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Service in Machinery & Equipment: The Underestimated Business

Why the aftermarket decides growth and resilience, why so few act on it, and what has recently changed.

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SUMMARY

The best business in the industry gets the least attention.

For asset-intensive machinery and equipment manufacturers, service carries more than a quarter of revenue and stays stable when new business collapses. Yet most still treat it as an appendage. The gap between this importance and actual action is measurable, and it can be closed today.

25%
share of service in total revenue (RB/KVD)

2–3×
lifecycle aftermarket revenue vs. new machine (BCG/McKinsey)

81%
of OEMs are increasing aftermarket investment (Syncron)

7%
of investment goes into service (RB/KVD)

Figures: Roland Berger / KVD 2026 · BCG · McKinsey · Syncron State of Aftermarket 2025.

01 **Service is the most stable earnings stream in machinery and equipment.**
More than 25% of revenue, and it holds when new business drops by 30%.

02 **Yet it is treated as an after-sales appendage.**
7% of investment, 3% of R&D, only 62% with a documented strategy.

03 **The technology is available and proven.**
The bottleneck today is a leadership decision, not a question of feasibility.

04 **AI helps close the digitalization gap.**
It opens up legacy data and captures expert knowledge. The backlog is a starting point.

05 **This is about growth and resilience at once.**
Predictable contract revenue in the upturn, counter-cyclical stability in the crisis.

PART I · THE VALUE

The most stable business a manufacturer has.

Every machine shipped generates service events over its lifetime, often for decades. In total, service in machinery and equipment accounts for more than 25 percent of revenue. That alone would be reason enough to take it seriously. Its full value shows only when new business weakens.

When product revenue drops by around 30 percent, service revenue falls by only 5 to 8 percent. In a world of interest-rate pressure, supply-chain risk and volatile demand, this is perhaps the most valuable property of the service business: it holds when other things break away, and it funds room to act through a downturn.

Growth comes on top of stability. Manufacturers with a proactive, contract-driven service model achieve on average 48 percent EBIT contribution from service, while reactively organized competitors reach only about 15 percent (Roland Berger / KVD 2026). This matches the bigger picture: over the lifecycle, the aftermarket generates two to three times the revenue of the new-machine business, at a markedly higher margin. McKinsey puts the aftermarket EBIT margin at around 25 percent versus about 10 percent for new equipment (BCG, McKinsey).

The difference lies in the business model. Whoever aligns maintenance and service contracts systematically with the installed base turns individual spare-part orders into predictable, recurring revenue.

Growth and resilience are not opposites here. In good years, service is a growth driver; in bad ones, a stability anchor. The installed base is therefore installed capital that sits at the customer, waiting to be used.

> *“A business that carries more than a quarter of revenue and stays counter-cyclically stable deserves more than 7 percent of the attention.”*

PART I · EVIDENCE

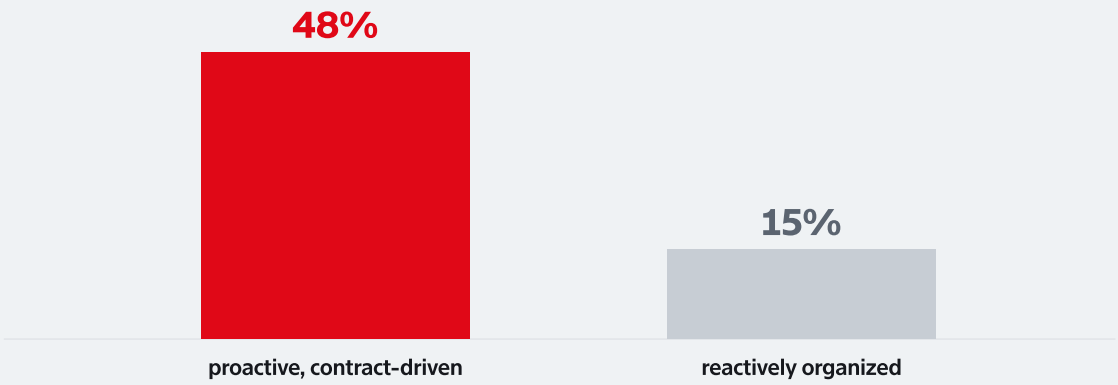
Two numbers make the point.

