Emerging Trends and Opportunities for Service Providers in the Application Economy

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Executive Summary

For service providers, the application economy is presenting significant opportunities as well as corresponding challenges. What's more, these dynamics are evolving rapidly. To provide readers with a current look at the state of the market, CA undertook a survey of service providers around the world. This paper offers a high-level overview of the key results and takeaways that this survey revealed.

Introduction: Taking Stock of a Fast-Changing Market

For today's service providers, change continues to come at a faster rate. This accelerated change should come as no surprise, given service providers operate at the epicenter of virtually all the significant technological and business trends that have emerged in recent years.

Service providers and their customers are now operating in an application economy, an environment in which applications play an increasingly integral role in the services, operations, and success of an organization.

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Given the fundamental and fast nature of change that's been occurring, the reality is that the approaches that may have worked for a service provider in the past may not be sustainable longer term. To continue to thrive, service providers will continually be compelled to adapt their operations and service offerings.

To provide insights into how these markets are evolving, CA conducted a global survey of service providers. This paper offers a high-level analysis of the key findings and perspectives from the survey, and it offers insights into what these findings mean for service provider leadership teams.

Key Takeaway #1: To Capitalize on the Application Economy, Service Providers Moving up in Value Chain

Survey respondents were queried on the types of services offered, as well as those they plan to offer. The responses provide a vivid, before-and-after picture of how the service provider market is adapting to the emerging application economy. In terms of current services offered, traditional infrastructure-focused services represent the most common service types, with IT monitoring; storage, backup and disaster recovery; and help desk representing the categories with the highest response rates. However, when it comes to planned services, the picture is very different. Instead of traditional services, the top five rated services all are focused on helping customers adapt and thrive in the application economy. Services relating to the Internet of things (IoT), mobility management, big data, security and identity and access management, and cloud services represented the top five rated categories respectively.

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Top Current and Planned IT Services
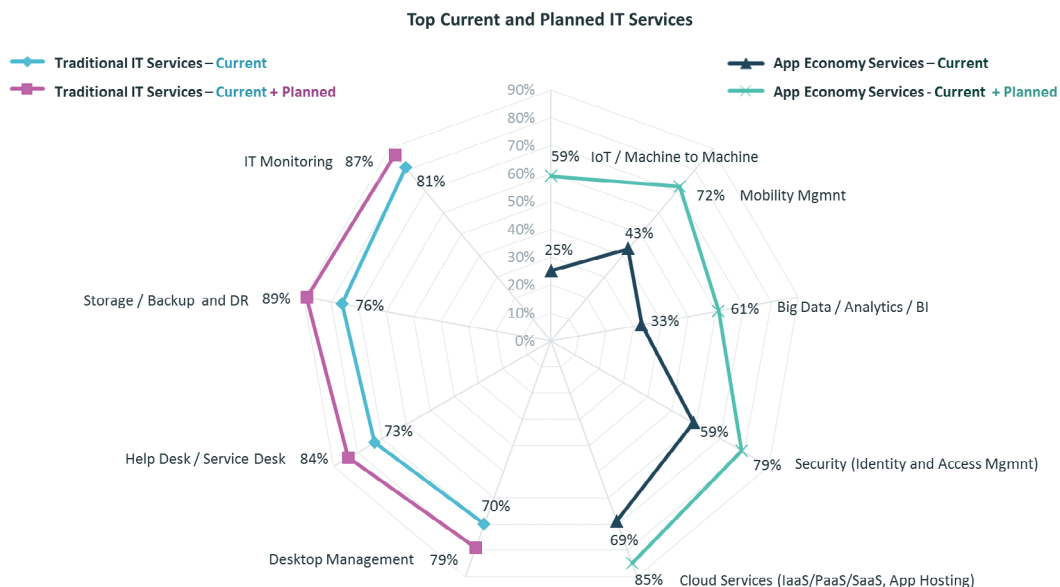
Respondents also painted a similar picture when pointing to the top trends they were seeing. "Migrating on-premises applications to cloud/SaaS" (70 percent), "Need for mobile-ready applications" (49 percent) and "Innovative applications increasingly central to customers' success" (40 percent) were three of the top four-rated trends respondents are encountering in their markets. These results make clear that customers are adapting to the application economy, and service providers are rapidly moving to support them in this effort.

