



Equipment as a Service

How EaaS is changing the construction industry



Introduction

What is EaaS?

Perhaps you're already familiar with the term Software as a Service (SaaS). Sometimes referred to as "on-demand software," SaaS is a business model that allows users to access software on a subscription basis, rather than making a one-off purchase upfront.

While the model has been established for quite some time, SaaS and other solutions that are delivered as services have gained considerable traction over the past decade – and have trans-

formed many categories that we interact with in our daily lives.

For example, in the 1990s and early 2000s, if you wanted to see a film that was no longer in the cinema, you usually had two options: either buy it or rent it. Then around 2007, streaming services came along and single handedly changed the way we consume television and movie content – virtually wiping out both the DVD sales and video rental categories, by offering content on a subscription basis.

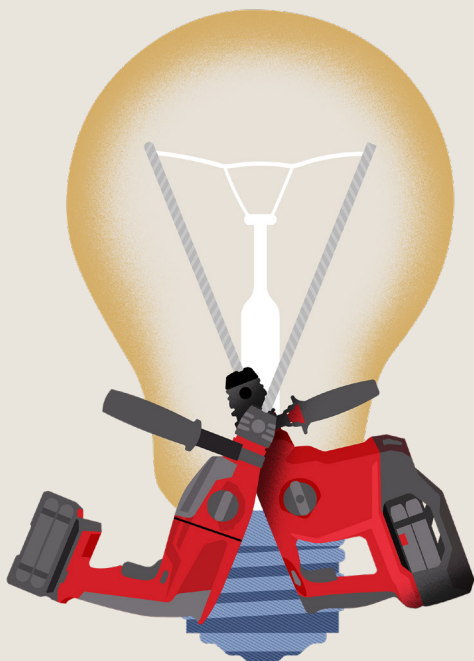
In the construction industry, another solution as a service has changed the way industry leading companies operate their businesses. Equipment as a Service (EaaS) follows a similar model to SaaS. It involves accessing equipment on a subscription basis and making periodic payments – rather than owning it and buying it outright.

EaaS is changing the way leading construction companies operate their businesses

Why the change? A paradigm shift in construction

The paradigm shift from buying-and-owning construction equipment to acquiring it as part of a subscription can be attributed to many factors; however, uncertainty in the market and the increased need for adopting lean management processes may be prime contributors to EaaS's growing popularity. Companies have had to change their perspectives and adopt new, more flexible, business processes to stay competitive.

EaaS has become widely embraced as a way of mitigating cost – an issue that has always been important but has become even more crucial in recent years. In some markets, construction materials have seen a 10% increase in costs (2019).¹ Furthermore, some 40% of contractors expect steel and aluminum tariffs to have a significant impact on their business for the next three years.³



This all cuts into profit margins. When construction companies switch to an EaaS model, they're able to avoid initial purchase costs and keep that money in the business. Throughout the lifecycle of the equipment, less money and time are spent on maintenance and repairs because these are managed by the service provider.

Moreover, as project demands and equipment needs can change from job to job, EaaS provides flexibility for special requirements. This means there is no need to purchase a new tool every time a unique situation arises. Rather, the equipment service provider helps ensure that the right tools are available for the job.

The same principle applies to both keeping up with the latest technology and replacing lost or stolen equipment. Upgrades to new tool models and technology and replacements for stolen items are usually covered by the service agreement at no added cost to the user.

