FIELD SERVICE NEXT INSIGHTS

SERVITIZATION IN ACTION

How Industrial Leaders are Monetizing Their Installed Base

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EXECUTIVE SUMMARY

Industrial manufacturers face tightening margins and reduced equipment investments as economies slow, yet many sit on untapped revenue potential within their existing installed base.

This webinar featured Florian Harzenetter, Senior Director and Global Advisor of Industrials at PTC, who explored how industrial leaders are shifting from product-centric to service-driven business models through servitization. The discussion revealed practical pathways for monetizing customer relationships, from reactivating dormant connections to building sophisticated recurring revenue models.

Key insights centered on overcoming legacy system barriers, managing organizational transformation, and proving value to customers who have grown accustomed to third-party service providers.

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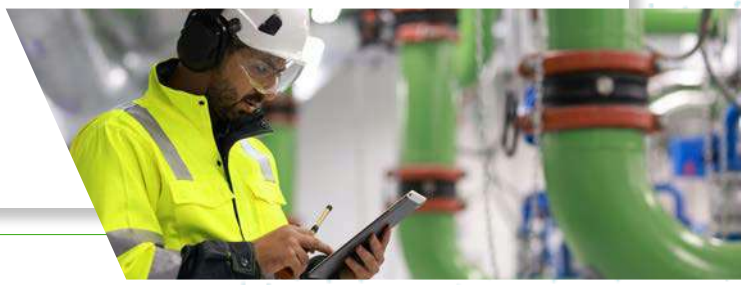
THE DRIVING FORCES BEHIND SERVITIZATION

- What are the leading factors **motivating industrial organizations?**
- How do service-driven business models **drive benefits?**
- How can servitization help **improve margins** and **support competitive value?**



Economic headwinds are pushing industrial equipment manufacturers to rethink their revenue models.

As B2B customers cut capital spending, many firms are realizing that their large installed base represents untapped potential within existing relationships. Machine builders, medical device makers, and producers of durable goods are especially well-positioned to seize this opportunity.

The shift toward servitization unfolds in stages, balancing immediate gains with long-term transformation. Early steps include monetizing spare parts and emergency support while structuring maintenance programs to secure recurring contracts.

These quick wins build trust and credibility for deeper partnerships that resemble software-as-a-service models with steady revenue streams.

Beyond basic service deals, the roadmap expands into operator training, consulting, and digital tools. Industrial assets often stay in use for decades, during which manufacturers can lose contact with customers who self-manage maintenance. Reengaging these users lays the groundwork for advanced services that improve productivity through better integration and data-driven insights.

Not every company must complete the full journey. The extent of servitization depends on ambition, tolerance for risk, and customer openness.

Some manufacturers may stop at service contracts or training, while others pursue full operational partnerships, managing production on behalf of their clients.

Key Suggestions

- **Reactivate dormant customer relationships before pursuing advanced service models.** Manufacturers who lost contact with equipment owners after the warranty period must rebuild trust through reliable spare parts and emergency support.
- **Develop a clear servitization roadmap that aligns with your risk tolerance and customer expectations.** Not every organization needs to reach outcome-based models; determine which service level delivers the best return for your market position.

From the Webinar

"In the short term, organizations are seeking additional revenues from existing offerings such as spare parts or emergency support. Second, they're trying to professionalize their break-fix services so they can help their customers maintain their assets, which would qualify for more long-term maintenance contracts. In the long term, organizations are looking to become a business partner, much like software companies today, because this allows them to have recurring revenue models in place."

Florian Harzenetter
Senior Director,
Global Advisor Industrials
PTC

OVERCOMING THE IMPLEMENTATION CHALLENGES OF SERVITIZATION

- What is your experience with **legacy systems**, and any issues they create?
- What are your recommendations to organizations facing **change management challenges?**

Legacy IT systems remain the biggest technical barrier to servitization because they were never designed for service-oriented business models. Most enterprise resource planning systems stay in place for decades, long before today's service strategies existed.

