



W H I T E P A P E R

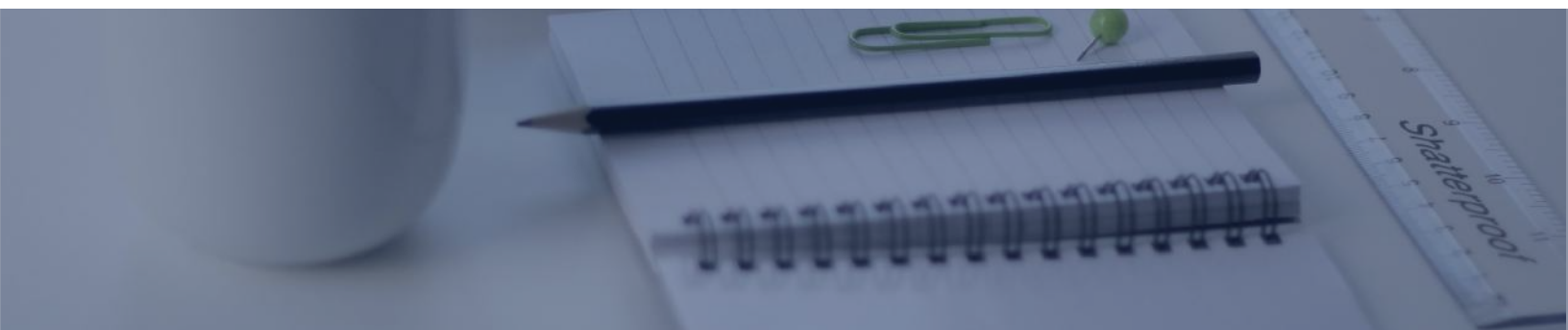


Installed Base Platforms

An emerging technology to maximize
the value of Installed Base Data

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Executive Summary

As Industrial OEMs and their channel partners make the transition from being product-oriented to service-oriented companies, we decided to survey some of the leading Aftermarket Service industry participants to understand how they are approaching this transition. We surveyed 93 participants across the globe over a period of three (3) months and gathered both qualitative and quantitative feedback.

One of the significant dependencies in the transition to becoming a service-oriented company stood out to be reliance on Installed base data to make informed decisions. The availability of reliable Installed base data makes gathering insights faster, cheaper & better, thus facilitating the ability of service market participants to identify and pursue opportunities that lead to profitable revenue growth.

However, we also learned that while Industrials have accrued customer data over decades, no significant efforts have been made to keep the data up to date, organized, and of good quality. The problem is compounded by the fact that about 67% of respondents indicated that their data resides in more than 3-4 systems at any point in time and is disjointed.

There is no clear ownership (or one throat to choke) when it comes to Installed base data in any organization. All these issues lead to a situation where thorough Installed base analysis has become an extremely time-consuming task for most companies.

Consequently, a large proportion of companies that we surveyed face limitations in their ability to use Installed base data and analysis to support their near-term growth initiatives. In many ways, these initiatives are then pursued based on gut feelings or 'it has worked in the past' rather than data. Our view is that this approach significantly hurts the organization's ability to achieve its strategic goals.

Most companies realize that the number, type, and quality of data-savvy resources required to drive informed decision-making based on Installed Base data are difficult, if not impossible, to obtain. Rather than simply make do with sub-optimal resources, we see a clear need among Industrial OEMs for a turnkey, purpose-built solution for their Installed base needs.

This whitepaper specifically highlights the trends & challenges that the Industrial space faces when dealing with Installed Base data & outlines an emerging technology being adopted widely by Industrials in the form of an Installed Base Platform to address those challenges.

Background:

Increasingly, OEMs and their channel partners and authorized service provider networks are turning toward the Aftermarket to generate profitable new sources of revenue. According to McKinsey & Company, operating margins from aftermarket service can be 2.5 times higher than margins on new product sales. Many OEMs can generate 40% -50% of their margins from services. Given these statistics, it's no surprise that almost 60% of Aftermarket Service leaders are focused on revenue growth or driving service as a profit center.

Despite the upside potential that the Aftermarket represents, many industrial OEMs face challenges in growing their service revenue and delivering a superior customer experience (CX). To meet customers' expectations, service leaders must have the resources available to manage actual service production/delivery (e.g., field engineers, spare parts, etc.) and the capability to serve. Installed Base data provides service leaders with the insight needed to manage these resources. For example, this data provides service organizations insight into customer requirements, utilization rates, costs, propensity-to-purchase, etc. This data helps service leaders research, analyze, plan, and forecast service requirements. It also provides the basis for identifying new service offerings and determining which customers are likely candidates to purchase these offerings.



Survey Demographics:

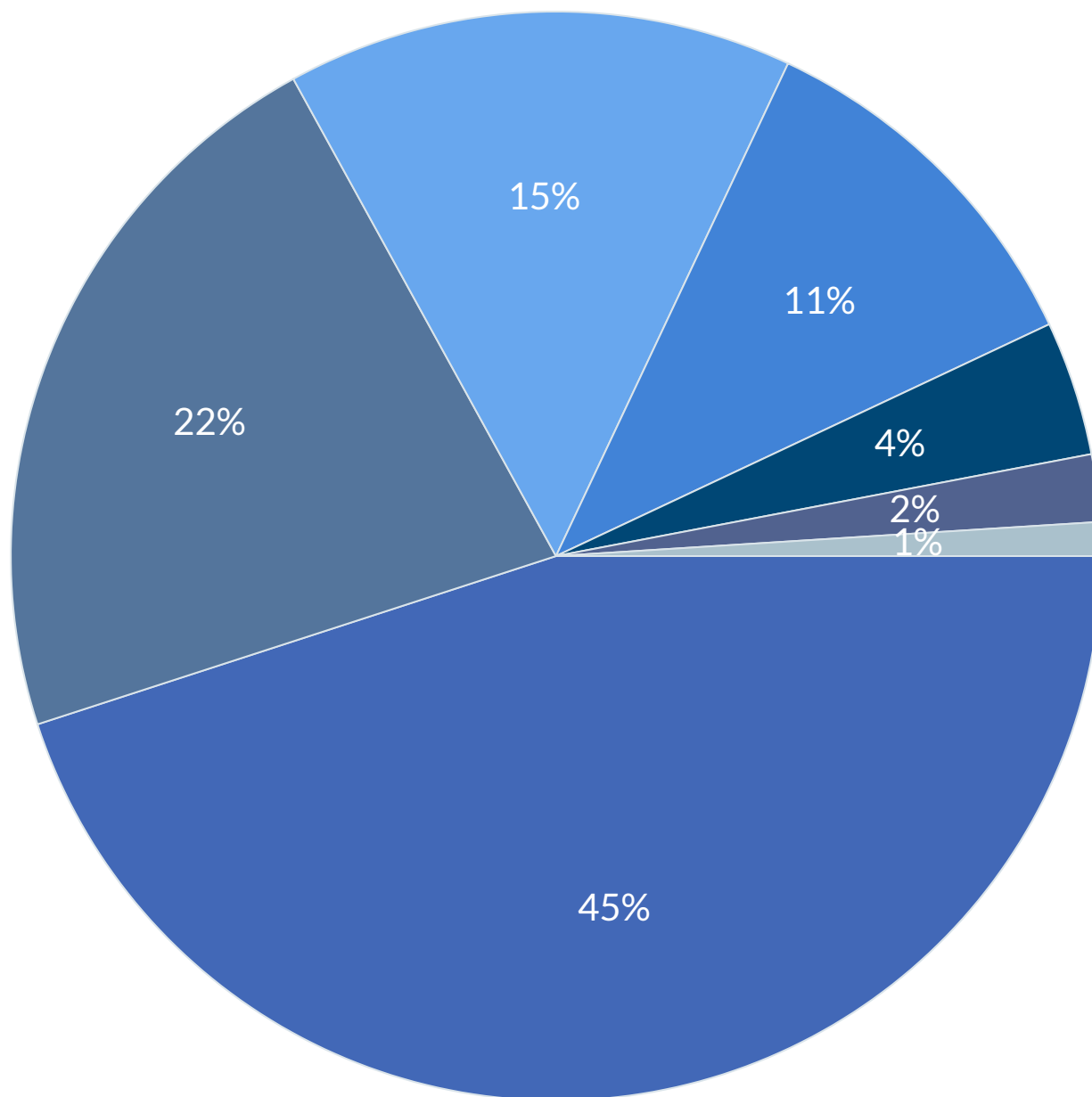
Given the importance of installed base data, we wanted to understand current business practices concerning how OEMs and their ecosystem partners obtain and utilize this type of information.

