IDC MarketScape: Worldwide Application Management Services on the Cloud 2020 Vendor Assessment
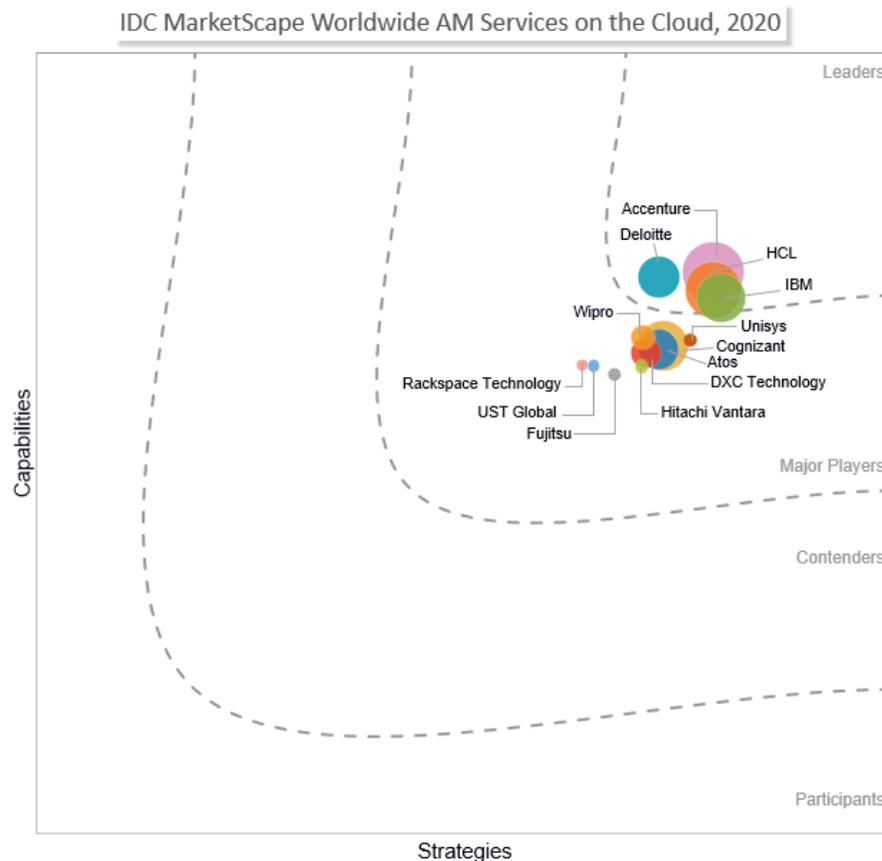
Peter Marston

THIS IDC MARKETSCAPE EXCERPT FEATURES IBM

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Application Management Services on the Cloud Vendor Assessment

Source: IDC, 2020

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Application Management Services on the Cloud 2020 Vendor Assessment (Doc # US46924517). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

Using the IDC MarketScape model, IDC evaluated companies that provide application management (AM) services on the cloud. Over the past two years, IDC has observed that, increasingly, more organizations are adopting cloud and migrating key applications to the cloud to modernize their application portfolios and drive more agility in their application management. Yet many organizations struggle with effectively managing their applications on the cloud as well as driving the cultural and organizational change that's necessary to maximize the agility and value of managing applications on the cloud. Moreover, IDC's research has found that many organizations lack effective automation to streamline their application management on the cloud, as well as fortify application security and performance when their applications have been migrated to the cloud. This is where third-party providers that offer AM services on the cloud can help. Using more than 100 criteria and in-depth customer interviews, IDC examined an array of players that have robust AM services on the cloud. IDC's findings revealed that the providers possess deep capabilities to serve a variety of client needs with nuances in services focus. IDC's analysis also found that, while providers largely differentiate in what types of clouds they focus their AM services around, how much DevOps they infuse as part of their AM services delivery, average deal sizes for public cloud, and types of contractual arrangements they tend to form with clients, our findings also uncovered that providers possess many similarities, particularly in application workload management, industry focus, and delivery model mix. If your organization is focused on migrating and modernizing applications to the cloud and aiming to use a AM services on the cloud service provider to drive more value for your organization's application portfolio management (APM), utilize this IDC MarketScape as a companion tool to compare and contrast providers your organization is considering or shortlisting to support your transformation journey.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

