

White Paper

The Business Benefits of Digital Workflows Within and Across the XaaS Value Chain

Sponsored by: ServiceNow

Rob Brothers
January 2022

Susan G. Middleton

IDC OPINION

IDC's research demonstrates that enterprise organizations are prioritizing digital infrastructure resiliency as a foundational element of their IT strategy. Customers are looking for richer levels of visibility, cross-platform control, and advanced data management and protection that span the entire edge-to-core continuum. Faster delivery of services is key to enable this transformation, and as-a-service (XaaS) and consumption models can help customers create an efficient cloud experience to deliver those contextual experiences. Services will be the linchpin in this transformation.

IN THIS WHITE PAPER

As cloud adoption accelerates, enterprises are grappling with the complexity of managing all these new ecosystems that span across multiple platforms and locations. In this white paper, we discuss how ServiceNow helps technology companies reduce complexity and cost and accelerate revenue and time to market while delivering a better customer and employee experience all within a single platform. This platform creates and connects digital workflows that adapt and optimize the end-to-end process across the entire value chain.

SITUATION OVERVIEW

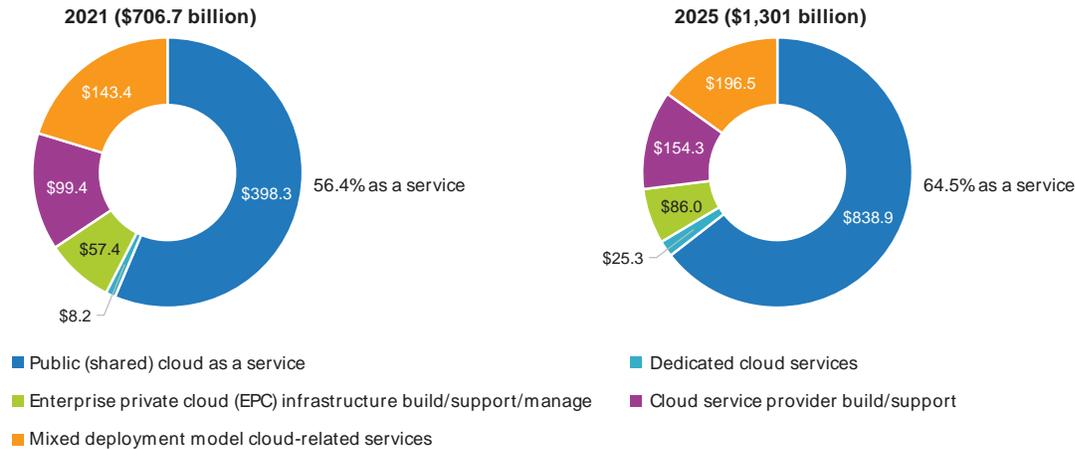
Over the past decade, cloud computing has become the foundation for the delivery of mobile and content services as well as an alternative to traditional enterprise computing environments. As businesses pivot to a digital-first economy, cloud will continue to play an ever greater, and even dominant, role as the IT industry focuses on delivering greater efficiency and flexibility and faster innovation. Because of its central role in the future enterprise, IDC forecasts "whole cloud" spending – total worldwide spending on cloud services, the hardware and software components underpinning the cloud supply chain, and the professional/managed services opportunities around cloud services – will surpass \$1.3 trillion by 2025 while sustaining a compound annual growth rate (CAGR) of 16.9%.

In today's digital-first world, business outcomes and innovation are increasingly tied to the ability to develop and use innovative technologies and services anywhere, as quickly as possible. Cloud is the foundation for meeting this need, and industries want to intelligently leverage data to their advantage and can do so because they have faster access to digital technologies built on a cloud foundation. The as-a-service segments of cloud spending, combining shared cloud as a service and dedicated cloud as

a service, will account for most of all cloud spending throughout the forecast period, growing from 55.7% in 2021 to 64.1% in 2025 (see Figure 1). These segments will also see the fastest growth in spending, with a five-year CAGR of 21.3%.

FIGURE 1

Growth of SaaS Portion of Cloud Spend, 2021 and 2025



Note: For more information, see *Worldwide Whole Cloud Forecast, 2021-2025: The Path Ahead for Cloud in a Digital-First World* (IDC #US47397521, September 2021).