To accomplish this objective, we recently surveyed ninety-one (91) Aftermarket Service leaders to understand how they were using installed base data.

The respondents were representative of a broad array of businesses. Approximately two-thirds of companies (67%) are either OEMs (45%) or MSPs (22%). The other companies represented include Third-Party Maintenance (TPMs) providers, Contractors/Installers, and Utilities.

Approximately three-fourths of companies (75%) had between \$100 million and \$5 billion in revenue for 2021. While a majority of companies (62%) have 1,000 or more employees.

Figure 1: Which category best describes the nature of your organization?



- Original Equipment Manufacturer (OEM)
- Managed Service Provider (MSP)
- Third-Party Maintenance (TPM)/Independent Service Organization (ISO)
- Distributor/Reseller
- Other
- Utility
- Contractor/Installer



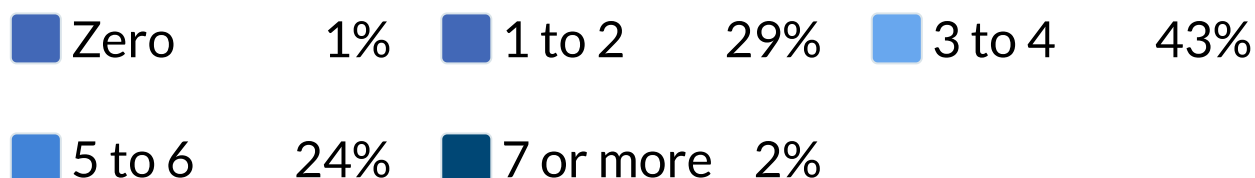
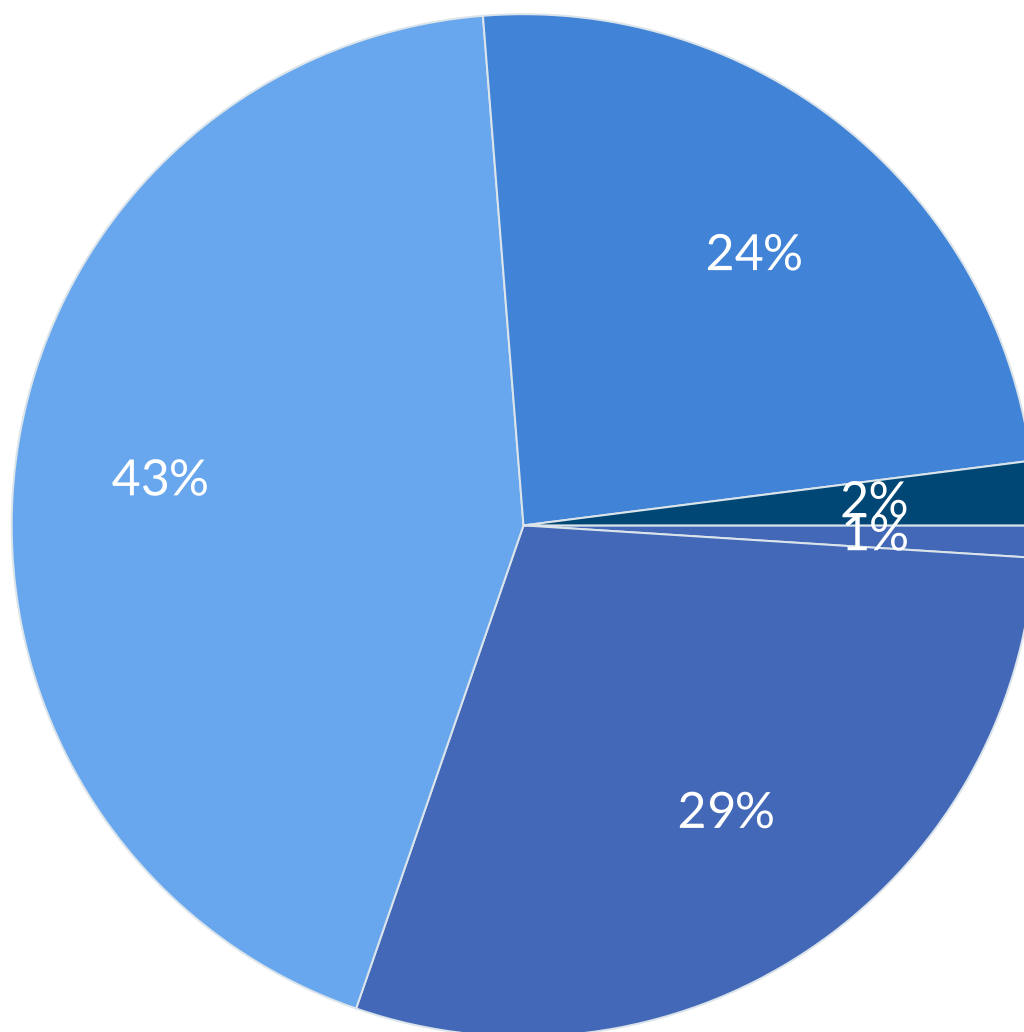
Our Findings

Installed Base Data is Key

Unfortunately, many companies face challenges obtaining Installed base (IB) data. At issue, the data is in disparate databases and enterprise systems. We found that most companies (96%) use 1 to 6 different systems or databases to obtain business analytics about the financial performance of their IB. Almost one-quarter of the organizations rely on as many as five or six different systems for data.



Figure 2: How many different systems or databases must your organization access to obtain business analytics about the financial performance of your Installed Base?



