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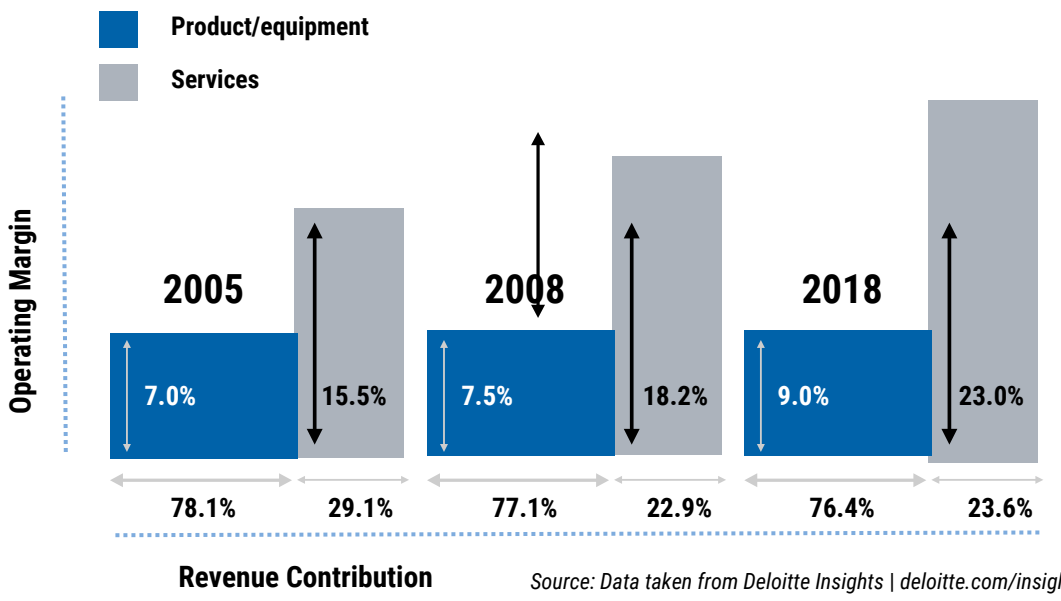
Research Insight: The Journey to Intelligent Commercial Services Sales

Service Revenue Represents an Increasingly Large Opportunity

US Manufacturers are expanding into services as they offer higher margins.

Product/equipment vs. services revenue and operating margin



Source: Data taken from Deloitte Insights | deloitte.com/insights

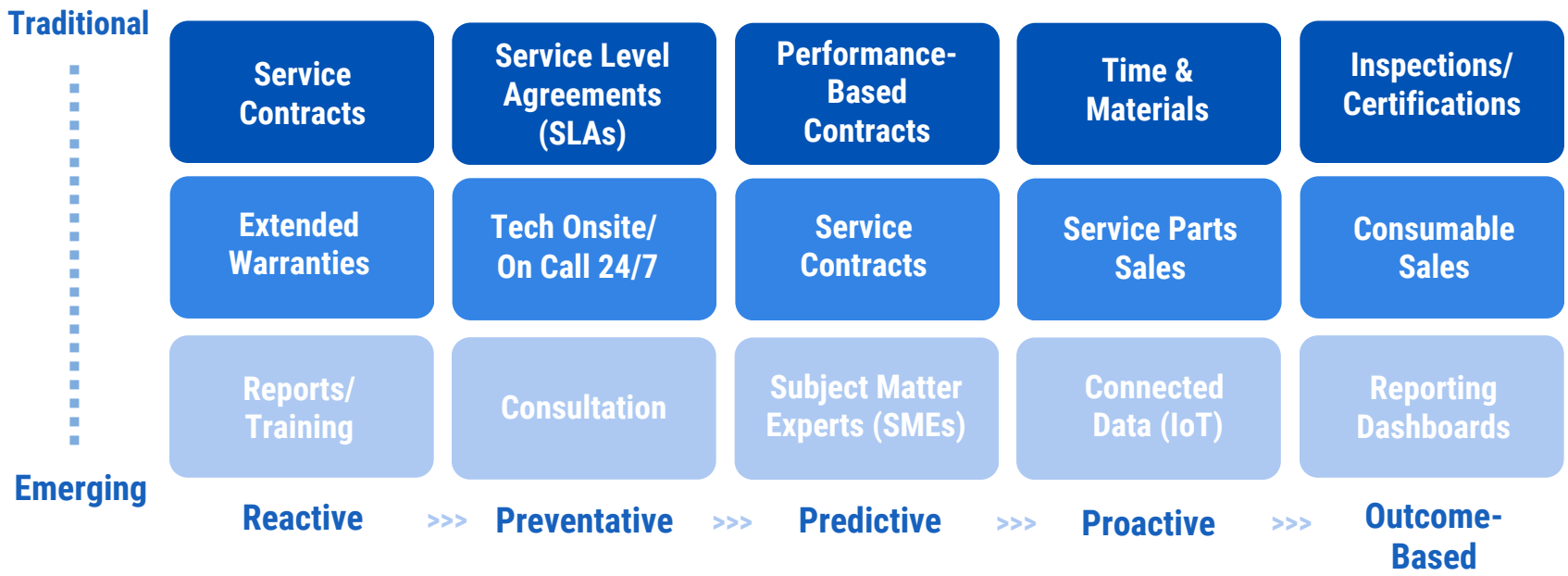
Best-in-Class organizations are achieving a **43%** service profit margin, while average performers are **31%.**

2022 KPIs and Metrics Survey, Service Council

"For some manufacturers, aftermarket already accounts for the entire profit generated by the company. In many cases, new equipment is no longer sold to generate profits for the firm, but to fuel the future aftersales business on the installed base. Many manufacturers generate **40–50%** of their overall profits from services."

