

# While you are waiting for our webinar to begin, you might be interested in the downloads on the Attachment tab:



A copy of today's presentation and our Upcoming webinars



Information on how to dial in if you are unable to attend via VoIP

Have a question for our analyst? Click the Question tab. Q&A will be at the end of today's presentation.

If you have any difficulties, please email [gartnerwebinars@gartner.com](mailto:gartnerwebinars@gartner.com).

# Gartner at a Glance





# **The Gartner Scenario for IT Services Providers: The Digital Future of IT Services**

Eric Rocco,  
Managing Vice President

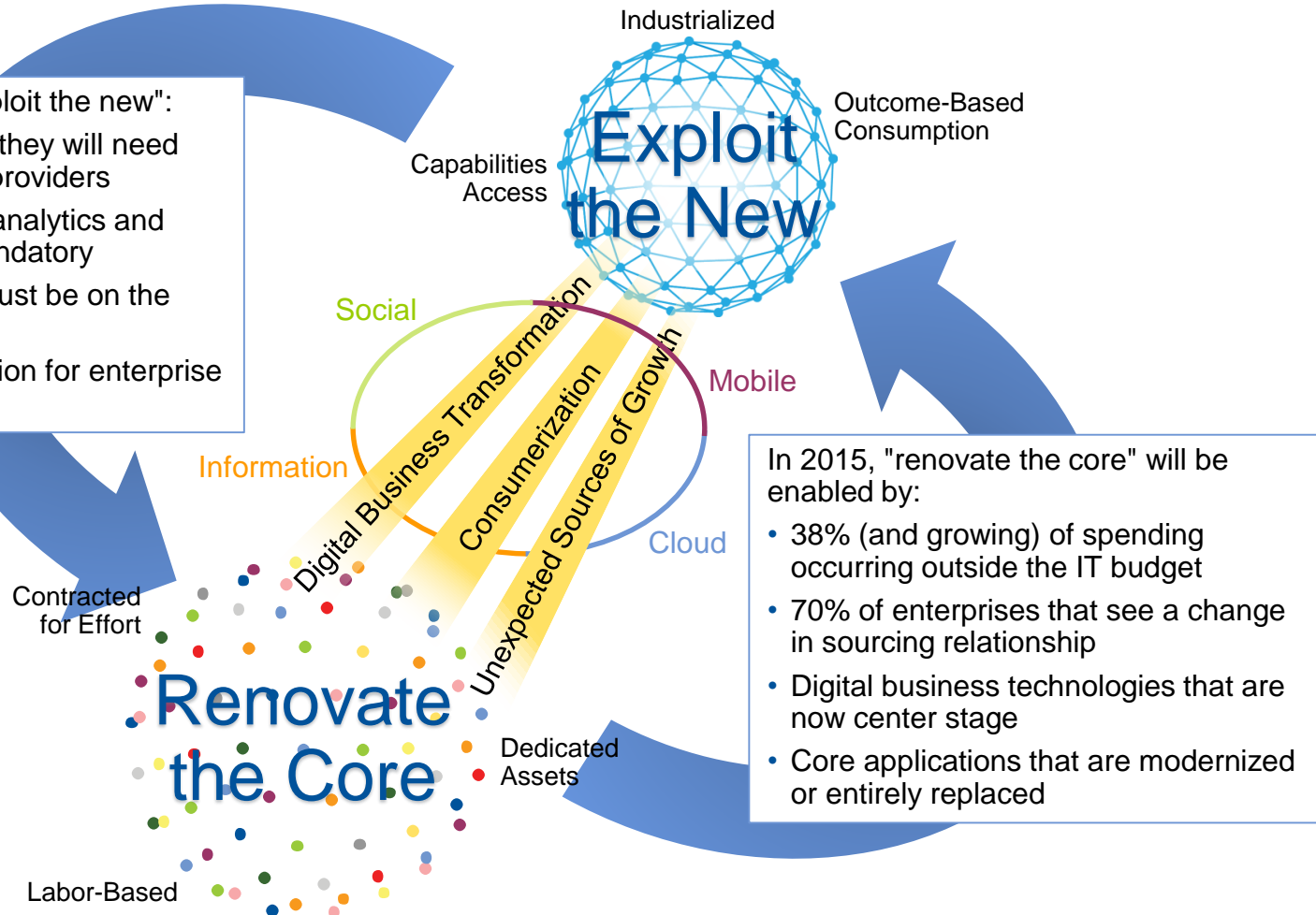
**Gartner**<sup>®</sup>

# The Ongoing 5 Plus-Year Market Transition Will Be "Turned on Its Head" in 2015

*What Was an Evolution, Is Becoming a Revolution  
Digital Business Has Moved to Center Stage*

In 2015, in order to "exploit the new":

- 46% of CIOs indicate they will need new types of service providers
- "Flipped" leadership, analytics and value will become mandatory
- Smart technologies must be on the horizon
- Bimodal will gain traction for enterprise strategies



In 2015, "renovate the core" will be enabled by:

- 38% (and growing) of spending occurring outside the IT budget
- 70% of enterprises that see a change in sourcing relationship
- Digital business technologies that are now center stage
- Core applications that are modernized or entirely replaced

# Key Issues Addressed in This Scenario

1. What are the key forces shaping the IT services market?
2. How are these forces manifesting in infrastructure, application and business process service markets?
3. How can IT services providers achieve sustainable and profitable growth?

# Key Issues Addressed in This Scenario

1. What are the key forces shaping the IT services market?
2. How are these forces manifesting in infrastructure, application and business process service markets?
3. How can IT services providers achieve sustainable and profitable growth?

# Prepare Now for a Vastly Different Future

## **NEW** Risks of Failure

Through 2017, 70% of service provider-led digital business transformation will fail due to lack of business model innovation that delivers quantifiable business outcomes.

## **NEW** Value Expected

By 2018, valuation and measurement for more than 25% of application services will shift to outcome-based structures.

## **NEW** Process Instability

By 2017, 70% of successful digital business models will rely on deliberately unstable processes designed to shift as customers' needs shift.

## **NEW** Talent Required

By 2018, agile and iterative development will require 30% of resources for application testing engagements to be on-site or onshore.