IDC collected and analyzed data on service providers within the 2020 IDC MarketScape for AM services on the cloud. The market for AM services on the cloud is robust, and there's an abundance in suppliers that offer AM services on the cloud to help organizations manage their mission-critical applications in modern application environments models. IDC narrowed down the field of players that participate in the AM services on the cloud market based on the following inclusion criteria:

- **Revenue.** Each service provider was required to have 2019 total revenue (for AM services on the cloud) that exceeded $150 million.
- **Multifunctional and end-to-end services capability across AM services on the cloud disciplines.** Each service provider was required to possess service delivery capabilities that spanned end-to-end service delivery, including consulting and advisory; infrastructure procurement and management; application design, implementation, testing, and delivery; and ongoing managed services.

- **Full portfolio of AM service capability.** Each service provider was required to possess service delivery capabilities that spanned a full array of application workloads (e.g., CRM, SCM, and ERP), multiple packaged application brands (e.g., SAP, Oracle, and Microsoft), varied cloud types (e.g., public, private, and hybrid clouds), and application technologies (e.g., mainframe, Java, .NET, Android, iOS, and SaaS).
- **Worldwide delivery capabilities in the Americas, EMEA, and APAC.** Each service provider was required to have a geographic presence and delivery capability in each of IDC's major macroregions (i.e., the Americas, EMEA, and APAC).
- **RFI questionnaire completion.** Each service provider was required to complete an exhaustive RFI questionnaire covering more than 160 capabilities and strategy criteria.

ADVICE FOR TECHNOLOGY BUYERS

Organizations are putting more of their application portfolio on the cloud to drive more agility, performance, and scalability in the business and information technology (IT) operations. This is happening amid large, companywide digital transformation efforts. AM services on the cloud have emerged as a stepping-stone to enable those organizations to accomplish transformational change. However, while modern AM services on the cloud are not new, many organizations struggle with driving high levels of efficiency and optimization throughout their application life-cycle management (ALM) and often are challenged with developing closer ties with the line-of-business personnel as part of their application management on cloud transformation. As many organizations' digital transformation journeys can be multiyear efforts, so too are their AM services on the cloud transformation journeys. Because of this, advisory and consulting firms, systems integrators, and traditional outsourcers have all positioned themselves as key players in the AM services on the cloud market. And although the supply of AM services on the cloud providers is abundant, buyer organizations must consider providers carefully – to identify the right partner that will not only help activate AM services on the cloud benefits but also help address the buyer organizations' business, technical, and strategic needs. As a result, IDC suggests buyer organizations:

- **Think about cultural fit first.** Throughout the customer interviews in this study, IDC found that a top selection criterion for using a third-party service provider for AM services on the cloud centered on the provider's ability to mesh well with the buyer organizations' business and IT team and business organization. Many large organizations tend to integrate service providers as part of their overall IT operations, including those that outsource development and/or testing activities. To run a lean and effective IT operation, organizations must possess a strong cultural dynamic that fosters teamwork, collaboration, trust, and communication across all delivery personnel, whether they be internal, external, or a combination of both. Along these lines, it's critical that your organization partners with a service provider that works in harmony, culturally, with your business and IT organization for seamless application delivery and management to ensure that the anticipated value of application maintenance and upkeep is achieved.
- **Evaluate capabilities and experience.** Customer interviews for this IDC MarketScape revealed that the transformational expertise that service providers brought were key considerations buyer organizations made to evaluate service provider fit. Beyond the cultural aspect, buyers wanted to be assured that the service providers possessed the requisite leadership skills and competencies, from not only understanding the tactical technical elements of application management but also to keenly understand the business drivers, incentives, and imperatives for cultural change and business process harmonization. Buyer organizations didn't simply

position providers to do just technical execution. They sought business guidance, industry expertise, and experience gleaned from other AM services on the cloud engagements that the providers had accumulated to help enrich business and technology strategies and improve cultural organizational dynamics.

