



*Schneider Electric Recognized for*

# 2021

**Customer Value Leadership**

Asia-Pacific Outcome-based Services  
for Critical Power and Cooling Industry

*Excellence in Best Practices*

**Schneider**  
 **Electric**

## Best Practices Criteria for World-Class Performance

Frost & Sullivan applies a rigorous analytical process to evaluate multiple nominees for each award category before determining the final award recipient. The process involves a detailed evaluation of best practices criteria across two dimensions for each nominated company. Schneider Electric excels in many of the criteria in the critical power and cooling space.

AWARD CRITERIA	
<i>Business Impact</i>	<i>Customer Impact</i>
Financial Performance	Price/Performance Value
Customer Acquisition	Customer Purchase Experience
Operational Efficiency	Customer Ownership Experience
Growth Potential	Customer Service Experience
Human Capital	Brand Equity

### *Company Background*

Schneider Electric (SE) is a leading global provider of energy and automation digital solutions for efficiency and sustainability, serving customers in the residential, buildings, data centers, industrial, grids, and infrastructure spaces across more than 80 countries. Founded in 1836 as a steel and machinery company in France, SE has grown into a €27 billion enterprise, sustaining two centuries of industrial transformation and continuously developing its product and service portfolio to meet customers' evolving needs. In 2020, considering the shift toward servitization models and after carefully studying its customers' challenges, SE successfully implemented a new business model for its Secure Power offering called EcoStruxure Outcomes: Secure Power as a Service. The model is based on delivering customer outcomes and covers all of the equipment, software, monitoring and services that the company traditionally sells to end users and partners including UPS, critical cooling, and micro data centers.

### *Price/Performance Value: Cost-effective Peace of Mind*

When analyzing SE's new business model from a customer value perspective, Frost & Sullivan finds that one of the strongest points of the offering is the possibility for companies to realign the way they spend their capital in a consumption-based manner that lines up with their business operations and revenues. When companies pay only for the secure power outcome, they are charged based on their actual IT/electrical loads and can use the released working capital they would have paid upfront in other areas within their core business that have better internal rate of returns (IRR).

The same applies to human capital and the opportunity to redeploy personnel in areas that are core to the business. For many customers, such as healthcare facilities, manufacturing companies, government agencies, and financial institutions, power and cooling equipment are critical assets to run their IT and electronics loads but are not core to their business. Managing critical infrastructure efficiently requires expertise, consumes valuable time, and is often burdensome to continue monitoring assets across sites and defining when they should be maintained or modernized. Having a proficient company such as SE to look after the critical equipment in addition to lifecycle management provides customers with peace of mind as they look to focus on their core business.

### **Greater Operational Efficiency Achieved by Flexibility and Digital Capabilities**

*"Frost & Sullivan applauds SE's outcome-based initiative and judges it as a key milestone for SE's transformation journey and the way it creates value for customers, with greater implications than those achieved so far by the Secure Power division in APAC."*

*- María Benintende, Industry Principal,  
Frost & Sullivan*

In addition to offering peace of mind, the EcoStruxure Outcomes: Secure Power as a Service model provides customers with greater operational efficiency for two main reasons. The first is the ability to have properly right-sized equipment for current operational levels. When buying critical power and cooling equipment under traditional business models, companies do not always make the savviest choices. They tend to choose equipment to support current and future operation levels, resulting in the overprovisioning and thus the overconsumption of power and equipment that are unnecessary and often not capital or energy efficient. SE's experts properly dimension the equipment and are ready to upgrade or downgrade secure power and cooling capacity based on utilization rates, matching customers' needs more efficiently – all without the traditional CAPEX request cycles. In some instances, upgrades can occur within the same week of the requirement to increase capacity. This outcome-based orientation helps companies enjoy greater scalability, flexibility, and energy savings.

The other main reason behind superior efficiency derives from relying on experts to manage critical cooling and power with the support of SE's EcoStruxure™ Internet of Things (IoT) platform and analytics engine. All of SE's products are connected to the IoT platform, which collects and processes real-time machine data from connected assets. By leveraging data-driven predictive analytics, the platform proactively sends alerts on any potential equipment issues so that SE's field services personnel can complete repairs prior to asset failure. This functionality provides operational performance and higher safety levels.