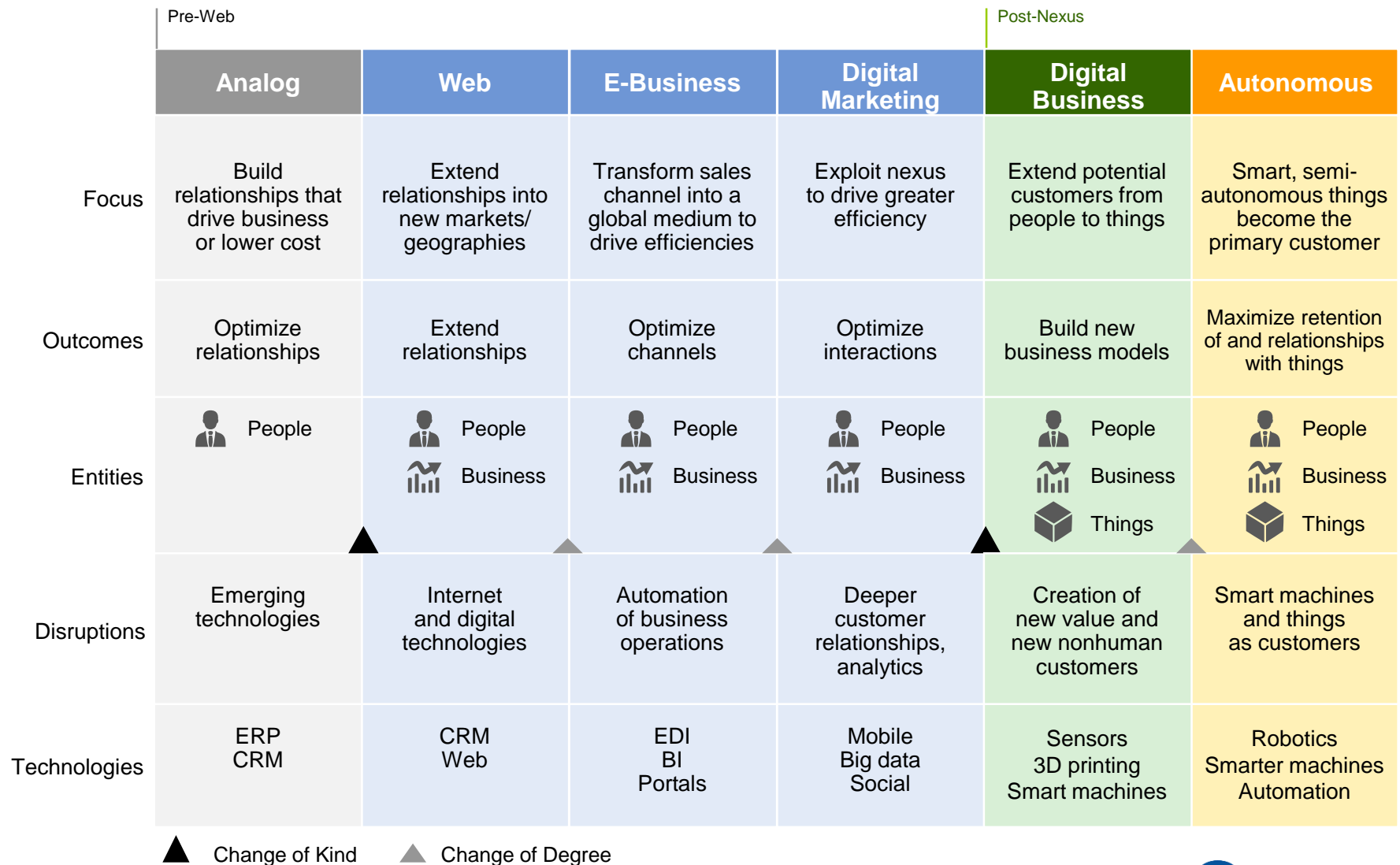
## **NEW** Spending

By 2018, 20% of new technology spending will be on fully integrated, platform-based solutions, offered with as-a-service pricing models.

## **NEW** Cost Structures

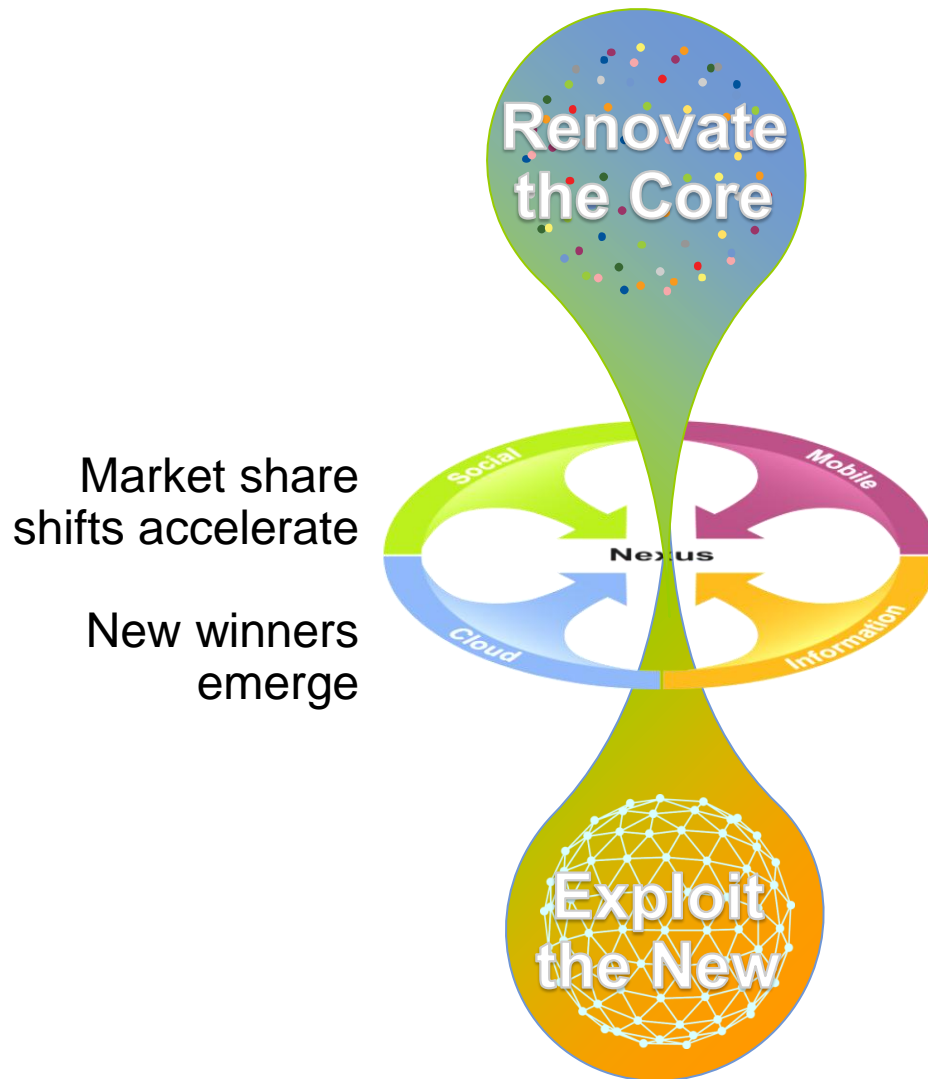
By 2018, the TCO for business operations will be reduced by 30% through smart machines and industrialized services.

