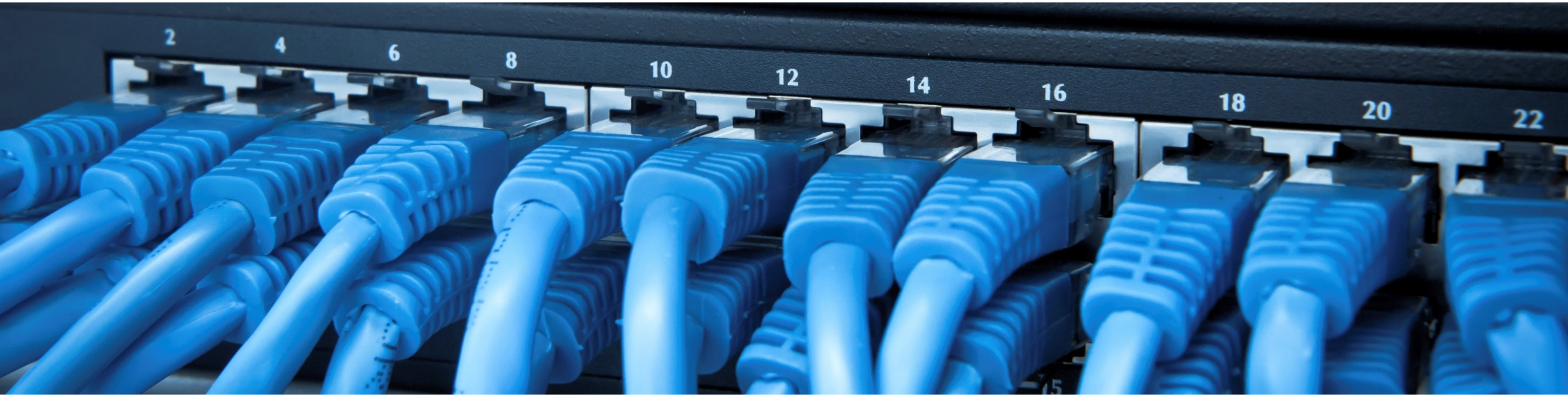

Cloud and Infrastructure Services – Annual Report 2017: The Future of Stack is No Stack!

Cloud & Infrastructure Services (CIS)
Annual Report – November 2017: Complimentary Abstract / Table of Contents

EGR-2017-4-PD-2423

Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available
- **Application Services**
- **BPS | Banking Financial Services**
- **BPS | Healthcare & Life Sciences**
- **BPS | Insurance**
- **Catalyst™**
- **Cloud & Infrastructure**
- **Contact Center**
- **Digital Services**
- **Engineering Services**
- **Finance & Accounting**
- **Human Resources**
- **ITS | BFSI***
- **ITS | Healthcare & Life Sciences**
- **IT Services Forecaster™**
- **Locations Insider™**
- **PricePoint™**
- **Procurement**
- **Recruitment & Talent Acquisition**
- **Service Optimization Technologies**
- **Transaction Intelligence**

Subscription information

- This report is included in the following subscription(s)
  – **Cloud and Infrastructure services**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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* Banking, financial services, and insurance

Table of contents (page 1 of 2)

EGR-2017-4-PD-2423

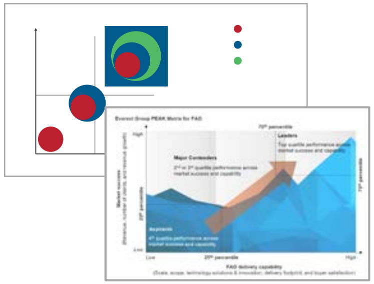
Table of contents (page 2 of 2)

Our methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

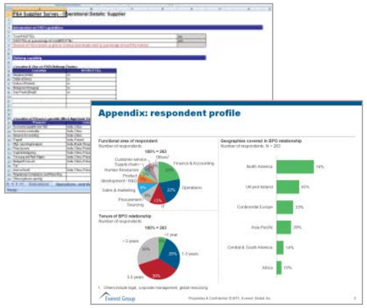
1 Robust definitions and framework

(PEAK Matrix™, market maturity, and technology adoption/investment)



