



Application Transformation – Business Pioneering The Agenda

Application Services

State of the Market Report – February 2020: Complimentary Abstract / Table of Contents

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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 and methodology of the research

As enterprises transcend the digital maturity curve, they are increasingly looking to transform their application portfolio to get more value out of their applications. Traditionally driven by CIOs, these transformation initiatives are increasingly becoming business outcome-oriented, with greater involvement of non-IT C-suite and business units. Benefits of transformation, such as efficiency, cost reduction, and technology standardization, have become table stakes. Enterprises now expect faster time-to-value, enhanced user-experience, new revenue streams, and scalability through these transformation initiatives. Though the objectives are clear, enterprises increasingly find it difficult to envision their transformation journey due to lack of knowledge around their critical legacy systems. They often find it difficult to transform their human resources to adopt new processes and technologies to derive full benefits out of the modernized environment.

Service providers take up the very critical task of chalking out the strategy and transformation roadmap for these enterprises. Service providers also provide the necessary expertise through talent, technology solutions, and products to accelerate enterprises' transformation journey. They are increasingly coming up with innovative funding models and change management strategies to instill confidence among enterprises and realize benefits sustainably.

In this research study, we analyze the global application transformation service landscape. We focus on:

- Evolving market dynamics and emerging service provider trends
- Key steps an enterprise need to take to successfully transform their application portfolio
- Implications for service providers and enterprises as market evolves

Methodology of this report includes:

- Everest Group's annual RFI process for the calendar year 2019
- Interactions with leading application transformation services providers
- Client reference checks
- Analysis of the application transformation services market

Scope of research for application transformation services (page 1 of 2)

Definition:

Application transformation refers to the migration/adaptation of an existing application to a modern environment designed to significantly increase the value delivered in terms of functionality or experience, or both. It includes change management of technology, processes, and user behavior.

Transformation may happen from any source to any destination environment using different methods as listed (not exhaustive):

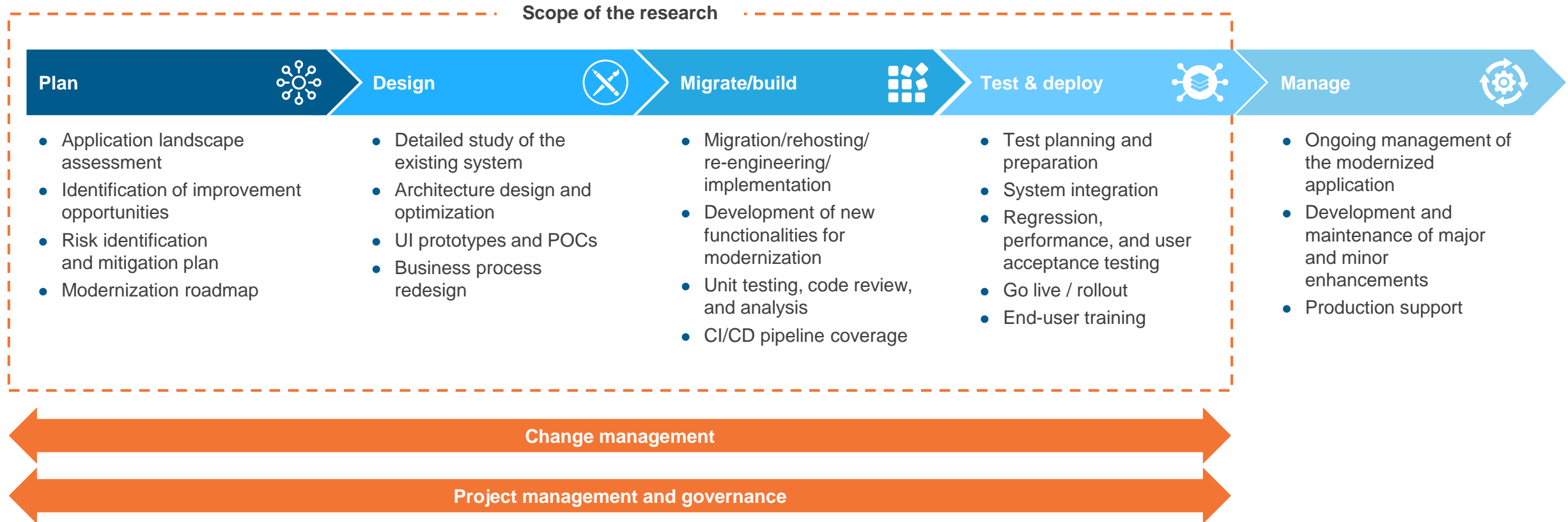
Source	Destination
<ul style="list-style-type: none"> Bespoke, legacy, and packaged applications Database and cloud infrastructure 	<ul style="list-style-type: none"> Cloud-/SOA-based/web applications New/upgraded databases and new/upgraded cloud infrastructure
Methods: Refactoring, replatforming, extend and surround, package-based extension, replacement, and retirement	

