# Digital Services State of the Market Report 2020 | Digital Transformation: Triumph Beyond Technology Adoption

Digital Services
State of the Market Report – May 2020: Complimentary Abstract / Table of Contents

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- This report is included in the following research program(s)
  – Digital Services
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In addition to a suite of published research, a membership may include

- Accelerators™
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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

# Table of contents

# Background of the research

The world is entering an era where digital existence has become quintessential for survival. Digital is not just viewed as a tool for differentiation but as a tool that enterprises have to adopt to stay relevant in the market. Though enterprises have been strategically investing in technologies and talent to become digitally enabled, many have not been able realize meaningful returns. Enterprises express dissatisfaction at the extent of value realized with respect to cost optimization, operational efficiencies, With only about 18% of enterprises truly satisfied by the outcomes achieved, it becomes crucial to diagnose the underlying issues and identify an approach to better prepare for the upcoming and strategic objectives for the digital era.

Enterprises seldom realize that complete digital transformation goes beyond technology adoption and needs to be looked at from the perspective of organization's core elements. The human resources of the organization, the culture they have been ingrained with, and the processes they operate on conflict with the expectations from new technologies resulting in diminishing the impact of digital investments. Moreover, focused business-aligned digital strategy, need for change management, and governance approach are highly underestimated aspects of digital transformation further aggravating the resistance. For enterprises to change meaningfully for existence in the next era, close alignment of business and technology is required that can bring about a steady change in these organizational elements. It is the time for  enterprises to take a relook at how digital is being adopted in the organization and whether the operating model they are currently working with is actually helping them realize the maximum impact from their investments.

**Sources leveraged:**
- Everest Group's survey of 188 enterprises with US$1 billion or more in global revenue
- Survey was taken by Director, VP, and CXO-level executives
- Expert analyst inputs
- Previous Everest Group research

Digital adoption trends

Operating model for digital transformation

Recommendations for operating model transformation

**Market segment:** Digital services

**Geography:** Global

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# Summary of key messages

**Digital services landscape**

- The digital services landscape is highly fragmented when it comes to service providers, with no player dominating the market. Enterprises prefer to engage with niche providers have developed capabilities in one specific digital area or have geographical nuances on their side

- Enterprises are increasingly leveraging Artificial Intelligence (AI), cloud and automation across different segments of the organization for front-end revamping and core modernization
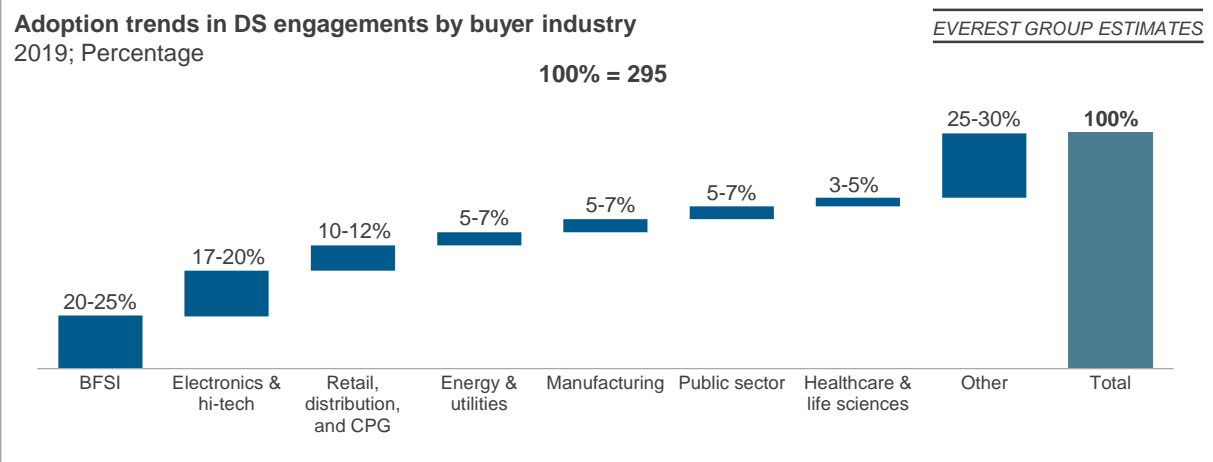
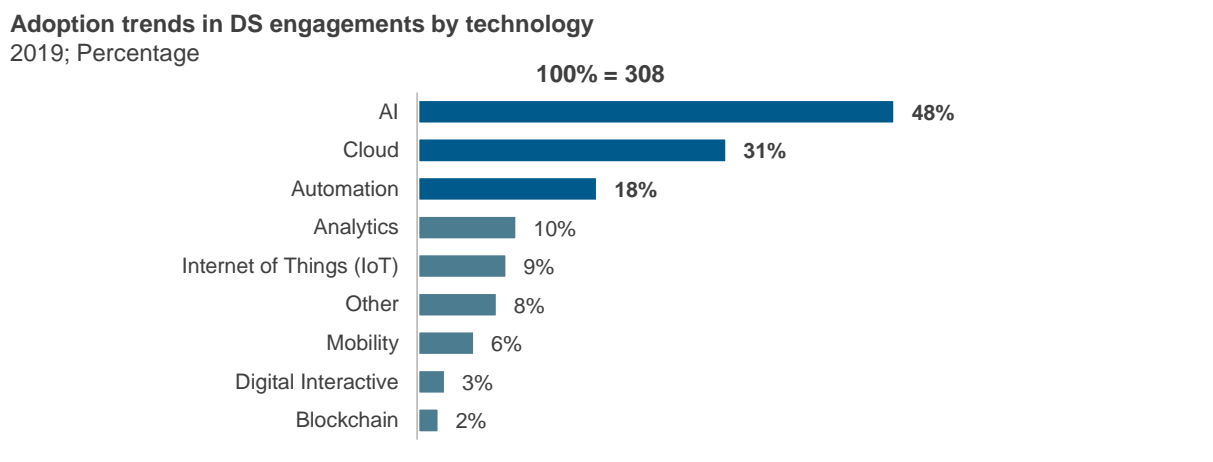**Making digital transformation a success**

