



Clients Can't Get No Satisfaction: What is Holding Back ROI in Digital Transformation

IT Services – An Enterprise Pulse Study

Market Report – March 2020: Complimentary Abstract / Table of Contents

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- Accelerators™
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- Pinnacle Model® reports
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- 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

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Background of the research

Background of the research

- Technology is taking over businesses and is becoming the fulcrum of growth and differentiation for enterprises. IT applications, digital technologies, platform, infrastructure, and cloud services are driving unprecedented value across different industries
- The fortunes of the global services industry are tightly linked to this technology disruption. Enterprises rely significantly on service providers to assist them in navigating the technology landscape and be trusted partner
- Everest Group believes that it is imperative to understand the true picture around enterprises' IT investment priorities and their experience in working with service providers
- In this research we present:
 - A summary of various enterprises' views regarding the capabilities of services providers they engage across applications, digital, cloud & infrastructure, and enterprise platform services
 - Enterprises' views around their key investment priorities in technology and digital services for 2020
- The assessment is based on **299** unique interviews (not a survey), conducted in 2019, with enterprises globally across service lines such as application services, digital services, enterprise platform services, and cloud & infrastructure services. These enterprises include Everest Group clients as well as companies nominated as reference clients by different service providers across multiple PEAK Matrix® evaluations of Everest Group

Scope of this report:



Interviews
299 interviews



Services
IT application services, digital services, cloud & infrastructure, and enterprise platform services



Geography
Global



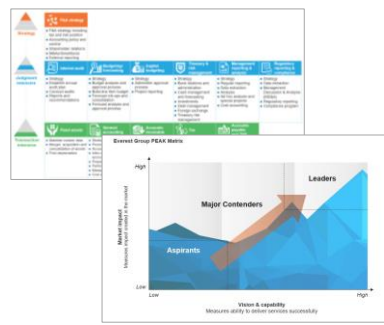
Service providers
58 global service providers

Source: Everest Group (2020)

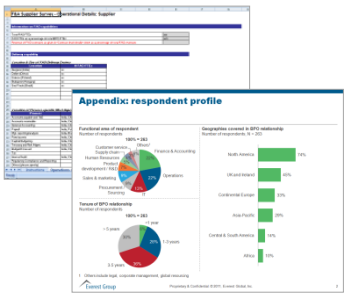
Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

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

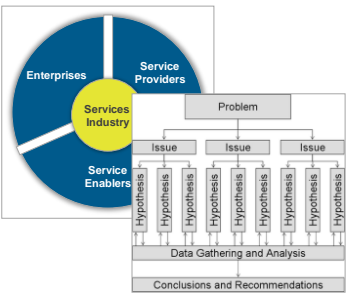
1 Robust definitions and frameworks
 F&A pyramid, multi-process FAO definition, Total Value Equation (TVE), PEAK Matrix®, and market maturity