# The Journey Onward — To Digital Business



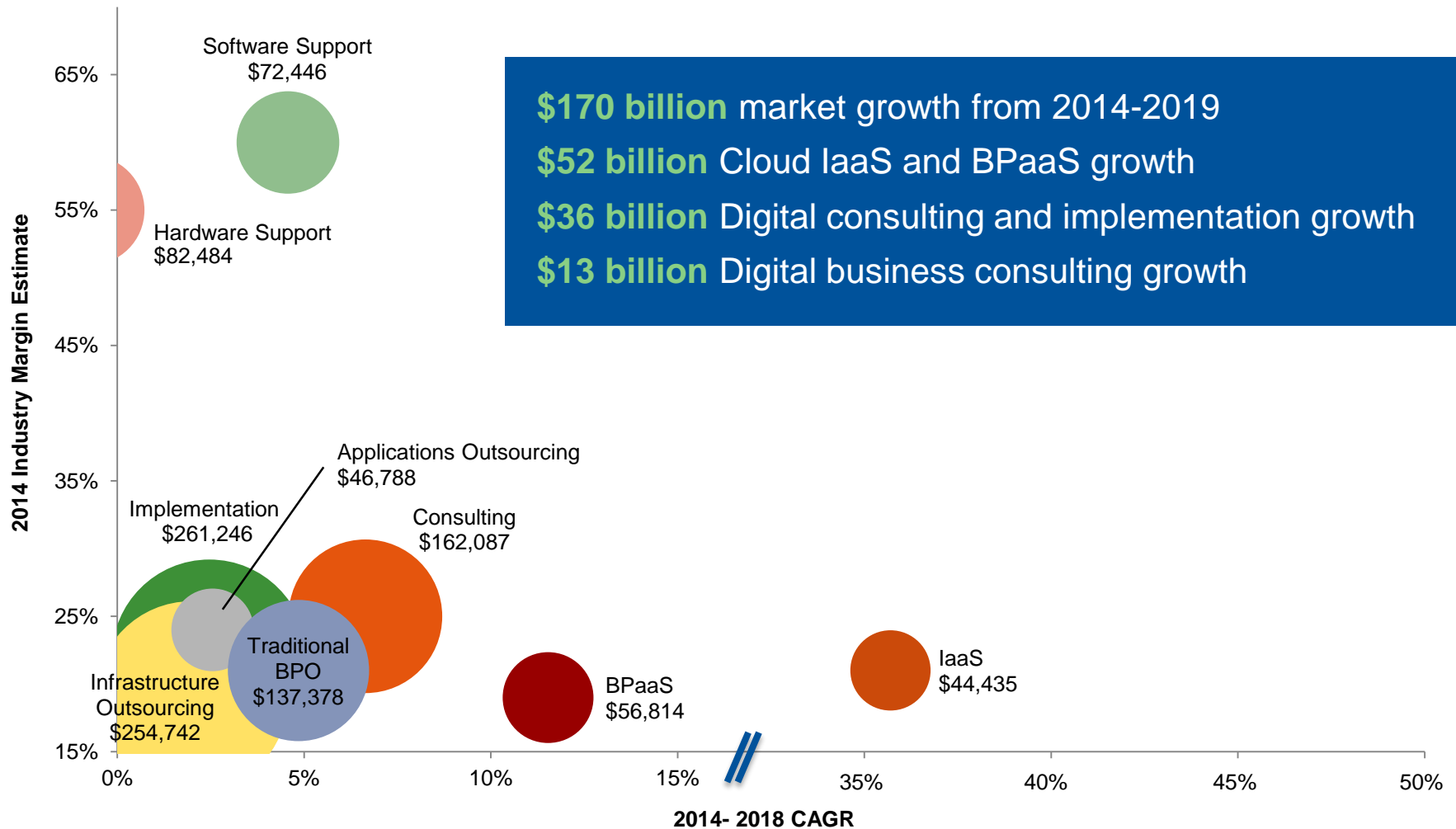


# "Exploiting the New" Will Drive Renovation Opportunities, Not the Way It Was in the Past



- Dominated by predictability, reliability and efficiency
  - Must respond to digital business innovation
  - Traditional service providers must modernize core IT
- 
- Dominated by speed, agility, creativity and innovation
  - Digital business initiatives open future growth areas
  - New service providers have window of opportunity

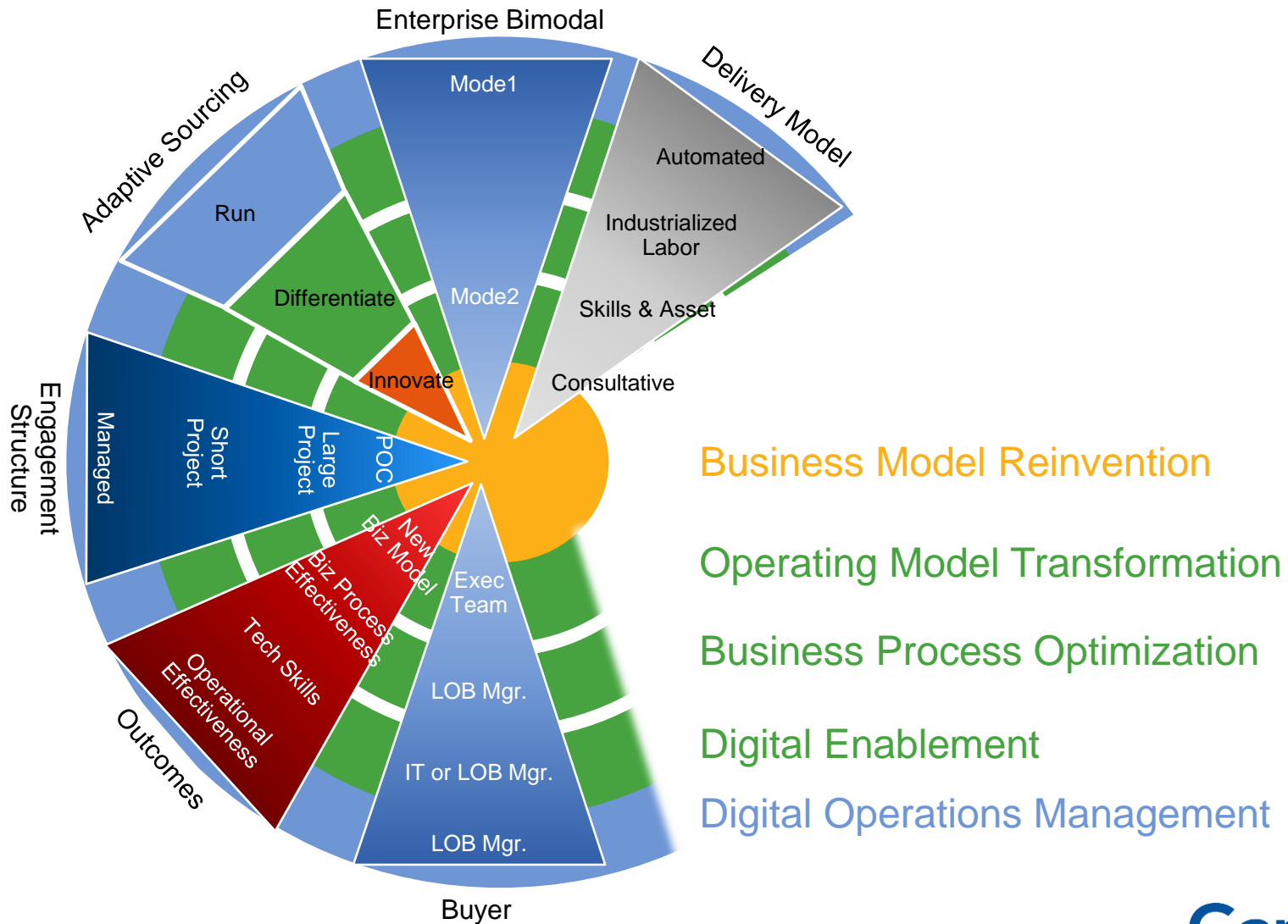
# Nearly 60% of IT Services Market Growth Will Be Directly Attributed to Digital Business Technologies



