

Application Services – Transform Application Management to Drive Digital Success

September 2021: Complimentary Abstract / Table of Contents



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

Alisha Mittal, Practice Director

Ankit Gupta, Practice Director

Rahul Samaddar, Senior Analyst

Background of the research

Transform Application Management to Drive Digital Success

Background of the research

- Application Management (AM) does not receive the attention it deserves. Most enterprises consider it to be a necessary evil than something that if effectively transformed can contribute to the success of the business
- Most enterprises have viewed AM as cost take-out function. We believe this continues to be an important criteria for application organizations, however, it should not be their only mandate. Enterprises have adopted multiple automation tools, undergone significant outsourcing, and have reached the limit of driving cost take-out initiatives
- For the digital success of an enterprise, they need to rethink managing applications. Everest Group has built a Business Value Orchestrator platform model for enterprises to leverage and drive transformation in their AM function
- The key proposition of the orchestrator platform is to view application management as part of a broader enterprise initiative than a silo. Therefore, it enables a seamless working with other technology towers, operating models, service management solutions, delivery enablement, and next-generation sourcing
- Data-centric analysis and action are core to the platform. It ingests data across different technologies and assesses the real impact to applications and the business

The scope of this report includes:

- IT services market size (split across applications, consulting, infrastructure services, geographies, and industry verticals)
- Application services buyer adoption trends across geographies, industry verticals, and revenue sizes
- Key trends shaping the AS market (key focus on running applications better to drive digital success)

Scope of this report:



Geography
Global



Services
Application services

Overview and abbreviated summary of key messages

This research helps enterprises refocus on Application Management Services (AMS) as an integral part of their digital success journeys. We introduce a refined version of the Business Value Orchestrator (BVO) platform to help enterprises drive this transformation. The report also covers key trends in IT services and application services.

Key findings of the report:

IT and application services overview

- The pandemic shrunk the IT services market by 2-3%, which was valued at US\$539 billion at the end of 2020. Application services, which accounted for 27-30% of the overall IT services market, also suffered due to the project-based nature of engagements
- We expect the overall IT services market to grow by 5-7% in the next five years. All three major segments – applications, infrastructure, and consulting services – are expected to perform well

Expectations from applications are evolving

- Going beyond traditional expectations of availability and functionality, enterprises are focusing on time-to-market as the key performance criterion for their applications estate. Moreover, earlier priorities related to customer experience are giving way to ensuring customer delight
- Service providers are struggling to deliver value in AMS engagements beyond cost savings. In our research, enterprises rated service providers 7.4 out of 10 on value addition, the lowest satisfaction rating among other parameters

Enterprises need a BVO platform to drive value in AMS

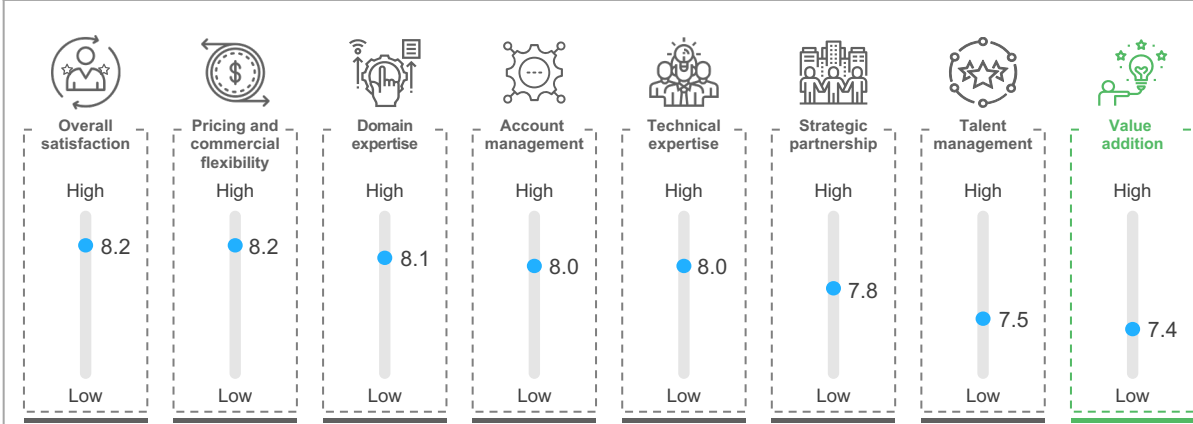
- Enterprises are aggregating data from disparate sources to transform their application management organization. However, their AM estates have reached stagnation, and this needs to change
- These aggregators need to be enhanced with demand management for application services and practices outside of application organizations such as, AIOps, site reliability engineering, and newer sourcing models

