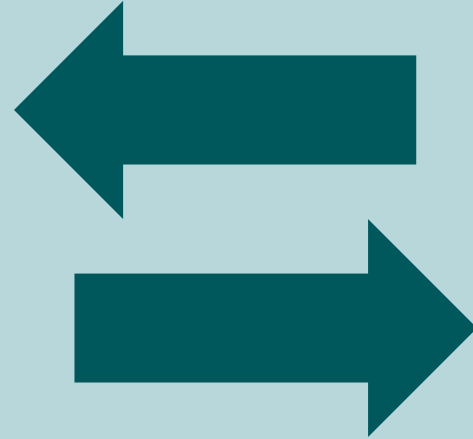
**FAIRPHONE**



# 2

## Lease-back

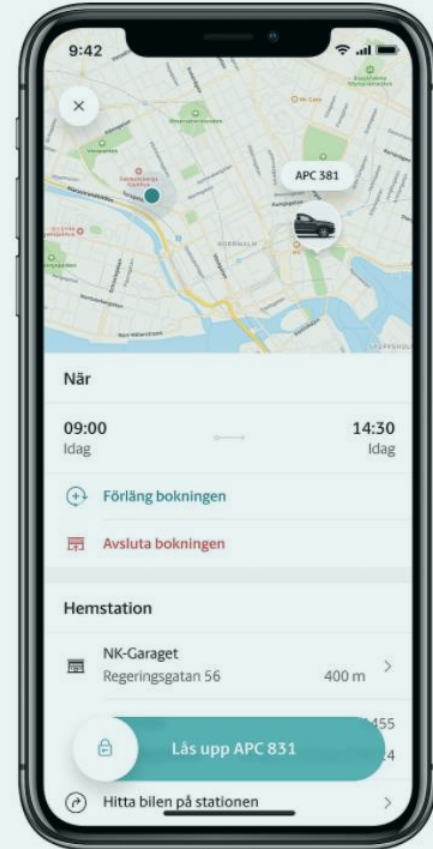
- Companies can sell its products to a financier and lease them back with an interest rate, in order to reduce capital binding
- By doing so, the capital binding issue is transferred to the financier which is an expert on capital issues



# 2

## Lease-back

- Instead of Volvo selling cars directly to the carpool company M, Volvo sold the cars to its subsidiary Volvofinans, which in turn leased the cars to M
- M in turn rents out the cars for a cost larger than the leasing fee, creating gross profits
- The car sector is developed, with established statistics on residual values and niched actors for leasing



# 3

## Build an aftermarket

- An aftermarket for a product type established a rest value of the product
- The financial case becomes more realistic
- Financiers can more clearly see that products have a minimum residual value
- The rate of disposal/divestment becomes known



Ebay Chinese carbon road bike: whic...  
reddit.com



Shimano White 700C Bikes for sale | ...  
ebay.com



Road Bike Men Bikes for sale...  
ebay.com



/ road bikes off 72% - med...  
pharmres.com



Our bikes - whitebikes.com  
whitebikes.com



BMX Bike-Racing White Bi...  
ebay.com



rad bicycles Promotions  
thod.com



21 Speed Disc Brakes 700c ...  
pinterest.com



cervelo r2 2015 Cheaper T...  
apicpm.cpmontealto.com



# 3

## Build an aftermarket

- Accurun produce new beer brewing equipment for micro and middle-class brewery plants
- As part of their offer, they sell used equipment



*Case*



# 3

## Build an aftermarket

- Rekitchen is a niched secondhand store for kitchen and home items
- They purchase used products from specific partners such as moving companies and general non-profit secondhand stores
- By have a niche offering, Rekitchen reaches customers that usually do not consider more general secondhand stores



