



SCP Article 3

# How to gain a competitive advantage in the EHS software space

**Businesses across the globe are facing increasing pressures to improve their environmental, health and safety (“EHS”) risk management standards, reacting to the continued tightening of regulations as well as the increasing ‘hard’ and ‘soft’ costs of failure to comply.**

One recent example of a high-profile case in the market, Mercedes was fined almost \$1bn for non-compliance, around 5% of its cashflow between 2019-2021.

Understandably, there has been a corresponding increase in latent demand for software solutions that provide near real-time and accurate visibility of EHS risks, across all organisational operations.

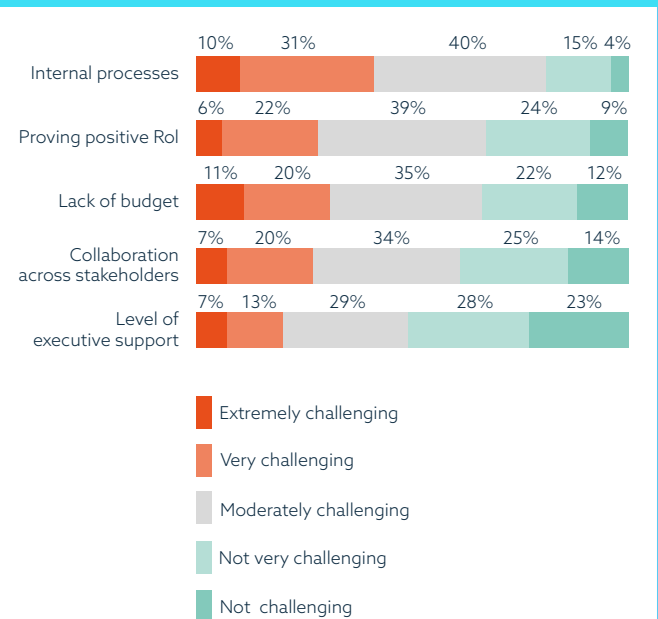
Today, however, the adoption rate of these software solutions, especially within the small and midsize businesses (“SMB”) and medium-risk segments, is still disproportionately low (~15% in SMB vs ~80% in enterprise customers), as the barriers to conversion, like price, remain relatively high.

If efficiency and traceability are deemed key drivers of purchasing EHS software, why then do customers struggle to justify the financial commitment? Furthermore, where can EHS software providers and financial sponsors invest to accelerate adoption and claim market leading defensibility?

Areas of investment should include:

**Customer Education:** One of the primary hesitations in adopting EHS software is lack of understanding and proof of a positive ROI. Platforms that invest heavily in educating their customers through cost efficient marketing channels like ‘video-first’, educational lead-gen tools (e.g., Brightcove) or eLearning anchor modules, are likely to benefit in a much greater manner from systematic cross-sell and up-sell initiatives.

**Barriers to adoption, 2020**  
(% of respondents)





**Channel Partnerships:** Service provider partnerships have become marketing gambits for software vendors rather than effective referral and conversion vehicles. The gap is technical acuity. Existing solutions require significant technical configuration resulting in lengthy – and as a result costly – implementation processes, often not fully supported by referral partners and which results in limited incentivisation to commit. Solutions that invest in repeatable, productised quick-deployment strategies (both product and education of strategic partner) are most likely to benefit from an accelerated adoption.