Source: IDC, September 2021

This cloud buildout – the hardware, software, and standard life-cycle services for these cloud assets – represents the most critical area of cloud spending outside the as-a-service segments. IDC forecasts that spending on compute and storage infrastructure products for cloud infrastructure will continue to outpace noncloud IT infrastructure investments throughout the forecast period. The five-year CAGR for cloud hardware, software, and support is expected to be 11.8%.

The services aspect is critical for these solutions. Consumption and as-a-service offers are about creating a cloud experience for the customer. Keys to implementing a cloud strategy will be how quickly the technology provider can build the infrastructure and how efficiently the provider can maintain and upgrade the environment. Current offers have infrastructure being put in place in 14 days, which may not be fast enough in the competitive cloud world. Back-end tools and processes will be key. Technology providers will need to maintain stocking levels of certain assets and ensure that logistics, inventory, and order management systems are aligned. Marketplaces will be created for customers to easily order a range of infrastructure-as-a-service requirements, from upgrades to completely new systems or service offerings.

The shift to a digital-first world is already underway and is driving major transformations within the IT and communications industries. By 2022, more than half of the global economy is based on or influenced by digital. By 2023, 90% of worldwide enterprises will be prioritizing investments in digital tools to augment physical spaces and assets, and by 2024, 55% of all ICT investments will be linked to

digital transformation. To thrive in a digital-first world, CIOs, technology leaders, and business executives must transform their enterprises and IT organizations to facilitate technology innovation.

With business users relying on technology to achieve strategic competitive advantage, enterprises are focusing more on "outcomes" in their cloud selection processes. The promise of cloud delivery is minimizing the disruption of technology adoption, allowing enterprises to make sure their technology investments yield the desired business results. Ensuring a superior business user experience will be table stakes for most technology providers – even in the IT infrastructure market space. As a result, IDC expects the long-term focus for all technology providers will be on strengthening their relationships with businesses, not IT, from device to edge to network to core.

FUTURE OUTLOOK

Pandemic Was an Accelerant

Most enterprises view the pandemic as a major disrupter to business operations. The need for enterprises to invest in digital infrastructure is driven by the understanding that today's IT environments can often be classified as complex, inefficient, and expensive to maintain, all of which stifle innovation. One of the key lessons learned from the pandemic was that shifting the focus from managing infrastructure to business outcomes is vital to operational efficiency and success. IDC observes that theme threaded through many of our surveys. Enterprises are now focused on improving business and operational efficiency to drive better business outcomes and customer satisfaction.

IDC believes this pivot has also boosted demand for as-a-service models that provide the metrics and insights that enterprises require to operate in a more efficient and agile manner. Recent IDC surveys demonstrate the customer interest and market momentum. In a February 2021 survey, IDC observed that 61% of enterprises worldwide were interested in shifting to as-a-service models for IT investments. This interest is being driven by an explosion of interconnected applications and data across multiple locations that stretches from edge to core, demonstrating the need for as-a-service models to reduce the complexity of managing an IT environment.

Table 1 presents, per IDC surveys, the top business-related benefits of as-a-service models that are influencing IT decision makers.

TABLE 1

Importance of Business Benefits of As-a-Service Models

	Using for More Than 12 Months	Using for Less Than 12 Months	Plan to Start Using in the Next 12–18 Months
Ability to enable development through IT agility	3.72	3.34	3.67
Faster procurement cycles	3.41	3.27	3.19
Ability to scale to meet business demand	3.50	3.32	3.51
Higher revenue	3.18	3.58	3.39
Improved application/system performance	3.79	3.88	3.73
Improved utilization of the assets (over and under provisioning)	3.41	3.60	3.51

Note: Mean scores are based on a scale of 1-5, where 1 = not at all important and 5 = extremely important.

Source: IDC's *As-a-Service-Based Infrastructure Market Trends Survey*, September 2020

Additional IDC surveys reveal other attributes that enterprises require to adopt these models. Those attributes are:

- Work with a trusted partner that understands their environments and business goals
- Help reduce the complexity of managing IT infrastructure and enable IT to focus on driving business outcomes
- Reduce IT staff workloads
- Provide support that accelerates decision making and responsiveness
- Streamline time to spin up new capacity and reduce the procurement cycles

Understandably, enterprises are looking to improve both business and operational efficiencies, all with the desired outcome of improving overall agility to one up the competition.