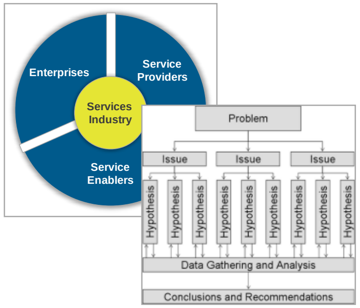
2 Primary sources of information

(Annual, contractual, and operational RFIs, service provider briefings and buyer interviews, and web-based surveys)



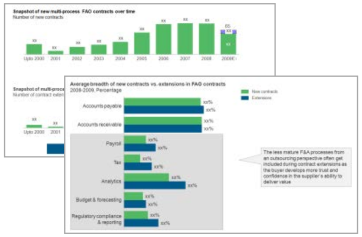
3 Diverse set of market touchpoints

(Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership)



4 Fact-based research

(Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers)



- Annual RFI process and interaction with leading cloud service providers
- Year-round tracking of 50+ IT service providers
- Dedicated team for IT services research, spread over two continents
- Over 20 years of experience in advising clients on global services decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

This report provides an insight into the current trends and future outlook for IS relationships in the global IT services industry

NOT EXHAUSTIVE

Focus of research

Services industry

IT Infrastructure Services (IS)

- Datacenter services (servers, storage, networks, etc.) and cloud IS
- End-user Computing (EUC)
- Database/middleware
- Helpdesk
- IT consulting
  - IT infrastructure consulting
  - IT strategy
- Next-generation services (as-a-service models, analytics, etc.)

IT Application Services (AS)

- Application development
- Application maintenance
- Independent testing
- IT consulting
  - Package implementation
  - Systems Integration (SI)
  - IT strategy
- Next-generation services (as-a-service models, mobility, etc.)

Business Process Services (BPS)

- BFSI-specific BPO
- HRO
- FAO
- PO
- Contact center
- Knowledge services

- The report provides insights across a comprehensive IS landscape. This includes analyses across buyers from different industries, geographies, and revenue segments
- The research also covers global IT services market size and its distribution by service type, geography, and industry
- Apart from typical IS, the research also analyzes the key trends in automation and real-time analysis

Summary of key messages (page 1 of 2)

The rapid technology strides along cloud-based delivery models, software-defined infrastructure, automation, containerization, and serverless computing are leading towards a collapsing technology stack, which is set to have a profound impact on the IT service operating models within enterprises. Currently, most enterprises follow the traditional siloed approach towards the delivery of IT services which needs to undergo significant overhaul to become agile and outcome-oriented in order to deliver higher business value. The need for an overhaul in enterprise operations model presents significant opportunities for the IT service providers to differentiate themselves in the market.

This research provides fact-based trends impacting the cloud and infrastructure services market. It analyzes multiple aspects such as overall cloud and infrastructure service market size, leading players, deal sizes, deal durations, and pricing. Buyers will gain by understanding these trends and evolving their sourcing portfolio accordingly. Service providers will benefit by aligning their strategy to cater to these trends.

Some of the findings in this report, among others, are:

Major highlights and key trends

- Despite the technology advances such as cloud, automation, software-defined infrastructure, and containers, that are collapsing the IT stack within and across the stack layers:
  - About 77% enterprises believe that technology procurement is not an issue – making it work together is the real challenge
  - Over 70% enterprises believe that their technology investments are constrained by lack of internal skills and talent

Overview

- IT infrastructure transformation is high up on the enterprise agenda, as enterprises are using end of contract terms as an ideal trigger to re-evaluate their overall service architecture, technology landscape
- As-a-service pricing models are gaining traction, although currently limited to specific functions; anti-incumbency sentiment among buyers continues to remain high

Summary of key messages (page 2 of 2)