As a result, service teams struggle to understand current asset states through capabilities like the following:

- Accessing engineering data
- Tracking asset modifications
- Connecting activities across the product lifecycle

This issue goes beyond technology. Engineering data often sits apart from service operations, while repair records and upgrades remain hidden in ticketing systems instead of feeding into a unified asset history.

Without this visibility, teams cannot identify improvement opportunities. Poor data creates a cycle: it prevents the insights needed to improve it.

Servitization also challenges mindsets, especially in sales. Teams used to product transactions often undervalue software and sometimes give it away, missing a key differentiator.

Yet software-based services hold real potential to distinguish manufacturers and create recurring value. The shift should start small, refining individual service offerings before transforming entire processes and systems.

Key Suggestions

- **Transform sales capabilities to value and sell software services rather than bundling them for free.** Service-oriented software contains substantial revenue potential that sales teams trained on product sales often overlook or undervalue.
- **Ensure every employee understands their personal opportunity within the servitization strategy.** People resist change when they feel threatened; success requires showing each department and individual how transformation creates new possibilities for their work.

From the Webinar

"Enterprise systems like ERP platforms stay in place for ten to twenty years. When they were first implemented, organizations weren't thinking about service-oriented business models. As a result, much of the information that services teams need ends up buried in service tickets instead of being visible across the organization."

Florian Harzenetter
Senior Director,
Global Advisor Industrials
PTC

LEVERAGING DATA, AI, AND OTHER TECHNOLOGY

- How are organizations using **data, AI, or digital thread integration?**
- What are some **common pitfalls** when deploying unified data strategies?

Industrial companies hold valuable data spread across disconnected systems that servitization strategies must unify. CAD systems provide 3D virtual views of machines for technician preparation, while PLM captures how products were originally built. ERP and MES systems store component details, manufacturing data, and torque values that support troubleshooting. Service ticketing and resource planning tools then coordinate technician dispatch.

The core challenge of service transformation is the fact that these systems were never designed to work together. Linking engineering data to service operations builds visibility into the "as-maintained" condition of field assets, enabling accurate preparation and support.

Many organizations still rely on manual tasks and duplicate data entries across systems, such as:

- Ticketing platforms for service requests
- Purchasing systems for spare parts
- Billing systems for customer transactions

This fragmentation wastes time and increases error risk. AI technologies now help uncover relationships across systems without rigid coding, while agent-based tools create adaptive workflows that move beyond simple integrations.

Digital services form the next frontier for connected equipment. Most manufacturers haven't turned remote access or monitoring into full software offerings. Combined with insight into customer production processes, digital connectivity evolves from basic oversight into a rich source of business intelligence.

Key Suggestions

- **Use AI and agent technologies to connect fragmented systems rather than building expensive, hardcoded integrations.** Modern AI can identify relationships across platforms and create adaptive workflows that reduce manual data entry and errors.
- **Elevate remote monitoring capabilities into comprehensive software service packages.** Equipment connectivity alone provides limited value; combining it with production process knowledge creates differentiated business intelligence offerings that customers will pay for.

From the Webinar

"The real opportunity now lies in using AI to identify connections between systems without needing rigid integrations. With agent-based technologies, companies can create smarter automated workflows, which are an important step toward building a more mature and efficient service business."

Florian Harzenetter
Senior Director,
Global Advisor Industrials
PTC

NAVIGATING ORGANIZATIONAL AND CULTURAL SHIFTS

- How can companies **motivate and engage employees** to support service-driven goals?
- How can organizations **educate customers** about new products service models?
- What are some servitization success stories about **organizational and cultural shifts?**

Servitization demands leadership commitment that runs from executive sponsorship through frontline execution. Success depends on management continuously reinforcing the message with a clear, visible strategy.

Every department must understand how the transformation affects their work, while individuals should see personal opportunity rather than risk in the change.

The effort also extends outward to how companies educate customers about service-embedded products. Manufacturers must show they can improve equipment uptime and productivity beyond what customers or third-party providers achieve. Because these assets drive customer revenue, any downtime disrupts entire value chains. Demonstrating measurable performance gains builds trust and paves the way for deeper service relationships.