Exclusion criteria

The following aspects are beyond the scope of application transformation as part of this research.

Excluded	
Greenfield implementation	Greenfield implementation of COTS packages or other tools, e.g., package implementation of a COTS product
Functionality	Bolt-on or custom functionality developed on an existing application, e.g., additional features developed on a bespoke legacy application
Modifications	Change Requests (CR), user stories, customer inputs, and other minor/major modifications to the application, e.g., CRs generated from user feedback in Agile Sprints
Management	Ongoing management, maintenance, and support of the modernized application, e.g., steady-state support for a new modernized website hosted on Microsoft Azure, updated to the latest version of the application

ILLUSTRATIVE



Overview and abbreviated summary of key messages

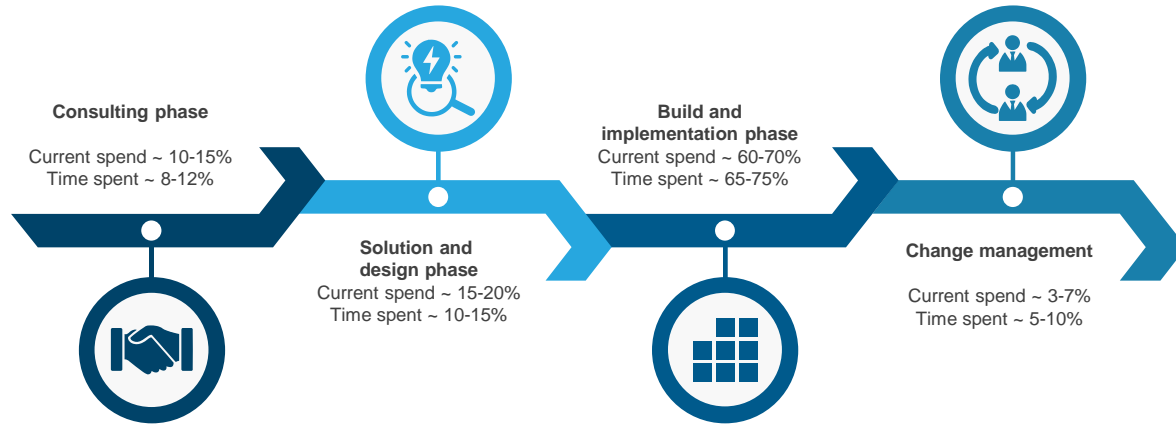
In this research, we present a comprehensive analysis of the application transformation market, covering aspects of enterprise demand themes, consumption patterns, and provide an easy to follow playbook for enterprises as a starting point to begin their transformation journey.