REVENUE DECLINE WHEN PRODUCT REVENUE DROPS BY AROUND 30%



Bar length relative to each decline. Service revenue barely moves when new business collapses. Source: Roland Berger / KVD 2026.

EBIT CONTRIBUTION FROM SERVICE BY OPERATING MODEL



Average EBIT contribution of the service business by operating model. Source: Roland Berger / KVD 2026. On the aftermarket margin, cf. McKinsey: around 25% versus 10% for new equipment.

PART II · THE GAP

Why so little happens all the same.

If the business is this good, why does the industry not act on it? The honest answer has little to do with technology. It is an old mindset: service is widely seen as an after-sales appendage, a duty after the sale. A business of its own, with its own strategy and budget, is rare.

This pattern shows in glaring gaps. Between the 84 percent who consider service important and the 62 percent who have written down a strategy lie 22 percentage points of pure intent. One in three companies explicitly recognizes the importance and still does not invest.

On technology, the market is earlier than the general AI hype suggests: 90 percent of manufacturers are not operationally AI-ready, and only 9 percent have largely automated their service.

Underneath lies a practical problem every service manager knows. No one reliably knows which machine runs where and in what condition. The installed base sits in Excel lists, scattered systems and the heads of individual technicians. As long as this blind spot exists, any service strategy stays a presentation and never becomes an operation.

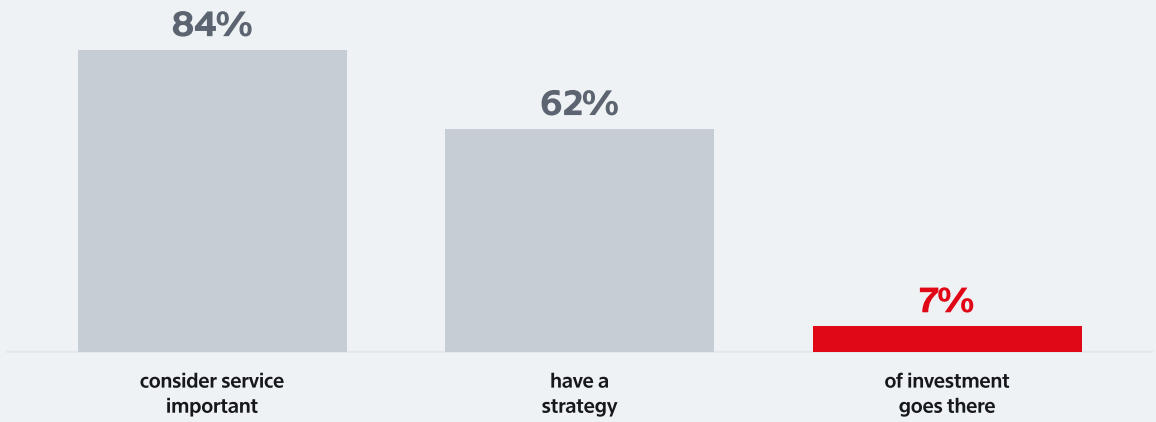
THE BLIND SPOT

Without a structured, current view of the installed base, every service strategy stands on sand. This is the first lever, and the cheapest.

PART II · EVIDENCE

From intent to investment, the curve drops steeply.

IMPORTANCE, STRATEGY, SPENDING COMPARED



The aspirational gap: importance is recognized, funds do not follow. Source: Roland Berger / KVD 2026.

9%

have largely automated their service

90%

are not yet operationally AI-ready, the field is open

Source: Roland Berger / KVD 2026.

PART III · THE TURNING POINT

What has changed.

Until a few years ago, this state was hard to change for good reason. The tools to structure scattered service data, connect systems end to end and derive reliable decisions from them were expensive, unfinished or both. That has changed. The building blocks are available today and proven in practice.

The evidence is clear on this point: resilience does not come from technology investment alone. It comes from a leadership decision to build service as a business, and from an operating model that carries that decision. The bottleneck is therefore no longer the availability of technology, but the willingness to use it strategically.

