



Application Services – Annual Report 2018: The Future of Architecture is Intelligent

Application Services (AS)

Annual Report – June 2018: Complimentary Abstract / Table of Contents

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

▶ Customer Experience Management Services

▶ Digital Services

▶ Engineering Services

▶ Finance & Accounting

▶ Human Resources

▶ ITS | Banking & Financial Services

▶ ITS | Healthcare & Life Sciences

▶ ITS | Insurance

▶ IT Services Forecaster™

▶ Locations Insider™

▶ PricePoint™

▶ Procurement

▶ Recruitment & Talent Acquisition

▶ Service Optimization Technologies

Membership information

- This report is included in the following research program(s)
 - **Application Services**
- **If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com, unitedkingdom@everestgrp.com, or india@everestgrp.com**

More about membership

In addition to a suite of published research, a membership may include

- Price book
- Pinnacle Accelerators
- Data cuts
- Analyst access
- Virtual Roundtables
- Workshops

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

This report is based on three key sources of proprietary information

- Proprietary database of **application services** contracts of major IT service providers (updated annually)
- The database tracks the following elements of each contract:
 - Buyer details including size and signing region
 - Contract details including service provider, contract type, TCV & ACV, start & end dates, duration, pricing structure, and delivery locations
 - Scope details including coverage of functional activities, processes, and application service towers

- Annual interviews and interactions with 200+ Fortune 1000 enterprises on application services
- These interviews are designed to capture:
 - Priorities and investments for application services
 - Assessment of application services providers
 - Key technology investments and preferred vendors

- Proprietary database of **market developments across 100+ technology and IT service providers** (updated annually)
- The database tracks the following events for each company:
 - Major deals / solutions implementation
 - New product / solution launches
 - Financial metrics (revenue, margin, and valuations)
 - Mergers and acquisitions
 - Alliances and partnerships
 - Investments in research & development

Illustrative list of service providers whose deals are included in this study



Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information we collect that is contract specific will only be presented back to the industry in an aggregated fashion

Table of contents (page 1 of 2)

Topic	Page no.
Introduction and overview	06
Summary of key messages	10
Section I: IT Services market – size and growth	13
• Summary	14
• Global ITS market – size and growth	16
• Global ITS market by geography	17
• Global ITS market by industry	18
• Market share of leading service providers	19
Section II: Application services – overview	20
• Summary	21
• Bundling trends	22
• Deal size trends	24
• Contract type trends	25
• Service scope trends	26
Section III: Application services – buyer adoption	27
• Summary	28
• Adoption by buyer industry	29
• Adoption by buyer size	32
• Adoption by buyer geography	34

Table of contents (page 2 of 2)

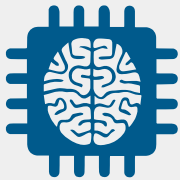
Topic	Page no.
Section IV: Application services – key trends	35
• Summary	36
• The Future of Architecture is Intelligent	37
• Implications for enterprises	56
• Implications for service providers	57
Outlook for 2018	58
Appendix	60
• Glossary of key terms	62
• Research calendar	63
• References	64

Application services | The rise of the sentient architecture

Key takeaways



The digital future will require a “sentient architecture” – one that is design-centric, dynamic, and discrete



Emerging technologies such as AI will not only impact the architectural decision-making but also help architects take informed decisions



The sentient architecture will require the architect’s role to evolve from being a singular point of contact to an orchestrator

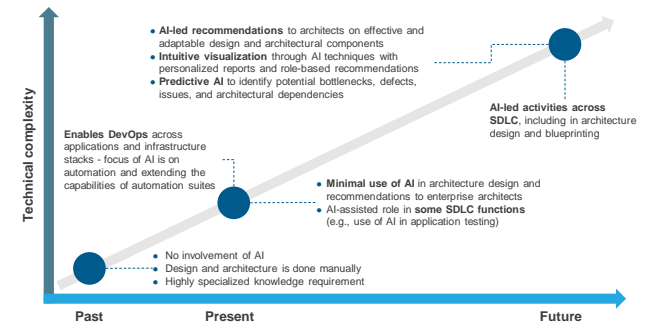
Source: Everest Group (2018)