- **Engage with customer references.** As evidenced through this evaluation, there are plenty of service providers that offer enterprise-class AM services on the cloud. IDC learned from the customer interviews that, while many customers had preexisting relationships with the providers they used to support their AM services on the cloud initiatives, they opened dialogs with the service provider's customers and references that had used the providers' AM services on the cloud. From those conversations, the buyers told IDC that they were able to gather insights from the client references and develop change management strategies to proactively circumvent potential issues and strengthen the likelihood of successful transformation and ongoing operations. Along these lines, demand providers you've shortlisted provide references that are relevant to your organization's industry and application needs and engage in dialogs with those customers to learn their experiences and insights.

VENDOR SUMMARY PROFILES

The section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

IBM

IBM is positioned in the Leaders category in the 2020 IDC MarketScape for worldwide AM services on the cloud.

IBM provides a comprehensive suite of services for managing applications on a variety of clouds spanning public cloud, private cloud, and hybrid multicloud. Its services are agnostic to clients' underlying platforms and technology that clients have chosen and are offered with flexible pricing and consumption models. IBM's offering includes intelligent incident, problem and change management using AIOps, and service reliability engineering. Over the past several years, IBM has invested in building differentiated assets and tools that help bolster its next-generation AM services on the cloud.

IBM's automation platform combined with the company's managed on cloud framework for delivery and its application innovation lab using a unique, Garage-led delivery model enables clients to experience productivity improvements over a three- to five-year period on their application management KPIs. IBM's AM services on the cloud offering includes a variety of service levels that monitor and manage hybrid multicloud application workloads. The services center on shifting the resolution closer to the source of the problem using pattern-driven techniques such as proactive monitoring and self-healing. IBM assets like its Solution Operations Center and Multi Cloud Management Platform help the provider deliver its AM services in a seamless manner. IBM's AM services on the cloud offering also consists of integrated service management, tools, procedures, and reporting to meet business SLAs/SLOs as well as a control tower for integrated dashboard and reporting with a single pane of glass view into IT operations of business functions. Its offering is predicated upon interoperability across various cloud environments where IBM utilizes a standard DevSecOps framework based on its DevOps Commander asset as well as technology-tailored assets like D.O.IT for Microsoft Azure.

IBM's AM services on the cloud offering also includes guidance for clients to continuously evolve their cloud adoption and realize the optimal cloud operating model incorporating IBM's Garage method for cloud delivered via the cloud delivery model of Application Innovation Lab. The provider embeds end-to-end security and compliance to manage secure digital transformation across clients' enterprise portfolios as well as utilizes "IGNITE," IBM's AI- and machine learning (ML)-based test execution framework for end-to-end testing. IBM's differentiation centers on its Garage method, whereas the methodology and approach support multicloud by design, with use of AI technologies, automation, and orchestration as well as continuous delivery through cocreation, coexecution, and cooperation for joint delivery and skills transfer as necessary with clients.

Strengths

Three areas where IBM demonstrated strength came against IDC's criteria categories for application types managed on the cloud, AM cloud types, and modernization and migration. IDC found that IBM possesses a high proportion of engagements where it manages mainframe applications on the cloud for clients, earning the provider strong ratings against IDC's criteria for application types managed on the cloud. IBM also showed strength for the high proportion of engagements where the provider manages applications on hybrid cloud. In addition, IBM has a high proportion of engagements where it bundles application modernization and migration services as part of AM services on the cloud. In client case studies and testimonials, IDC found that clients benefited from IBM's progressive delivery methodology. How IBM managed applications and involved clients throughout the process via its Garage method were a key asset that clients said helped accelerate application portfolio transformation and achieve business excellence. In addition, clients liked that IBM services personnel collaborated well with internal client resources and other third parties and helped coach and educate client resources to be more effective in their roles.