Artificial intelligence plays a different role than the headlines suggest. In service, where skilled staff are scarce everywhere, it acts as a capacity multiplier: it helps a lean team handle more machines and more requests on a sound basis. The skills shortage is the single biggest weakness in service, and experience walks out with every technician who retires, faster than it is documented. The demand is there: 93 percent of service buyers name AI capabilities as an important criterion (Gartner 2025).

THE OPPORTUNITY RARELY SPOKEN ABOUT

AI can be used before digitalization is complete and helps close the backlog itself: opening up legacy data, capturing the knowledge of experienced technicians, delivering answers from fragmented material. A data foundation remains necessary. But the 90 percent “not AI-ready” are not a verdict that rules out action. They are a starting point. You do not have to be fully digitalized to begin.

PART IV · THE MAP

Order in the technology noise.

Agents, copilot, RAG, IoT, field service, data cloud: the market throws the terms together. Behind them lies a simple order of four layers. Each builds on the one below, and each does something different.

FOUR LAYERS THAT BUILD ON EACH OTHER

Automate	Tech: agents, copilot to autopilot delivers: software-like scaling of defined work
Decide	Tech: knowledge search, diagnosis, decision layer delivers: sound decisions with source references
Connect	Tech: portals, IoT, ERP/CRM/FSM integration delivers: end-to-end processes without media breaks
Data foundation the foundation	Tech: structured installed base, machine file delivers: a reliable, current view of every asset

Four layers from bottom to top. Without the data foundation, no layer above it holds. Technology decisions follow this order.

PART IV · AI IN PERSPECTIVE

What AI in service can do, and what it cannot yet.

RELIABLE TODAY

- Open up knowledge from documentation and closed cases and answer it in context
- Evaluate telemetry and detect anomalies early
- Prepare and triage claims, RMA and diagnoses
- Answer standard requests in self-service and relieve the back office

STILL WITH CAUTION

- Decisions without traceability and source references
- Reliable results without a structured data basis
- Safety-critical approvals without human control
- Autonomous processes before the underlying layers are in place

WHAT TO LOOK FOR WHEN CHOOSING

Four criteria separate viable solutions from demos: **data sovereignty** (does it run on your infrastructure?), **traceability** (source references, confidence and audit trail in the sense of the EU AI Act), **integration** (does it fit into existing systems?) and **domain depth** (does it know the machine data model, i.e. asset, serial number and error code per series?).

PART V · THE PATH

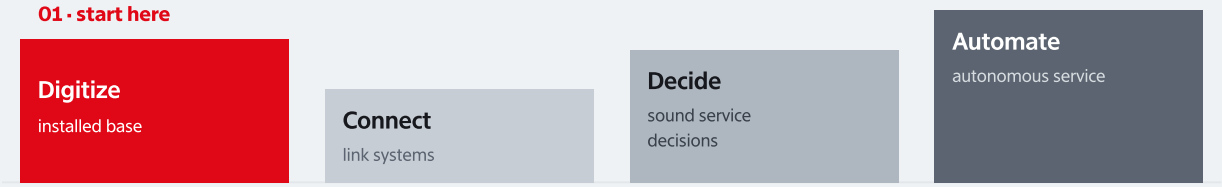
Where to begin.

The next step is a business decision. Whoever runs service as a business of its own gives it a documented strategy and a budget that matches its revenue contribution. This is the hardest and most important step, and it is a management task.

The first operational step is more modest and concrete: make the installed base visible. A series manufacturer with around 2,000 machines in the field gains control simply by having machines, components, contracts and service history come together in one place and linked. On that basis, processes can be connected, knowledge made usable and decisions secured.

The order matters here. Efficiency is the entry point, with fast, visible benefit: less search time, faster handling of claims, a relieved back office. The larger goal lies above it and is called growth and resilience. Whoever starts today catches up on the missed digitalization and uses it as a lever right away.

A PATH IN FOUR STAGES, WITH A RETURN AT EVERY STEP



Each stage builds on the previous one and delivers a return in itself. The cheapest start is the data foundation.

PART V · SELF-ASSESSMENT

Where do you stand? Five questions.

An honest self-assessment shows faster than any maturity model where the next lever lies. Answer the five questions for your company.