Frost & Sullivan understands that EcoStruxure is the framework that enables SE to develop a true outcome-based business model at scale and to drive value from it. Some competitors have made different attempts to embark on servitization through UPS leasing or by combining hardware, software, and services and selling them through subscription models. SE via their EcoStruxure Outcomes: Secure Power as a Service model, however, is the first and still the only company to develop a business model that allows customers to pay per secure power, critical cooling, and protection of IT critical assets as a delivered outcome.

## ***Customer Purchase Experience: Multiple Options to Meet Different Needs***

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The calling to meet evolving customer needs and expectations, which feeds SE's success in new product development, is engrained in SE's go-to-market strategy. The company launched its outcome-based business model in response to an unmet need from a growing number of customers interested in streamlining their operations, making it easier to scale by using an alternative business model for asset ownership. SE recognizes that the majority of its business will continue to be transacted traditionally

and thus presents its new consumption model as an additional offering. As a result, within SE's Secure Power and Field Services divisions, customers can now access different contracting options and choose a service model that better adapts to their requirements. While companies with micro-to-medium-size data centers prefer not to worry about cooling, racks, and UPS, cloud and collocation facilities may be better suited to have those assets on their own balance sheet because those assets can be seen to be a structural part of their business.

## ***Superior Customer Service Experience***

SE's ability to finetune and customize services around its products is noteworthy. The same applies to its outcome-based offering. After signing the contract, customers are assigned with a non-sales representative called the Customer Success Manager (CSM), who liaises with multiple stakeholders within the company across procurement, operations, engineering, and financial departments, to ensure a coordinated customer experience is delivered in the most efficient method for the business as well as the customer. Supported by EcoStruxure digital tools, the CSM guarantees that the insights derived from the machine data are used to drive the greatest value from the outcome for all parties, allowing SE to ensure it addresses customers' problems before they arise using their proprietary predictive algorithms and to nurture long-standing relationships with customers.

## ***Sustainability and Circular Economy by Default***

As all of the hardware is owned by Schneider Electric, they are responsible for all aspects of the solution at the end of its lifecycle. Schneider Electric claim that in 2020, 99% of return product was diverted from landfill at end of life. This level of achievement is nearly unprecedented in this industry. SE's customers are able to participate in the Circular Economy by accessing EcoStruxure Outcomes: Secure Power as a Service. This additional peace of mind on environmental matters is also strategic targets to be met for many enterprise customers that SE service.

## ***Brand Equity Powering the Success of the Outcome-based Model***

The success of SE's new proposition and the value derived for its customers reside in the strength of the brand within the critical power market. With decades of energy management experience worldwide, SE is renowned for its superior power and cooling solutions and services across the entire lifecycle of data centers and other critical facilities. The company occupies the top three rankings of global suppliers for

data center critical power and cooling,<sup>1</sup> and its secure power revenues in Asia-Pacific (APAC) have expanded by 15% year-on-year, reaching almost \$500 million in 2020. This level of recognition is key for customers trusting its critical infrastructure operations to SE, representing another hard-to-replicate ingredient for the success of SE's outcome-based business model.

### ***Growth Potential Derived from an Unparalleled Collaborative Approach***

SE's outcome-based offer already has a considerable and growing pipeline of customers with multiple sites looking to shift from capital expenditure (CAPEX) to operational expenditure (OPEX). This customer list includes Australia's largest health government organization and other government nonprofit and for-profit organizations with UPS and cooling requirements for their typical and micro data centers.

Frost & Sullivan understands the EcoStruxure Outcomes business model constitutes a growth engine for SE in many aspects. First, the model provides an unmatched offering capability and hence a competitive advantage in the present context of lowering margins and increased rivalry from local UPS OEMs, with products offered at a lower price. Second, the model grants greater visibility for SE on customers' needs and is thus better positioned to serve them by leveraging its extensive portfolio for integrated power products and services. Third, the model helps SE build a recurring revenue business while continuing to enhance its collaborative services reorganization approach around customers.

With SE's other divisions, such as industrial automation and digital buildings, already assessing this business model, Frost & Sullivan predicts SE's outcome-based proposition will prove to be a crucial step in the company's history and will certainly disrupt the way business is conducted across electrical companies.

