

## The Changing ICT World and Services Transformation

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The ICT industry is in the midst of a 'once every 20-25 years' shift to a new technology platform for growth and innovation – IDC terms this the Third Platform – built on mobile devices and apps, cloud services, mobile broadband networks, big data analytics, and social technologies. By 2020, when the ICT industry reaches \$5 trillion – \$1.7 trillion larger than it is today – at least 80% of the industry's growth, and enterprises' highest-value leverage of IT, will be driven by these Third Platform technologies, as well as an explosion of new solutions built on the new platform and rapidly expanding consumption of all of the above in emerging markets.

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**Today, Third Platform technologies and the services around them generate only about 20% of all IT spending, but they are growing, collectively, at about 18% per year – six times the rate of the rest of the IT industry.**

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This transformation of the overall ICT market has significant implications. Third Platform technologies, such as unified communications and collaboration (UC&C), datacenter virtualization, mobility, and cloud-based solutions, change the way enterprises interact with employees, partners, and customers. A new wave of employees, referred to as Generation Y or digital natives, has vastly different requirements from the current enterprise standards around bring-your-own-device (BYOD), collaboration, working from home, the use of social networks, and security. These developments, in addition to on-going cost-cutting requirements, mean that virtualization efforts and data center consolidation will increase as enterprises move to cloud computing solutions. Unified communication and convergence efforts will gain pace among organizations while

increasing numbers and types of devices requesting access to the enterprise network will proliferate. New devices – including those related to machine-to-machine communications – will bring greater complexity in traffic patterns, more security threats, and different user requirements, including compliance. Copious amounts of data traversing over networks will grow at staggering rates and the ability to make sense of the ever-increasing information will become a growing challenge for enterprise customers.

This transformation will have a dramatic impact on the CIO: it implies a world out of the control of the CIO, at least compared to the strictly regulated worlds of the mainframe and client-server computing, which made up the First and Second Platforms of ICT. Requirements are exploding, ICT cornerstones such as compute and storage are commoditizing, connectivity demands are increasing, and line of business leaders are chipping away at the hegemony that the CIO enjoyed around technology decisions. Thus the CIO's challenge is to compress, contract, refine and simplify the ICT on offer, effectively the opposite of the trends feeding the Third Platform.

This challenge calls for a network-centric view, as the network becomes one of the few areas where the CIO can exert control and address the new requirements. It is interesting to note that this approach was demonstrated in IDC's annual EMEA Enterprise Communications Survey for 2013, which has revealed that for European CIOs updating network infrastructure is now the most important priority. Overall in Europe 46% of respondents indicated that 'upgrading existing infrastructure and increasing bandwidth' was a priority this year – and this was the top selection. Next most important was improving data back-up and recovery (41%), and that

was followed by improving security on the network (39%). In previous years security has been the top priority. A key reason for this was the indication elsewhere in the 2013 survey that the current network is struggling to cope with the Third Platform demands – for example over 85% of companies that had implemented Cloud solutions had to consider upgrading the network in some form or other.

### Services Transformation

The Third Platform is not only reshaping enterprise infrastructures and the role of the CIO. It is also changing the market for network-related services and the role of services companies, including the way they interact with enterprises. It demands a shift away from technology-led point solutions to business-outcome-led solutions. Players in this space have to adapt in order to remain competitive in the future: the Second Platform approach of box shifting and limited services attach is not going to be good enough. IDC sees a bright future for Services companies that embrace this next-generation services approach.

