

As aftermarket organizations become a strategic function for manufacturers in this digital age, they must leverage technological maturity to connect functions across the team and the ecosystem with real-time insights to drive both customer benefit and new business growth opportunities.

Aftermarket 2.0: The Strategic Engine for Growth and Customer Success Through Servitization

January 2025

Written by: Aly Pinder, Research Vice President, Worldwide Aftermarket Services Strategies

Introduction: The Aftermarket Shift

Organizations across the globe are navigating an uncertain environment. Manufacturers and service organizations find themselves at the precipice of disruptive factors that have accelerated a shift in business. In the aftermarket, organizations must now deliver new value propositions and outcomes to customers. Historically, the measure of success in the aftermarket was the attainment of a service-level agreement or a work order. This baseline has enabled an environment of disjointed processes and silos of data across enterprises to persist: original design data, service requirements, maintenance history, design updates, "as-maintained" data, usage data, Internet of Things (IoT) data, and operational issues. This lack of connectivity between engineering and front-office teams such as sales and service has hindered the ability to fully leverage the aftermarket as a growth lever, a differentiator, and a profit center.

Despite this apparent lack of innovation or appetite for excellence, organizations in the aftermarket are entering a period of transformation. Manufacturers and service organizations see an opportunity to improve the outcomes they deliver and grow the service business. A shift in mindset and priorities is leading aftermarket businesses and service leaders to look to services strategically as a catalyst for growth. Instead of viewing service as a cost center, savvy organizations are recognizing its potential as a key differentiator and a source of new revenue streams from spare parts, upgrades, add-ons, software, and digital services. The previous challenges of a complex aftermarket sales and service network, which often include dealers, distributors, suppliers, and third parties, in addition to internal teams, have amplified the urgency to close the divide between siloed data and shared insights across the aftermarket business.

AT A GLANCE

WHAT'S IMPORTANT

The aftermarket business and operations play a critical role in the overall success of manufacturers and service organizations. The aftermarket has become a key driver of growth and profitability for manufacturers and service organizations that have been able to transform this operation. Part of this shift depends on manufacturers and service organizations connecting and orchestrating processes across functions such as engineering, sales, and service. A digital thread across historically disparate functions informed by real-time or near-real-time insights is the foundation necessary to enable cross-selling, upselling, and servitization within aftermarket businesses.

The Future of the Aftermarket Business

The service life cycle consists of multiple processes, resources both internal and external to the business, and data handoffs. For many organizations, the aftermarket remains an afterthought that leverages homegrown or legacy technology systems to attempt to react to service demand and customer issues. As technology advances rapidly, customers and service teams expect more than the old way of doing things, such as failed service visits, extended unplanned downtime, and high costs to serve. The future of the aftermarket will rely on data-driven insights gleaned from a digital thread that connects engineering data to sales and service teams. This seamless flow of information will enable the creation of a truly customer-centric service experience. The future of the aftermarket business will lead to the following:

- » Key performance indicators (KPIs) of success that evolve beyond operational efficiency to include customer outcomes and value delivery
- » Increased efficiency and productivity for both internal- and dealer-based aftermarket sales and service teams
- » AI becoming a foundational building block to predictive/prescriptive service delivery
- » Open ecosystems of partners enhancing service processes

In this digital age, successful aftermarket organizations have the technological maturity to connect functions across the team and the ecosystem with the real-time insights to make informed decisions for the benefit of the customer.

Aftermarket Business Concepts to Understand

Servitization means a product as a service. This includes selling usage, uptime, power by the hour, remote monitoring, and service analytics. This is a business transformation that often requires multiple steps along the way, including a focus on growth within the aftermarket.

Service life-cycle management is the closed-loop process of designing and planning for service and servicing a product throughout its lifetime. This includes service engineering, service planning, customer support, service requests, service execution and field service, spare parts management, change management, warranty management, and recalls. The service life cycle also includes aftermarket sales, such as sales of service offerings, service spare parts, extended warranties, upgrades, and add-ons.

Digital thread refers to a seamless, integrated flow of product-related data that connects all stages of a product's life cycle. This includes the end-to-end process from initial design and development to manufacturing, distribution, service, and end-of-life disposal.

Digital twins of service are virtual copies of products, assets, or service experiences with embedded process and business data/insights from supply chains, manufacturing, and services — also referred to as "as maintained."

The Internet of Things is a network of uniquely identifiable "things" that communicate without human interaction using IP connectivity along with the ability to remotely access the status data of an asset, a product, or a machine and trigger action. The IoT can also help create new service offerings, improve service operations, and provide data-driven insights on assets that could lead to new revenue streams through data-as-a-service offerings.

Value Delivered Across the Board

The shift to a servitization business model that incorporates the full end-to-end life cycle of a service can benefit a variety of stakeholders across the aftermarket. Historically, improvements in the aftermarket were often focused primarily on internal gains while having a limited or negative impact on customers, partners, and even other functions within the enterprise. One of the primary benefits related to managing the aftermarket business through a life-cycle model is increased revenue from new streams. By shifting service operations to become a catalyst for upselling and cross-selling opportunities, organizations can unlock significant revenue growth and increased profitability. Beyond consumables and standard service contracts, a service life-cycle approach enables innovation, leading to enhanced service offerings, including the ability to execute on a servitization model. The revenue from innovative and better aligned service offerings is a major benefit for the organization. Another benefit involves enhancing the customer journey by creating a robust and more personalized online experience, including ecommerce platforms for both end customers and dealers to simplify access to the information, products, and support. This shift in the aftermarket business can help boost innovation, reducing time to market, improving design, accelerating the feedback loop from sales and service to engineering and best practice sharing, and facilitating broader knowledge.