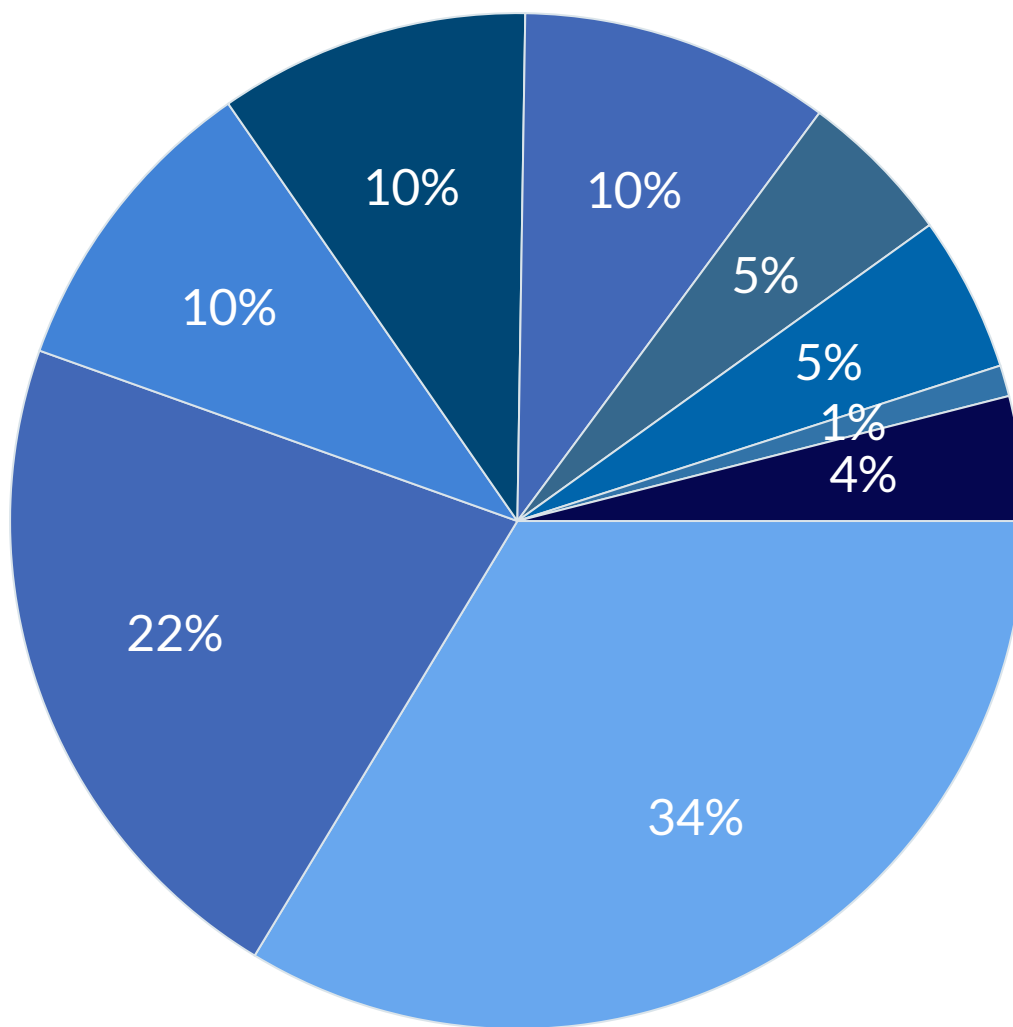
According to our survey, roughly three-fourths of companies (74%) use CRM software to obtain business analytics about the current and forecasted financial performance of their IB. Almost two-thirds (63%) obtain the data from Excel spreadsheets. At the same time, approximately half of the respondents surveyed indicate they obtain IB analytics from either their ERP (52%), Field Service Management System (51%), or general-purpose business analytics tools (48%).










This status quo is a result of several factors. First, many different functions are involved in analyzing IB data within an organization. These include Service, IT, Sales, Support, Marketing, and various others. Each function has its own unique and specific need for analyzing the data. Second, there is no dominant business function within organizations, industry-wide, that is ultimately responsible for maintaining and tracking IB data.

Approximately one-third of respondents surveyed indicate their IT department is responsible for maintaining and tracking this data, while 22% indicate that their Service division owns it. Marketing, Sales, and Support are the next most frequently mentioned (10% each), followed by Aftermarket (5%) and Finance (4%).

Only 1% of respondents indicate that the parts department maintains this data. This finding is surprising since parts sales are often the number one generating of Aftermarket Service Revenue.

Figure 3: Which function in your organization is ultimately responsible for maintaining and tracking Installed base data?



 IT	34%	 Service	22%	 Marketing	10%
 Sales	10%	 Support	10%	 Aftermarket	5%
 Finance	5%	 Parts	1%	 Other	4%

Installed Base Data Challenges

Given the broad array of systems and databases that contain IB data, it is not surprising that most companies face challenges when it comes to obtaining analytics.

While less than one-third (30%) of respondents indicate that it is somewhat difficult to obtain Installed Base analytics, an overwhelming majority (90%) indicate that the effort involved in producing critical IB analytics is either “Extremely,” “Very,” or “Somewhat” time-consuming.

