Achieving Optimization: A Transformed Approach to Application Transformation

June 2024 : Complimentary Abstract / Table of Contents

State of the Market Report

Application Services

Everest Group®

Our research offerings

This report is included in the following research program(s):

Application Services

- ▸ Amazon Web Services (AWS)
- ▸ Application Services
- ▸ Artificial Intelligence (AI)
- ▸ Asset and Wealth Management
- ▸ Banking and Financial Services Business Process
- ▸ Banking and Financial Services Information Technology
- ▸ Catalyst™
- ▸ Clinical Development Technology
- ▸ Cloud and Infrastructure
- ▸ Contingent Staffing
- ▸ Contingent Workforce Management
- ▸ Customer Experience Management Services
- ▸ CX Excellence
- ▸ CXM Technology
- ▸ Cybersecurity
- ▸ Cyber Threat Detection and Response
- ▸ Data and Analytics
- ▸ Digital Adoption Platforms
- ▸ Digital Services
- ▸ Digital Workplace
- ▸ Employee Experience Management (EXM) Platforms
- ▸ Employer of Record (EOR)
- ▸ Engineering Research and Development
- ▸ Enterprise Platform Services
- ▸ Exponential Technologies
- ▸ Finance and Accounting

- ▸ Financial Crime and Compliance Operations
- ▸ Financial Services Technology (FinTech)
- ▸ Forces & Foresight
- ▸ GBS Talent Excellence
- ▸ Global Business Services
- ▸ Google Cloud
- ▸ HealthTech
- ▸ Human Resources
- ▸ Insurance Business Process
- ▸ Insurance Information Technology
- ▸ Insurance Technology (InsurTech)
- ▸ Insurance Third-Party Administration (TPA) Services
- ▸ Intelligent Document Processing
- ▸ Interactive Experience (IX) Services
- ▸ IT Services Excellence
- ▸ IT Talent Excellence
- ▸ Life Sciences Business Process
- ▸ Life Sciences Commercial Technologies
- ▸ Life Sciences Information Technology
- ▸ Locations Insider™
- ▸ Marketing Services
- ▸ Market Vista™
- ▸ Microsoft Azure
- ▸ Microsoft Business Application Services
- ▸ Modern Application Development (MAD)
- ▸ Mortgage Operations

- ▸ Multi-country Payroll
- ▸ Network Services and 5G
- ▸ Oracle Services
- ▸ Outsourcing Excellence
- ▸ Payer and Provider Business Process
- ▸ Payer and Provider Information Technology
- ▸ Price Genius – AMS Solution and Pricing Tool
- ▸ Pricing Analytics as a Service
- ▸ Process Intelligence
- ▸ Process Orchestration
- ▸ Procurement and Supply Chain
- ▸ Recruitment
- ▸ Retail and CPG IT Services
- ▸ Retirement Technologies
- ▸ Revenue Cycle Management
- ▸ Rewards and Recognition
- ▸ SAP Services
- ▸ Service Optimization Technologies
- ▸ Software Product Engineering Services
- ▸ Supply Chain Management (SCM) Services
- ▸ Sustainability Technology and Services
- ▸ Talent Genius™
- ▸ Technology Skills and Talent
- ▸ Trust and Safety
- ▸ Value and Quality Assurance (VQA)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

Learn more about
our custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

Contents

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

Yugal Joshi, Partner

Ankit Gupta, Practice Director

Madhurima Chopra, Senior Analyst

Jatin Kumar, Senior Analyst

Lalith Kumar, Senior Analyst

Background of the research

As customer expectations evolve and the need for heightened productivity and efficiency grows, application transformation has become increasingly crucial for enterprises worldwide. They are embarking on transformation journeys to leverage emerging technologies and move away from outdated legacy systems. Given the uncertain economic landscape, enterprises are prioritizing these efforts to realize tangible benefits. Furthermore, there is a sustained focus on sustainability, compliance, and regulatory adherence. In response, service providers are bolstering their offerings through strategic partnerships with technology providers and the development of IP to facilitate enterprise transformation and maximize Return on Investment (RoI). Moreover, there are significant investments in expanding regional delivery centers, aiming to enhance local service delivery and foster closer relationships with customers.