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

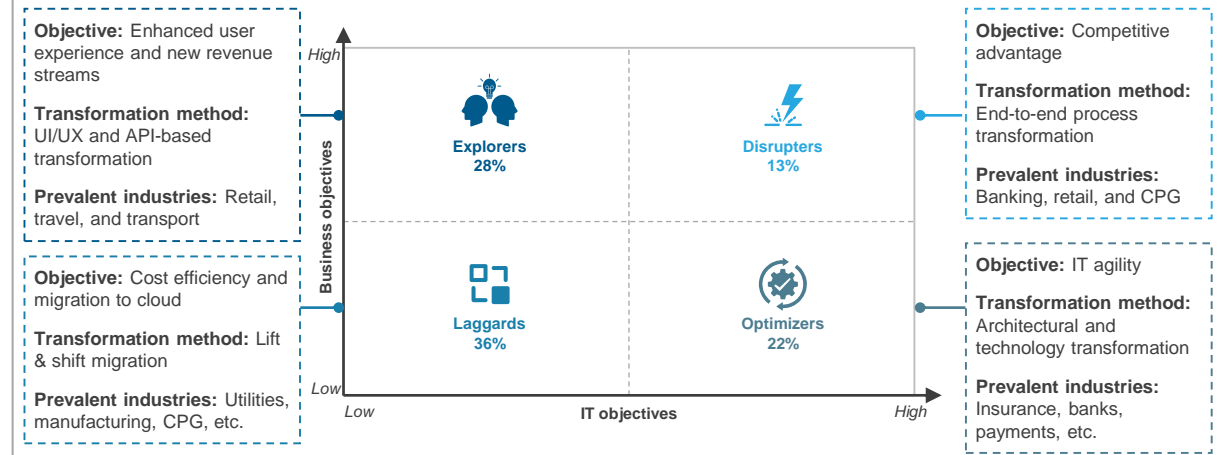
- Planned spending on the rise**
 - Application transformation initiatives by enterprises witnessed a steep growth of 64% last year with an increase in pre-budgeted planned spends
- Competitive advantage by transforming core applications**
 - Enterprises are transforming their core business processes and applications through modernization initiatives in order to create differentiation among peers
- Business leading the charge**
 - Businesses are playing an increasingly important role, with 56% of application transformation initiatives being led by business stakeholders
- Low success rate**
 - Only 13% of the application transformation initiatives have delivered the intended objectives
- Align business and IT**
 - To successfully create competitive advantage through application transformation, enterprises need to align their processes and IT with business outcomes

This study offers three distinct chapters providing a deep dive into key aspects of application transformation market; below are four charts to illustrate the depth of the report

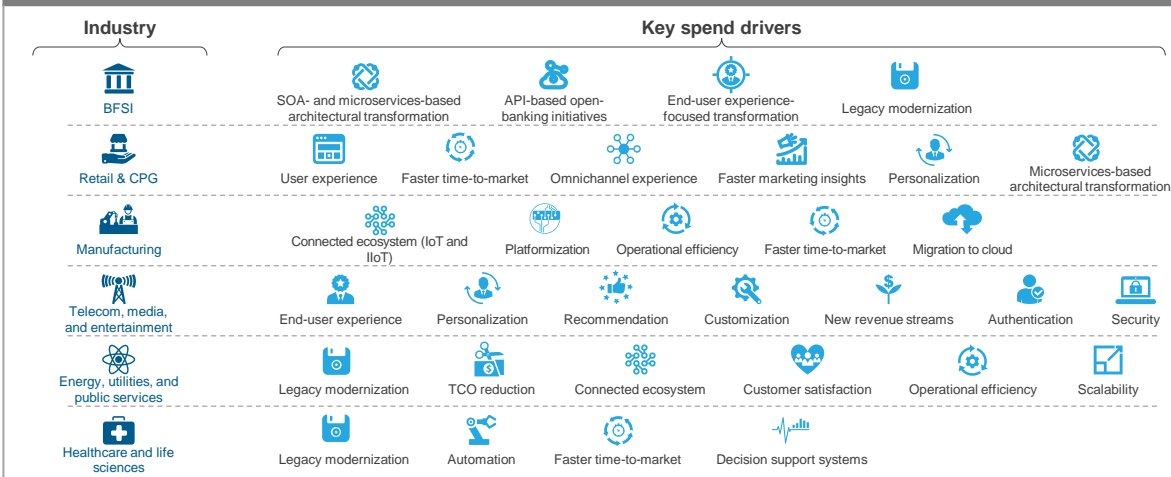
Enterprise spend pattern by phases of application transformation