Note: Size of the bubble indicates size of the market.

# IT and Business Services Require New Orientation

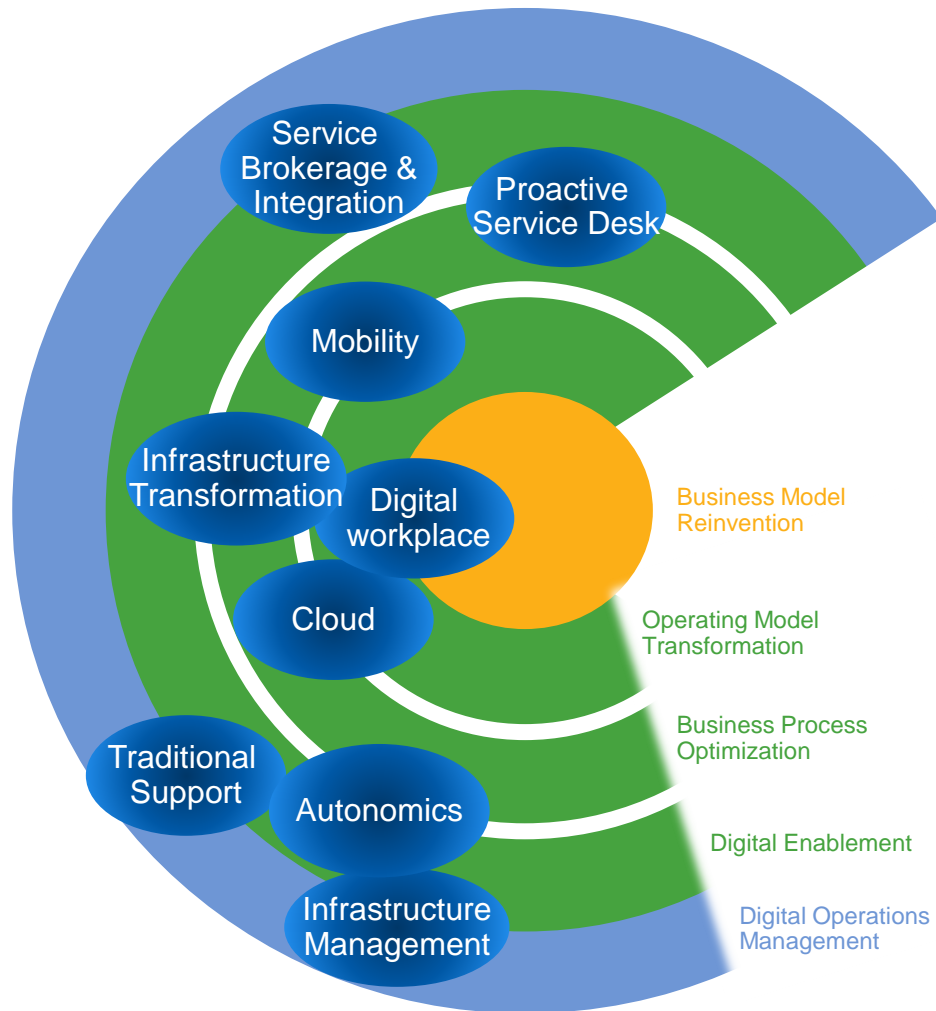
## Gartner Digital Business Service Framework



# Key Issues Addressed in This Scenario

1. What are the key forces shaping the IT services market?
2. How are these forces manifesting in infrastructure, application and business process service markets?
3. How can IT services providers achieve sustainable and profitable growth?

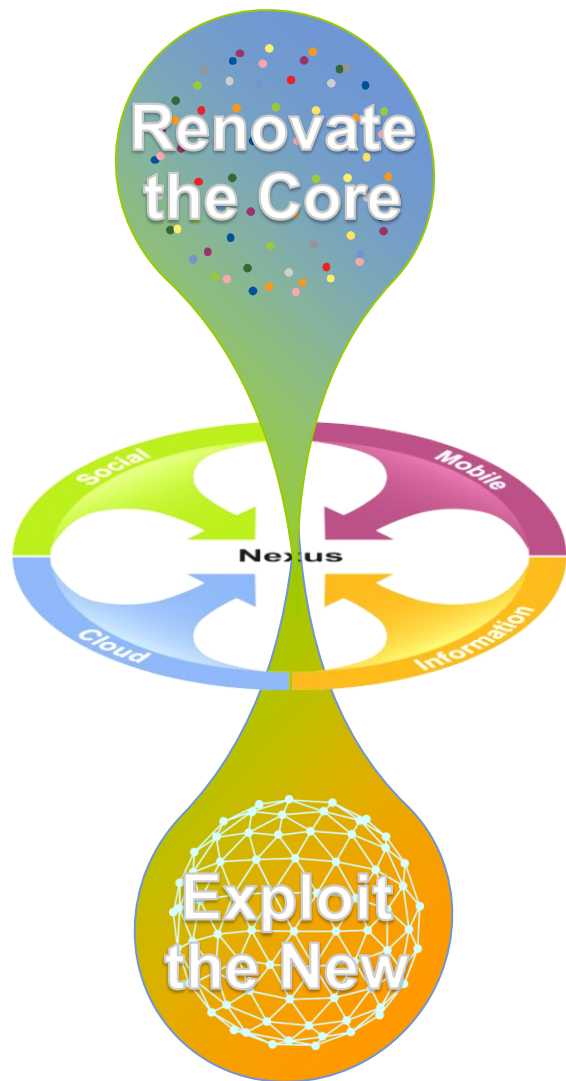
# Infrastructure Service Business Unit Leaders Must Enable Digital Business to Ensure Relevance



## Top Impacts

- Revenue decline of commodity services
- Commodity services require greater specialization and strengthened industrialization
- Shift from labor to technology arbitrage
- Infrastructure transformation to become a default for clients' expectation of providers
- Survival will require infrastructure services as foundation for integrated end-to-end IP-based solutions for being relevant to business