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



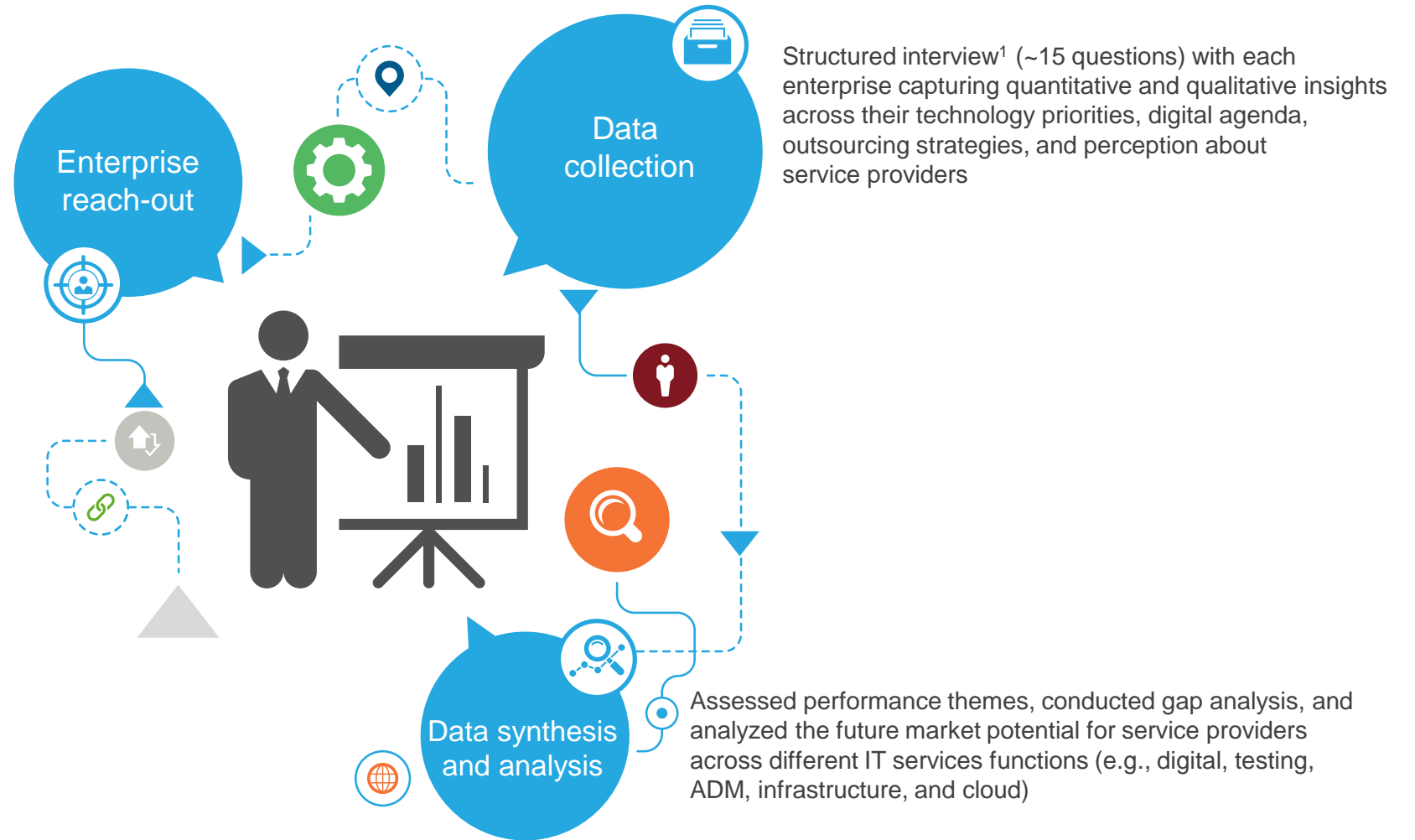
- Annual RFI process and interaction with leading IT services providers
- Dedicated teams for infrastructure and application services adoption trends
- Over 25 years of experience in advising clients on global services decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Research methodology

An overview¹

Conducted **299** enterprise interviews in 2019 as part of PEAK Matrix assessments across IT services spanning multiple industries and geographies

The references were shared by the service providers assessed in this report



¹ Please refer to the Appendix for more details related to the questionnaire discussed with enterprises
Source: Everest Group (2020)





Research methodology | Assessed service providers¹

We conducted interviews¹ with enterprises that were nominated by service providers as a “reference check” for our various PEAK Matrix® assessment research projects. Each enterprise was asked multiple questions including their experience of working with the specific service provider and their investment priorities.



¹ Please refer to the Appendix for more details related to the questionnaire discussed with enterprises
Source: Everest Group (2020)

Executive summary

- 01** There is a decline in the overall satisfaction levels of enterprises; 51% of the reference customers are dissatisfied with their service providers 
- 02** Traditional measures of client satisfaction (C-SAT, NPS, etc.) don't reflect capture true client experience and doesn't result in subsequent account growth for service providers 
- 03** Service providers are performing poorly as enterprises' "strategic partners"; on the other hand, enterprises do perceive service providers bringing meaningful value in technical capabilities 
- 04** Turning clients into evangelists is key for service providers to partner for their innovation spend 
- 05** Service providers have to carry out an honest assessment of their capabilities in light of accelerated digital adoption by enterprises, to raise satisfaction levels again 

Overview and abbreviated summary of key messages

- Discussion with enterprises on expectations and experience with service providers reveal intriguing trends. While service providers have made huge investments in enhancing their capabilities, the proportion of satisfied enterprises has not increased in the last few years. The report explores this persistent dissatisfaction with ROI through 299 interviews with enterprises
- The report provides deep-dive insights into the key investment priorities of enterprises. It sheds light on the key dimensions that influence overall enterprise satisfaction. This report also focuses on the changing aspects of return on investment perception by enterprises, in light of Evolving expectation dynamics in the digital era. Enterprises will find the research useful to understand the broader IT service market and where service providers are leading/lagging. Service providers will find the research useful to assess the key investment priorities of enterprises and the major reasons for enterprise dissatisfaction