CHALLENGES/OPPORTUNITIES

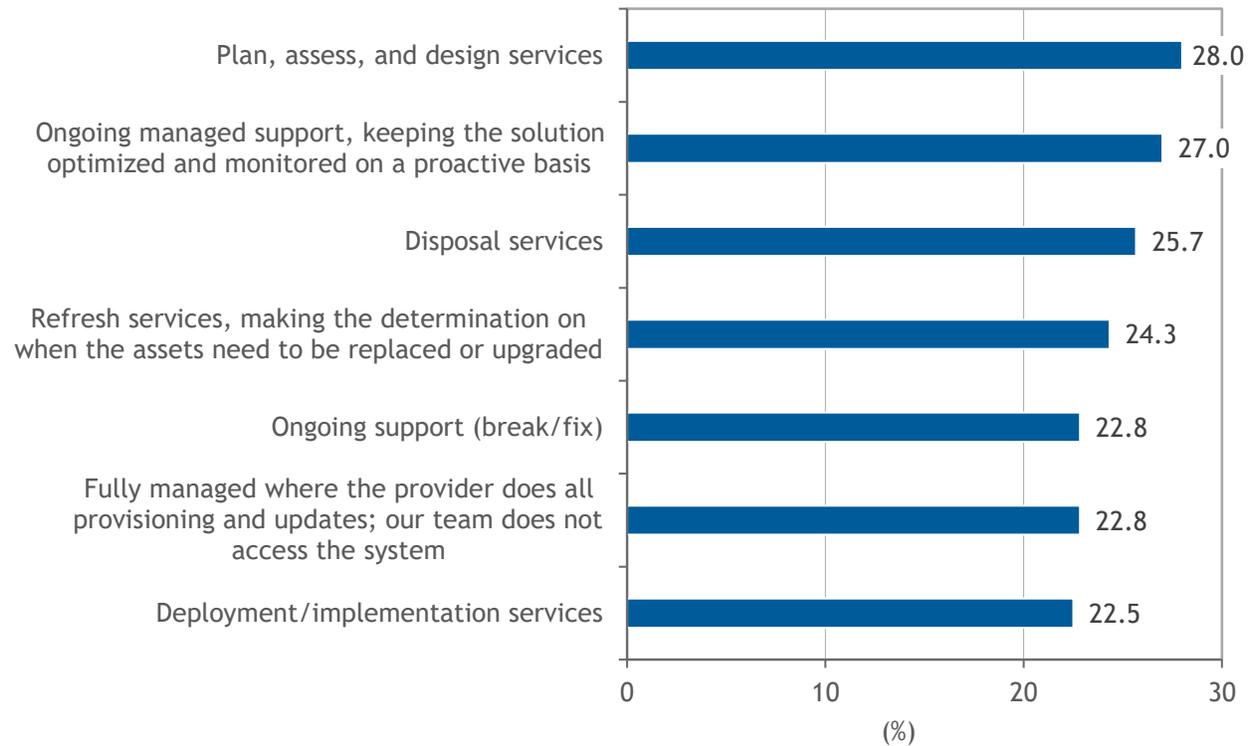
Other services to consider are cloud-related professional services that encompass a range of project-based services, such as strategic planning and assistance in implementation or adoption of all types of cloud services or other projects that require a cloud delivery capability as a foundational element. Additional opportunities will be managed cloud services that provision management capabilities to ensure 24 x 7 operations of cloud technologies and architectures, both applications and infrastructure, and associated business processes and "embedded" professional services. Figure 2 shows the

services that are of importance to enterprises when purchasing as-a-service models. These can be difficult for some technology providers to deliver.

FIGURE 2

Services Important to Enterprises for Purchasing As-a-Service Models

Q. What services do you feel are missing that should be included in the consumption-based offer?



Source: IDC's *As-a-Service-Based Infrastructure Market Trends Survey*, September 2020

The challenge for vendors offering these solutions will be how to manage and measure the customer experience: getting the right tools in place that can take in all the vectors that make up an "experience" can be daunting. Extracting maximum value from technology investments continues to be a strategic IT imperative. As enterprises are challenged to do more with less (including budgets and resources), it is critical that each technology investment delivers full value to IT and the business. As essential elements of the life cycle, optimization and managed support services can help provide people, processes, and tools to improve the efficiency and efficacy of technology solutions that are aligned with operational and business objectives. What is incorporated in experience can include and is not limited to:

- System and software performance measured against the outcomes they create
- Price (Is my organization getting value from this solution relative to other solutions in the market [public versus private cloud]?)
- Automated operations to ensure SLAs

- Product life-cycle services, the ease of doing business with the vendor, and how the vendor performs in the basic services needed to sustain an environment:
 - Proactive and predictive support to quickly resolve issues, sometimes before they occur
 - Support (e.g., break/fix services, ticketing, asset management, and ongoing system operations)
 - Deployment (How quickly and effectively are the solutions and associated services available for my customers' use?)
 - IT asset disposition (ITAD) (Secure ITAD is critical to keep data safe.)
 - Product characteristics/design

Providing these aforementioned metrics internally to the proper staff is as necessary as providing it to the customer. This information not only informs the organization on how well it is doing but also provides valuable information to sales and product development. There are many solutions in the market to assist vendors with their as-a-service life-cycle need, and ServiceNow is one of those providers.