# Infrastructure Service Business Unit Leaders Must Accelerate Service Modernization



## Pre-digital service provider approaches:

- Fragmented service portfolios
- Customized service delivery, pricing and contracting
- Tactical partnerships
- "Farmer" we-can-do-anything sales
- Neglected marketing with no differentiation and limited vision

Infrastructure service business unit leaders face a risk of divestiture, overall displacement and market obsolescence

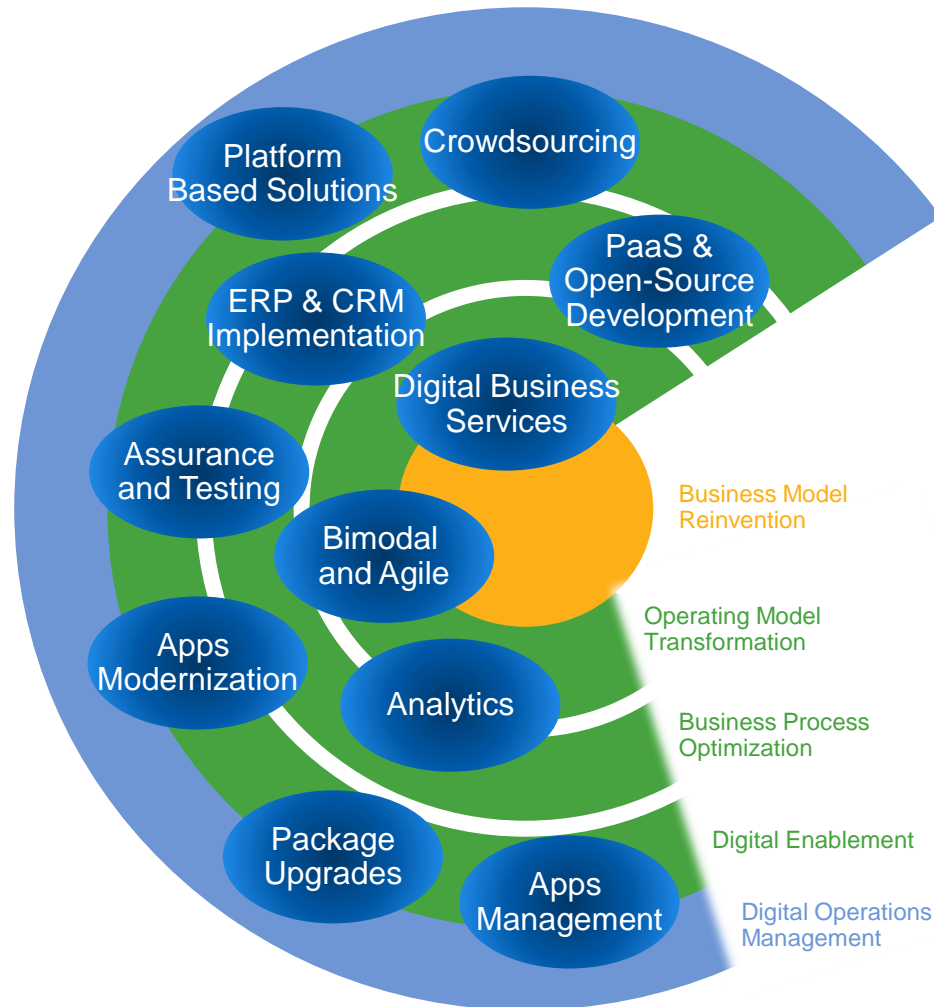
## New and heightened critical success factors:

- Industrialized service portfolios of standardized service components
- Mass customized and homogeneous service delivery
- Strategic ecosystem of relationships
- "Hunter" sales with a mission to leverage new solutions
- Value articulated transformation and optimization through aligning infrastructure services to bimodal and adaptive sourcing

# Recommendations for Infrastructure Service Providers

- ✓ **Strategic planners:** Scenario and contingency planning are key — be creative, compelling and competitive, but avoid circuitous analysis.
- ✓ **Business unit leaders:** Direct sales executives to make the "switch" from "farmer" to "hunter" — seeking opportunity to drive the new portfolio. Kill any traditional service whose performance is unsustainable, regardless of the size of the installed base.
- ✓ **Marketing leaders:** Invest, build and showcase the business value clients achieve through your services. Intensify your brand beyond IT.
- ✓ **Portfolio managers:** Choose the outcome and craft the portfolio according to the specific results clients desire — optimize the run or support innovation and transformation.
- ✓ **Service delivery managers:** Exploit full capabilities to drive client results. Break (internal) barriers, establish (external) alliances and leverage all existing IP (vertical, technology and process) by any means necessary!

# Application Service Business Unit Leaders Must Enable Digital Business to Ensure Relevance

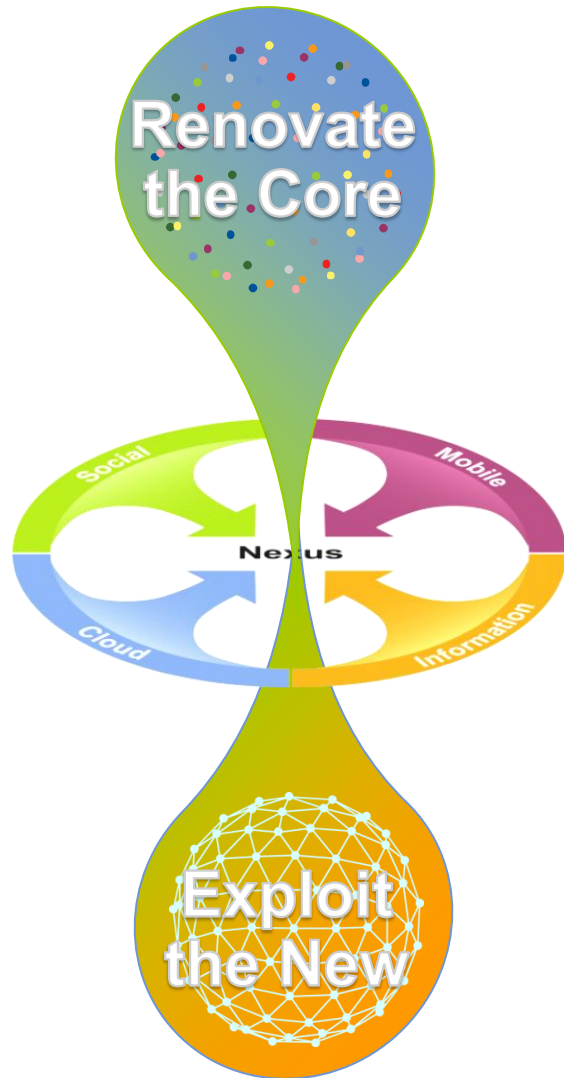


## Top Impacts

- Business buyers driving interest and spending for digital business change and enablement
- IT buyers continuing to need traditional services for commercial package, custom development, and application management
- Digital business technology, modernization, testing and architecture services integrating both old and new
- Leveraging and integrating both old and new will differentiate



# Application Service Business Unit Leaders Must Build Emerging Technology Practices and Refocus Traditional Services



## Pre-digital service provider approaches:

- IT buyers with traditional delivery
- Broad portfolio of services for customized services
- "Farmer" sales to upsell and cross-sell to accounts
- Technical skill and capabilities-based — *can-do-anything* sales
- Custom, ERP package and remote services
- Lack of business vision, "risk-, cost- and business-agnostic"

Application service business unit leaders will often require "dual citizenship" service portfolios to effectively compete.