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

Sustained dissatisfaction

- There is a decline in the overall satisfaction levels of enterprises; 51% of the reference customers are dissatisfied with their service providers
- Service providers have to carry out an honest assessment of their capabilities in light of accelerated digital adoption by enterprises, to raise satisfaction levels again
- Traditional measures of client satisfaction (C-SAT, NPS, etc.) don't reflect capture true client experience and doesn't result in subsequent account growth for service providers

Enterprise priorities

- Enterprises expect service providers to help with strategy formulation and take more ownership of outcomes
- Over 30% of the enterprises covered in the analysis have a stated future focus on cloud initiatives (adoption/migration). Process or cost optimization, followed by application or infrastructure modernization, are among the top priorities of enterprises.

Service provider performance

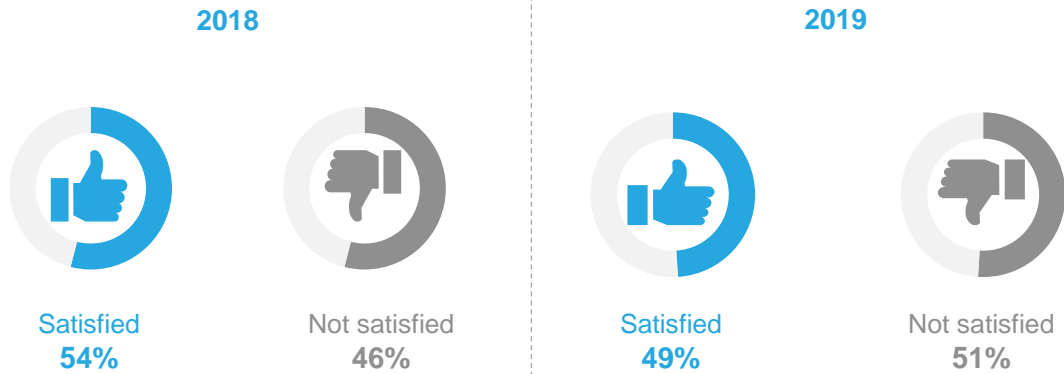
- Service providers are performing poorly as enterprises' "strategic partners"; on the other hand, enterprises do perceive service providers bringing meaningful value in technical capabilities
- Turning clients into evangelists is key for service providers to partner for their innovation spend
- Service providers need to rethink their frontline talent to meaningfully partner with clients on their digital transformation journey

Evolving perception of ROI

- Dissatisfaction is driven by the unspoken aspects behind "getting what they paid for" – several aspects are table stakes, and affect the perception of ROI if unmet
- Increased expectation in aspects of innovation is affecting how enterprises perceive ROI from service providers

This study analyzes enterprise expectations from service providers and their future investment priorities and objectives

No improvement in satisfaction in the last two years

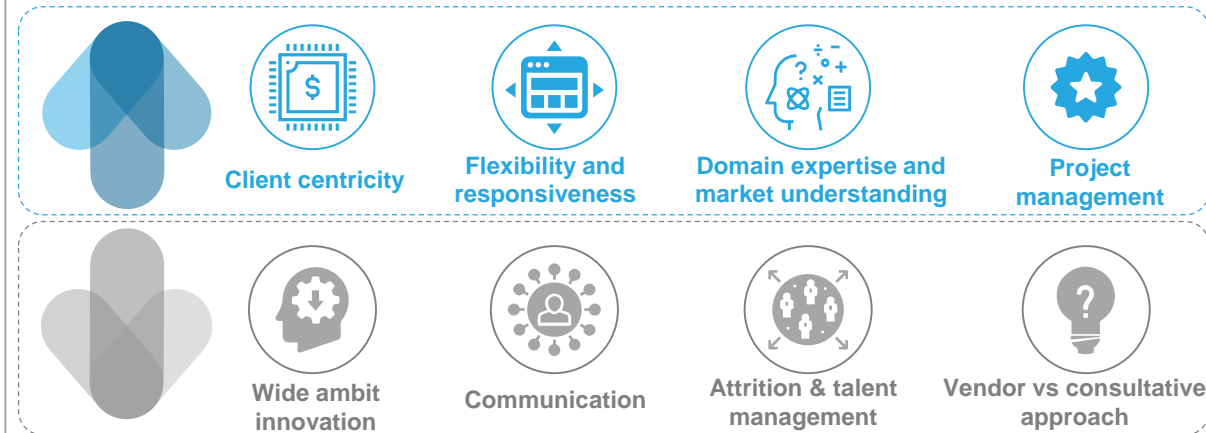


Typical vertical performance

Satisfaction score in 2019 - Satisfaction score in 2018: ↑ > 0.1 ↓ < -0.1 ↔ > -0.1 & < 0.1

