

PaaS

Trend Report

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2025

Macro Situation

Five main factors will shape 2025:

Accelerated Climate Change



The global temperature is rising, humans are exceeding planetary boundaries, and extreme weather events are becoming more frequent. Human-made climate change is rapidly accelerating.

This affects supply chain stability, asset risks, business continuity, demand preferences and legislation.

AI advancements



The developments in the field of generative artificial intelligence are applied to specific industry and business use cases.

This directly affects support processes and core value generation processes.

If companies want to remain competitive, they must explore and implement suitable AI solutions.

More global polarization



Triggered by economic, environmental, technical and social transformation, we see heated conflicts on community, national, regional and international levels.

This poses challenges to communication strategies, sourcing approaches, new market entries and even access to capital.

Businesses on alert



With international conflicts, companies have started to keep their cash and assets together.

Given slower economic growth in major regions, public budgets under cost pressure and an uncertain regulatory outlook, companies think twice.

Many pursue their transformation plan; however, strategic initiatives are under constant review as well.

New Markets



Times of transformation reveal new markets.

Geographically, other Asian growth engines like India and Vietnam (in addition to African and South American countries) continue to gain ground.

In terms of age, companies need to cater for individuals over 50.

And industry-wise, sectors like energy, robotics, advanced manufacturing, biopharmaceuticals and data centres are just a few of the growing segments.



What does this mean for Product-as-a-Service Providers?



1. Focus on Profitability

01. Automation in Operations

PaaS providers feel the cost pressure and explore solutions to streamline operations.

This started with AI-supported marketing asset generation. We will see more customer service bots and – given the collection of data – more holistic credit scoring algorithms.

Naturally, more powerful analytics will appear to provide more predictions on contracts, customers and the overall business level.

02. Integration and Modularization

Companies are looking for ways to reduce overhead costs.

This includes a deeper integration of PaaS operations in core business processes and more efforts in cross-selling service-based offers to customers without PaaS contracts, like remote control, predictive maintenance or replacement warranties.

03. Consolidation

Not all PaaS propositions will see 2026.

Continuing what works and closing what does not is a normal business process. Only profitable and promising PaaS solutions with a clear customer benefit will prevail.

Propositions with a lack of growth or low profitability prospects will face capital constraints by venture capital and internal sponsors.





2. Technological Advancements

04. AI-driven Experience

AI will be utilized for marketing and website content, enabling providers to provide more information and a better user experience.

Automated product descriptions, more accessible FAQ and customer service, more personalized sales presentations and AI features in customer dashboards will gradually increase.

05. AI-driven Products

Especially in the B2B field, more hardware products will be equipped with sensors and remote control abilities.

These connected devices allow PaaS providers to collect data, apply AI models for optimization and operate the equipment better than the customer could.

06. Use of Sustainable Materials

Especially in the B2C field, products will be made of bio-based and renewable materials.

Driven by the circularity-motivated customer segment, supply-chain considerations and regulation, we will see an increased share of more circular products. Some will be suitable for Circular PaaS, others not.



3. Politics, Regulation and Certification

07. Taxes and Tariffs

The expected rise of tariffs will increase prices for globally sourced materials and services, making some replacements from recycled materials or refurbished components more lucrative.

At the same time, a USA-led push for fossil fuels can be a factor that lowers the prices of some virgin materials.

While some circularity-driven PaaS might benefit, others might find themselves in a worse position.

08. Resource Transparency

Laws like CSRD and Product Passport are creating more transparency about the resource consumption of products and companies.

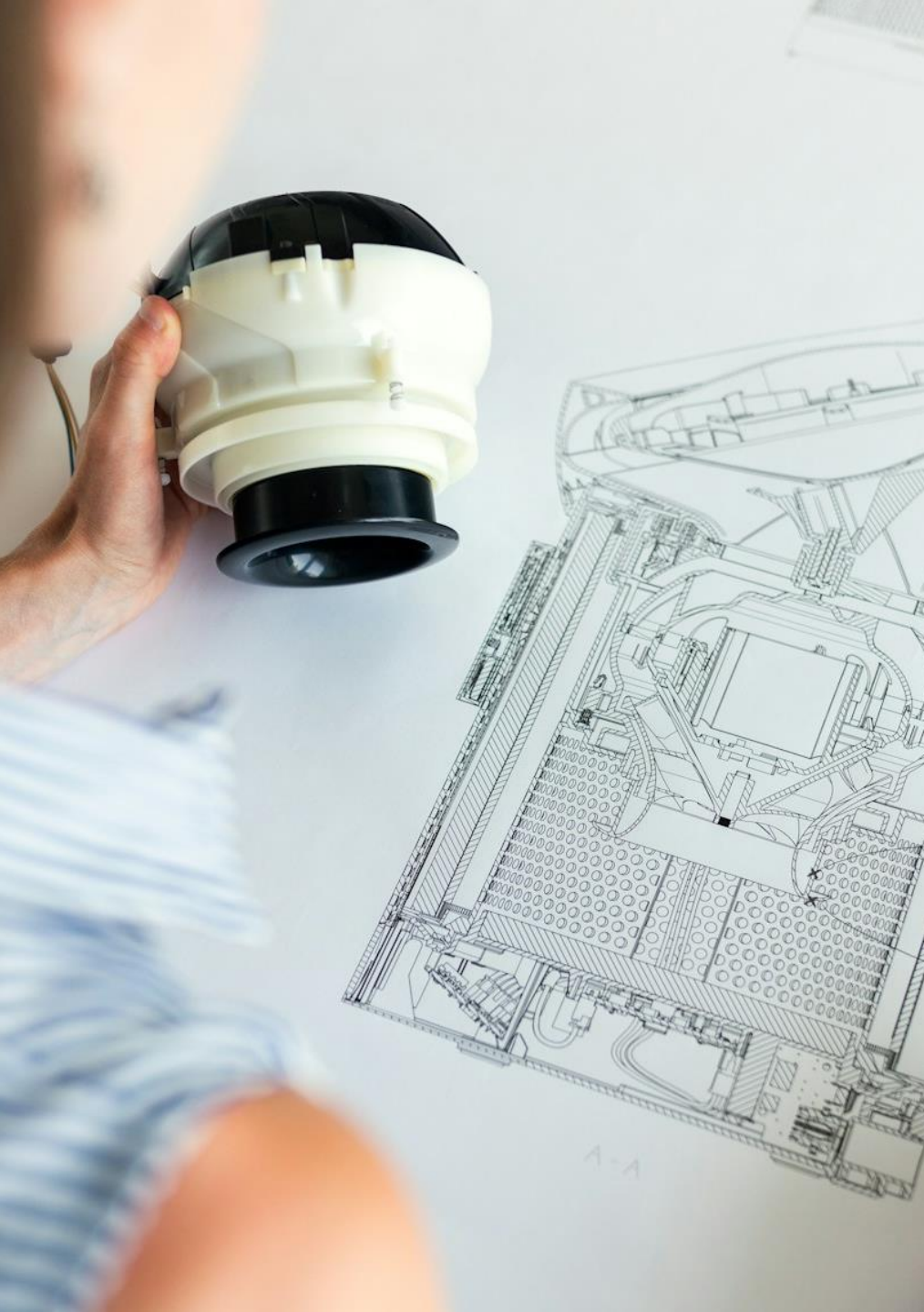
With this data, we will see some companies exploring PaaS propositions to lower their footprint and other PaaS providers to optimise their life-cycle-management.