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**The total worldwide enterprise network consulting and integration services (NCIS) market accounted for \$25.5 billion in revenue for 2012, growing at 5.4% over 2011, and is expected to reach \$27.4 billion in 2013.**

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The network continues to remain core to IT strategy and network-based initiatives will grow in importance. This market, which is intimately tied to enterprise network infrastructure growth, will grow over the forecast period to \$35.4 billion by 2017, for a CAGR of 6.8%. These integration activities include labour-intensive services such as implementation, migration, security

## Further information



**IDC Predictions 2013: Competing on the 3rd Platform**, by Frank Gens, November 2012 (IDC # 238044)

**Worldwide and U.S. Enterprise Network Consulting and Integration Services 2013–2017 Forecast**, by Leslie Rosenberg and Curtis Price, May 2013 (IDC # 241017)

**IDC Predictions: EMEA Network Life-Cycle Services in 2013**, by Lionel Lamy, Chris Barnard, Bruno Teyton, and Andy Hicks, January 2013 (IDC # PM51V)

**EMEA Network Consulting and Integration Services 2011 Market and 2012–2016 Forecast**, by Lionel Lamy, Chris Barnard, Bruno Teyton, and Andy Hicks, December 2012 (IDC # IN03U)



Find out more about IDC's Network Life-cycle Services research:

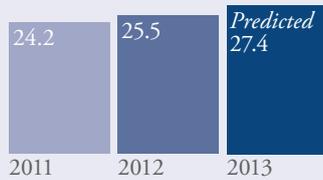
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Worldwide Network Consulting and Integration Market (\$bn)



implementation, test and debug, and system configuration services. IDC believes moving through the forecast period that there will be a shift from many of these manual integration activities to more strategic consulting-led services. This migration will be driven by the use of automation and intelligence acquired from the devices and networks. IDC foresees that:

- Technology initiatives, such as mobile, social, cloud, and big data, which IDC collectively terms the four pillars of the Third Platform, will begin to drive transformation of the market.
- Network-centric technology initiatives, such as enterprise mobility, video, collaboration, datacenter transformation, and cloud, and understanding how software-defined networking (SDN) will impact future network initiatives, present strong opportunities.
- Increased complexity in networking architectures along with evaluating various consumption models (on-premise, managed, hosted, and cloud) will require enterprises to seek consulting and strategy engagements from third-party providers to help align technology requirements with business objectives.
- Services firms will continue to invest in tools, resources, and talent to meet customer needs and requirements outlined above, or risk falling behind competitors.

In this new paradigm, processes will, at a high level and over time, require that the services delivery models transform rapidly to meet the needs of the customer. This will be characterized by taking people-intensive processes and distance out of the services model and replacing these elements with

software, new tools, and processes to increase efficacy, cost efficiency, and profitability for services firms while increasing the ability for self-service and faster times for deployment for enterprises. IDC believes there will be more clearly defined articulation of services offers, leveraging the shift to the Third Platform, as well as increased investment in technologies to support this move.

**Over time, IDC has observed a steady evolution of services firms moving away from being technology (product)-led resale organizations that have been vendor-dependent to consulting-led or solutions-led firms which thereby define their own brand.**

IDC has observed the following trends that will continue to play a role in transforming the landscape:

- Investment in tools and processes to simplify, automate, standardize, and increase flexibility, with the goal of providing consistent delivery while reducing operational costs.
- Modularization of capabilities for increased customization for customers.
- Articulation of methodologies and best practices for competitive differentiation.
- M&A activity and partnering to provide end-to-end solutions and consumption models for enterprise customers.

This evolution will be challenging for many firms, and significant investment in internal processes and technologies to increase operational, sales, and consulting efficiencies will be required.

## Conclusion

Enterprises will continue to spend on strategic networking projects to remain competitive. As such, these projects are taking on a much more strategic role within the business, and services firms that provide best practice to ensure the success of an advanced networking deployment while closely aligning these investments to business outcomes will be market leaders.

IDC believes that services firms that have defined and repeatable methodologies surrounding these types of offers will not only be successful meeting their clients' objectives but create profitable businesses for themselves in a world that is being reshaped by the 'once every 20–25 years' shift to a new technology platform: the Third Platform built on mobility, cloud, big data analytics, and social technologies.

# \$5 trillion

By 2020 the ICT industry is predicted to reach \$5 trillion

Source: **Worldwide and U.S. Enterprise Network Consulting and Integration Services 2013–2017 Forecast**, May 2013 (IDC # 241017)