**What trends are you seeing as an IT service provider?**
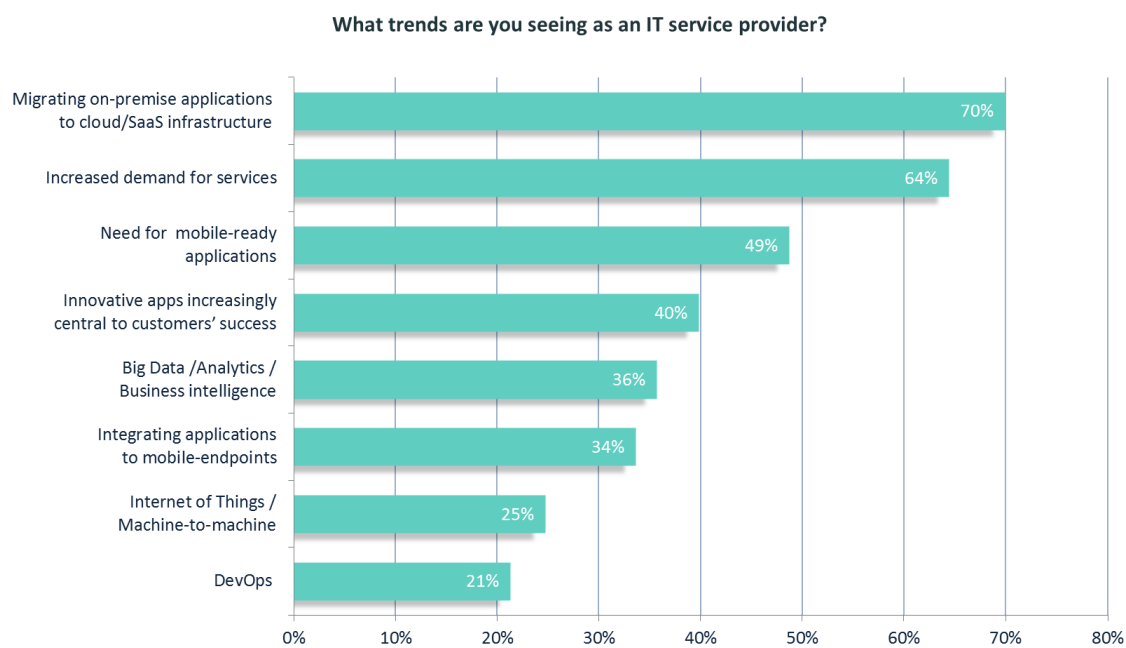
Key Takeaway #2: The Number of Services Supported is Large and Growing

While there's a clear shift underway in terms of new services being added to the mix, the survey responses also make clear that traditional services aren't going away. Consequently, service providers are making the effort of profitably supporting a growing number of services. Consider a few of the following statistics:

- Already, more than half (55 percent) of respondents indicate that their organizations support more than 10 services, and one-third support more than 16 services.
- 66 percent indicated that they are planning to add one or more services to their portfolio.
- Two-thirds of respondents say that increased demand for services is a key trend, the second highest-rated category.

All these factors lead to one fundamental reality: the pressure is mounting to speed service delivery. This fact was also clearly articulated by respondents. The vast majority, 78 percent, say they're seeing increased pressure to launch new and existing services.

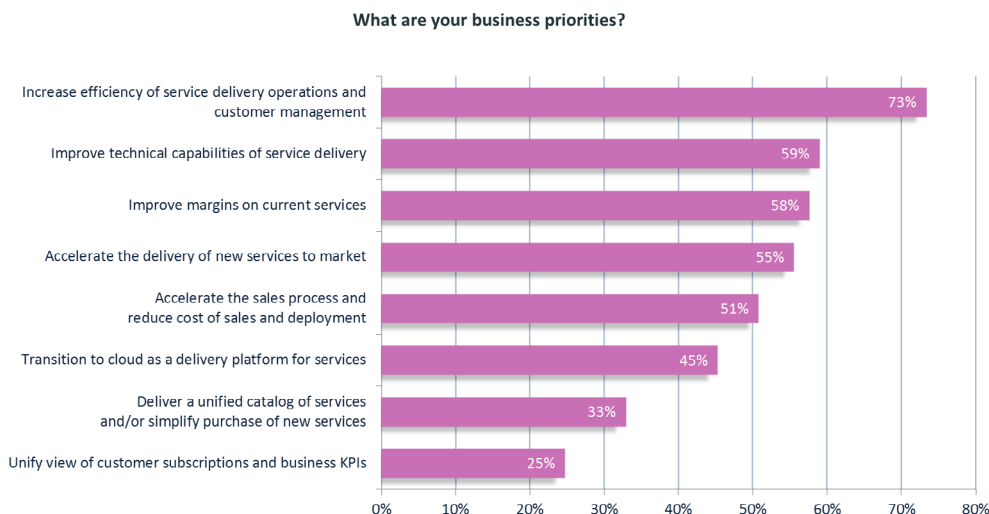**How many unique IT services do you offer to your end customers?**