Challenges

Areas where IBM has opportunities to further bolster its AM services on the cloud capabilities center on the percentage of delivery centers in APAC, the percentage of AM services on the cloud focused on managing SaaS applications, and the percentage of AM services on the cloud focused on managing custom-built applications.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

The IDC MarketScape for AM services on the cloud vendor assessment represents IDC's opinion on key vendors that not only possess the key capabilities today to serve customer needs in AM services on the cloud but also possess the strategies to serve evolving customer needs in the next few years. As part of the IDC MarketScape model, IDC defines measures for success by two primary categories:

- **Capabilities.** Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well it is aligned to customer needs. The capabilities category focuses on the capabilities of the company and services today. In this category, IDC reviews how well a vendor is building, pricing, positioning, and/or delivering services capabilities that enable it to execute its chosen strategy in the market. On the y-axis, a position toward the top (north of center) indicates a strong set of differentiated capabilities to be successful in today's market.

- **Strategy.** Positioning on the x-axis, or strategy axis, indicates how well the vendor's future strategy aligns with what customers will require in the next few years. The strategy category focuses on high-level strategic decisions and underlying assumptions about road maps for service offerings, customer segmentation, business, and go-to-market plans for the next few years. In this category, IDC reviews whether or not a vendor's strategy in various areas are aligned with projected customer requirements. On the x-axis, a position toward the right (east of center) indicates a strategy that is not only well aligned with customer requirements but also agile and differentiated from the pack.

The IDC MarketScape figure (refer back to Figure 1) shows each vendor's position in the vendor assessment chart. Vendor market share is represented by the size of the circles.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Scoring Scale Criteria and Definitions

IDC's application services survey, conducted in 4Q19, helped shape many of the scoring scale criteria and definitions in the IDC MarketScape for AM services on the cloud. The study probed buyers on maturity levels, interests, and preferences for AM services on the cloud. The survey findings highlighted several key areas where buyers expect AM services on the cloud service providers to possess and excel at a range of capabilities, and IDC utilized that survey data to help structure and shape evaluation scoring. In addition, results of the survey as well as buyer interviews also influenced criteria weightings for various categories reviewed in the evaluation.

Service Provider Customer Interviews and Case Studies

As part of this IDC MarketScape, IDC conducted interviews with vendor-provided client references and reviews of customer case studies. IDC utilized these customer interviews and case studies to learn

about six areas: the customers' AM needs and backgrounds, how customers approached the service provider selection process and what critical criteria they used to select their vendor, what sort of results customers were able to generate from AM services on the cloud, next steps for their AM services on the cloud evolution, key lessons learned, and what customers felt were the differentiating and key strengths their chosen AM services on the cloud service provider possessed. IDC then leveraged the results of the interviews to establish weighting scales that were most meaningful to the feedback customers gave.

Weightings

Criteria weightings used in this IDC MarketScape were sourced and derived through the customer interviews and IDC survey data. Customer interviews revealed multiple criteria that buyer organizations cited as critical in their service provider selection and retention processes. IDC distilled and consolidated the criteria customers shared into several major categories and weighted criteria based on volume of responses within the categories across the IDC MarketScape Model. IDC also utilized survey data based on 400 U.S. respondents to assign weightings to select criteria.

This AM services on the cloud assessment is designed to evaluate the characteristics of each firm and each firm's global presence, measured by head count and share of vendor revenue coming from IDC-defined macroregions. Many technology services organizations and traditional consulting services firms compete in various aspects of AM services on the cloud delivery. As such, this evaluation is not an exhaustive list of all the players to consider for a particular project in each and every phase of the application life cycle. Instead, this evaluation reviews the primary players that offer capabilities spanning continuous development, integration, testing, and deployment that are part of executing AM services on the cloud. Factors like business and information technology objectives, business and IT requirements, and the business and IT culture of an organization play integral roles in determining which firms should be considered as potential candidates for a AM services on the cloud engagement, as well as a longer-term application outsourcing agreement.