Buyer adoption

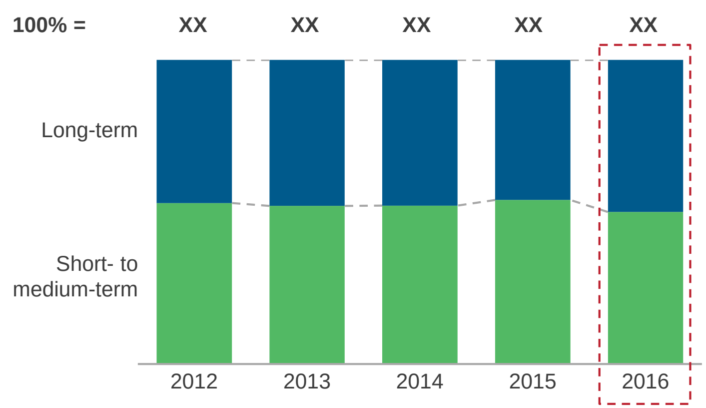
- Public sector replaced BFSI as the industry with the highest IS activity –the United States and Europe (led by the United Kingdom, Germany, and Sweden) were significant contributors; manufacturing witnessed a dip in deal activity
- North America witnessed a decline of >30% in the average ACV, indicating significant enterprise focus on reducing IT operations cost through services standardization, cloud-based delivery, and automation within engagements
- New deals accounted for more than two-thirds of the IS deal activity in Europe. We expect the confusion and anxiety created by the impending GDPR implementation to offer a strong opportunity for service providers to provide technology transformation and design services for all enterprises

Outlook for 2018

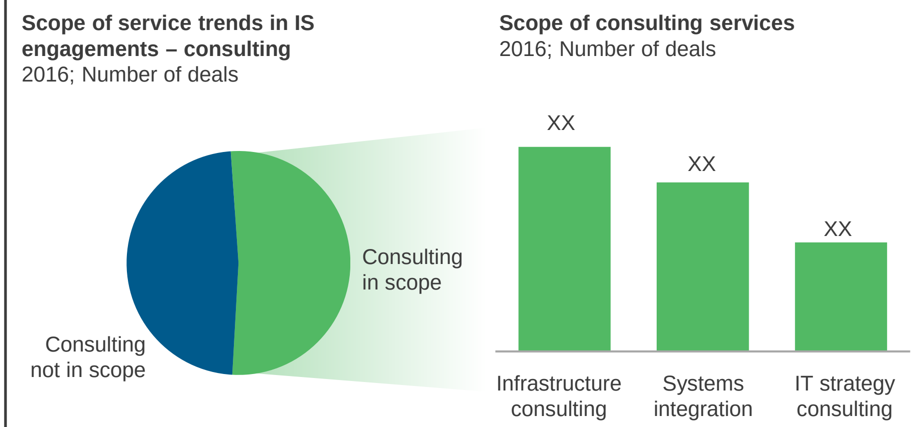
- Cloud has become the “bedrock” of digital services – enterprises will expect cloud service providers to start functioning as business transformation partners rather than just infrastructure providers
- With application-centricity becoming the focal point of IT infrastructure service delivery, enterprises will look to establish centralized and consolidated IT marketplaces to help developers and users compare and consume IT infrastructure services that are best suited to their workload requirements (leveraging customized catalogs/blueprints)
- Enterprises will continue to explore open systems as they look to minimize their historical vendor lock-in issues

Technology advancements are collapsing the IT stack both within and across the stack layers and the enterprise IT operating models need to correspondingly evolve

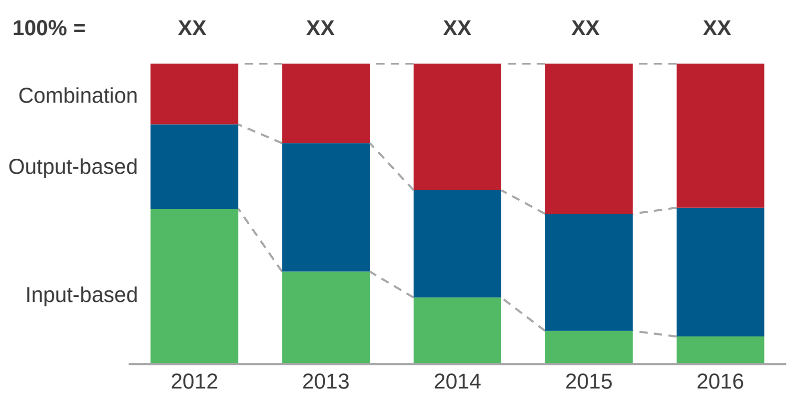
Buyers have an equitable mix in terms of deal duration[1]