26 or more, 18%
11 to 15, 21%
16 to 25, 16%
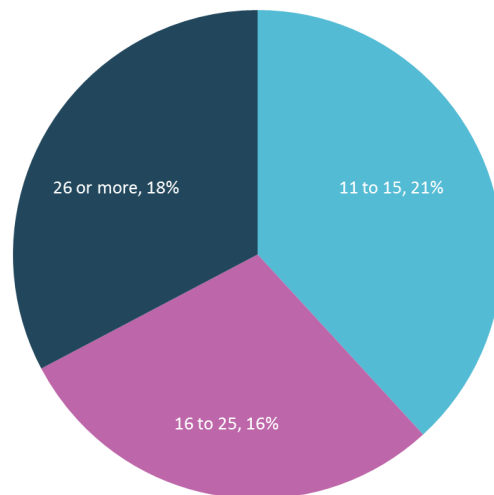
Are you seeing increased pressures to launch new and existing IT services faster than before?

78%

18%

Yes   No

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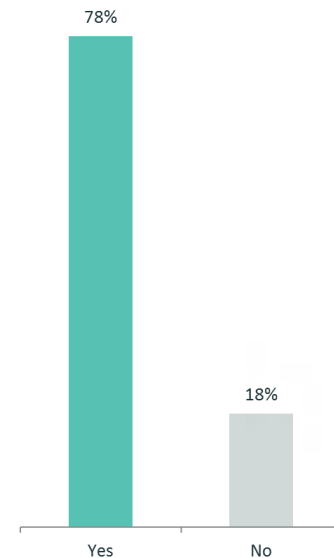
Key Takeaway #3: Addressing Market Demands is Placing a Premium on Efficiency

The prior takeaways make abundantly clear that services providers are being tasked with doing more. What's also clear is the realization among respondents that these expanding capabilities can only be realized through efficiency gains. When asked about their business priorities, "Increase efficiency of service delivery operations and customer management" was the highest rated category, receiving a 73 percent response rate overall. "Improve technical capabilities of service delivery (59 percent) and "Improve margins on current services" (58 percent) were the second- and third-ranked responses respectively.

What are your business priorities?

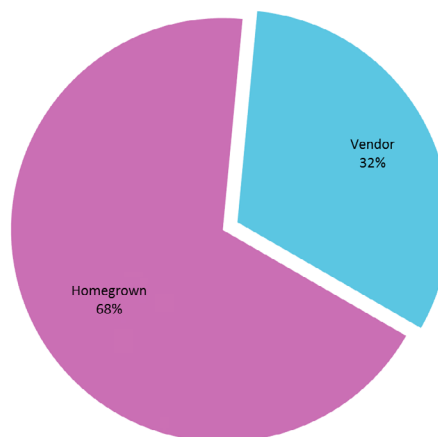| Priority	%
Increase efficiency of service delivery operations and customer management	73%
Improve technical capabilities of service delivery	59%
Improve margins on current services	58%
Accelerate the delivery of new services to market	55%
Accelerate the sales process and reduce cost of sales and deployment	51%
Transition to cloud as a delivery platform for services	45%
Deliver a unified catalog of services and/or simplify purchase of new services	33%
Unify view of customer subscriptions and business KPIs	25%

Key Takeaway #4: Service Providers are Being Impeded by Current Approaches and Technologies
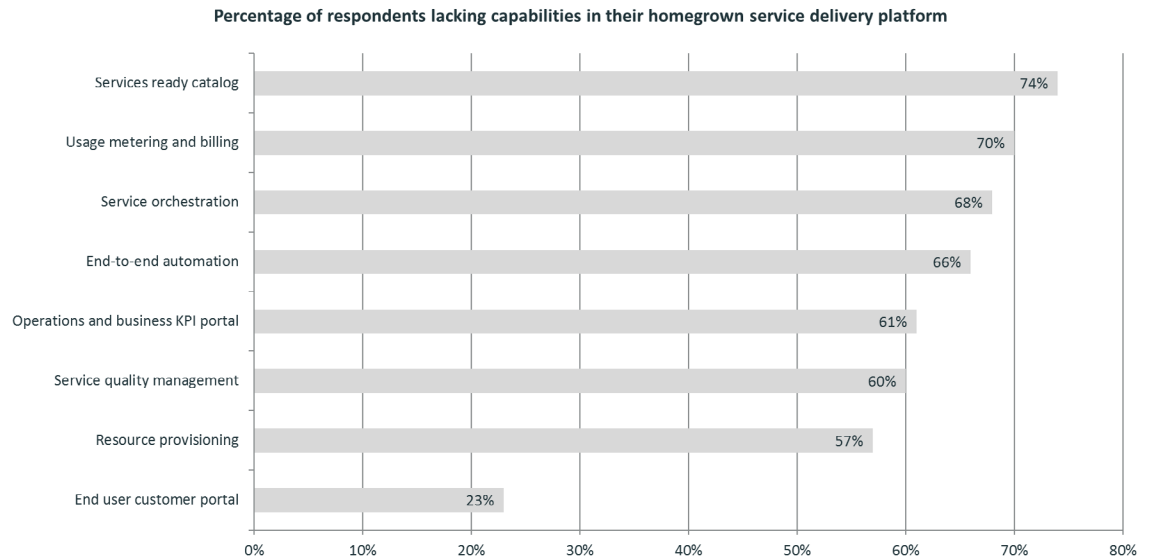
As businesses look to expand their capabilities while maximizing efficiency, they'll either be helped or hindered by their service delivery approaches and technologies. The survey responses show that many fall into the "hindered" camp, however. When respondents were asked whether they were "using a service delivery platform to automate and speed service delivery," a significant percentage, 35 percent, said no. Further, for those organizations that are employing a platform, 68 percent are using a home-grown solution.

