



Microsoft Business Application Services – Riding the AI Waves

August 2024: Complimentary Abstract / Table of Contents

State of the Market Report
Enterprise Platform Services



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- ▶ Life Sciences Business Process
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- ▶ 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
- ▶ 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
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Contents

4	Introduction and overview	20	Key enterprise demand trends
5	Research methodology	21	Trend of adoption of key modules among enterprises
6	Key information on the report	22	Enterprise satisfaction from various platforms
7	Everest Group's scope of Microsoft Business Application services	23	Enterprise satisfaction from Microsoft Business Application product suite
8	Microsoft Business Application services market overview	24	Enterprise leverage of Microsoft AI for impact
9	Microsoft Business Application services market size and growth	25	Microsoft Business Application services satisfaction analysis on key satisfaction dimensions
10	Trends and market size split by geography	26	Top service providers across key industries with greater industry-specific IP focus and their key IP focus areas ¹
11	Trends and market size split by industry	27	Key takeaways for enterprises
12	Trends and market size split by module areas	28	Implications for service providers
13	Trends and market size split by buyer size	29	Appendix
14	Microsoft Business Application services deal characteristics	30	Glossary
15	Typical spend across the value chain	31	Research calendar
16	Deal trends analysis across key geographies		
17	Deal trends analysis across key industries		
18	Deal construct analysis for engagements		
19	Key industries driving Microsoft Business Application services in key geographies		

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Background of the research

Small and midsize enterprises are increasingly adopting Microsoft Business Application to have visibility and manage their operations end-to-end including modernizing their customer experience, marketing, sales, and finance. In contrast, large enterprises leverage Microsoft Business Application to strengthen their existing core systems by filling in the voids and building on top of the existing systems. Microsoft Business Application has carved out a niche by integrating seamlessly with Microsoft Office, Outlook, and Teams. Its market momentum is driven by a lower Total Cost of Ownership (TCO) compared to close competitors and faster time-to-market, facilitated by its SaaS-enabled nature. To facilitate the adoption of Microsoft Business Application across complex portfolios, service providers are investing in talent development and building robust accelerators to support enterprises in their digital transformation journeys.

This research presents the current market state of Microsoft Business Application services, detailing typical

deal characteristics, enterprise expectations and challenges, best practices for enterprises, and the implications for service providers.

- Microsoft Business Application services market overview with market size split by geography, industry, modules, and buyer size
- Microsoft Business Application services deal characteristics including typical spending across the deal value chain, and deal trend analysis across key geographies and industries
- Enterprise demand trends, including key Microsoft Business Application transformation areas, buyer imperatives across industries, and trends around AI - key focus areas, approaches, and transformation strategy with enterprise examples
- Key takeaways for enterprises and implications for IT service providers

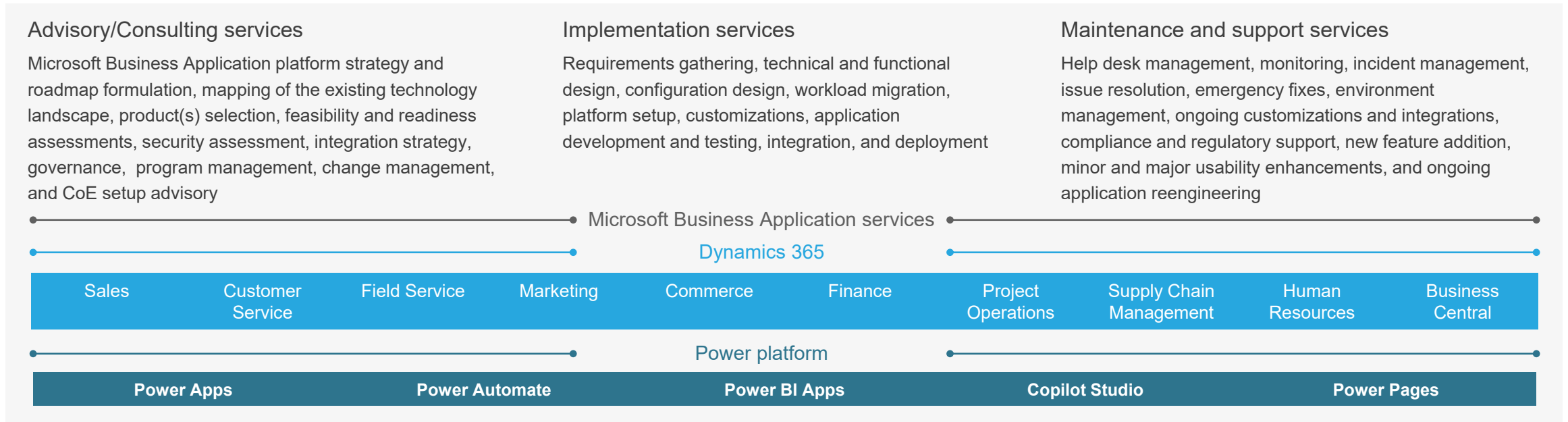
Scope of this report

Geography: Global

Industry: Market activity and investments of leading Microsoft Business Application services providers