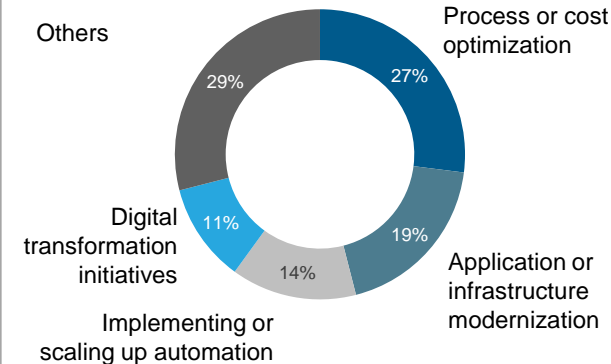
	Technical expertise	Domain expertise	Talent management	Commercials	Client management	Strategic partner	Value-addition and innovation
BFSI	↑	↔	↔	↔	↔	↓	↓
Communication, media and entertainment	↑	↑	↓	↑	↑	↓	↔
Electronics, hi-tech and technology	↑	↑	↑	↑	↑	↑	↑
Energy and utilities	↑	↓	↓	↓	↑	↓	↓
Healthcare and life sciences	↑	↑	↑	↑	↑	↑	↓
Manufacturing	↑	↔	↑	↑	↔	↓	↔
Others	↑	↑	↑	↑	↑	↓	↓
Retail, distribution and CPG	↔	↓	↓	↑	↓	↓	↓
Travel and transportation	↑	↑	↑	↑	↑	↓	↑

Service providers' strengths and areas of improvement



Enterprises' technology priorities

Enterprises' stated future goals



Enterprises' stated priority areas for investment



Additional research references

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

- 1. The Great Digital Divide: Is Customer Dissatisfaction the New Normal? A Blueprint to Rethink Your Digital Services Portfolio** ([EGR-2018-0-R-2563](#)); Our recent digital services research reveals a sizable mismatch between digital demand and supply dynamics. The research also details enterprises' technology investment priorities and opportunity areas for service providers across legacy modernization, security, cognitive systems, automation, cloud, IoT, blockchain, and other similar themes
- 2. The Dissatisfaction Conundrum: What Clients Are Not Telling Service Providers?** ([EGR-2019-0-R-3041](#)); Insights from our research reveal that despite service providers investing heavily to enhance their capabilities, the proportion of satisfied customers has only marginally increased by two percentage points in the last two years, due to service providers not having given adequate attention to innovation, talent, and strategic partnerships. Additionally, the report also focuses on the future of the service delivery model, given enterprises' evolving expectations
- 3. Customer (Dis)Satisfaction: Why Are Enterprises Unhappy with Their Service Providers?** ([EGR-2017-4-R-2077](#)); Insights from our research reveal that almost 50% of enterprises are dissatisfied with their service providers, whose average performance score as strategic partners is merely 5 on 10. While service providers meet the technical requirements stated in the agreement, in reality, they seldom meet customer expectations on the softer engagement aspects
- 4. 2020 Enterprise Key Issues in Global Sourcing: Setting Course When Uncertainty Rules Supreme** ([link](#)); In this webinar, the speakers explore the persisting industry pessimism despite positive market conditions such as a historically high stock market, low unemployment, and high interest rates in the market. This session also covers the leading implications for enterprises engaged with service providers and key value propositions to consider for both insourcing and outsourcing, and potential enterprise adjustments around service provider portfolio consolidation, deal size, and value realization

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

Yugal Joshi , Vice President:	yugal.joshi@everestgrp.com
Nitish Mittal , Vice President:	nitish.mittal@everestgrp.com
Tanya Srinath , Senior Analyst:	tanya.srinath@everestgrp.com
Ankit Gupta , Senior Analyst:	ankit.gupta@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
+91-80-61463500

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

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