Vårt sortiment Inspiration Nöjda kunder Kontakt Rekitchen i media

RI  
SE



Bivaxduk "Frostriket" 3 pack  
249 SEK



Räfflad kakform 1 liter  
89 SEK



Gryta 3 liter, OBH Nordica  
289 SEK



Bivaxduk "Rull" 3 pack  
299 SEK



Bivaxduk "Blada" 3 pack  
249 SEK



Liten nätt gjutjärnsspanna 17 cm  
229 SEK

# 4

## Contract financing

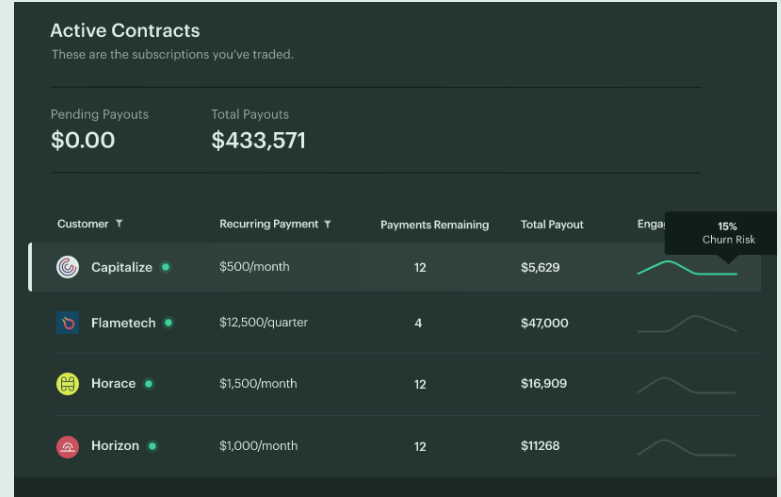
- Lend capital with contracts as collateral
- Large and long-term contracts are more secure, this can be a challenge when customers prefer short contracts
- Small and short contracts (e.g. subscriptions of low value consumer products) can be gathered as a portfolio of multiple contracts to compensate for the individual risk
- A large mass of contracts creates inertia in the business model and revenue flows, which gives the company time to adjust the supply to varying demand

# 4

## Contract financing

- Pipe provides a platform where companies can convert future revenue flows to capital today
- For investors, Pipe provides access to recurrent revenue streams as an investment asset
- On the platform, the right to recurrent revenue from the companies' portfolio of customer contracts are traded

Case



# 5

## Lease on lease

- A company that provides a product as a service can in turn lease components of the product
- The expected benefits of PaaS are the same for most product-oriented companies in a value chain
- It is easier to propagate products as a service forward in the value chain (especially B2C)
- One way of strengthening the business model is to spread the idea of PaaS along the value chain, even to the company's customers' customers.



# 6

## Step-for-step loans

- Company's access to capital in early stages are often restricted to owner capital, until the business model has been shown viable
- In order to increase the availability of lent capital, step-for-step loans could be constructed
- Instead of applying for the full amount made out in one payout, companies could apply for a scope amount where the payouts are made stepwise when the company reaches certain milestones



Asset based solutions

**Business case-based solutions**

Relationship based solutions

# 7

## Include risks of linear BMs in the profitability analysis

- The profitability of the circular business model should be in line with the linear counterpart
- In the risk analysis, the risks of the linear business models should also be considered
- A prominent example is that the larger the share of linear business, the larger the risk is for future resource scarcity is
- Increased circularity reduces the dependence of international actors, thus reduces the risks of being negatively affected from global events





# 7

## Include risks of linear BMs in the profitability analysis

- Example of media report on resource shortages

### Case

## Varning: Akut materialbrist i svensk industri



Bild: Thomas Johansson/TT / Mostphotos

Det handlar inte längre bara om halvledare. Bransch efter bransch varnar för en skenande materialbrist som kommer att sätta spår i ekonomin under hela året. Experter som TN har talat med varnar för inflation och företagen kämpar för att hantera prisuppgångar på råvaror på upp till 40 procent. "Det är ett exceptionellt läge", säger företagaren Sandra-Stina Vesterlund till TN.

# 8

## Stable revenue flows

- Subscription-based business models results in recurrent and stable revenue flows
- Negative churn-rate gives an early warning ahead of potential coming downturn
- Large amounts of customers create redundancy

# 8

## Stable revenue flows

- Hack Your Closet rents out secondhand clothing as a subscription service
- The company didn't see a dip during the crisis due to covid.
- Partly because the product is a subscription service and those tend to continue during a crisis, partly because a top buying reason is garments to a low cost.