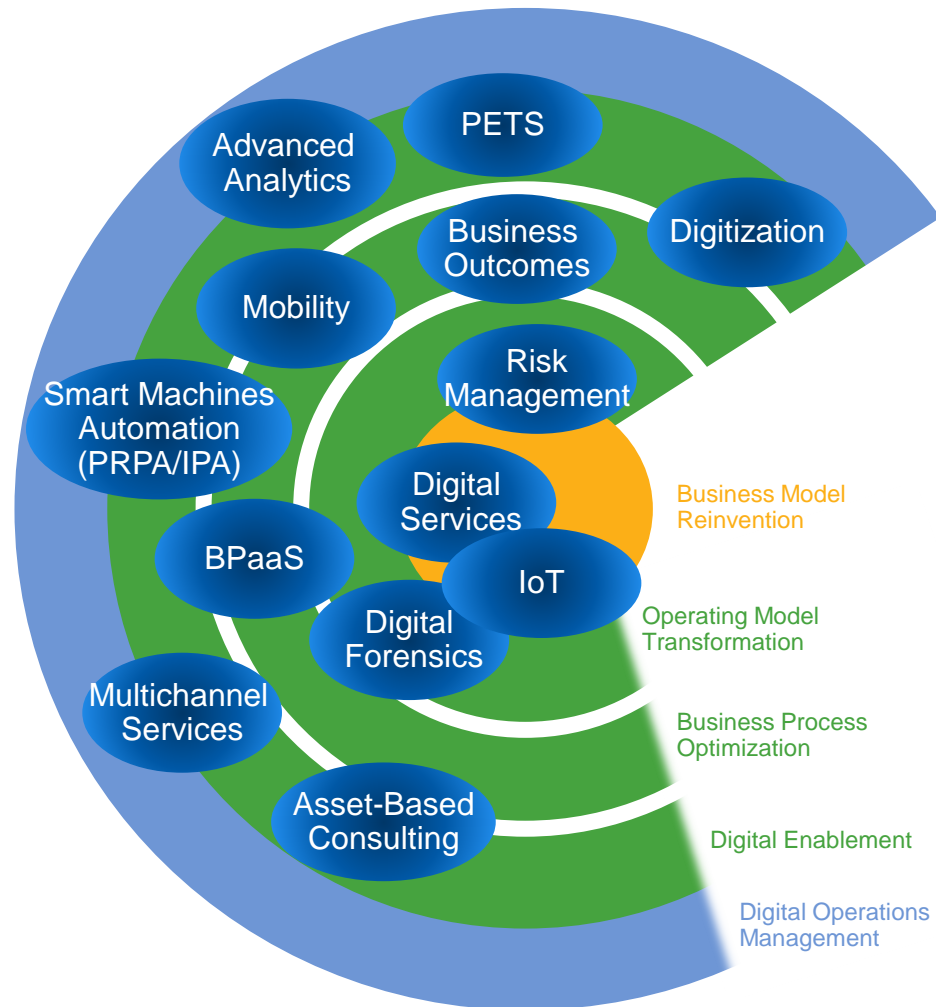
## New and heightened critical success factors:

- Business is buyer-centric with business value propositions
- Narrow portfolio of services for adaptable services
- "Hunter" sales with a mission to leverage new solutions
- Broad range of skills with assets specific to business buyer
- Specialists in specific industries, services or processes

# Recommendations for Application Service Providers

- ✓ **Strategic planners and practice managers:** Expand services in markets of high growth such as SaaS, modernization, digital marketing and testing that offer the highest new revenue growth.
- ✓ **Business unit leaders and sales leaders:** Develop the ability to sell to business buyers through industry/process-specific consulting and solutions and value propositions that focus on specific business outcomes.
- ✓ **Marketing managers and sales leaders:** Focus on selected industries and services to penetrate new accounts, opt for messages that feature specific business challenges, and your unique assets and capabilities to address these challenges.
- ✓ **Practice managers:** Standardize and industrialize operations with tools, automation and templates to improve profitability. These also reduce labor dependence and enable new delivery models with onshore and agile features.
- ✓ **Practice managers:** Embrace the complexities of digital business, then assemble the competencies to support clients' business initiatives as well as bring proactive business improvement suggestions to business buyers.

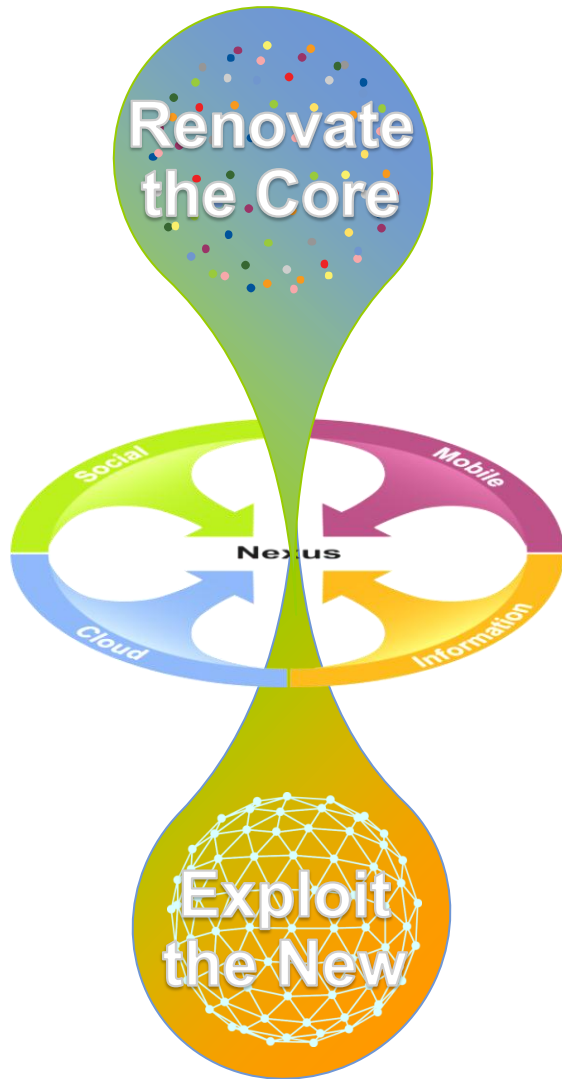
# Business Process Service Business Unit Leaders Must Design and Enable Digital Business Innovation