Digital success with AMS will need operating model changes

- As businesses own applications, it is difficult to drive driving a common operating model and framework. However, unless the AMS organization transforms, it will continue to focus on cost take-outs and will not be able to deliver digital successes
- In addition to demanding newer SLAs and KPIs, enterprises should hold their service partners accountable for day-to-day innovation, as well as business value beyond efficiencies

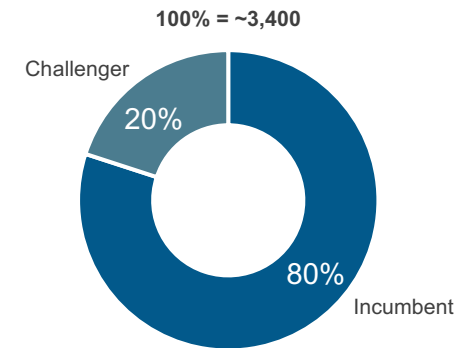
This study offers 4 distinct chapters providing a deep dive into key aspects of application services market; below are four charts to illustrate the depth of the report

Value addition in AMS has been a key challenge



Lack of value in AMS is pushing enterprises to evaluate challenger service providers

Distribution of bidding types for AMS engagements
2019-20; % of AMS engagements



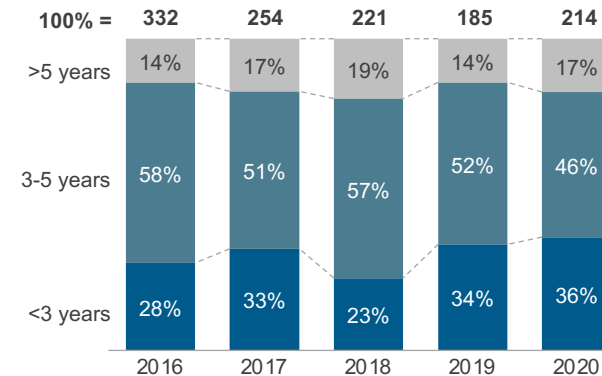
Site reliability engineering is an important value driver in AMS

Four reasons enterprises must pay attention to SRE for AMS

- Improved stability of applications**
Under SRE, proactive improvements for application stability and resiliency are as important as incident resolution
- Data-driven resolution**
Instead of subjectively prioritizing issue resolution, data-driven insights allocate bandwidth to AMS teams
- Faster incident resolution**
SRE model mandates automation of manual tasks, reducing incident detection and resolution time
- Reduction in organizational silos**
Similar to DevOps, SRE enables sharing of ownership across developers and operations teams

Deal durations increased across both end of the spectrum

Deal duration trends in AS engagements
2016-20; number of deals



Research calendar

Application services

Published
 Planned
 Current release

Flagship reports

	Release date
Application Services – Preparing for the Post-pandemic World	October 2020
Next-generation Application Management Services PEAK Matrix® Assessment 2020	November 2020
Next-generation Application Management Service Provider Compendium	December 2020
Cloud-native Application Services – the Cloud-native Juggernaut is Rolling; Be Mindful of Pitfalls	January 2021
Application Transformation Services PEAK Matrix® Assessment 2021	June 2021
Application Transformation Service Provider Compendium 2021	July 2021
Application Services – Transform Application Management to Drive Digital Success	September 2021
Enterprise QA Services PEAK Matrix® Assessment 2021	Q4 2021

Thematic reports

	Release date
Rapid Application Development Platform Trailblazers: Top 14 Start-ups in Low-code Platforms – Taking the Code Out of Coding	May 2020
Strength in Adversity: Enterprise Service Resilience During the COVID-19 Crisis	June 2020
Winning the War for Talent: An Enterprise Guide to Building a Sustainable Workforce Strategy	July 2020
Cloud-based Application Modernization	July 2020
Upcoming Contract Renewals – Application Services 2021	March 2021
Making Distributed Agile Work – An Enterprise Adoption Guide	April 2021
State of the Market – Low Code Platforms	Q4 2021

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Blog

everestgrp.com/blog

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

Toronto

canada@everestgrp.com
+1-647-557-3475

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