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<sup>1</sup> Frost & Sullivan's Global Power and Cooling in the Data Centre Market, Forecast to 2025 Report

## Conclusion

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Despite the many challenges common to large technology companies with traditional product sales methods to embark on servitization, SE has successfully developed a customer-driven offering for its critical power and cooling division. The many benefits of the new business model, such as avoiding upfront cost, unlocking resources, gaining higher efficiency, facilitating scalability, and receiving peace of mind, have resonated well across SE's customers in APAC, with this response likely to follow suit once the model expands to other regions. Frost & Sullivan applauds SE's EcoStruxure Outcomes: Secure Power as a Service initiative and judges it as a key milestone for SE's transformation journey and the way it creates value for customers, with greater implications than those achieved so far by the Secure Power division in APAC.

SE's as-a-service offering is an ideal setup for companies looking for the more efficient utilization of their working capital, which recognizes the criticality of data center power and cooling in facilities for their business, without them being core. Despite the market being nascent for some industrial verticals, such as critical power and cooling, Frost & Sullivan believes the outcome-based model will continue to expand, and SE, as the first and still only company embracing it, will enjoy a competitive advantage.

Based on the potential of SE's outcome-based business model to provide greater value over and above the traditional asset-ownership model and with the acceptance gained in the early stages of its deployment, Schneider Electric earns Frost & Sullivan's 2021 Asia-Pacific Customer Value Leadership Award in the critical power and cooling industry.

For more information on Schneider Electric's EcoStruxure Outcomes: Secure Power as a Service see: [www.se.com/au/outcomes](http://www.se.com/au/outcomes)

## What You Need to Know about the Customer Value Leadership Recognition

Frost & Sullivan's Customer Value Leadership Award recognizes the company that offers products or services customers find superior for the overall price, performance, and quality.

### Best Practices Award Analysis

For the Customer Value Leadership Award, Frost & Sullivan analysts independently evaluated the criteria listed below.

#### ***Business Impact***

**Financial Performance:** Strong overall financial performance is achieved in terms of revenues, revenue growth, operating margin, and other key financial metrics

**Customer Acquisition:** Customer-facing processes support efficient and consistent new customer acquisition while enhancing customer retention

**Operational Efficiency:** Company staff performs assigned tasks productively, quickly, and to a high-quality standard

**Growth Potential:** Growth is fostered by a strong customer focus that strengthens the brand and reinforces customer loyalty

**Human Capital:** Commitment to quality and to customers characterize the company culture, which in turn enhances employee morale and retention

#### ***Customer Impact***

**Price/Performance Value:** Products or services provide the best value for the price compared to similar market offerings

**Customer Purchase Experience:** Quality of the purchase experience assures customers that they are buying the optimal solution for addressing their unique needs and constraints

**Customer Ownership Experience:** Customers proudly own the company's product or service and have a positive experience throughout the life of the product or service

**Customer Service Experience:** Customer service is accessible, fast, stress-free, and high quality

**Brand Equity:** Customers perceive the brand positively and exhibit high brand loyalty

## About Frost & Sullivan

Frost & Sullivan is the Growth Pipeline Company™. We power our clients to a future shaped by growth. Our Growth Pipeline as a Service™ provides the CEO and the CEO's growth team with a continuous and rigorous platform of growth opportunities, ensuring long-term success. To achieve positive outcomes, our team leverages over 60 years of experience, coaching organizations of all types and sizes across 6 continents with our proven best practices. To power your Growth Pipeline future, visit Frost & Sullivan at <http://www.frost.com>.

## The Growth Pipeline Engine™

Frost & Sullivan's proprietary model to systematically create ongoing growth opportunities and strategies for our clients is fuelled by the Innovation Generator™.

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## ***Key Impacts:***

- **Growth Pipeline:** Continuous Flow of Growth Opportunities
  - **Growth Strategies:** Proven Best Practices
  - **Innovation Culture:** Optimized Customer Experience
  - **ROI & Margin:** Implementation Excellence
  - **Transformational Growth:** Industry Leadership



# The Innovation Generator™

Our 6 analytical perspectives are crucial in capturing the broadest range of innovative growth opportunities, most of which occur at the points of these perspectives.

## ***Analytical Perspectives:***

- Mega Trend (MT)
  - Business Model (B)
  - Technology (TE)
  - Industries (IN)
  - Customer (CU)
  - Geographies (GE)