## Top Impacts

- Digital business and IoT increase demand for consulting services
- Smart machines (automation) and advanced analytics deliver greater cost optimization and reduce dependence on humans
- Mobile and cloud-based platform services (BPaaS) accelerate, especially in emerging markets
- Focus on growth and customer experience remain top of mind among CxOs
- Need to demonstrate business value remains relevant to clients

# Business Process Service Business Unit Leaders Must Differentiate the Customer Experience



## Successful approaches of pre-digital service providers:

- Fragmented BPO market, but a concentrated consulting market
- Customized service delivery with limited scale and asset reuse
- Focus on traditional business functions and processes
- Limited differentiation coupled with expectations vs. experience gaps
- Input-based pricing with overdependence on labor

BPS business unit leaders must drive transformational enablement and innovation, or risk becoming obsolete

## New and heightened critical success factors:

- Highly scalable industrialized service portfolios
- High leverage of platforms in service delivery including automation (smart machines)
- Value-based selling and business outcome-based pricing
- Service differentiation through transformation and innovation

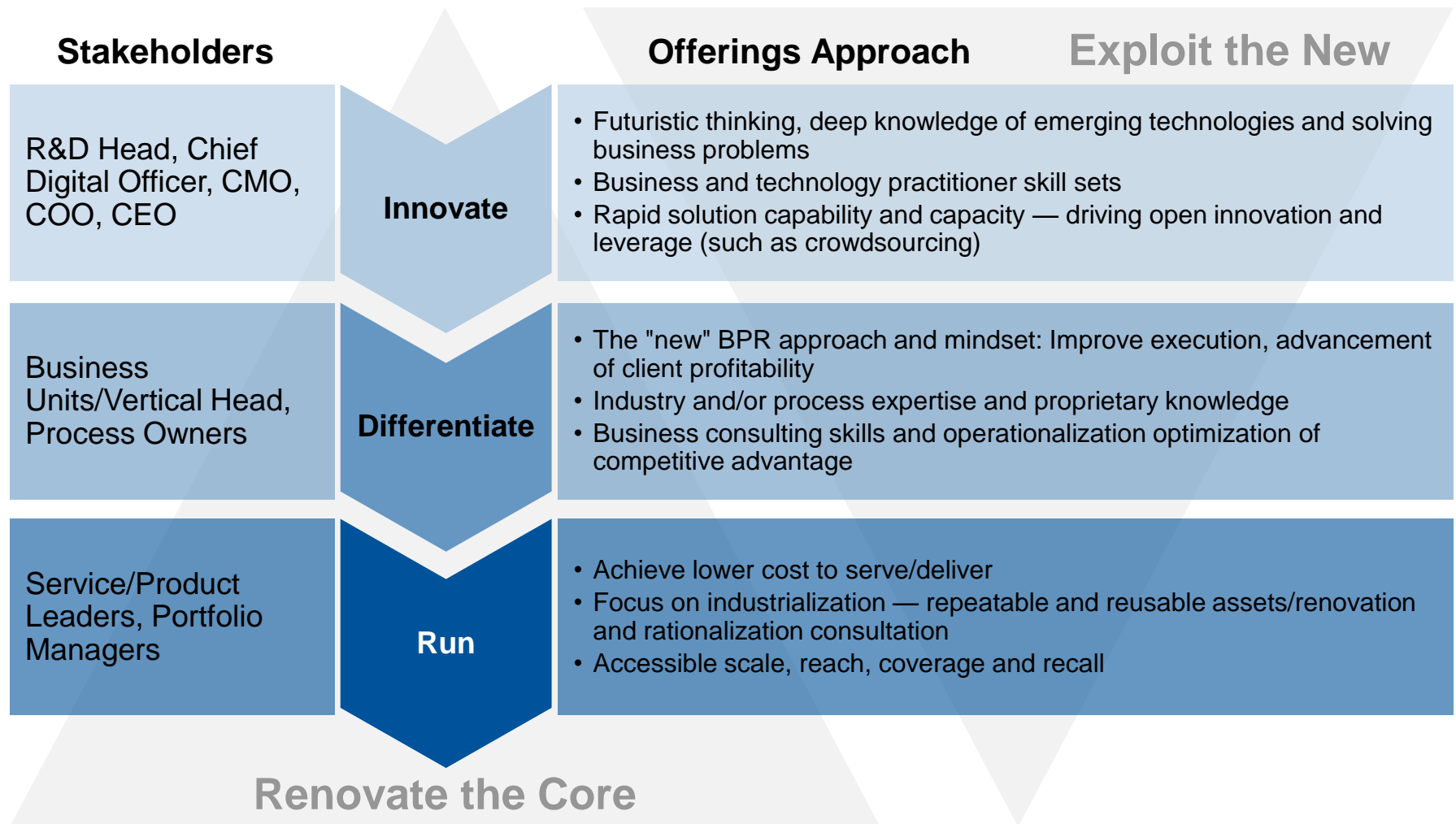
# Recommendations for Business Process Service Providers

- ✓ **Strategic planners:** Concentrate competitive analysis with a 'bipolar' focus — the known traditional incumbents; and the unknown new entrants, especially the nontraditional players.
- ✓ **Business unit leaders/practice leaders:** Demonstrate clear vision, intent and purpose of service delivery; orient on outside-in value and results, inside-out insights and vertical relevance; offer accompanying risk management consultative capabilities and strong attentiveness and awareness of customer experiences.
- ✓ **Marketing leaders:** Develop clear and demonstrable messaging around business value delivered by their services — to help generate higher brand awareness and equity. Invest in service value articulation.
- ✓ **Practice and service delivery leaders:** Drive the portfolio into a "built for scale, leverage and repeatability" approach. Leverage scalable and repeatable assets when developing service offerings.
- ✓ **Practice leaders:** Mandate the inclusion of analytics services in every existing BPS client and new BPS engagement.