Case

HACK  
YOUR  
CLOSET



RI  
SE

# 9

## Reduce risk with controlled growth

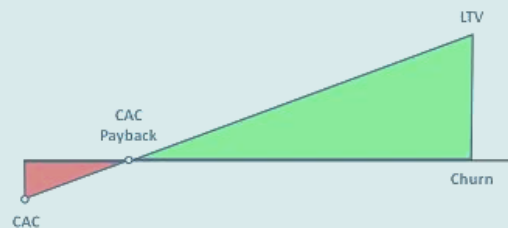
- In a PaaS model, new products generate larger costs from depreciations than the generate revenue
- Older products which already are written off generate steady income
- Strong growth can result in new products growing so fast that their depreciation always remain larger than the revenue generated of older products
- Controlled growth is needed to show that the business model is profitable



# 10

## Show positive LTV/CAC ratio

- PaaS-companies can present the long-time value of their business model if their Customer Lifetime Value (LTV) is larger than its Customer Acquisition Cost (CAC)
- A positive ratio is represented by  $LTV/CAC > 1$
- If  $LTV/CAC > 1$ , the company shows that the business model is profitable over time, even if the revenue comes in later stages



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# 11

## Customer financing

- Allow the customers to become owners of the company, e.g. through crowdfunding
- Provides capital and stability with many owners
- The customers become loyal to “their” company
- Other solution is to require early payments to reduce capital needs, (e.g. require payments in the beginning instead of the end of a month)



# 11

## Customer financing

- Heap let their customers (car owners and customer that rent the cars) invest privately in the platform in an investment round in 2021.
- The result, in addition to raising new capital, is more involved customers on both sides of the platform and a wide spread of investors.

Case

heap

RI  
SE

FRI INSTALLATION • NYCKELFRITT • HELFÖRSÄKRING

## Tjäna tusenlappar på din parkerade bil

Hyr ut din bil →





# 12

## Long term partnerships and niched actors

- Include the financiers in the business model in order to promote deep understanding
- Allow financiers to explore what roles they could take in the ecosystem
- Use customers as witnesses about the service's performance



# 12

## Long term partnerships and niched actors

- Fairown work specifically with actors that work towards a circular transition
- They provide a platform for environmentally conscious companies so that they can offer their products through monthly subscriptions

*Case*



# 13

## Industry specific key partners

- Create collaboration with niche companies withing e.g. recycling, re-use, reparation, special insurance.
- Specialists are likely more efficient in performing certain tasks, which can save PaaS companies time
- Partnerships with specialists strengthens the ecosystem
- An alternative is for a company to include more activities along the value chain in their own business model



# 13

## Industry specific key partners

- Trove works together with leading brands such as Levi's, Patagonia, REI, EILEEN FISHER, lululemon, Arc'teryx, NEMO
- Trove offers a technology which allows brands to get their products back from their customers, and prepare and re-sell them to a new customer
- Deepens customer loyalty, new and old, as well as increasing profits and helping the planet

*Case*

TROVE



# 13

## Industry specific key partners

- Omocon collaborates with the insurance companies W.R Berkley Insurance Nordic and EIR försäkring, to create and mediate insurances in order to create incentives for customers to share existing resources or buy used products

*Case*

omocom

RI  
SE

omocom

Våra produkter

## Försäkring, on demand.

Omocom erbjuder mycket mer än bara digitala försäkringar. Våra lösningar minskar både risken för skador och bedrägeri samt ökar konverteringen och snittvärdet per transaktion. Vi vänder oss mot plattformar som strävar efter att öka användandet av befintliga resurser, för en mer hållbar framtid.

KONTAKTA OSS

# 13

## Industry specific key partners

- Myrorna collaborates with MQ Marqet to increase the supply and availability of secondhand clothing
- MQ Marqet's customers can hand in secondhand clothing items in MQ Marqet stores
- Myrorna collect and sort the provided items
- Saleable items are placed in Myrorna stores and in selected MQ Marqet stores

*Case*



MQ MARQET  
X MYRORNA

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