However, enhanced service offerings, which are better aligned with customer needs, also improve the customer experience, driving loyalty. Competition can be a challenge for aftermarket businesses, as they are no longer the sole source of resolution, with third parties now being able to deliver support if called upon.

To solidify relationships and differentiation, aftermarket businesses need to deliver exceptional experiences that are difficult to replicate by the competition. Organizations that incorporate a digital thread across the enterprise data — from engineering, quality, and design to the frontline teams, such as sales, service, and marketing — have insights that can lead to better informed decision-making. One example of this is an organization that enables sharing engineering data with the sales team to recommend potential product or equipment upgrades or cross-sell opportunities throughout the customer life cycle. Timely and data-informed decisions increase the likelihood that functions across the organization will make the right decisions and in the precise time needed to be successful. Teams that don't have access to all the necessary information can sometimes make decisions that lead to dissatisfied customers, frustrated employees, poor-quality offerings, and lost deals.

Considerations

This shift to revenue creation may seem simple — deliver value to customers through data-driven decision-making by the business. However, this is no simple endeavor. There are a number of aspects within a shift to a servitization business model that an organization needs to address to ensure success:

- » **Change management:** Adopting new processes and technology requires buy-in across the organization. Education on the value of new tools/processes and the benefit this evolution will have for the customer and employee experience is critical.
- » **Technology maturity across the service network (i.e., business units, dealers, partners):** Different stakeholders across the service life cycle will have varying degrees of technological capabilities/maturity.

- » **Risk aversion:** Certain industries with the aftermarket could lag behind peers because of either regulations/restrictions or the desire to avoid risk.
- » **Insufficient legacy technology:** Existing CRM and other enterprise applications, systems, and data may lack a strong connection with PLM engineering systems.
- » **Maximizing the value of technology platforms and applications:** When an organization makes technological decisions to solve short-term or myopic issues, the full impact opportunity is forsaken. Many enterprise tools now have the ability to aid multiple use cases and teams across the organization but only if the users are informed of the full potential of the technology.

Business Disruption Accelerates Servitization and New Business Models

Four major trends are having a monumental impact on the aftermarket, leading to the urgent nature of change:

- » **The AI pivot:** Over the recent past, organizations across industries have launched pilots and proof of concepts that dabble with AI and generative AI (GenAI). Though plentiful in volume, only a subset of instances have led to success. The aftermarket has created a new approach to identifying tangible use cases in which AI and GenAI have a near-term value proposition and pivoting to AI involves a strategy and an ecosystem. Summarization and productivity improvements are often a starting point for AI investments. But as this technology evolves, aftermarket organizations are beginning to explore additional advancements in autonomous action driven by AI agents that need limited or no human interaction.
- » **The shift to service as a profit center and revenue engine for the enterprise:** Organizations recognize that products and equipment can be commoditized, especially as competition catches up. However, the aftermarket can be a cog for differentiation and premium value. IDC research highlights that the top driver for aftermarket service business leaders — with regard to their organization's service life-cycle management efforts — is increasing service-related revenue through better sales alignment, sales enablement, and new service products (48.7%).
- » **Customer-centric focus and value creation:** Businesses are better understanding customer needs and moving toward more personalized and value-added services to improve the end-to-end service experience rather than just reacting with a series of disconnected interactions.
- » **Establishment of shared goal/outcome strategies across ecosystem partners:** This approach encourages and requires data sharing, IP/knowledge openness, and long-term partnerships as opposed to transactional relationships. Shared resources have the related impact of faster innovations, shared risk, and exponential value creation.

Conclusion

The promise of the digital shift in the aftermarket presents manufacturers with an opportunity to drive revenue growth, enhance customer loyalty, and achieve a new level of differentiation. As aftermarket organizations become a strategic function for manufacturers in this digital age, they must leverage technological maturity to connect functions from engineering to sales and service and the ecosystem with real-time insights to drive both customer benefit and new

business growth opportunities. The complex needs of disparate teams increase the urgency for organizations to connect everyone to the digital thread. Servitization models and sustaining the subsequent revenue growth opportunities require continuous advancement in technology and a commitment to customer centricity, which places value delivered above all else.

About the Analyst



Aly Pinder, Research Vice President, Worldwide Aftermarket Services Strategies

As research vice president, Worldwide Aftermarket Services Strategies, Aly Pinder leads IDC research and analysis of the service and customer support, which includes topics such as field service, warranty operations, service parts management, and how these service areas impact the overall customer experience. Mr. Pinder is also responsible for research that aids service organizations as they evaluate innovative technologies like 3D printing for service operations, augmented and virtual reality in field support, and the use of IoT and advanced analytics for remotely monitoring and managing assets.

MESSAGE FROM THE SPONSOR

To drive up service excellence, revenue growth and customer loyalty, many manufacturers are extending their product lifecycle management (PLM) software to include service lifecycle management (SLM) solutions. Comprehensive service lifecycle management, which connects product engineering to service operations, gives these companies visibility into and control over the customer experience, which in turn drives brand loyalty and the manufacturer's future growth. To gain even greater benefits, the next logical step is to join the capabilities of SLM with those of customer relationship management (CRM). Connecting knowledge about the product and the customer together in a single system enables a seamless and personalized user experience that promises to help achieve success and differentiate your business in the aftermarket. Learn more about the benefits of servitization and service lifecycle management at [Service Lifecycle Management \(SLM\) | Siemens Software](#).



The content in this paper was adapted from existing IDC research published on www.idc.com.

IDC Research, Inc.
140 Kendrick Street
Building B
Needham, MA 02494, USA
T 508.872.8200
F 508.935.4015
Twitter @IDC
blogs.idc.com
www.idc.com

This publication was produced by IDC Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2025 IDC. Reproduction without written permission is completely forbidden.