- If we were to look at the overall digital maturity, enterprises have moved up the curve and are no longer just experimenting with digital but looking at scaling it up within the organization

- This has also led to an increase in the overall impact that enterprises are witnessing from their digital investments, but a major section of enterprises are still not being able to reap the expected returns

- Enterprises at different stages of their digital journey need to formulate a plan of action specific to their needs to move up to the  next level, rather than adopting a one-size fits all approach

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# This study offers two distinct chapters providing a deep dive into key aspects of the digital services market; below are four charts to illustrate the depth of the report
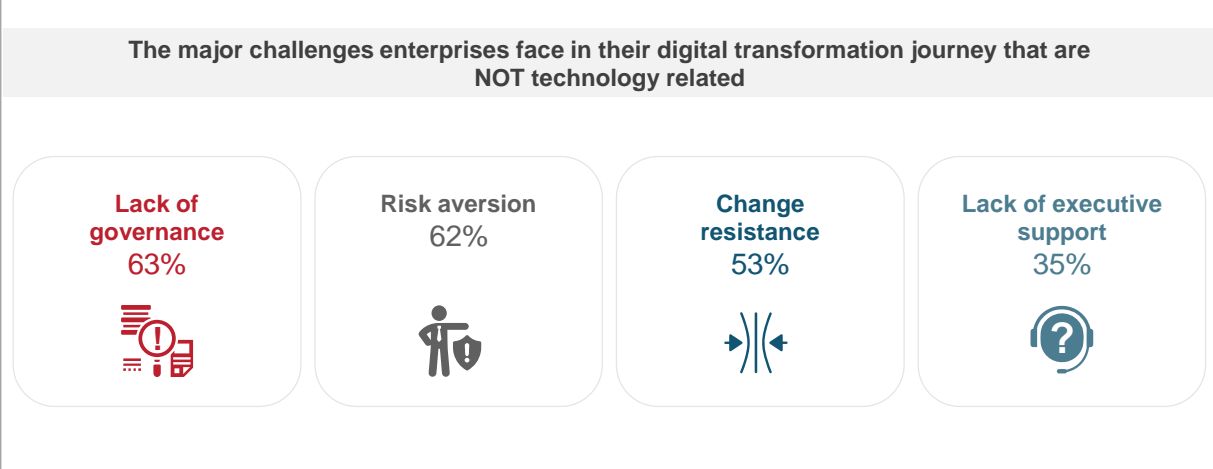
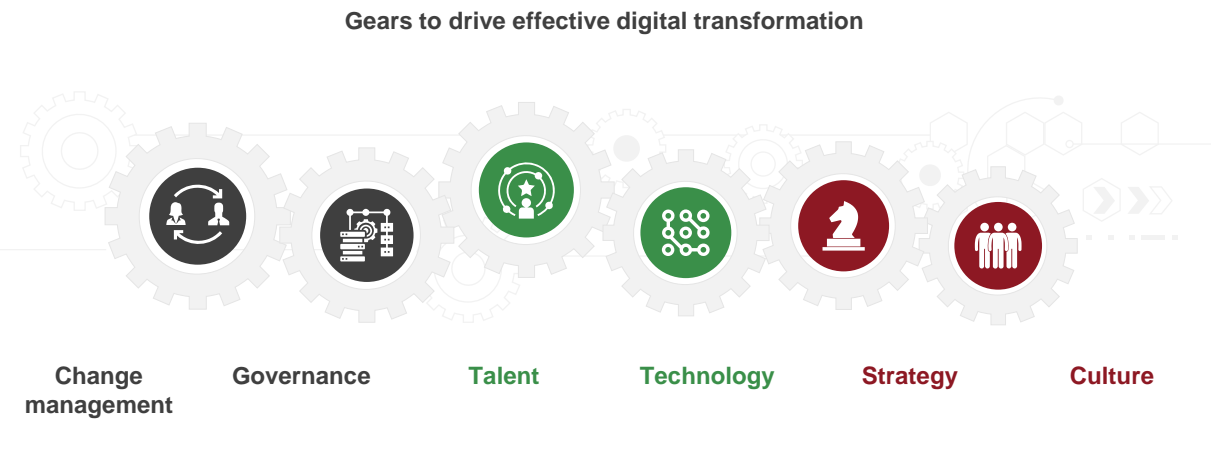## Customer-facing and technology sensitive sectors industries lead the adoption