09. Professionalization and Certification

With the growing popularity of repair and refurbishment offers, we will see a debate about the quality of these services.

Manufacturers risk reputation damage when low-quality services are provided, while independent operators argue against entry barriers and reduced choice for customers, resulting in higher prices.





4. Product Design, Strategy & Impact

10. Product Design

Driven by circular strategy, customer demand and cost-awareness, some products get a more circular design.

PaaS providers will benefit from easier refurbishment and repair processes that keep asset value for longer.

Additionally, some more closed-loop recycling and remanufacturing efforts will be started to conserve resources.

11. Circular Strategy

Having explored various singular circular projects, companies will bring symbiotic processes closer together and refine their overall circular strategies.

Rentable products can be sold second-hand. A refurbishment and repair process for linear customers can also be used for PaaS. Products with a circular design will find a position in the sales market and also benefit PaaS operations.

12. Impact Awareness

Driven by reporting, customers and passionate individuals, PaaS operators will take a closer look at their resource footprint.

That exercise requires effort, data, resources, know-how and time.

The ones that have circular ambitions will make proposition and process adjustments and publish their progress, putting pressure on other providers.



5. New Revenue Opportunities

13. Cost-aware Customers

More cost-aware customers will turn to PaaS solutions that demonstrate a clear financial benefit for the customer.

Wherever total cost-of-ownership for the customers is significantly lower than in the traditional sales model, sales and marketing people will have an opportunity to address the need for cost reduction.

14. Demand from Public Authorities

Politicians now realize that they can directly affect the market by their tender requirements.

As some countries and regions started to prefer circular solutions, more and more will follow.

This is an opportunity for PaaS providers that can demonstrate a superior resource footprint.

15. Climate Change and Adaption

The rise of extreme weather events requires special equipment for a defined time in a certain area.

This includes immediate reactions to fire, flooding or drought as well as restoration activities afterwards and general asset allocation adjustments.

This is a wide field where PaaS solutions have natural advantages and may help to mitigate the consequences of climate change.



Bonus:

What We Will See less

Shallow Innovation

2025 is not the year of loose budgets.

There won't be shallow PaaS innovations without a clear and convincing business case.

Every new project is under investigation, and budgets will only be provided with a clear customer and business value.

Data Sharing Ecosystems

Sharing resource data is a hot topic in the circularity community. If product resource and condition data were shared more openly, many R-strategies would be facilitated.

However, manufacturers rarely have an economic interest in doing so. The majority will dedicate their IT and business development resources to business excellence and growth driven by AI – unless data sharing comes with a direct business benefit.

PaaS & Circularity for the sake of it

Product-as-a-service and circular approaches are instruments to solve problems. They are not the best solution in all cases.

Teams must acknowledge the rules of success within their industry, their market and their company and pick the circular and PaaS strategies that help them to achieve their goal.

If done undogmatically, PaaS and circular approaches provide helpful toolsets for success in 2025.



More PaaS!



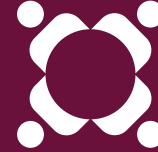
Want to learn more about Product-as-a-Service?

Listen to PaaS Decoded, 16 conversations about the fine details of Product as a Service.

In 16 conversation, 20 Experts share their learnings from over 135 years of experience in Product as a Service.

Learn more:

<https://circularity.fm/paas-decoded/>



Want to improve your PaaS operations?

Learn from and with other PaaS practitioners.


The Product-as-a-Service Roundtable brings together experienced PaaS professionals and facilitates peer learning.

Learn more:

<https://circularity.fm/paas-roundtable/>



Got a question?
Reach out

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