01 Do you reliably know which machines run where and in what condition?

02 Are maintenance and service contracts linked directly to the asset, and do contract gaps become visible?

03 Do portal, IoT and service processes run together without media breaks?

04 Are diagnosis and claim decisions traceable and source-based, or do they hang on individual people?

05 Is service a business of its own with strategy and budget, or an appendage of the new-machine business?

HOW TO READ IT

Mostly “no” in the first questions: begin with the data foundation. A mixed picture: connection and decision quality are your lever. Mostly “yes”: the next step is automation and scaling. In every case the order from Part V applies, and each stage delivers a return in itself.

PART V · ENTRY PATHS

Three entries, by pain point.

Not everyone starts in the same place. The best entry depends on the most pressing problem. All three lead onto the same path; only the first stage differs.

PATH A

Data foundation first

When: installed base unclear, contracts not on the asset.

First return: reliable view, visible contract gaps.

Then: connect processes.

PATH B

Self-service first

When: back office overloaded with standard requests.

First return: relief, faster customer response.

Then: deepen data and processes.

PATH C

Knowledge & decision first

When: skills shortage, experience walking out.

First return: faster diagnosis, secured knowledge.

Then: broaden the data basis.

Path C is the lowest-commitment entry: AI opens up existing knowledge before the installed base is fully structured. It delivers value early and funds the further steps.

PART V · COMMON TRAPS

Four traps that cost progress.

TRAP 01

Autonomy without a foundation

Agents promised, installed base in Excel. Result: expensive pilots that never reach production.

TRAP 02

Tool instead of strategy

Software bought, service model unchanged. Result: efficiency islands without growth.

TRAP 03

AI without a data basis

AI promises on poor data. Result: unusable answers and burned trust.

TRAP 04

All at once

Big bang instead of stages with a return. Result: overload, the project stalls.

THE COMMON ROOT

All four traps arise when the order is skipped. Whoever goes stage by stage and lets each stage deliver a return avoids them.

PART VI · THE BUSINESS CASE

Winning the service investment internally.

Because service is often seen as a cost center, the investment fails at home. Whoever wants budget argues in figures the leadership understands, and starts small enough to show results early.

METRIC	WHAT IT SHOWS
Contract coverage / penetration	Share of the installed base under contract: predictable, recurring revenue.
Parts attach rate	Spare-part revenue per active asset: aftermarket potential captured.
Renewal rate	Renewed versus expired contracts: customer retention and revenue security.
First-time-fix rate	Cases solved on the first visit: cost per visit and customer satisfaction.
Mean time to repair	Time to restoration: efficiency and machine availability at the customer.

THE CALCULATION THAT CONVINCES

The strongest lever is the imbalance itself: service carries more than **25 percent** of revenue but receives only **7 percent** of investment. Every contract gap made visible is addressable revenue; every halved handling time is capacity gained. Start with a path that shows a return early, measure it, and scale from there.

CONCLUSION

Waiting is the most expensive option.

The biggest risk is waiting. Competitors and specialized third parties attack the installed base with better data and faster processes. Whoever does not run service deliberately loses access to their own aftermarket over time.

The conditions for getting started have never been better. The business is there, the numbers are known, the technology is available and even helps close the backlog. What is missing is the decision to treat service the way its contribution to the company has long demanded.

> *“AI does not transform a service business. A service business decides to grow with AI, and begins with the data foundation it stands on.”*

THE CORE MESSAGE IN ONE SENTENCE

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ABOUT LOGICLINE

From the data foundation to a growth lever.

logicline helps manufacturers of machines, plants and equipment map their installed base in a structured way, digitize service processes end to end and ground service decisions with AI. More than 30 years of industry experience, stage by stage, with a concrete return at every step.

A FIRST STEP

Installed Base Assessment

A sober assessment of where you stand: how completely your installed base is captured and where the biggest lever lies.

OR LOW-THRESHOLD

Introductory call

Frame your situation and determine the most sensible next step. Get in touch.

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Contact: **logicline.de** · Sources: Roland Berger / KVD 2026 · McKinsey · BCG · Syncron State of Aftermarket 2025 · Gartner 2025.