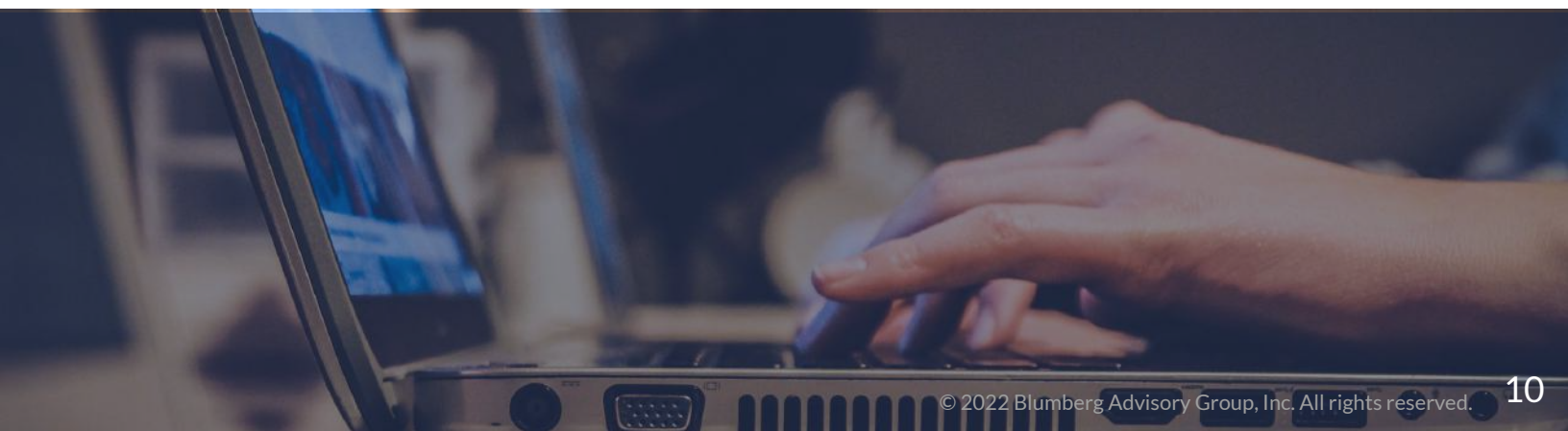
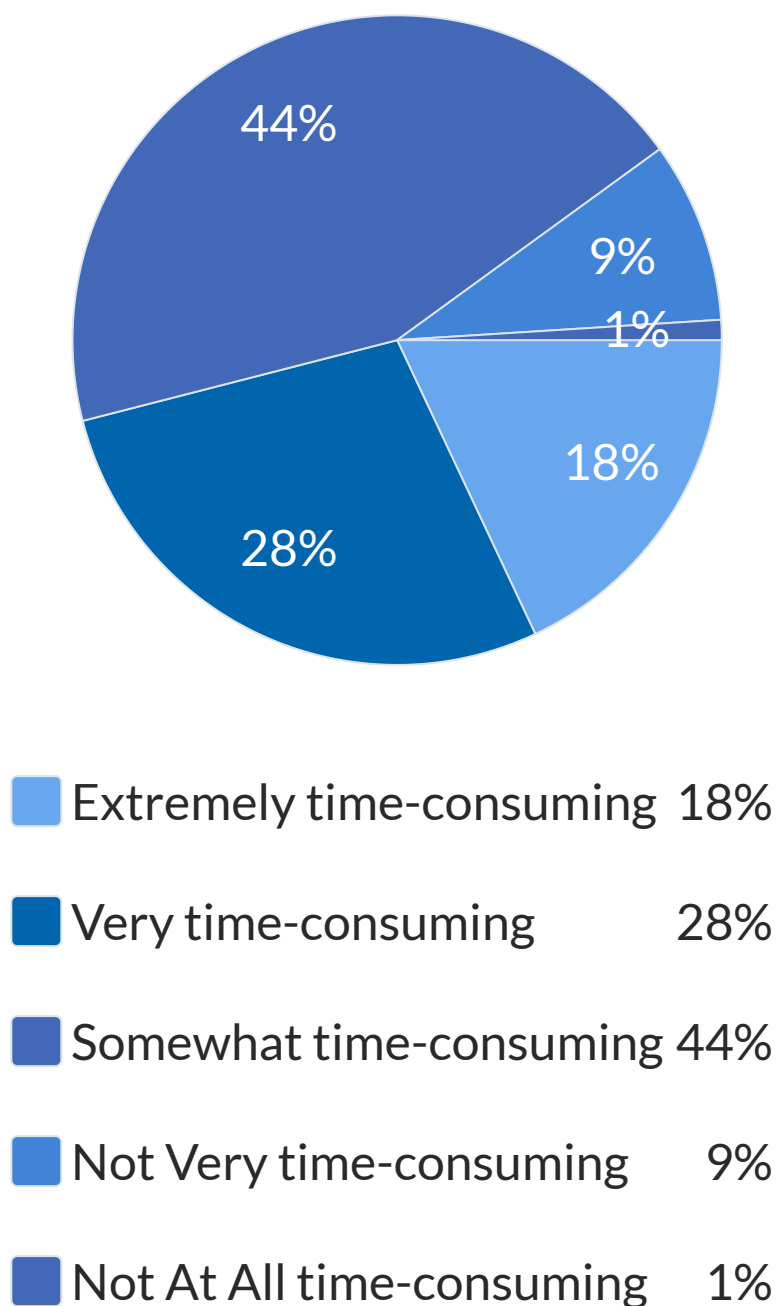


Figure 4: How much effort, in terms of time, is involved in producing the IB analytics critical to managing, planning, and forecasting your company's financial performance across all domains (e.g., sales, costs, profitability, etc.)?

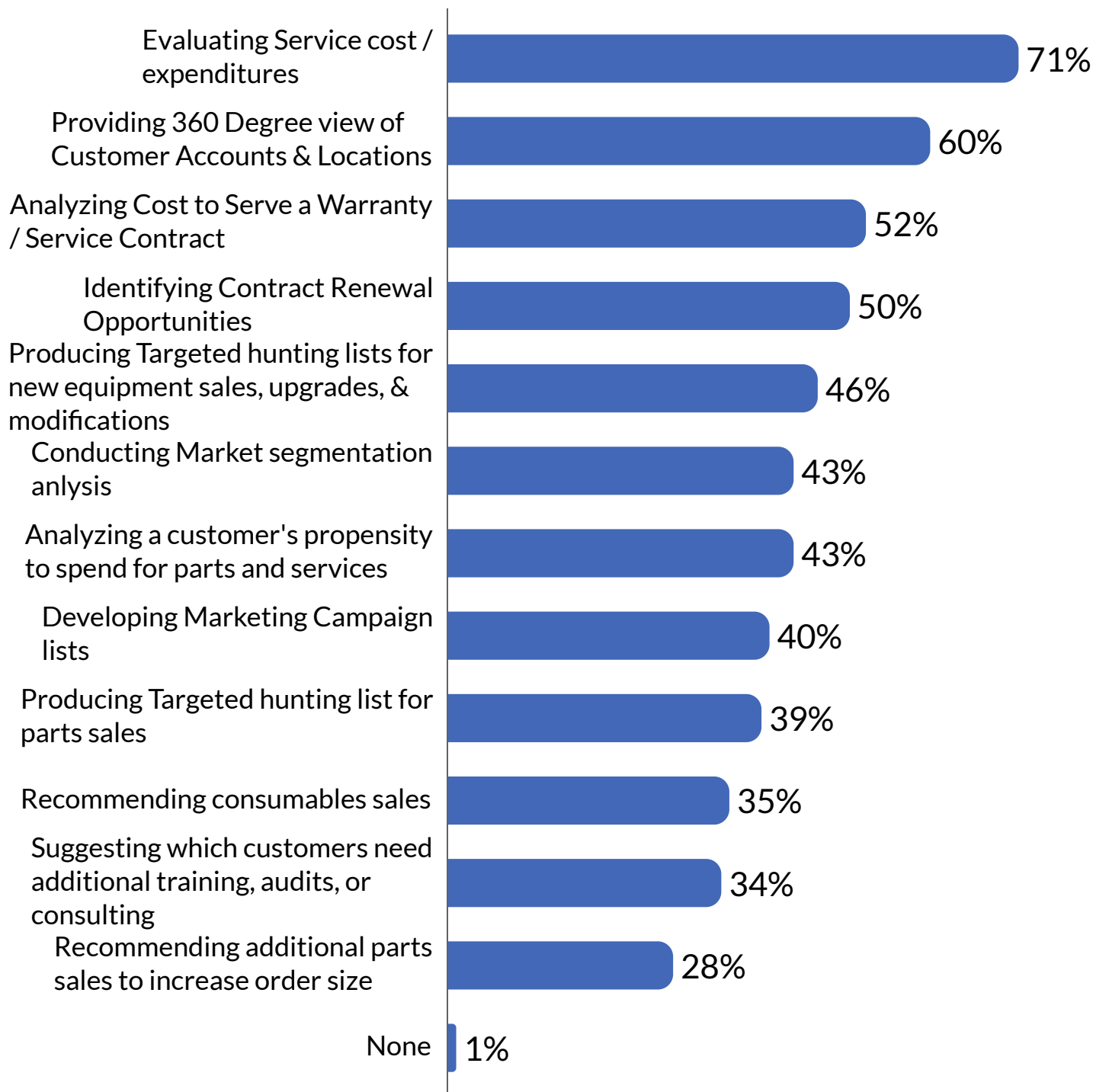


This time-consuming aspect of compiling Installed Base analytics distracts from obtaining the insight and intelligence required to monetize the install base, increase revenue, and improve customer experience (CX).

