

# Digital Services State of the Market 2023: Fostering Innovation During the Downturn

May 2023: Complimentary Abstract / Table of Contents



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## Background of the research

Due to the pandemic, macroeconomic conditions, and global disruptions, various industries and geographic regions have experienced an economic downturn. This has led organizations to prioritize maintaining business continuity by optimizing costs rather than seeking out potential opportunities for future growth. However, organizations are shifting gears to get on the digital bandwagon to not just digitize operations and offerings but create a digital DNA for business resilience in the downturn. Further, numerous organizations face an important choice around supporting change initiatives, which may have a lasting impact on their companies over run initiatives that may have only short-term gains.

In this report, we explore the impact of the economic downturn on organizations, how they can turn uncertainty into opportunity by emerging as innovation leaders, and the methodology they can adopt to navigate the recession.

The report looks at:

- Global macroeconomic indicators of the downturn and the impact on organizations
- Overview of unlocking innovative use cases through next-generation technologies
- Innovation approaches and further implications for organizations and service providers

### Scope of this report



**Geography**  
Global



**Industry**  
All industries



**Services**  
Digital services

## Overview and abbreviated summary of key messages

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

### Innovative investments have decreased during the downturn

- The economic downturn is marked by rising interest rates and high inflation rates across major economies. This has impacted the top and bottom lines of organizations and led to a slowdown in innovation-centered investments
- Hence, organizations are prioritizing cost optimization and digital transformation as their primary focus for 2023. However, investing in change spend rather than run spend during a crisis can lead to better performance after recovery, as evidenced by historical data

### Technology, a key enabler of innovation

- Evolving customer demands and competitive landscape, rise in responsible investments, and shift in organizations' priorities are among the key forces compelling organizations to invest in innovative projects
- Further, organizations are turning to next-generation technologies to outperform the market and distinguish themselves during the economic downturn

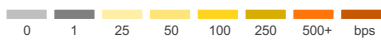
### Innovation mandates backing

- Companies have the option of pursuing either incremental innovation to maintain their current level of growth or transformational innovation to achieve accelerated growth
- Additionally, in order to implement effective innovative solutions, organizations should focus on taking cautious bets on the opportunities, prioritize value realization, and ensure alignment among all the stakeholders involved

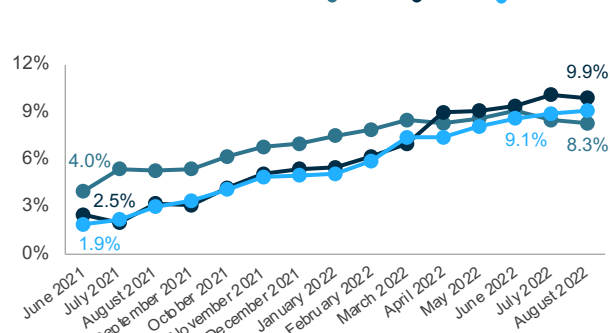
# This study offers distinct chapters providing a deep dive into key aspects of digital services market; below are four charts to illustrate the depth of the report

## Market indicators of ongoing downturn

Interest rate hikes since start of 2022<sup>1</sup>

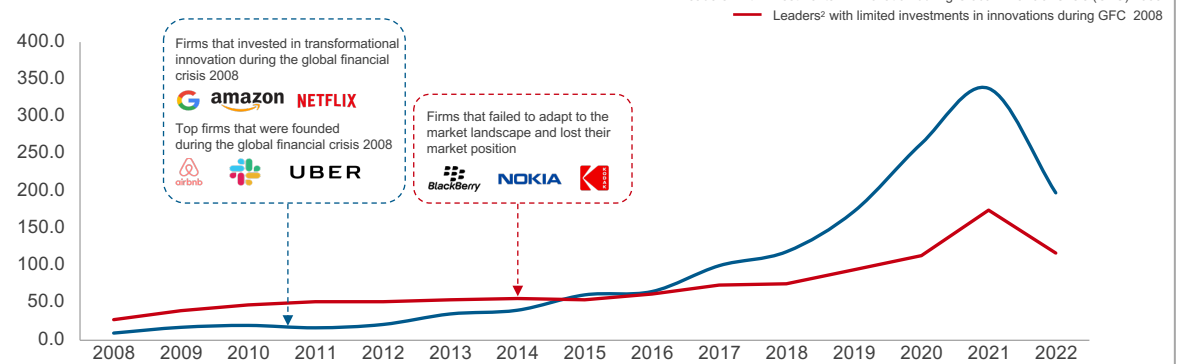


Inflation rates across major economies (June 2021–August 2022)