Summary of key messages

AS market – key trends

- The digital future will require a sentient architecture that can be adjusted dynamically, managed easily using discrete components, and is developed using design principles
- Next-generation technologies are laying the foundations of the sentient architecture. However, enterprises need to address the disconnect between legacy and next-generation systems
- Emerging technologies such as AI will fundamentally transform the traditional architect's role and activities. The future architect will act as an orchestrator of architectural decision-making

Role of AI in architecture

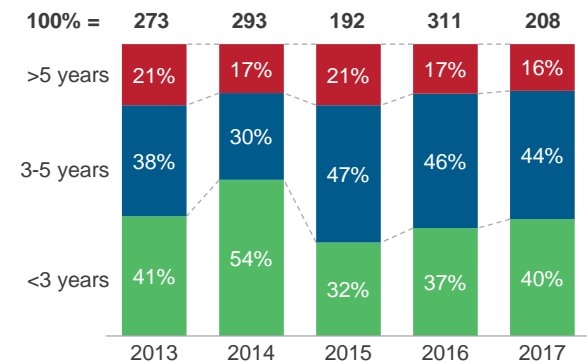


Application services market – overview and buyer adoption

- Stand-alone application services deals continued their upward trend, and now constitute two-thirds of the total deal volume
- Deals with shorter duration (<3 years) continued to grow at the expense of deals those with longer duration (>5 years)
- Average deal sizes in some verticals plummeted (healthcare & life sciences and retail & distribution), while those in some other industries grew drastically (BFSI and energy & utilities)
- Multi-region deal signings grew from 3% in 2016 to 11% in 2017, suggesting that global rollouts for digital programs are now becoming a reality

Deal duration trends in AS engagements

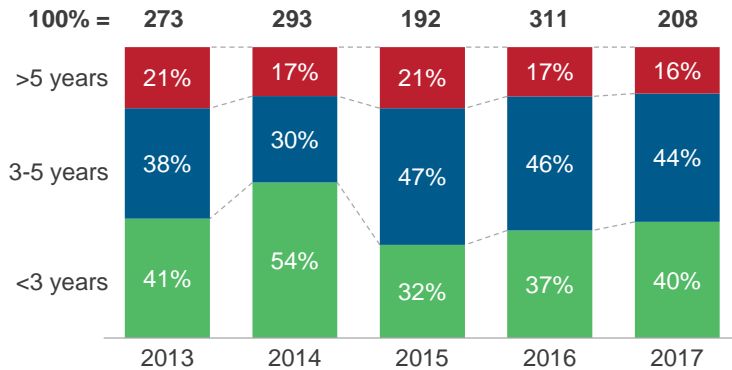
2013-2017; Number of deals



This study analyzes the application services market in terms of size, growth, deal characteristics, and key trends

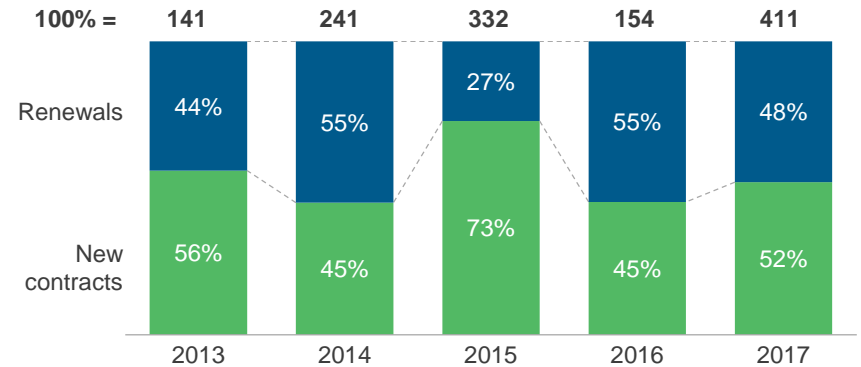
Shrinking deal duration for AS engagements