This finding may explain why most of the respondents surveyed support a limited number of use cases through the Installed Base analytics. Evaluating service cost/expenditures (71%) and Providing a 360^o view of customer accounts and locations (60%) are the top 2 IB analytics use cases that companies can support through their existing software applications.

Almost half of the respondents can analyze the cost of serving a contract or warranty (52%) and identify contract renewal opportunities (50%). However, other use cases are just as important to revenue growth. Yet less than half of the respondents utilize them, as identified in Figure 5 below.

Figure 5: Which of the following IB analytics use cases can your company support through existing software applications?



Service Goals & Objectives

Companies operating within the Aftermarket Service Industry have established various goals and objectives around revenue growth. The prioritization of these goals varies from company to company.

Approximately three-quarters (73%) of survey respondents indicate that improving service contract renewal rates is a high or high priority. Over two-thirds of respondents indicated that increasing parts sales (70%), improving service contract profitability (70%), improving profit margins on service contracts (70%), and increasing service contract attachment (68%) are very high or high priorities for their organizations.

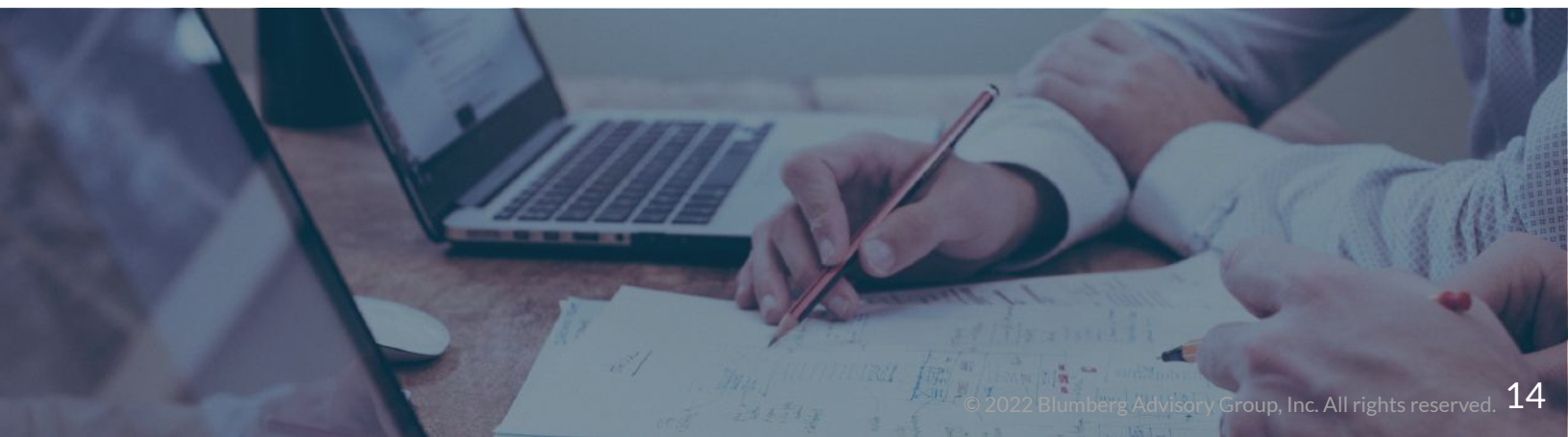
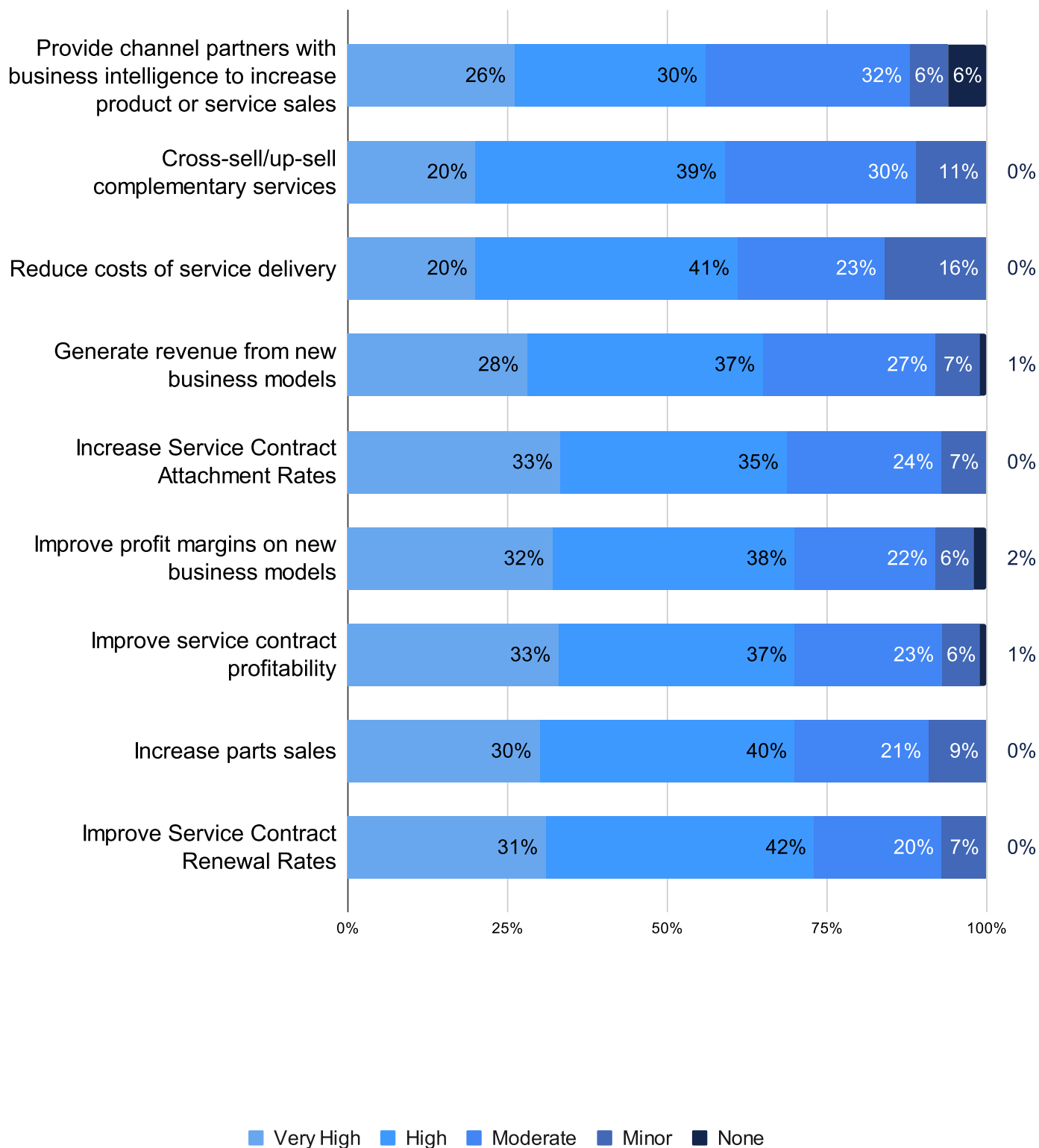


Figure 6: What level of priority is each of the following goals & objectives within your company?



Most companies are targeting significant growth in these areas. More than one-third of respondents target a 21% or greater improvement in these metrics over the next 12 months. Another one-third are targeting 11% to 20% growth. The remaining companies have targeted either no growth or 1% to 10%.