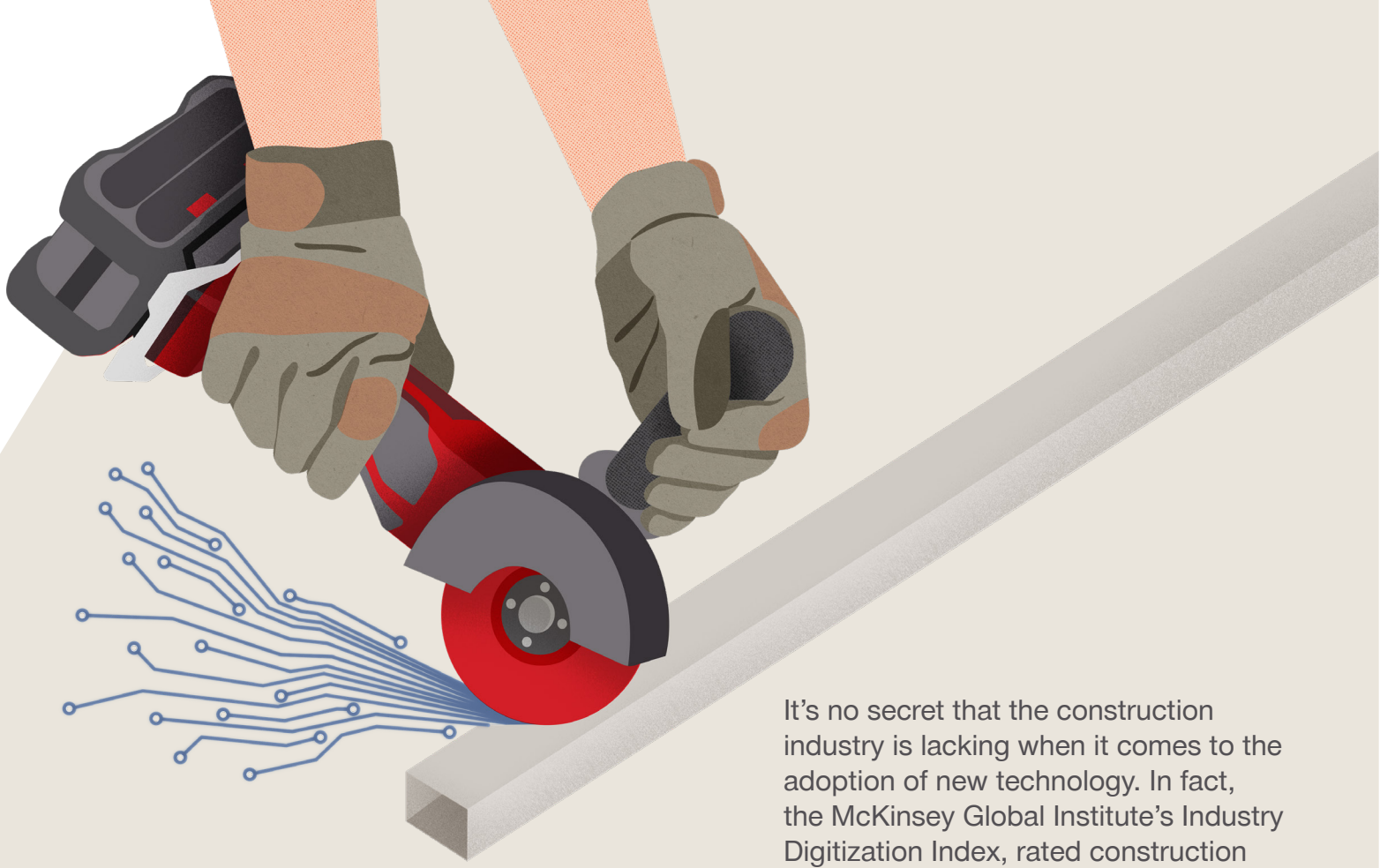
It should be noted that working with the most up-to-date construction equipment can help promote a safer working environment, as it helps ensure that equipment is in working condition and that it meets the latest compliance guidelines

Additionally, in a labor market where skilled labor can be very selective about employers, people tend to want to work for companies investing in and using the latest technology - this becomes an element of being an attractive employer.

10%
increase in construction material costs in 2019.¹

40%
of firms report increasing construction prices due to labor shortages.²

40%
of contractors expect steel and aluminium tariffs to have a significant impact on their business for the next three years.³



Enhancing EaaS with digital technology



Digitization helps skilled workers focus on what they do best – and not on tasks outside their skillsets

It's no secret that the construction industry is lacking when it comes to the adoption of new technology. In fact, the McKinsey Global Institute's Industry Digitization Index, rated construction as one of the least digitized sectors in the world.

One of the major challenges with digitization in construction is the adoption rate of jobsite employees. Given that skilled labor is a valuable commodity, implementing digitization helps these employees focus on what they do best – and not on tasks outside their skillset.

Today, new technology allows for autonomous platforms of equipment to silently collect valuable data during their everyday use. This streams back to the office to provide valuable information for better business decision making.

By using such data, many processes that earlier involved jobsite workers can now be fully handled by office personnel, or the EaaS provider. Some data can even be used directly by the EaaS provider to create a more efficient service. For example, monitoring the performance of all batteries of cordless tools.



A note about sustainability

36%
of worldwide energy usage, and

40%
of CO2 emissions can be accounted to the construction industry.⁴

The construction industry is inherently a big user of natural resources. When equipment is rented as a service from a provider who fosters a sustainable supply chain and adheres to circular economy principles (e.g., repairability, recyclability and responsible sourcing), construction companies are helping contribute to a more sustainable industry.

Final Thoughts EaaS and your company

In times of uncertainty, you may have to shift your perspective and establish new business processes that help you to be lean and flexible – by using EaaS subscription equipment that is always up to date.

Both EaaS and digital technology enable you to free up your jobsite employees' (skilled labor) valuable capacity. Instead of considering how you can find additional skilled labor, please consider how you can get more value creating output from the team you already have.



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