Services: Microsoft Business Application services

Everest Group’s definition of scope of Microsoft Business Application services



Scope of the research

- IT services delivered for all Microsoft-owned and acquired business applications (both on-premises and cloud)
- This includes applications, databases, middleware, analytics, SI-built solutions, and emerging technologies such as AI/ML, and IoT for ERP (including finance and accounting), customer experience, Supply Chain Management (SCM) and procurement, human capital management, industry-specific applications, and technology
- Activities including business/technology consulting, design and implementation, integration, and support services for Microsoft business applications (as per the above services definition)

Exclusions

The scope of this research does not include the below

- BPO services (running business processes on Microsoft Business Application)
- IT infrastructure related services
- Resale of licenses related to Microsoft Business Application

Overview and abbreviated summary of key messages

Overview

This report presents the current market state of Microsoft Business Application services, detailing typical deal characteristics, enterprise expectations and challenges, best practices for enterprises, and the implications for service providers.

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

Microsoft Business Application services market overview

- This report examines services market overview with market size split by geography, industry, modules, and buyer size
- North America leads the Microsoft Business Application services market; however, the APAC region is emerging backed by investments in new data centers

Microsoft Business Application services deal characteristics

- Enterprises are preferring service providers that can showcase a strong consulting-led approach and can handle end-to-end engagements
- Fixed- and FTE-based pricing constructs remains the choice of enterprises with growth in demand for transaction-based and hybrid pricing constructs owing to conscious spending

Key enterprise demand trends

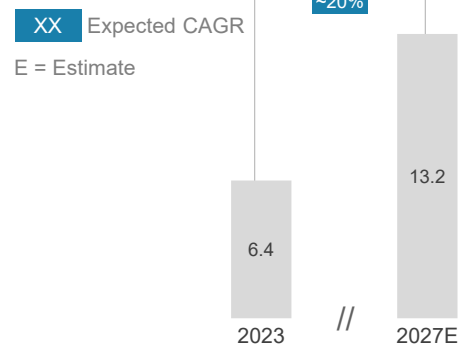
- Microsoft's AI capabilities are easy to adopt and align with enterprises' operational needs; however, Microsoft needs to double down on functional capabilities
- Enterprise expectations have evolved regarding pricing, as now they prefer service providers that can deliver more value for less cost and cover a broader spectrum of products within the Microsoft portfolio

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

Microsoft Business Application services market overview

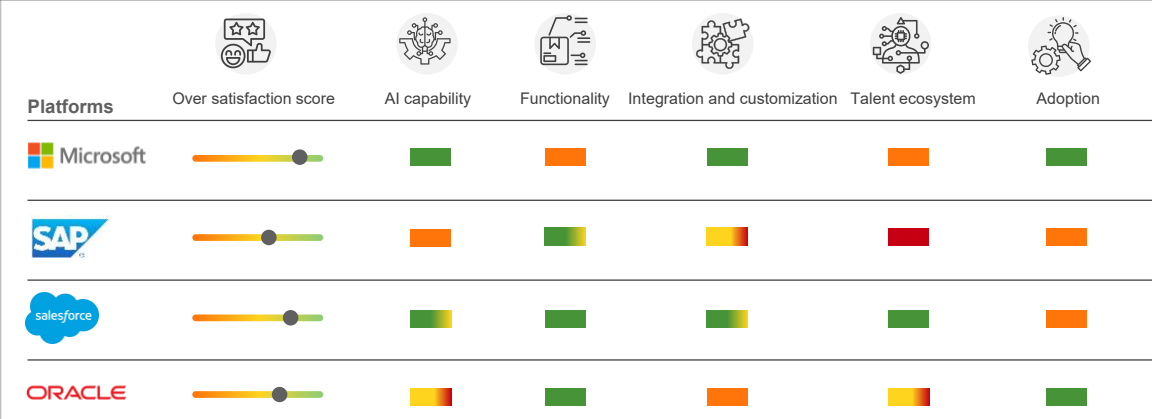
Global Microsoft Business Application services market