In this report, we focus on:

- State of the market for application transformation and adoption across industries and geographies
- Enterprise priorities, demand themes, and objectives for application transformation services
- Application services market overview and adoption across industries and geographies
- Technology vendors who are disrupting the application transformation services space

Scope of this report

Geography: Global

Industry: Industry-agnostic

Services: Application transformation services

Application transformation services scope (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).
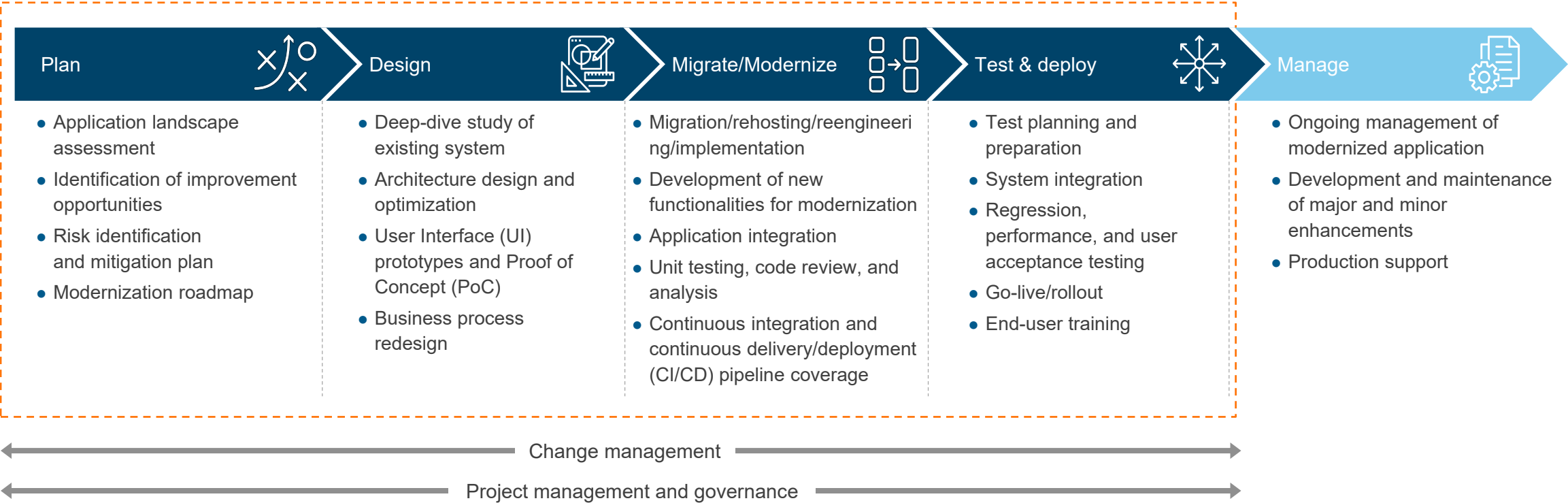
Source	Destination
Bespoke, legacy, and packaged applications	Cloud-based / Service-Oriented Architecture (SOA)-based/web applications
Database and cloud infrastructure	New/upgraded databases and new/upgraded cloud infrastructure

Methods	Definitions
Rehost	Lift-and-shift of application to cloud or any other new environment
Replatform	Migrating to a modern platform (e.g., new run time) with some meaningful tweaks to the existing application
Refactor	Restructuring and optimizing application code without creating new functionality and preserving the external structure
Rewrite	Application modernized through code changes from COBOL, .Net etc., to modern programming languages such as Java
Rearchitect	Redesign of applications using modern constructs such as SOA, Application Programming Interface (API), microservices, and containers