**Adoption trends in DS engagements by buyer industry**
2019; Percentage

*EVEREST GROUP ESTIMATES*

**100% = 295**

BFSI: 20-25%
Electronics & hi-tech: 17-20%
Retail, distribution, and CPG: 10-12%
Energy & utilities: 5-7%
Manufacturing: 5-7%
Public sector: 5-7%
Healthcare & life sciences: 3-5%
Other: 25-30%
Total: **100%**

## AI and cloud are the most coveted and invested in technologies

**Adoption trends in DS engagements by technology**
2019; Percentage

**100% = 308**

| Technology | Percentage |
|---|---|
| AI | **48%** |
| Cloud | **31%** |
| Automation | **18%** |
| Analytics | 10% |
| Internet of Things (IoT) | 9% |
| Other | 8% |
| Mobility | 6% |
| Digital Interactive | 3% |
| Blockchain | 2% |

## Enterprises are not able to realize desired impacts from digital investments

**The major challenges enterprises face in their digital transformation journey that are NOT technology related**

**Lack of governance**
63%

**Risk aversion**
62%

**Change resistance**
53%

**Lack of executive support**
35%

## Gears for an effective digital transformation

**Gears to drive effective digital transformation**

Change management | Governance | Talent | Technology | Strategy | Culture

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# Research calendar – Digital Services

| Flagship Digital Services reports | Release date |
|---|---|
| Digital Services – Market Report 2019: Moving from Digital Readiness to Effectiveness | June 2019 |
| Digital Interactive Services PEAK Matrix™ Assessment and Market Trends 2019 | November 2019 |
| Blockchain Services PEAK Matrix™ Assessment and Market Trends 2020 | December 2019 |
| Internet of Things (IoT) Services PEAK Matrix® Assessment 2020 | April 2020 |
| IoT Services PEAK Matrix® Assessment 2020 – Service Provider Compendium | April 2020 |
| **Digital Services State of the Market Report 2020 \| Digital Transformation: Triumph Beyond Technology Adoption** | **May 2020** |
| State of the Market - IoT Services | Q2 2020 |
| Digital Interactive Services PEAK Matrix® Assessment 2020 | Q2 2020 |

| Thematic Digital Services reports | |
|---|---|
| BigTech Battle: Leading Internet of Things (IoT) Platforms Assessment – A Selection Guide | October 2018 |
| Customer Experience Trailblazers – Experience Spearheading the Digital Economy | February 2019 |
| BigTech Battle: Digital Experience Platforms Assessment – Rise of the Digital Experience Platform | June 2019 |
| AI Masterclass \| Recalibrate Your AI Impact – Insights From 230 AI Use Cases Across Industries | October 2019 |
| Experience Design | Q2 2020 |
| BigTech Battle: Enterprise Data Platforms | Q3 2020 |
| Making IT-OT Integration Work | Q3 2020 |

Note:   For a list of all of our published DS reports, please refer to our website page

# Additional digital 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. **Digital Services PEAK Matrix™ Assessment and Market Trends 2019: Design and Innovation to Power the Next Wave of Digital** (EGR-2018-33-R-2876); 2018. In this report, we present an assessment and detailed profiles of 24 digital service providers featured on the digital services PEAK Matrix™. Each service provider profile provides a comprehensive picture of its service focus, key Intellectual Property (IP) / solutions, domain investments, as well as two case studies. Through our interaction with over 45 digital heads / CIOs of we have also consolidated the best design and innovation practices for service providers and enterprises need to follow in this report

2. **Applications Transformation for the Digital Age** (EGR-2019-32-V-3137); 2019. To transform application services for the digital age, it has become imperative for enterprises to make changes across multiple dimensions spanning technology, processes, organizational design and culture. This report analyzes the challenges inhibiting traditional application services models and outlines measures enterprises can undertake to transform application services

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

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**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.

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