ServiceNow: Connecting Customer and Operations for Efficient and Effective Use of XaaS

IDC has seen enterprises looking to measure the experiences they get out of the solutions they receive from their suppliers. Some of the key attributes are:

- Service is delivered consistently across the entire value chain, from suppliers and partners to eventually the customer.
- Global consistency across the entire value chain is key, according to a recent IDC study where it ranked in the top 3, receiving 8.6 out of 10 in importance.
- Once again, software plays a key role in creating smooth transitions of products or services across supply chains.

CONCLUSION

The future enterprise is IDC's vision for how enterprises must operate and invest to participate in a digital first-driven economy. Enterprises must prioritize outcomes in their IT investments, leveraging trusted industry ecosystems, generating profitable revenue growth from empathetic customer experiences, and demonstrating an ability to adapt operating models to complex customer requirements. From an IT operating model standpoint, enterprises will rely more on as-a-service technology options when it comes to using digital infrastructure and enabling an intelligent, empowered, and well-connected workforce.

Cloud, IT, and communications providers will make major changes in their own bundling and delivery of products and services that drive the shift to digital first. The most critical tasks for IT organizations will be to establish procurement, development, and operations models as well as IT skills profiles that align with as-a-service and outcomes-centric delivery models. Overall, IDC anticipates a continued focus from cloud providers on helping customers maximize the value of their XaaS solutions. Enterprises often struggle to realize the value of cloud technologies, which can require complex integrations and architecture modifications as well as unanticipated ongoing maintenance and modifications. CIOs and IT managers are looking for providers that can deliver a seamless customer experience, with a specific focus on the desired business outcomes up through the technology stack.

Adoption of a digital-first mindset will increase the pressure on IT teams to speed the shift to digital infrastructure, unified security, and pervasive connectedness.

To that end, it will be critical for companies to develop processes to achieve a cloud-first business to create the outcomes needed to succeed and to invest in the right tools to enable those processes.

APPENDIX

- *IDC FutureScape: Worldwide Future of Digital Infrastructure 2022 Predictions* (IDC #US47441321, October 2021)
- *Worldwide Whole Cloud Forecast, 2021-2025: The Path Ahead for Cloud in a Digital-First World* (IDC #US47397521, September 2021)
- *IDC's Consumption-Based Infrastructure Market Trends Survey*, September 2020

DEFINITIONS

As-a-Service Models

As-a-service (XaaS) models are flexible arrangements in which procurement of hardware, defined software, deployment, support, optimization, and life-cycle management services are all handled by one third-party vendor under one contract.

MESSAGE FROM THE SPONSOR

ServiceNow helps XaaS and managed services providers digitize workflows across their Cloud environments, operations teams and value chains to accelerate revenue growth, strengthen customer relationships and scale profitably. The ServiceNow platform, with its single data model and architecture powered by AI and machine learning, intelligently connects people, functions and systems across value chains.

Cloud providers can grow revenues faster with the efficient design and delivery of new and evolving XaaS and managed service offers. They can deliver better customer outcomes with greater service visibility and proactive and predictive support that increases net promoter scores (NPS), customer satisfaction (CSAT) and net revenue retention (NRR) rates. They can secure and automate operations across diverse Cloud and IT environments with a control tower platform that breaks down silos and provides full operational control/visibility.

With ServiceNow's Technology Provider Service Management Service Bridge capability, Cloud providers can empower end users and grow revenues by providing a rich, self-service experience across the ecosystem when enterprises and sourcing partners already use the ServiceNow platform internally.

Learn more [here](#).

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

Global Headquarters

140 Kendrick Street
Building B
Needham, MA 02494
USA
508.872.8200
Twitter: @IDC
blogs.idc.com
www.idc.com

Copyright Notice

External Publication of IDC Information and Data – Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2022 IDC. Reproduction without written permission is completely forbidden.