Market Definition

AM Services on the Cloud

IDC uses the terms cloud-native AM services and AM services on the cloud interchangeably. AM services on the cloud represent application management services for a wide variety of application types, such as packaged applications, custom-built applications, mobile applications, and SaaS applications, that reside on a variety of clouds (i.e., public, private, and hybrid). The services are aimed at supporting buyer organization needs for managing applications on modern infrastructure that includes public clouds like AWS, Azure, and Google Cloud Platform; private clouds like OpenShift and VMware; and hybrid clouds (i.e., cloud combined with noncloud infrastructure and cross-cloud). Application management services include but are not limited to end-user support, monitoring, proactive problem avoidance, issue resolution, service restoration, and root cause analysis. Application modernization and migration, patching, application enhancements, and operational responsibility for application performance and uptime are often core services that are embedded with AM services on the cloud. Various project-based activities can also occur within an AM contract, including packaged application customization, implementation and integration, portfolio optimization, and legacy modernization, and the application management services can include advisory and consulting services that are embedded as part of long-term managed services deals (i.e., >12 months) for application management. Standalone consulting engagements for cloud selection, organizational structure and setup, and cloud strategy are not included in this study.

Exceptions and Exclusions

AM services on the cloud can include consulting and advisory activities that are embedded in application management and center around organizational change management and IT operations strategy. This study evaluated end-to-end service capabilities, inclusive of IT consulting and advisory components of enterprise AM services on the cloud tied to ongoing application management and delivery. The study herein focused on application management as the primary output. As such, this study did not evaluate providers that simply offer advisory, strategy, and consulting services for AM services on the cloud and organizational change management.

LEARN MORE

Related Research

- *Market Analysis Perspective: Worldwide Intelligent Application Services, 2020* (IDC #US46811520, September 2020)
- *Worldwide and U.S. Discrete Testing Services Forecast, 2020-2024* (IDC #US46724916, July 2020)
- *Worldwide and U.S. Application Management Services Market Shares, 2019: IDC's Top 10 Vendors* (IDC #US46651215, July 2020)
- *Cloud-Native Application Management Services, 2020* (IDC #US46650916, July 2020)
- *Worldwide and U.S. Hosted Application Management Services Forecast, 2020-2024* (IDC #US46210216, April 2020)
- *Worldwide and U.S. Application Management Services Forecast, 2020-2024* (IDC #US46210015, April 2020)
- *Worldwide and U.S. Custom Application Development Services Forecast, 2020-2024* (IDC #US46210115, April 2020)
- *Application Services, 2020* (IDC #US46104116, March 2020)

Synopsis

This IDC study represents a vendor assessment of providers offering enterprise AM services on the cloud through the IDC MarketScape model. The assessment reviews both quantitative and qualitative characteristics that define current market demands and expected buyer needs for AM services on the cloud. The evaluation is based on a comprehensive and rigorous framework that assesses each vendor relative to its peers and highlights the key factors that are expected to be the most significant for achieving success in the AM services on the cloud market over the short and long terms.

"Organizations have grown more mature with hosting and managing their applications on cloud. But while organizations are migrating more of their application portfolio on the cloud, they find themselves challenged with managing their applications efficiently and effectively, and as a result, look to third-party services firms to manage their applications in cloud environments. IDC has observed that application migration and modernization to cloud have been strong over the past few years and expects activity to boost higher over the next several years as organizations seek to digitize more of their application portfolio to drive enhanced organizational agility," explains Peter Marston, research director, Worldwide Intelligent Application Services at IDC.

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

5 Speen Street
Framingham, MA 01701
USA
508.872.8200
Twitter: @IDC
idc-community.com
www.idc.com