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

Commercial-off-the-shelf (COTS) applications	Transformation of COTS applications
Greenfield implementation	Greenfield implementation of COTS packages/custom application, e.g., package implementation of a COTS product
Functionality	Bolt-on functionality developed on an 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 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, update to latest version of the application

# Application transformation services scope (page 2 of 2)

Scope of research

Plan	Design	Migrate/Modernize	Test & deploy	Manage
• Application landscape assessment	• Deep-dive study of existing system	• Migration/rehosting/reengineering/implementation	• Test planning and preparation	• Ongoing management of modernized application
• Identification of improvement opportunities	• Architecture design and optimization	• Development of new functionalities for modernization	• System integration	• Development and maintenance of major and minor enhancements
• Risk identification and mitigation plan	• User Interface (UI) prototypes and Proof of Concept (PoC)	• Application integration	• Regression, performance, and user acceptance testing	• Production support
• Modernization roadmap	• Business process redesign	• Unit testing, code review, and analysis	• Go-live/rollout	
		• Continuous integration and continuous delivery/deployment (CI/CD) pipeline coverage	• End-user training	

← Change management →

← Project management and governance →

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

Global IT Services and AS market | market size and growth

Global ITS market
2024 estimates, US$ billion
E = Estimate

XX YoY growth

2.5-3.5%

674
652

2023   2024E
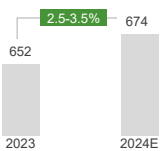
Key growth drivers

- Increasing need for continuous modernization and transformation to remain competitive and capture market share amid changing customer expectations.

- Emphasis on as-a service models for cost optimization and outcome- and output-based pricing models for value realization.

- Growth in generative AI-based partner solutions and accelerators for overall IT services value chain amid ongoing emphasis on organizational efficiency and optimization

Global application services (AS) market
2024 estimates, US$ billion
100% = 655

~48-51%
of the ITS market is AS
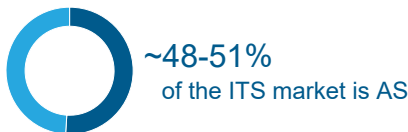
Key growth drivers

- Increasing prevalence of generative AI driving its integration into the application development life cycle to enhance productivity.

- Service providers are working with hyperscalers to leverage the value of LLMs and generative AI for faster business transformation.

- Greater emphasis on customer experience is driving the digital transformation demand led by infrastructure and application modernization.

Cost optimization and productivity gains take center stage in application transformation initiatives

Key enterprise priorities for undergoing application transformation
Ranking based on the percentage of enterprises selecting as the highest priority

Enterprise Objective	Cost optimization/ reduction	Productivity and efficiency	Sales and revenue growth	Customer and employee experience	Innovation to tackle industry disruption
Rank in 2023	1	2	3	4	5
Rank in 2021	1	3	5	4	2

North America continues to be the dominant ATS market, driven by its sustained digitalization investments with a focus on innovation

Application transformation services, by geography
Percentage split of revenue; US$ billion
100% = US$90-100 billion

Middle East and Africa (2%)
South America (2%)
Others (1%)
UK 13%
North America 51%
APAC 15%
Europe 17%
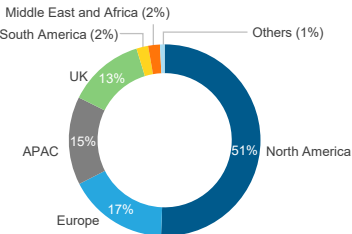
- The North American, market being more mature and aware in terms of technology and its adoption, has contributed the most for application transformation services market. Enterprises in North America are making sustained digitalization investments, with a focus on innovation, advanced technologies, and customized offerings

- While cost optimization kept enterprises busy in 2023, the demand for modernization did not decline much as enterprises are able to enhance customer experience through application modernization, which became a key priority since the COVID-19 pandemic