2023-27E; US\$ billion



- Increased demand for better customer experience, superior customer satisfaction, enhanced performance, and swift business operations are key adoption drivers
- Microsoft Business Application's smooth integration with other Microsoft products such as Microsoft Office, Azure, and SharePoint has contributed to Microsoft's increased adoption
- It supports and facilitates modular development that allows enterprises to launch new products faster, eventually contributing to the growth of Microsoft Business Application services
- Microsoft's effective bundling strategy of its Microsoft Business Application products along with its other cloud and enterprise offerings such as Azure and Teams often brings significant cost advantage to enterprises, providing additional impetus
- The launch of Small and Medium Business (SMB)-focused offerings from peers such as GROW with SAP and Salesforce Starter Suite is leading to confusion in the SMB segment due to the comparable benefits; added to this, the global market sentiments are acting as a key deterrent to further adoption of Microsoft

Enterprise satisfaction from various platforms



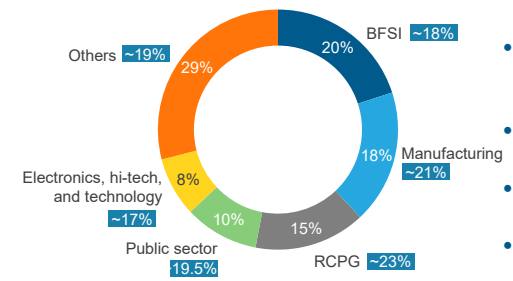
BFSI industry drive higher engagement for Microsoft's Business Apps services

Microsoft Business Application services market split by industries

2023; US\$ billion

100% = 6.4

XX Expected CAGR 2023-27



- The manufacturing sector, predominantly in Europe, continues to secure deals for implementations aimed at enhancing sales visibility and process automation
- The BFSI sector experiences a slowdown, whereas the retail and CPG sector gains momentum through supply chain enhancements, omnichannel strategies, and a focus on sustainability
- Large enterprise expectations are skewed toward faster time-to-value, tailored solutions, enhanced functionalities, and improved business resilience
- There is a rise in public sector engagement aimed at replacing or modernizing the existing legacy systems with the Microsoft Business Application systems
- Enterprise demand has surged for enhancing sales, services, and marketing in healthcare, telecom, and media sectors

Key takeaways for enterprises

Capitalize data
Data being the key prerequisite for AI to function at optimal levels; enterprises should actively integrate and leverage robust data capabilities to manage data end-to-end. **Microsoft Fabric** and **Cosmos DB** are key products that help with these required capabilities.

Integrate Azure AI offerings
Enterprises with existing Azure footprint should leverage Microsoft's integration capabilities to **seamlessly integrate** Azure OpenAI service, Azure AI, and other AI offerings on Azure into their existing Microsoft Business Application systems.

Implement strategically
Large enterprises should evaluate their business needs critically before opting for a **full-scale transformation** and focus on enhancing their **core capabilities**. Conversely, SMBs should leverage Microsoft's offerings to manage their operations end-to-end.

Track KPIs
Organizations are actively anchoring engagement toward realizing more **business value**. Enterprises should closely track their business KPIs to monitor the value realized and the impact created.

Assess provider
Enterprises should carefully assess their service provider based on their **change management** capabilities, experience in driving **complex business problems**, and effectively leverage Microsoft Business Application and AI in potential use cases.

Research calendar

Enterprise Platform Services

	Published	Current release	Planned
Reports title	Release date		
Microsoft Dynamics 365 Services PEAK Matrix® Assessment 2023			June 2023
Oracle Cloud Applications Services PEAK Matrix® Assessment 2023			July 2023
Enterprise Platform Services: Voice of the Customer 2023			August 2023
Salesforce Services – Unpacking Salesforce Industry Cloud Growth Momentum			September 2023
Oracle Cloud Applications Services – Provider Compendium 2023			October 2024
Pega Services PEAK Matrix® Assessment 2023			February 2024
Salesforce Services PEAK Matrix® Assessment 2024			April 2024
Pega Services – Provider Compendium 2024			May 2024
Salesforce Services PEAK Matrix® Assessment 2024			July 2024
Microsoft Business Applications Services – Riding the AI Waves			August 2024
Salesforce Services – Provider Compendium 2024			Q3 2024
SAP Business Application Services – Global PEAK Matrix® Assessment 2024			Q4 2024
SAP Business Application Services – Provider Compendium 2024			Q4 2024
ServiceNow Services Niche Provider Landscape Report 2024			Q4 2024
Microsoft Business Application Services PEAK Matrix® Assessment 2024			Q4 2024
Microsoft Business Application Services – Provider Compendium 2024			Q4 2024

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