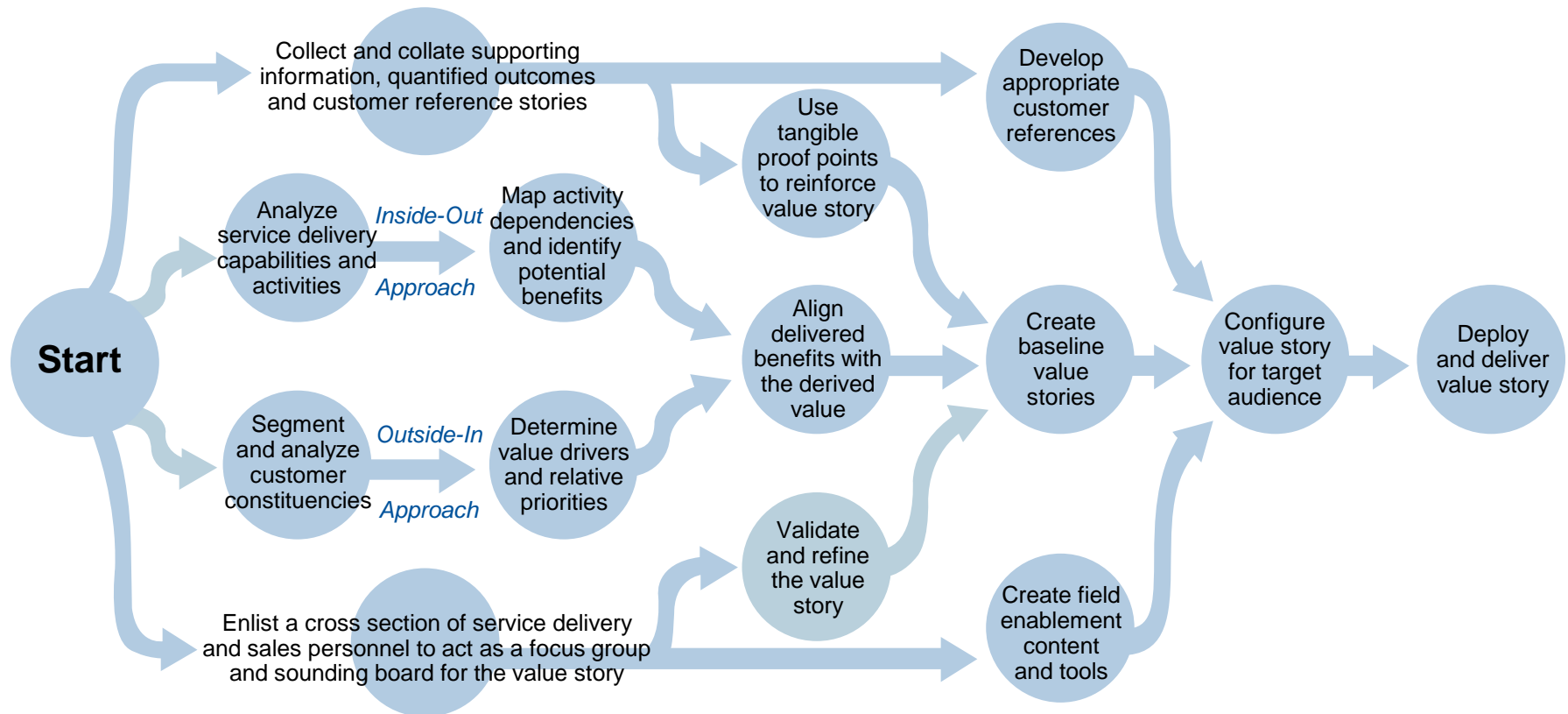
# Key Issues Addressed in This Scenario

1. What are the key forces shaping the IT services market?
2. How are these forces manifesting in infrastructure, application and business process service markets?
3. How can IT services providers achieve sustainable and profitable growth?

# Business Leaders and Executives Need to Think Bimodal and Execute Bimodal: Be Bimodal Yourself



# Marketing and Sales Executives Must Differentiate Through Service Value Articulation





# Gartner's Research Addresses Specific Roles

## Viewed Through the Lenses of These Roles

- Executive Leaders
- Strategic Planners
- Product Management
- Marketing Leaders
- Sales Enablement

## Published Research

### Application Services

- "Market Insight: Seven Habits of Highly Successful SAP Service Providers" (G00270293)
- "Market Insight: Service Providers Must Align Strategies and Capabilities With Adaptive Sourcing Requirements to Succeed in a Digital World" (G00263376).

### Business Process Services

- "2014 CEO and Senior Executive Survey: Business Consulting Firms Must Justify Where Investment Brings Value to Their 'Risk-On' Clients" (G00263453)
- "Market Trends: Business Consulting Service Providers Are the Key Source for Digital Business Transformation Services" (G00263454)

### Infrastructure Services

- "Market Insight: TIME for Infrastructure Outsourcers to Take Bold Action — Terminate, Invest, Manage, Evaluate"
- "Introducing the Key Ingredients for a Next-Generation Industrialized Managed Infrastructure Service Offering" (G00248791)

### IT Services Market

- "Forecast: IT Services, Worldwide, 2013-2019, 1Q15 Update" (G00273624)
- "Tech Go-to-Market: Best Practices for Technical Consulting and System Integration Value Articulation" (G00274192)

## Upcoming Research

### Application Services

- "Digital Business Services Market Framework and Market Opportunities"
- "Market Trends: How Service Providers Can Differentiate for Digital Services"
- "Go-to-Market: Focus on Vertical Solutions Critical for Application Services Providers to Differentiate and Expand Digital Services"

### Business Process Services

- "Key Metrics and Business Outcomes for Customer Management BPO"
- "Architecting Customer Experience for Competitive Advantage in CM BPO Services"

### IT Services Market

- "Gartner's CIO Survey 2015 Indicates Strategic Planners of Technology Services Providers Must Renovate, Rethink Current Sales Models Their Current Go-to-Market Approach"
- "Gartner's IT Services Scenario for Emerging Managed Services Providers, 2015"
- "Gartner's IT Services Scenario for Emerging System Integrators, 2015"



# SYMPOSIUM/ITXPO

## THE WORLD'S MOST IMPORTANT GATHERING OF CIOs AND SENIOR IT EXECUTIVES

Symposium is Gartner's flagship conference and the industry's leading event for CIOs and senior IT and business strategists.

It delivers independent and objective content with the authority and weight of the world's leading IT research and advisory organization, and provides access to the latest solutions from key technology providers.

Symposium is the industry's only event to deliver the insight, tools and relationships necessary to create, validate and execute transformative business technology strategies.

Select a location to experience what IT's all about.

- Hundreds of analyst-led sessions, workshops, how-to clinics and more
- Role-based tracks designed to address your key priorities and challenges
- Immediately actionable take-aways—a clear action plan for the next three, six and 12 months
- Mastermind Interview Keynotes with industry leaders
- ITxpo exhibit floor with hundreds of top solution providers and exciting startups



May 19 – 21  
 September 28 -30  
 October 4 - 8  
 October 14 - 16

Dubai, UAE  
 Cape Town, South Africa  
 Orlando, FL  
 Tokyo, Japan

October 19 - 22  
 October 26 - 29  
 November 2 - 5  
 November 8 - 12

Sao Paulo, Brazil  
 Gold Coast, Australia  
 Goa, India  
 Barcelona, Spain

Visit [gartner.com/symposium](http://gartner.com/symposium)

# Simple steps for increasing the value of today's webinar experience



Today's presentation is available to download on the Attachment tab of our webinar portal and on our webinar page.



Download our Upcoming Webinars (pdf) on the Attachment tab or visit [gartner.com/webinars](http://gartner.com/webinars)

Don't forget to check out the on-demand webinars and share these resources with your colleagues.

Contact your Gartner account executive with any additional questions, comments or for a complimentary copy of today's presentation.