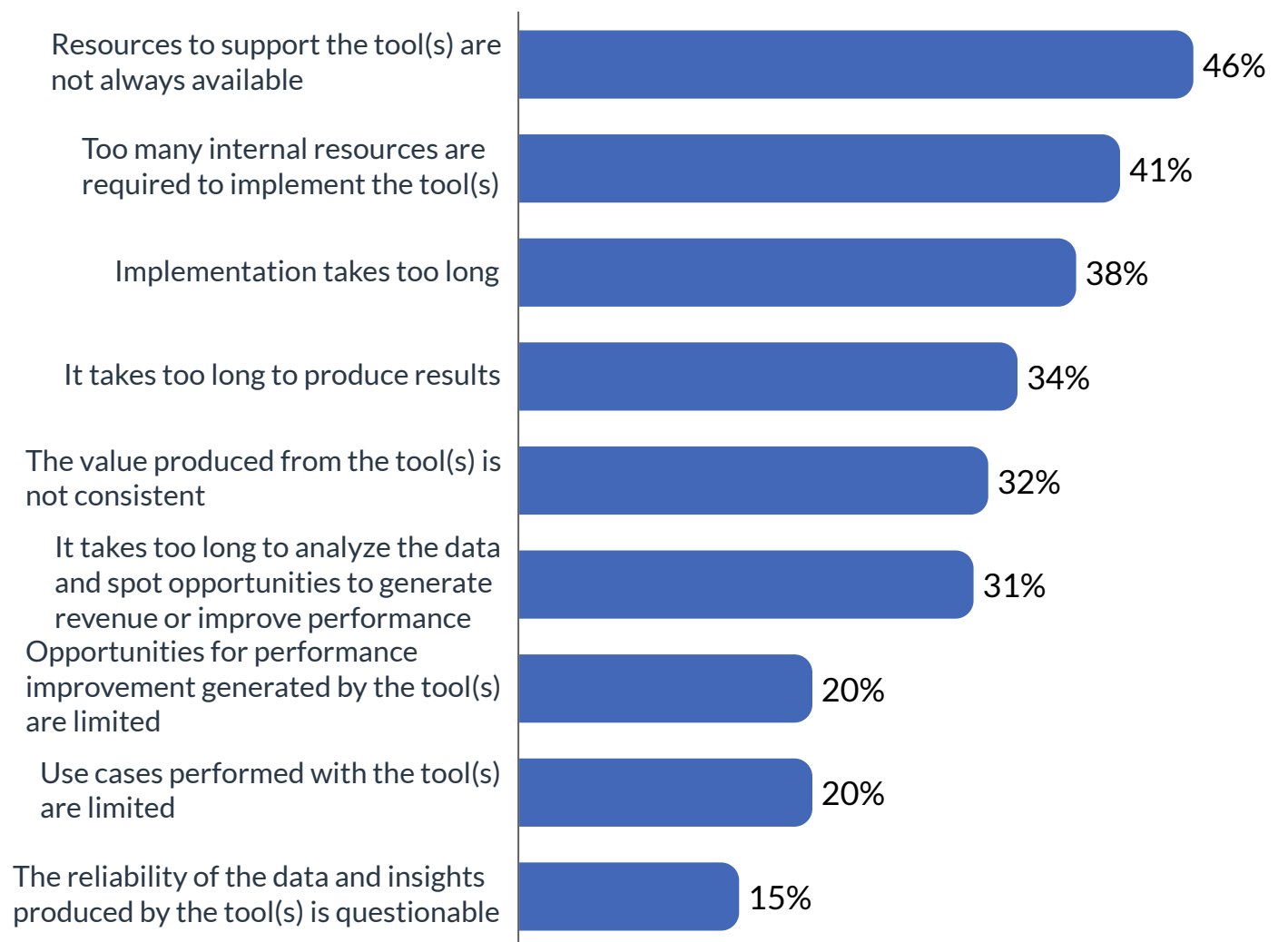
Limitations with Existing Systems

At issue, a large percentage of survey respondents indicate that limitations in their company's IB data and analytic tools impact their ability to achieve their strategic goals and objectives. Over half of the respondents surveyed indicate these limitations have a "very significant" or "significant" impact on their ability to increase service contract attachment rates.

Between 46% to 50% of respondents also indicate that limitations in their IB data and analytic tools also have a very significant or significant impact on the remaining goals and objectives identified above. These findings question whether or not companies can achieve their targeted level of improvements given these limitations.

Indeed, companies face many issues when obtaining business intelligence to achieve their strategic goals and objectives from their IB data and analytic tools. Availability of resources to support the tools (46%), the number of internal resources required to implement (41%), and length of time to implement (38%) are the most common issues that companies encounter with their IB data and analytics tools. Other issues encountered by approximately one-third of respondents include that it takes too long to look to produce results (34%), and the tool's value is inconsistent (32%). It takes too long to analyze the data and spot opportunities for improvement (31%).

Figure 7: Do you encounter any of the following issues with your IB data and analytics tool(s)?



These issues underscore the challenges that many aftermarket service organizations face attempting to rely on their existing systems and database to obtain the critical IB analytics needed to manage and grow their businesses. Shortcomings in the tools make it difficult and time-consuming to achieve results and limit the ability of service organizations to achieve their full potential. These issues become detractors to meeting growth goals and objectives for many organizations.

The value of an Installed Base Platform

An Installed Base Platform (IBP) is a purpose-built data and analytics solution that can help service organizations overcome the challenges listed above. The IBP achieves this result by providing a single and complete view of critical Installed Base data no matter which system of record contains the data.

In addition, an Installed Base Platform can be implemented relatively quickly and at a lower cost than general-purpose BI tools.

Most (70%) of the respondents indicated that it was either “Extremely” or “Very Important” that their organizations implement this type of solution.

The vast majority (87%) of respondents indicated they are likely to invest in an IBP within the next 12 months.