Transforming the sales force brings additional complexity. Product-oriented teams rarely have experience selling services or software, leading them to undervalue or give software away. Shifting that mindset means treating service as a standalone offering with unique value and pricing.

Customer resistance typically reflects contentment with existing arrangements rather than outright rejection. Most equipment owners have optimized their operations with available resources.

When manufacturers demonstrate superior capabilities, customers usually embrace stronger partnerships.

Key Suggestions

- **Invest in change management that helps every employee see their future role in service transformation.** Fear blocks the organizational brainpower needed for successful change; leaders must create individual opportunity narratives alongside departmental strategies.
- **Prove service value through measurable improvements in asset availability and productivity.** Customers have already optimized their operations; manufacturers must demonstrate superior capabilities that justify switching from existing providers or internal maintenance.

From the Webinar

"Our customers' assets are critical to their customers' revenue. When one fails, their customers' operations can grind to a halt. Manufacturers must show they can boost productivity and asset availability, helping their customers reduce risk and costs. That type of value can open the door to stronger service relationships and even new revenue."

Florian Harzenetter
Senior Director,
Global Advisor Industrials
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MEASURING THE PROGRESS OF SERVICE TRANSFORMATION

- What are some useful ways to **measure progress** on service transformation?
- How do you measure the **success of PTC's own clients**—and what makes you proud?

Service revenue, along with its share of total company revenue, provides the most fundamental measure of transformation progress. Yet service profitability is equally important.

Strong margins often go unnoticed when companies allocate resources, and making profits visible strengthens internal influence by proving service's role in overall success.

Revenue analysis reveals whether growth stems from sustainable models or short-term transactions. Distinguishing one-time parts sales and emergency calls from recurring contracts and subscriptions shows if predictable revenue streams are taking root. This shift stabilizes company performance across economic cycles.

Quality metrics ensure strong revenue doesn't mask weak performance. Customer satisfaction, renewal rates, and contract expansions indicate whether offerings meet expectations, while delays or cancellations signal execution issues that could erode long-term progress.

Example: Schneider Electric

A case from French multinational digital automation and energy management company Schneider Electric illustrates how an effective service strategy delivers impact.

In the data center market, where uptime is critical, Schneider built a service model that maintained continuous operation and generated $80 million in new revenue. Given the higher margins of services over equipment, that growth made an outsized contribution to profitability.

Key Suggestions

- **Track both service revenue growth and profitability to demonstrate strategic value to internal stakeholders.** Service margins typically exceed product sales, but this advantage remains invisible without deliberate measurement and communication.
- **Monitor contract renewal and expansion rates as leading indicators of service quality.** Top-line growth can mask execution problems; customer retention behavior reveals whether service offerings genuinely meet market needs.

From the Webinar

"Start by measuring service revenue and its share of total company revenue to see if the business is growing. Just as important is tracking service profitability, which is often strong but frequently overlooked. Highlighting that contribution helps service teams gain influence. It's also worth analyzing where the revenue comes from, whether it's from occasional spare parts sales or recurring contracts and subscriptions. This helps you understand the business's long-term stability."

Florian Harzenetter
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ABOUT THE AUTHORS

PTC (NASDAQ: PTC) is a global software company that enables manufacturers and product companies to digitally transform how they design, manufacture, and service the physical products the world relies on. PTC's service-centric solutions empower industrial companies to unlock new revenue streams and enhance customer satisfaction through advanced field service management, predictive maintenance, and connected service experiences.

Headquartered in Boston, Massachusetts, PTC employs over 7,000 people and supports more than 30,000 customers globally. For more information, please visit **www.ptc.com.**

Field Service Next Insights, the industry research and digital publishing arm of the Field Service Next conference series, delivers cutting-edge data and analysis on trends, challenges, and opportunities in the field service and customer support sectors. Through comprehensive research reports, webinars, and thought leadership initiatives, we empower senior-level field service leaders to make informed strategic decisions and stay ahead in the rapidly evolving service landscape.

Our deep industry intelligence not only informs field service leaders but also connects innovative solution providers with key decision-makers, fostering a dynamic ecosystem that drives the future of service excellence in the field service space.

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