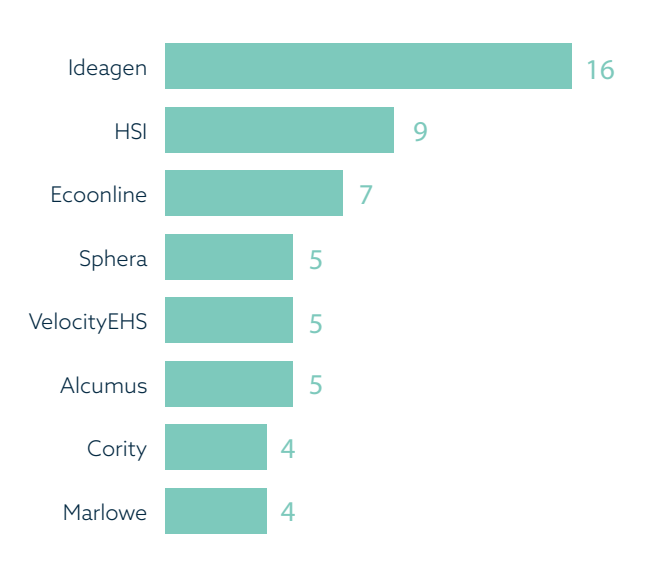
**Single Platform Integration:** The market has seen significant consolidation over the last five years as providers race to bolster their solution offerings portfolio to meet every emerging E or H&S need through cross-selling methods. However, very little integration beyond ‘hyperlinks’ into a single front-end user experience (“UX”) has actually been orchestrated to date. Live reporting will become increasingly crucial as EHS & ESG moves up the board agenda in importance ranking. We expect to see ‘lightly’ integrated portfolios begin to lose once loyal customers, as they struggle to meet the increasing real-time visibility and auditability requirements of the market today.

**Data Integration:** Data and its purity is paramount.

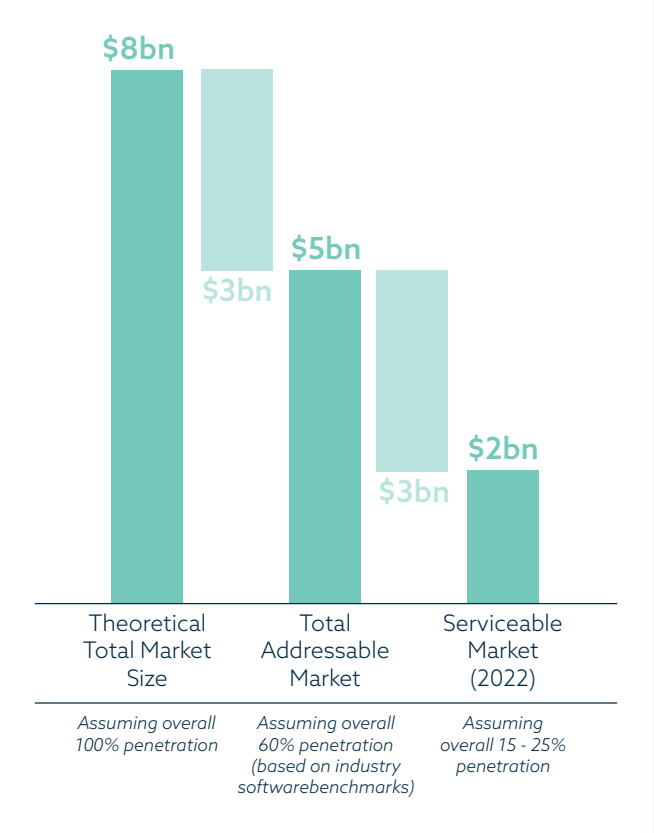
Most existing solutions are highly configurable and customisable. However, best-in-class solutions will always need to innovate to improve the rapid configuration of new data sources, as automation of environmental services like Continuous Emissions Monitoring Systems grow and a deepening wake of new data points emerge from ESG reporting requirements. The ability to demonstrate reliable data stewardship – including uninterrupted access to real-time data that is consistently benchmarked – and offer ‘actionable analysis’ beyond data visualisation that engenders cultural change, will ultimately become key differentiators to drive performance enhancement vis-a-vis operational risk management.

To conclude, the global serviceable addressable market (“SAM”) opportunity for software providers is large, currently worth \$2bn or \$5bn total addressable market (“TAM”) and will continue to grow at >5%+ per annum between 2023-2028. There has been a race for market leadership in the EHS software space but only a few of the leading players will remain both defensible and secure market share in the longer term. ‘Winning’ will require an investment into a multi-pronged, go-to-market approach, spanning education, partnerships and wider platform development.

**M&A Activity by EHS Software Player, 2018 - 2022**  
(Number of Acquisitions)



**Global EHS Software Market Size (\$bn)**



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