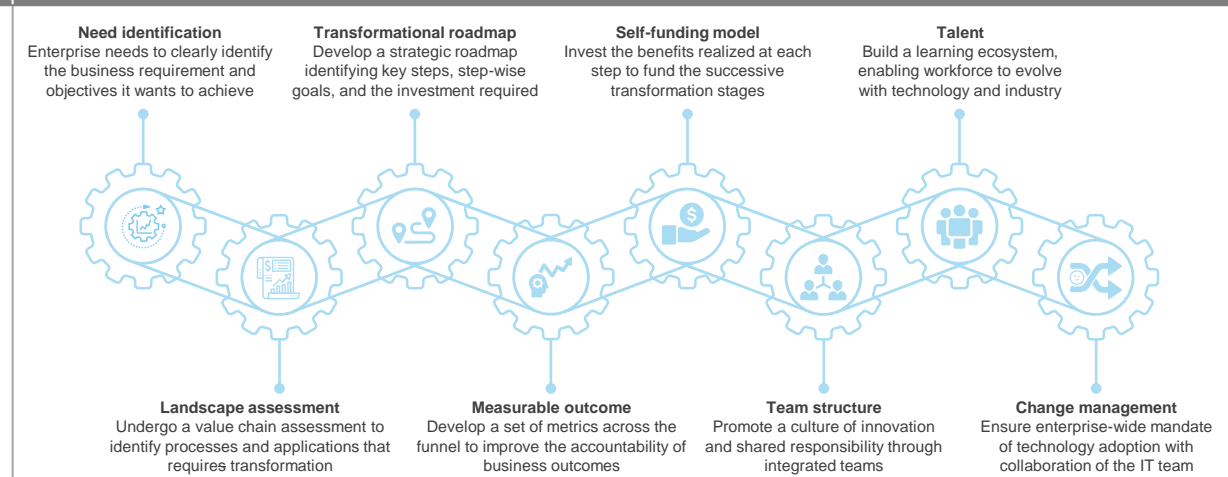
Types of enterprises based on their transformation objectives



Key transformation spend drivers by industry



Enterprise transformation road-map



Research calendar – Application Services

Published
 Planned
 Current release

Flagship application services reports

Release date

Application Automation Services PEAK Matrix™ Assessment and Market Trends 2019: AI Alone Won't Help – Align Strategy to Realize Benefits	Feb 2019
Application Services – Annual Report 2019: Balancing the Legacy and New Applications	June 2019
DevOps Services PEAK Matrix™ Assessment and Market Trends 2019 – Siloed DevOps is No DevOps!	July 2019
Next-generation Quality Assurance (QA) Services PEAK Matrix™ Assessment 2020	November 2019
Application Transformation Services PEAK Matrix™ Assessment 2020	December 2019
Application Transformation – Business Pioneering The Agenda	February 2020
Next-generation Quality Assurance – State of the Market	Q1 2020

Thematic application services reports

Upcoming Contract Renewals – Application Services 2019	January 2019
Assuring Trust in a Converging Life Sciences Ecosystem: The Emerging Role of Quality Assurance	February 2019
Harnessing Operational Insights for Digital Transformation	July 2019
Establishing a Strategic Business Case for Enterprise IT Automation	September 2019
Future Proofing Your IT Services Model – Outsourcing for the Digital Age	October 2019
Breakthrough Transformation	October 2019
Talent Readiness for Next-generation IT Services PEAK Matrix™ Assessment 2020 – Closing the Demand-Supply Gap	December 2019
Upcoming Contract Renewals – Application Services 2020	Q1 2020

Note: For a list of all our published AS reports, 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 or complementary content that may be of interest

1. **Application Transformation Services PEAK Matrix™ Assessment** ([EGR-2019-32-R-3449](#)): Application transformation has emerged as the key for enterprises to keep up with the evolving market dynamics. Enterprises are transforming their applications to control costs and enhance user experience. However, even with a clearly-defined business objective, some of these enterprises are unable to envision their transformation journey. Service providers are expected to act as partners in this journey toward achieving application transformation. In this research, we present the assessment and detailed profiles of 24 IT service providers featured on the application transformation services PEAK Matrix™
2. **Application Automation Services PEAK Matrix™ Assessment and Market Trends 2019: AI Alone Won't Help – Align Strategy to Realize Benefits** ([EGR-2019-32-R-3080](#)); 2019. This research focuses on application automation services and includes a market study of application automation services. In this research, we present an assessment and detailed profiles of 19 application automation service providers featured on the application automation services PEAK Matrix™

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About Everest Group

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