- In Europe, the demand for modernization services is fueled by the need for solutions tailored to data privacy, compliance, and regulations. This demand arises from the challenges posed by legacy and outdated applications, which impede customer experience. Scalability presents another significant issue within these legacy applications

- The increasing demand and fierce competition among providers are driving them to introduce new and innovative IP including industry-specific solutions. Additionally, they are actively developing early use cases based on generative AI

Technology providers play a critical role in helping enterprises modernize applications with speed and resilience

Featured technology enablement areas and providers in application transformation landscape

	Impact in application transformation	Featured provider
Application modernization	• Offer comprehensive solutions for modernizing legacy and mainframe applications • Leverages advanced technologies such as AI, ML, and automation to streamline the analysis, understanding, and transformation of code, enabling businesses to reduce technical debt, unlock agility, and harness the benefits of cloud environments while maintaining compatibility and scalability across platforms	averiSource, HEIRLOOM, Lightband, TmaxSoft
Application intelligence	• Delves deep into the intricate layers of architecture, composition, and dependencies, to help streamline transformation with efficiency and precision • Automates analysis of application portfolio and provides insights into existing technical debt to help prioritize applications for modernization	CAST, txture, vFunction
Integration	• Facilitates application transformation by streamlining processes, connecting systems, managing data flows, eliminating tool sprawl, ensuring consistency, and providing operational flexibility • Modern integration platforms emphasize API-first approaches, and hybrid integration models to support the complexity of today's application landscapes	boomi

Research calendar

Application Services

Published   Current release   Planned

Reports title	Release date
Application Transformation Services PEAK Matrix® Assessment 2024 – North America	January 2024
Generative AI for the Future of Application Services – Propelling Productivity and Reshaping Cost Paradigms	January 2024
Next-generation Quality Engineering (QE) Services – Provider Compendium 2023	January 2024
Low-code Application Development Platforms – Provider Compendium 2024	February 2024
Enterprise Pulse – Top Five Emerging Application Service Providers 2024	February 2024
Application Transformation Services PEAK Matrix® Assessment 2024 – Europe	March 2024
Leveraging Quality Engineering to Move the Enterprise Generative AI Needle Forward	April 2024
Enterprise Pulse for Technology Services 2024: Client Satisfaction Remains a Challenge	April 2024
Low-code Application Development – Review of Appian World 2024	May 2024
Achieving Optimization: A Transformed Approach to Application Transformation	June 2024
Low-code State of the Market	Q3 2024
Enabling Enterprises to Scale Intelligent Automation with Generative AI	Q3 2024
Unlocking Generative AI Success with Quality Engineering	Q3 2024
Quality Engineering (QE) as a Foundation for Sustainable IT	Q3 2024
Innovation Watch: Generative AI in Software Development	Q3 2024

Note: Click to see a list of all of our published Application Services reports

Stay connected

Dallas (Headquarters)	Bangalore	Delhi	London	Toronto
info@everestgrp.com	india@everestgrp.com	india@everestgrp.com	unitedkingdom@everestgrp.com	canada@everestgrp.com
+1-214-451-3000	+91-80-61463500	+91-124-496-1000	+44-207-129-1318	+1-214-451-3000

Website	Blog	Follow us on
everestgrp.com	everestgrp.com/blog	

Everest Group is a leading research firm helping business leaders make confident decisions. We guide clients through today's market challenges and strengthen their strategies by applying contextualized problem-solving to their unique situations. This drives maximized operational and financial performance and transformative experiences. Our deep expertise and tenacious research focused on technology, business processes, and engineering through the lenses of talent, sustainability, and sourcing delivers precise and action-oriented guidance. Find further details and in-depth content at **www.everestgrp.com**.

Notice and disclaimers

Important information. Please review this notice carefully and in its entirety. Through your access, you agree to Everest Group's terms of use.

Everest Group®
With you on the journey