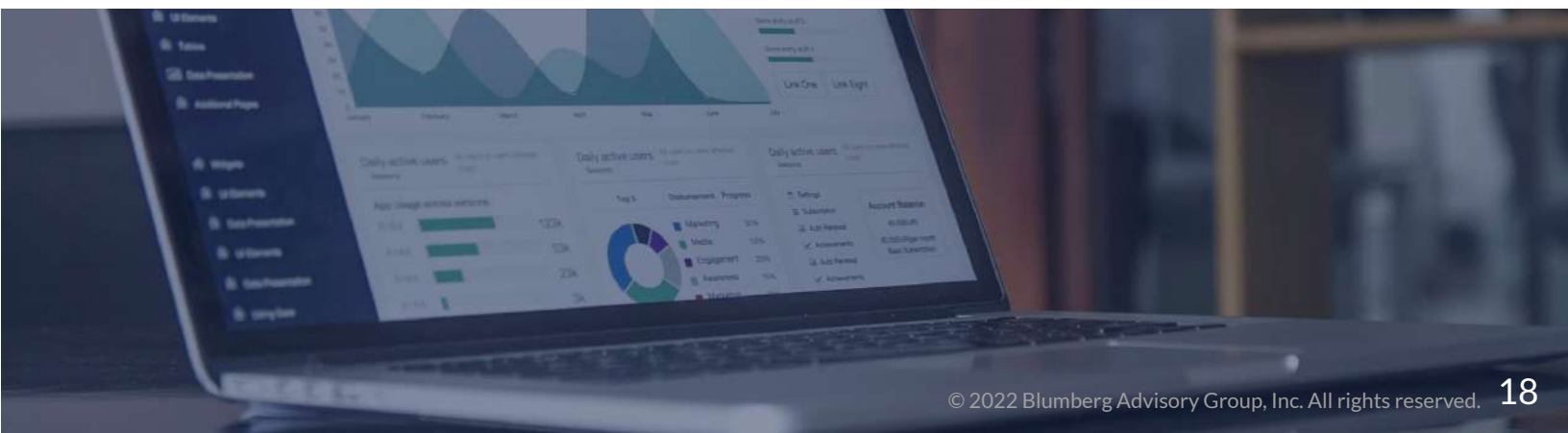
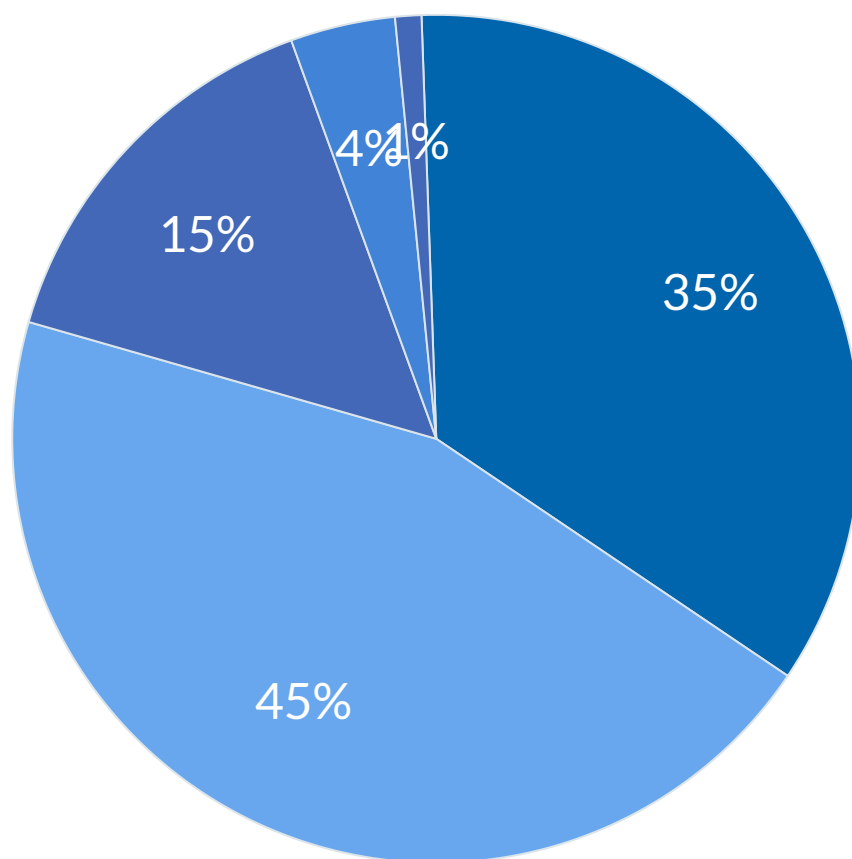


Figure 8: How important is it for your organization to implement a single Business Intelligence (BI) tool, such as an IBP, that can provide a complete view of critical analytics about your IB?



- Extremely Important 35%

 Very Important 45%
- Somewhat Important 15%

 Not Very Important 4%
- Not At All Important 1%

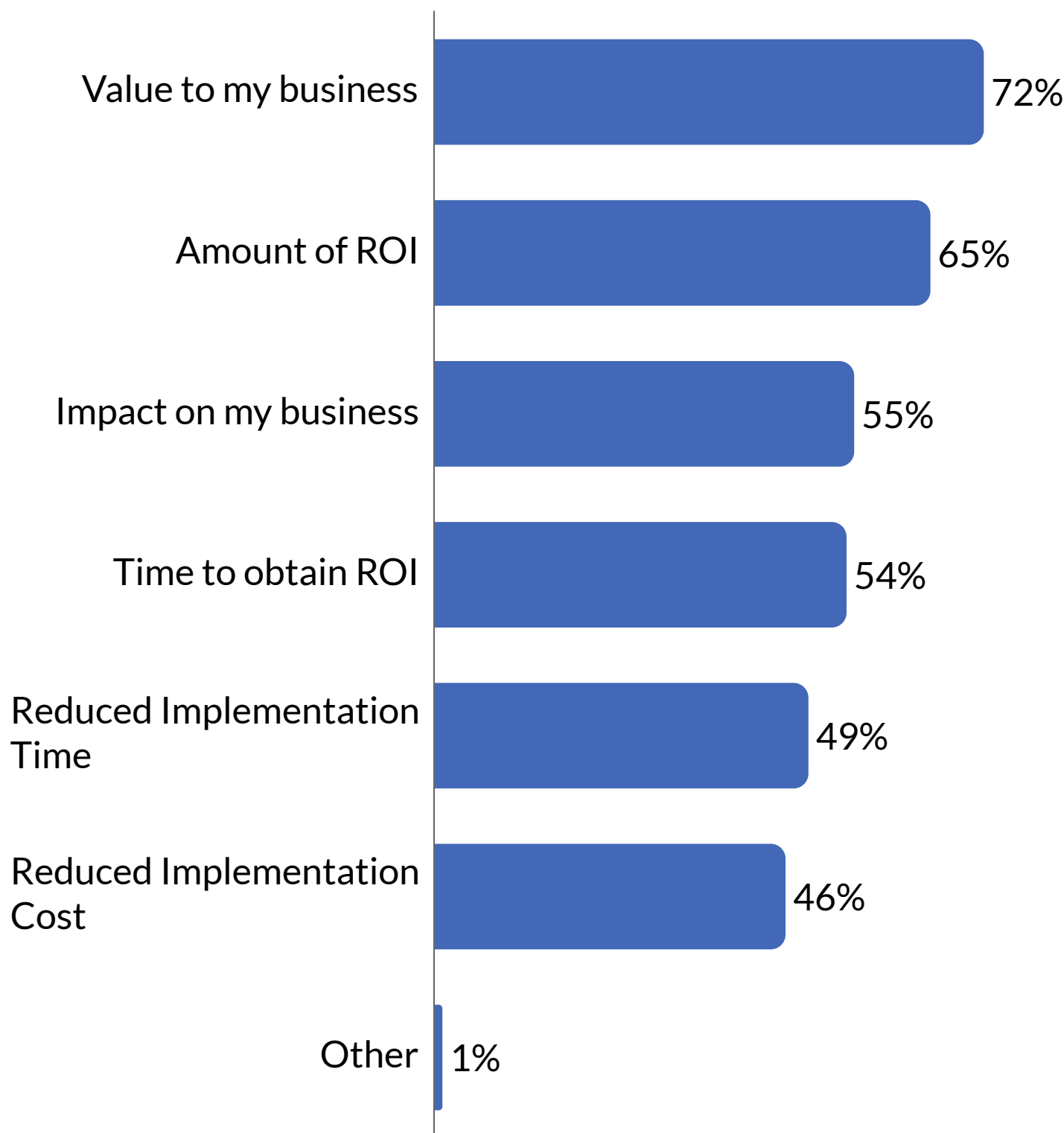
The top two factors that would motivate respondents to invest in an Installed Base Platform are its value to their business and possible ROI. 72% and 65% of respondents, respectively, identified these factors.