## Invest to stay ahead!

Share price of top digital-oriented companies over the years 2008-22; US\$



## Technology, a key enabler of innovation

Benefits derived from next generation-technology across industries

Benefits realized: Low (Red), Medium (Yellow), High (Green)

	Internet of Things (IoT)	Blockchain	Metaverse	Digital twin	Quantum computing
Operational innovation	High	Medium	Low	High	Medium
Process innovation	High	Medium	Low	Medium	Medium
Product/Service innovation	Medium	High	High	Medium	Low
Business innovation	Low	Medium	Medium	Low	Low

## Innovation in two-pronged approach

Incremental innovation	Transformational innovation
<p>Change in existing solutions to evolve the solution to suit the contemporary market needs. <b>This is primarily done to sustain short-term growth and gain incremental benefits</b> on the existing products / services / business models</p> <p><b>Most of the R&amp;D budget</b> is allocated in this type of innovation. However, the <b>returns are lower</b> as it supports only short-term growth</p> <p>Team collaboration on <b>day-to-day activities</b>. Additionally, <b>specific analytical talent and focus on continuous improvement</b> are pre-requisites</p> <p>Few of the key KPIs measured are <b>CSAT score, growth indicators, etc</b></p>	<p>Creating new products by envisioning to solve new problem statements, increasing the customer base, and entering new markets. <b>Typically, this is done to obtain a blockbuster growth</b> and have a sustainable future</p> <p><b>Smaller portion of R&amp;D budget</b> is allocated to this type of innovation. However, a new product can propel <b>high-growth momentum for the organization</b></p> <p><b>Isolated from day-to-day activities</b>. Further, <b>strong technical, design, and engineering skills, coupled with entrepreneurial thinking</b>, are the pre-requisites</p> <p>Few of the key KPIs measured are <b>market share, brand awareness, solution penetration, etc</b></p>
<p><b>Functionality</b></p> <p><b>RoI to investment ratio</b></p> <p><b>Organization structure</b></p> <p><b>Measurement KPI</b></p>	<p><b>Functionality</b></p> <p><b>RoI to investment ratio</b></p> <p><b>Organization structure</b></p> <p><b>Measurement KPI</b></p>

# Research calendar

## Digital services

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Metaverse Primer: What Is It and Where Can It Be Used?	March 2022
Moving Toward Scaled, Successful, and Sustained Digital Transformation	May 2022
Technology as a Strategic Differentiator in an Organization's Growth	June 2022
Digital Twin Services PEAK Matrix® Assessment 2022	July 2022
Systems of Growth – Building a Platform-based Operating Model to Innovate and Differentiate at Enterprise Speed and Scale	July 2022
Digital Twin Services Provider Compendium 2022	August 2022
Web 3.0 Trailblazers – the Top Start-ups Building the Next Generation of the Internet	October 2023
Exponential Technology Radar 2023: Picking the Right Battles	February 2023
Digital Transformation Consulting Services PEAK Matrix® Assessment 2023	March 2023
Enterprise Services Blockchain PEAK Matrix® Assessment 2023	April 2023
<b>Digital Services State of the Market 2023: Fostering Innovation During the Downturn</b>	<b>May 2023</b>
Digital Twin services PEAK Matrix® Assessment 2023	Q2 2023
Tech Radar 2023 – Technology and Trends Shaping the Future of Supply Chain	Q2 2023
Enterprise Extended Reality & Metaverse Services PEAK Matrix® Assessment 2023	Q3 2023
Enterprise Extended Reality & Metaverse Services Providers Compendium 2023	Q3 2023

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