Are you using a service delivery platform to standardize, automate and speed delivery of services to your end customers?

Yes	No
62%	35%
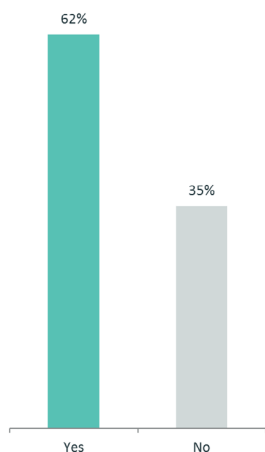
What is the Source of your Service Delivery Platform?

Vendor 32%

Homegrown 68%

Percentage of respondents lacking capabilities in their homegrown service delivery platform

Those organizations with home-grown tools in place are clearly at a disadvantage. The vast majority of these respondents are lacking an array of capabilities that are essential in streamlining the order-to-cash cycle. For example, 74 percent of these respondents don't have a services-ready catalog, 70 percent don't have capabilities for usage metering and billing, and 66 percent are lacking end-to-end automation.

Conclusion

To meet their mandates to respond quickly to changing market demands and expand service offerings, significant improvements in efficiency will be key. Accomplishing these objectives will undoubtedly require a mix of people, process and technology—but it won't happen if it isn't given a sense of urgency and prioritization. To address the demands of business stakeholders and customers, operations teams will have to make efficiency a top priority. Toward that end, it will become increasingly critical for these teams to adopt innovative commercial platforms that enable more standardization and comprehensive automation. Armed with these capabilities, service providers will be much better positioned to expand their offerings, speed order-to-cash cycles and boost margins.

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About the Survey

This paper recaps a survey commissioned by CA Technologies. The survey was conducted in May and June 2015 and included 150 respondents. Respondents were comprised of senior leadership, including C-level executives, vice presidents and directors. Individuals surveyed represented a range of:

▪ Organization sizes, with some organizations having less than 25 customers and some having more than 1,000.

▪ Geographies, including North America, Latin America, Europe and Asia Pacific.

▪ Service delivery functions, including sales and business development, finance, procurement and operations.

Respondent Breakdown by Title

- Manager, 20%
- CxO, 30%
- VP, 15%
- Director, 35%
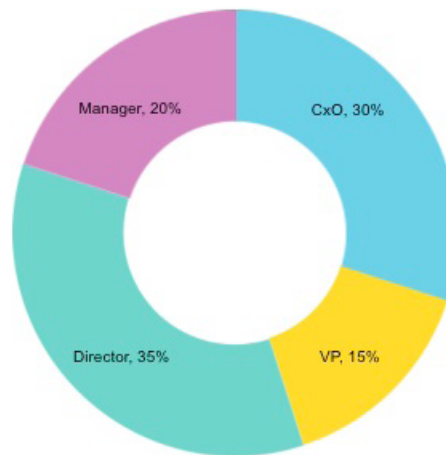
About CA Technologies for Service Providers

In the application economy, successful service providers will have one thing in common: speed. Delivering services that help customers innovate their applications faster—and getting those services to market quickly—now represent critical competitive mandates. Today, service providers around the world are turning to CA Technologies because we help them get faster. CA equips service providers with a scalable service delivery platform that fuels operational optimization, complete solutions that power services at every stage of the application lifecycle and extensive enablement services that can accelerate all phases of your business' execution.

About This Document: Developed by the CA Service Provider Center of Excellence

This document has been written by the CA Service Provider Center of Excellence team and is intended to provide our service provider partners with the guidance they need to address some of their most pressing challenges. Our team has rich expertise in service provider businesses, strategic consulting, technical deployments, sales and marketing. Our documents are informed by the Center of Excellence team's extensive experience over the past ten years in helping build successful service provider businesses and by interviews with some of our most successful service provider partners. This document is provided for informational purposes only and on an as-is basis. The guidance and results described herein are based on the unique experiences of our staff and partners, and may not be applicable to all organizations.

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