Deloitte.

Sources of Service Revenue



Aligning Service Revenue Offerings with Customer Preferences

Percentage of companies that have achieved each level of service.

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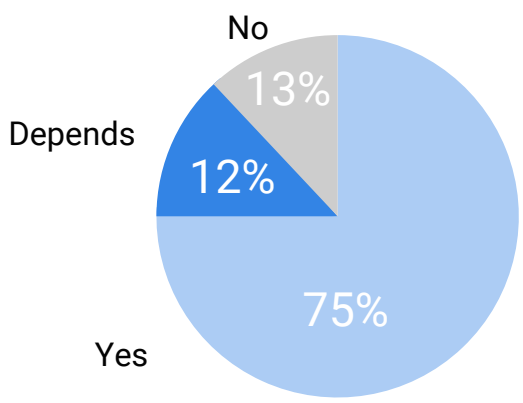
"The best way we're going to be able to grow services is by investing in technology that bridges the gaps between disparate systems, so that frontline workers are armed with intelligence when they arrive to customer sites. By being better informed, they feel more empowered to be able to solve a customer's problem."

Jay Byers
Director of Service Sales

Schneider Electric

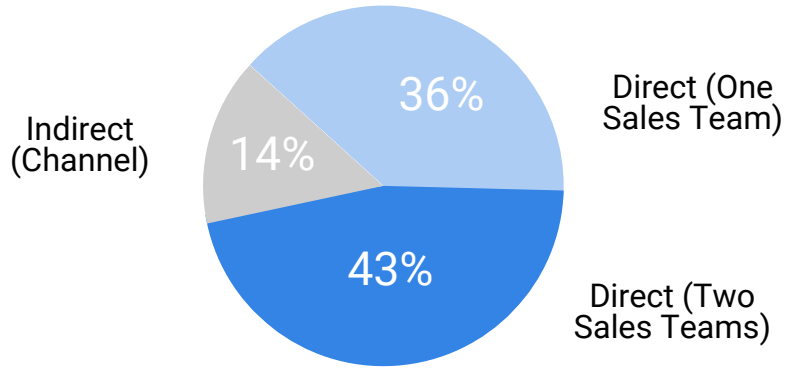
Are customers willing to pay a premium for proactive services?

Research shows that customers want to move to proactive service and are willing to pay more in order to get it.



How are services sold within organizations?

Whether organizations are selling directly or indirectly, all approaches are a pathway to revenue. The critical ingredient is that service is culturally recognized within the organization as a pathway to revenue.



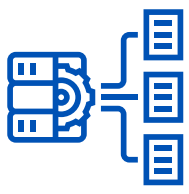
Forbes "Less than 36% of a sales representative's day is spent selling."

Impediments to Service Revenue Sales:

#1

Cultural Barrier (Service Not Represented with Initial Product Sale)

#2



Lack of Single Pane of Glass (Customer Database)

#3

Lack of Knowledge & Intelligence

#4

Administrative Tasks

#5

Time Spent Looking for Information (Customer Research)

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Strategic Action to Enable Service Revenue Sales:

#1 Alignment of Leadership (Transition from Cost to Profit Center)

#2 Consolidation of Customer Databases & Siloed Disparate Systems (360° View of the Customer)

#3 Establishment of Data Capture, Assimilation & Empowerment thru Business Intelligence

#4 Strategic Process Alignment & Automation

#5 Artificial Intelligence (AI)/ Knowledge Management (KM)

The top planned NEW investment for service leaders in 2023: Field Service Technology

The top 3 planned EXPANDED investments for service leaders in 2023:

#1 Business Intelligence

#2 Knowledge Management

#3 CRM

Service leaders' technology investments signal a movement and continued focus on building a central repository, creating a 360° view of the customer.

John Carroll
CEO & Founder

Analyst Take

"Organizations — especially product-centric OEMs — are more commonly recognizing the strategic impact of service and aligning both their culture and investments to prioritize and enable the commercial sale of services. Technology investment trends signal an increasing focus on customer databases and intelligence tools to maximize the time spent being effective in the role of sales. According to Service Council research, top performing organizations are achieving 76% attach rates of service contracts at the point of product purchase, while average performing organizations are achieving 39%.

We all agree 2023 is a tricky economic climate with geo-political and macro-economic uncertainty. 1 in 4 service leaders believe service margins will decline, and 3 in 4 expect service costs will increase. As a result, we see progressive service organizations re-packaging their commercial offerings to align with the future customer arounds areas such as predictive, proactive and even outcome-based services. To do so, it takes an intelligent approach to commercial sales, of which business intelligence and customer databases systems can be a critical enabler."