



**POST EVENT DEBRIEF REPORT**

# **Profit Meets Purpose: How Leading Manufacturers are Driving Sustainability in the Aftermarket**

Sustainability is no longer optional; it's growing into a critical factor for business success. As environmental awareness grows and regulations tighten, manufacturers are increasingly recognizing the competitive advantages and cost-saving opportunities associated with sustainable practices in the aftermarket. The discussion of sustainability has moved from being a top-level agenda item to effect the service organizations daily due to their customer's need to monitor their sustainability practice, energy efficiency, and carbon footprint.

**The Growing Importance of Sustainability in the Aftermarket**

A recent Synchron survey of 600 service leaders revealed that **29%** consider sustainability a top priority for their aftermarket operations. This reflects a growing understanding that sustainability is not just good for the planet but also good for business.

**Key Opportunities for Enhancing Sustainability**

**Extending Product Lifespan: Maximizing the use of existing equipment through refurbishment, upgrades, and preventative maintenance reduces consumption and waste.**

Industry Example: Leading manufacturers are achieving significant revenue streams from refurbished products, demonstrating the profitability of extending product life-cycles. For example, Volvo generates 30% of its aftermarket revenue from refurbished products.

**Optimizing Supply Chains: Minimizing freight and its associated environmental impact through efficient logistics and inventory management.**

Best Practice: CO2-based inventory optimization can significantly reduce reliance on air freight by accurately forecasting demand and optimizing stock levels in global warehouses.

**Improving First-Time Fix Rates: Increasing efficiency and reducing waste by ensuring repairs are done correctly the first time.**

Technology Enablement: Remote diagnostics and technician enablement tools are crucial for improving first-time fix rates. By providing technicians with instant access to the information they need, manufacturers can minimize repeat visits and reduce unnecessary travel.

**Biggest Service And Aftermarket Sustainability Opportunities**



**Servitization: A Powerful Lever for Sustainable Growth**

Servitization, the shift from selling products to selling outcomes, is a powerful driver of sustainability. By maximizing product uptime and performance, companies can reduce waste, optimize resource utilization, and create more sustainable customer relationships.

**Key Considerations for Servitization**

**Shifting the Mindset**

Embracing servitization requires a shift in mindset, both internally and externally. This includes overcoming traditional thinking and aligning shareholder expectations with long-term sustainability goals.

**Customer-Centric Approach**

Developing servitization models that cater to the specific needs of end customers and contractors is essential.

**Data-Driven Optimization**

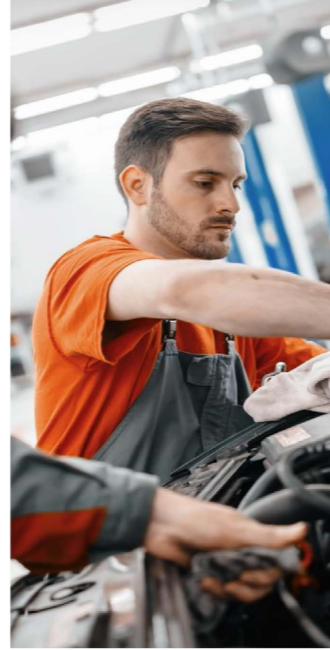
High-quality data and robust measurement systems are critical for driving efficiency and optimizing outcomes.

**Mitigating Risks**

Clear contractual terms are essential to mitigate potential legal and financial risks associated with servitization contracts.

## Servitization Of The Aftermarket

Evolving “traditional” aftermarket business to a servitized model



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### Overcoming Barriers to Circular Economy Models

Implementing circular economy programs can be challenging. Key barriers include:

- **Lack of Transparent Processes:** Many organizations lack formalized processes for managing scrap, recycling, and refurbishment.
- **Difficulty Identifying Focus Areas:** Determining which components and materials should be prioritized for circularity can be complex.
- **Limited Access to Data:** A lack of data on material composition, product lifecycles, and waste streams can hinder decision-making.
- **Inadequate Infrastructure:** The availability of recycling facilities and remanufacturing capabilities can impact the feasibility of circular economy initiatives.
- **Cost Considerations:** The upfront investment required for implementing circular economy programs can be a barrier.
- **Consumer Behavior:** Consumer attitudes towards reused or refurbished products can influence demand.
- **Lack of Awareness:** Limited understanding of circular economy principles can hinder adoption.

**To be more servitized today is a competitive advantage. In 10 years, not offering it will be a competitive disadvantage. Companies need to be starting this journey now if they're not already on it.**