IT infrastructure transformation is high on buyer agenda



Output-based pricing has become a norm



Reimage IT operating models for the collapsing tech stack

- **"The future of stack is no stack"**
  - Technology advancements such as cloud, automation, software-defined infrastructure, containers, and serverless computing are collapsing the IT stack, both within and across the stack layers
  - As such, the lines amongst discrete technology layers of IT are now blurring – this phenomenon has profound implications for the corresponding IT service operating model within enterprises, which has to date been largely built around the technology stack silos (e.g., application development, testing, database, servers, and storage)
- **The IT service operating model needs to be reimagined – soon!**
  - The current siloed and disjointed model for IT services offers minimal straight-through processing to enable business agility; in fact, *77% enterprises believe that technology procurement is not an issue – but making it work together is the real challenge*
  - Business value creation requires the monolithic IT services stack to eventually collapse and be realigned to become "outcome-oriented" agility stacks/pods
  - *The "Stack+Pod" model for IT services involves establishing lean and seamless "agility stacks or pods" that bring together requisite business and cross-functional talent with the core objective of conceptualizing and rapidly delivering specific business outcomes on a continual basis*
- **Getting to the reimagined IT service model**
  - The underlying requirements for "Stack+Pod" model include:
    - The service architecture to be AUTOMATION-LED and CLOUD-NATIVE
    - The service delivery to be DEVOPS-ORIENTED
    - The IT function to be A BROKER OF SERVICES
  - Furthermore, there are a handful of considerations for enterprises and service providers, as the *"Driving FourS" (Structure, Skills, Service metrics, and Sourcing model)* for IT operations need to be aligned to the new world

1 Short- to medium-term include contracts with a duration of less than five years; long-term includes contracts with a duration of more than five years

Research calendar – Cloud and IS

Published | Planned | Current release

Flagship CIS reports	Release date
Infrastructure Services – Annual Report 2016	July 2016
Private Cloud Enablement Services – PEAK Matrix™ Assessment and Profiles Compendium	September 2016
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	December 2016
IT Infrastructure Automation – Market Update and PEAK Matrix™ Assessment for Solutions (Focus on IT service providers)	April 2017
IT Operations Automation – Market Trends, PEAK Matrix™ Assessment for Products & Profiles Compendium	May 2017
Workplace Services – Market Trends and PEAK Matrix™ Assessment: “End Users are no Less than Customers!”	July 2017
IT Security Services – Market Trends and PEAK Matrix™ Assessment: “Security – The Biggest Digital Insecurity”	August 2017
Cloud and Infrastructure Services – Annual Report 2017: The Future of Stack is No Stack!	**November 2017**
Cloud Enablement Services – Market Trends and PEAK Matrix™ Assessment & Profiles Compendium	Q4 2017
IoT Services – PEAK Matrix™ Assessment & Profiles Compendium	Q4 2017

Thematic CIS reports	Release date
Customer (Dis)Satisfaction: Why Are Enterprises Unhappy with Their Service Providers?	January 2017
Contract Renewals – Infrastructure Services: “Over 40% Incumbents Replaced Annually; Providers Beware!”	February 2017
Security Trailblazers – Smart startups to combat smart hackers	Q4 2017

Note: For a list of all cloud and IS reports published by us, please refer to our website page

Additional CIS research references

The following documents are recommended for additional insight into the topic covered in this research. These documents either provide additional details on the topic, or complementary content that may be of interest

1. **Upcoming Contract Renewals – Infrastructure Services: “Over 40% Incumbents Replaced Annually; Providers Beware!”** (EGR-2017-4-R-2089); 2017. There is significant discontent among enterprises towards their service providers notwithstanding the large scale investments undertaken by service providers. This discontent is reflected in the fact that 40% of the incumbents have been replaced by service providers over the last two years. This research focuses on providing detailed insights into the renewal market, with a focus on infrastructure services across geographies, industries, functions, and service provider categories. Additionally, the report addresses key enterprise considerations for deal renewals across applications, digital, cloud, and infrastructure services to enable service providers to strategize their deal renewal approach.

2. **IT Security Services – Market Trends and PEAK Matrix™ Assessment: “Security – The Biggest Digital Insecurity”** (EGR-2017-4-R-2310); 2017. skills is pushing enterprises to increasingly seek third-party support for security services. Service providers need to beef up their global security service delivery capabilities and coverage, expand their partnership network to align with next-generation security requirements of clients, and invest in nurturing their security services talent to stay relevant. This report provides a market trend assessment of IT security services along with the detailed profiles and assessment of 17 IT service providers featured on Everest Group’s PEAK Matrix for IT security services.

For more information on this and other research published by Everest Group, please contact us:

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