Half of the respondents are motivated by other factors, such as the impact Installed Base Platform can have on their business (55%) and the time to obtain an ROI (54%).

Reduced implementation time and costs achieved through an IBP deployment are important motivating factors for almost half of the respondents surveyed, 49% and 48%, respectively.



Figure 9: What factors will motivate this decision (to invest in an Installed Base Platform in the next 12 months)?



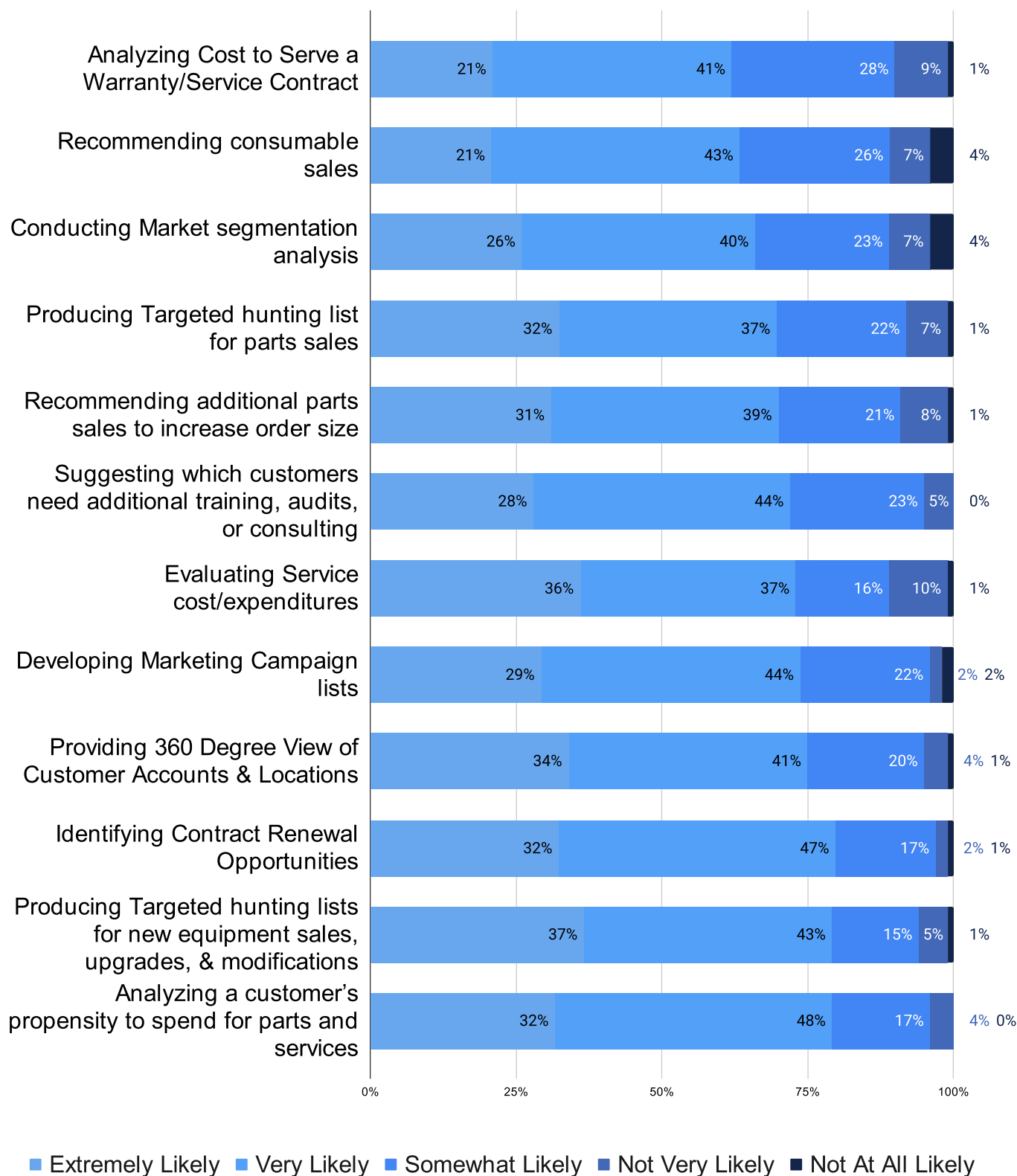
The robust nature of IBP applications makes it possible for service organizations to support many different use cases related to IB analytics. The top three use-cases that respondents are most likely to (i.e., “Extremely,” “Very”) implement include :

- 1) Analyzing a customer’s propensity to spend for parts and services,
- 2) Producing targeted hunting lists for new equipment sales/upgrades/modifications, and
- 3) Identifying contract renewal opportunities.

There are also a broad array of use cases that more than two-thirds of respondents at least “Extremely” or “Very Likely” to implement, as identified in figure 10 below.



Figure 10: How likely would you be to implement each of the following use cases with an IBP application?



Summary and Implications

Companies interested in leveraging the full potential within the Aftermarket should consider implementing an Installed Base Platform. This platform helps companies obtain richer intelligence and deeper insight into IB to increase revenue, boost profits, and deliver an exceptional customer experience.

Companies that have implemented Installed base platform have realized numerous benefits relatively quickly post-implementation.

First, they gain better visibility into IB data which empowers their sales and service personnel to deliver an exceptional customer experience and drive new revenue growth.

Second, the IBP platform enables companies to be more efficient and productive in generating BI reports and finding and closing new service revenue.

Third, an IBP can generate a high ROI. It is not uncommon for end-users of IBPs to achieve a payback within 3 to 4 months. From a monetary perspective, there are several instances of IBP that have achieved an ROI of 10 X or higher.

Given these findings, it is difficult to ignore the benefits of utilizing an Installed Base Platform, particularly for managing and selling into a large Install Base.

About Blumberg Advisory Group, Inc.

Blumberg Advisory Group, Inc. is a leading research and consulting firm in Field Service Industry and a pioneer in helping companies manage service as a strategic profit center. Blumberg is uniquely qualified to position its clients strategically to meet current challenges and new growth opportunities through their relationships and experience. Blumberg works to improve its clients' profits through strategic service, assisting in developing and implementing profitable business strategies based on the principle that service is managed best as a separate, strategic, and profitable business.

Learn more: www.blumbergadvisor.com

About Entytle

Entytle, Inc. provides an Installed Base Platform that assembles, cleanses, analyzes, and operationalizes Installed Base data so machinery manufacturers can make customer-facing workflows more efficient. The cloud-based platform includes purpose-built AI that provides a complete 360 view of the Installed Base, intelligent hunting lists, and the ability to orchestrate automation between various tools, systems, or processes. This enables smarter, faster workflows leading to increases in productivity, capacity and scalability. Industry leaders such as Johnson Controls, Baker Hughes, Peerless Pump, Dematic, Duravant, and many more trust Entytle to help drive efficiency and growth using their Installed Base. Learn more about how Entytle can help you win over your Installed Base and drive commercial productivity at www.entytle.com