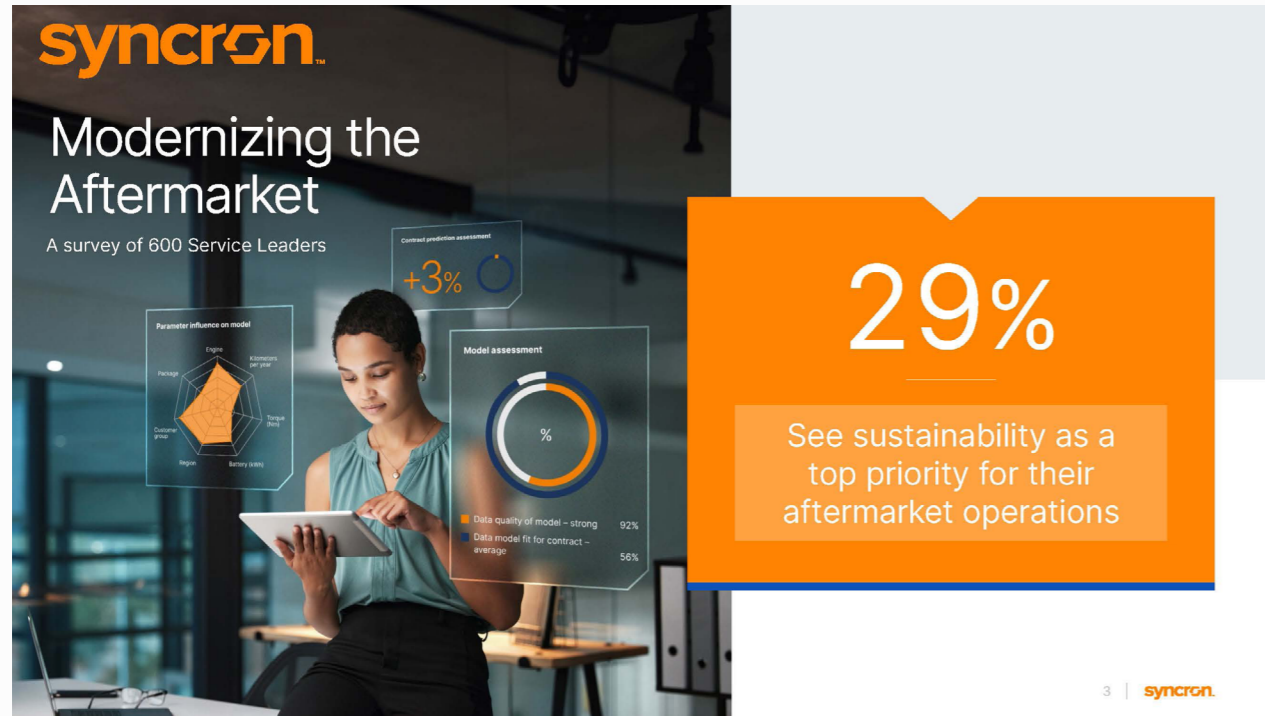
**Luke Huckerby**  
Director, Strategic Business  
Development, Synchron

### Solutions and Strategies:

- **Develop Clear Processes:** Establish standardized procedures for managing scrap, recycling, and refurbishment activities.
- **Conduct Material Flow Analysis:** Analyze material flows to identify key areas for improvement and prioritize components for circularity.
- **Invest in Data Collection:** Gather data on material composition, product lifecycles, and waste streams to inform decision-making.
- **Collaborate with Stakeholders:** Partner with recyclers and remanufacturers to build a robust infrastructure.
- **Communicate the Benefits:** Clearly articulate the environmental and economic benefits of circular economy programs.
- **Incentivize Circularity:** Explore incentives that encourage circular economy practices.

### Data: The Foundation for Sustainable Aftermarket Operations

Data plays a crucial role in driving sustainability initiatives. Manufacturers must prioritize data access and leverage advanced analytics to optimize processes and make informed decisions.



**Key Actions**

<p><b>Capture and Utilize Data</b></p> <p>Develop strategies for capturing relevant data and translating it into actionable insights.</p>	<p><b>Overcome Data Barriers</b></p> <p>Centralize data sources, consolidate processes, and address legacy systems to create a single source of truth.</p>	<p><b>Ensure Data Ownership and Access</b></p> <p>Establish clear data ownership and access protocols.</p>
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**Conclusion**

By embracing servitization, data-driven strategies, and circular economy principles, manufacturers can unlock significant environmental and economic benefits in the aftermarket. This executive brief highlights key strategies and considerations for integrating sustainability into aftermarket operations, driving a more profitable and environmentally responsible future.

This report is based on a workshop hosted by Synchron on December 4th 2024, "Profit Meets Purpose: How to Embrace Servitization and Data-Driven Strategies for a Circular Future." The event brought together industry leaders to discuss the critical intersection of sustainability and profitability in the aftermarket industry. This executive brief summarizes the key findings and insights from the workshop discussions.

**Our journey towards sustainability began with a simple realization: we were already implementing sustainable practices for our customers without even realizing it.**

**This underscores a crucial point: profitability and sustainability are not mutually exclusive. In fact, they are complementary and help drive businesses forward.**

**This shift in mindset allowed us to identify existing sustainable practices and leverage them for greater impact. The key takeaway? Don't wait for the perfect solution. Start by recognizing the progress you've already made and build from there.**



**Thomas Lindahl**  
Client Executive, Synchron



## About Synchron

Synchron helps manufacturers and distributors capitalize on the new service economy by optimizing aftermarket profitability, increasing customer loyalty and enabling the transition to servitization. Synchron aligns all aftermarket services with its Service Lifecycle Management (SLM) platform, helping companies differentiate themselves through exceptional aftermarket experiences while driving significant revenue growth. The world's top brands trust Synchron, making it the largest privately-owned global leader in intelligent service lifecycle management SaaS solutions.

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