Deal duration trends in AS engagements
2013-2017; Number of deals



AS engagements by contract type

Trends in contract type in AS engagements
2013-2017; Number of deals

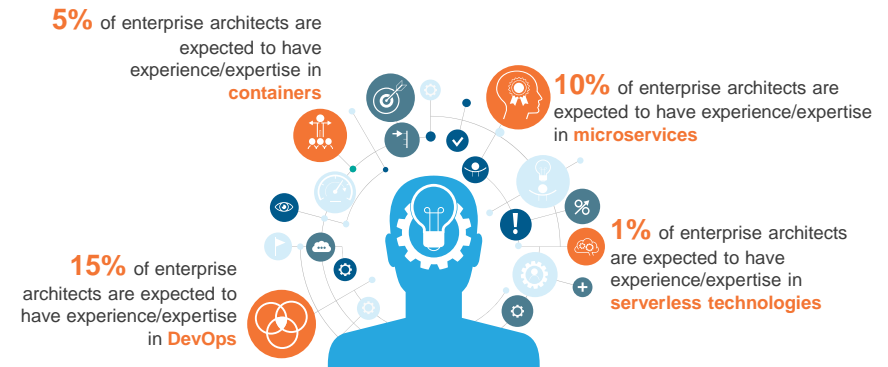


AI in architecture

■ High ■ Medium ■ Low

Activity	Impact of AI
Application portfolio architecture advisory	Low
Architecture review & contextual visualization	High
Scope definition and planning for iterative delivery methodologies	Medium
Identification of refinements for architecture improvements	High
Identification of dependencies in architecture and service catalogs	High
Architecture strategy & planning	Medium
Roadmap generation for application architecture and enterprise architecture	High
Architecture remediation based on recommendations	High
Data mining on completed projects for architecture refinements	High
Finetuning for application integration	Medium

Talent gap in next-generation architecture



Research calendar – Application Services

■ Published ■ Planned □ Current release

Flagship Application Services reports

Release date

Application Modernization Services – PEAK Matrix™ Assessment and Market Trends 2017	November 2017
Enterprise QA Services – PEAK Matrix™ Assessment and Market Trends 2018	May 2018
Application Services – Annual Report 2018: The Future of Architecture is Intelligent	June 2018
GDPR Solutions PEAK Matrix™ Assessment and Market Update 2018	Q2 2018
DevOps PEAK Matrix™ Assessment and Market Update 2018	Q3 2018
Automation in Application Dev-test PEAK Matrix™ Assessment and Market Update	Q3 2018

Thematic Application Services reports

Reimagining Application Delivery with Enterprise Crowd-development	Dec 2017
Application Performance in the Digital Age: Adopting AI is Not Optional	January 2018
Upcoming Contract Renewals – Application Services 2018	February 2018
The Great Digital Divide: Is Customer Dissatisfaction the New Normal?	March 2018
Closing the Gap - The Future of IT Skills in the United States	April 2018
Reimagining Enterprise IT Services Sourcing	May 2018
Securing the SDLC: Now is a good time to start	Q3 2018

Note: For a list of all Application Services reports published by us, please refer to our [website](#) page.

Additional application services research references

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

1. **Application Modernization Services – PEAK Matrix™ Assessment and Market Trends 2017: “Think Digital, Rethink Modernization”** ([EGR-2017-4-R-2399](#)); 2017. The research focuses on application modernization services and includes a market study of application modernization services, PEAK Matrix assessment of 15 leading application modernization service providers, and detailed profiles of 15 IT service providers featured on Everest Group’s PEAK Matrix.
2. **Enterprise QA Services PEAK Matrix™ Assessment 2018: Quality Assurance to Brand Assurance: AI Driving the Evolution** ([EGR-2017-X-R-2639](#)); 2018. The research focuses on the enterprise quality assurance services market and includes a market study of enterprise quality assurance services, PEAK Matrix assessment of 23 leading quality assurance service providers, and detailed profiles of 23 IT service providers featured on Everest Group’s PEAK Matrix.

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

Yugal Joshi, Vice President:

yugal.joshi@everestgrp.com

Siddharth Muzumdar, Senior Analyst:

siddharth.muzumdar@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empower clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com.

Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91 806-781-9999

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-416-388-6765

Stay connected

Website



www.everestgrp.com

Social Media



@EverestGroup



@Everest Group

Blog

[Sherpas In Blue Shirts](http://www.sherpasinblueshirts.com)

www.sherpasinblueshirts.com