Market Analysis Perspective: Worldwide Software and Hardware Support and Deployment Services, 2015

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Agenda

- Industry highlights
- Market landscape
  - Market overview
  - Buyer insights
- Competitive assessment
  - Market shares
  - Competitive drivers and inhibitors
- Future view of market
  - Forecast assumptions
  - Five year forecasts
- Essential guidance

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Industry Highlights

- Support providers incorporate IDC's four pillars into support offerings creating a mashup – think connected
  - Social business technology/processes
  - Mobility to enable customers and support personnel
  - Analytics (big data) for predictive/preventive support
  - Cloud offers new support tactics and technologies
- Up selling the value of connectivity – Proactive/Preventative services starts with connectivity, the four pillars become more powerful with connected devices.
- Converged or integrated infrastructures: Creating Operational Efficiencies for the end-user
- Shift away from technology/asset support to business process support continues with a focus on specific business outcome SLAs (think rack space fanatical support)

Industry Highlights

- Smart devices in enterprise IT – BYOD is still rolling on but now there are some great tools to secure and support them! IBM makes a deal with Apple.
- Internet of things and analytics will allow support providers to expand capabilities. More detailed information about software and devices make for more prescriptive support solutions.
  - Look at google and what they are doing with their operating system, streamlining it to work in the IoT, in particular for support.
    - http://electronics360.globalspec.com/article/5379/google-preps-operating-system-for-iot
  - LogMeIn Lens, Citrix Go-to-assist SeeIT, and HP's
    - http://livestream.com/accounts/13007022/events/4010450

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Major News Announcements

- IBM and Apple!! Some meat on the bone – Apple offers enterprise support on their devices, IBM to be the delivery team.
- Dell goes private – invigorating, new life, new directions, only time will tell
- SAP announces OneSupport, a comprehensive offering that crosses all software delivery models and standardizes support
- HP announces a split between traditional enterprise datacenter and deskside offerings (2 companies each about $60b)
- IBM sells x86 server and all related services to Lenovo, IBM will be responsible to deliver said services
- Microsoft introduces outcome-based services into Premier Support
- VCE is absorbed in to EMC (Cisco 10% holder) what are the long term support ramifications!
- GE Predix – A model of connected solutions

Market Landscape: Market Overview

- Support packaging and deliverables
  - Tiered support offerings – what was gold is now silver and what was customer is now gold
  - Support for business processes, lines of business getting involved in decision making process
  - Training services more integrated into SW support delivery
- Evolving solutions continues in Enterprises
  - More solutions to support smart devices
  - Integrated systems
- IT managers continue to compete with RackSpace and Amazon and learn how to effectively utilize them for some workloads, helping to create better business outcomes

Market Landscape: Market Overview

- Technology innovations in support services (connectivity needed to truly take advantage of them)
  - Machine to machine repair
  - New embedded diagnostic features
  - Analytics comparing environment configurations to improve patch/upgrade delivery and determine best practices
- Social media and support services
  - Support operations using social business technology and processes to deliver front-end support
  - Support personnel adopting social business to enhance support capabilities and delivery
  - IDC survey shows that enterprises seek advice of peers for support coverage decisions

Deployment and Install Defined: Packaged or SOW

- Installation - Fixed or semi-fixed location of a complete system or a self-contained unit, with its accompanying assemblies, accessories and parts. Installation generally also includes provision of or connection too (such as power and network cables) required to make the installed equipment ready for operation. Generally no software or just preinstalled software.
- Implementation - The action that must follow any preliminary thinking in order for something to actually happen. In context: implementation encompasses all the processes involved in getting new software or hardware operating properly in its environment, including installation, configuration, running, testing, and making necessary changes. The word deployment is sometimes used to mean the same thing.
- Deployment – see above..
- Integration – Would be the same as above but getting it to work with other pieces of the IT environment for example setting up Oracle to work with Servicenow. Integrating with more complex pieces of IT environment.
- This tends to be the partner’s playground

Market Landscape: Buyer Insights

- Auditing existing support contracts – Customers want to know what they are paying for – Inventory lists, coverage, discount schedule
- Environments are generally very difficult to install and implement, enterprises should be utilizing service providers
- Business process support increasingly top-of-mind

Market Landscape: Buyer Insights

- Continual education of the customer (and partners) about support capabilities and deliverables
- Technical account managers and single points of contact for IT environments to improve level 1,2,3 call process
- Cost management continues to be top of mind in support, as CIOs and IT managers look to 3rd party providers when appropriate

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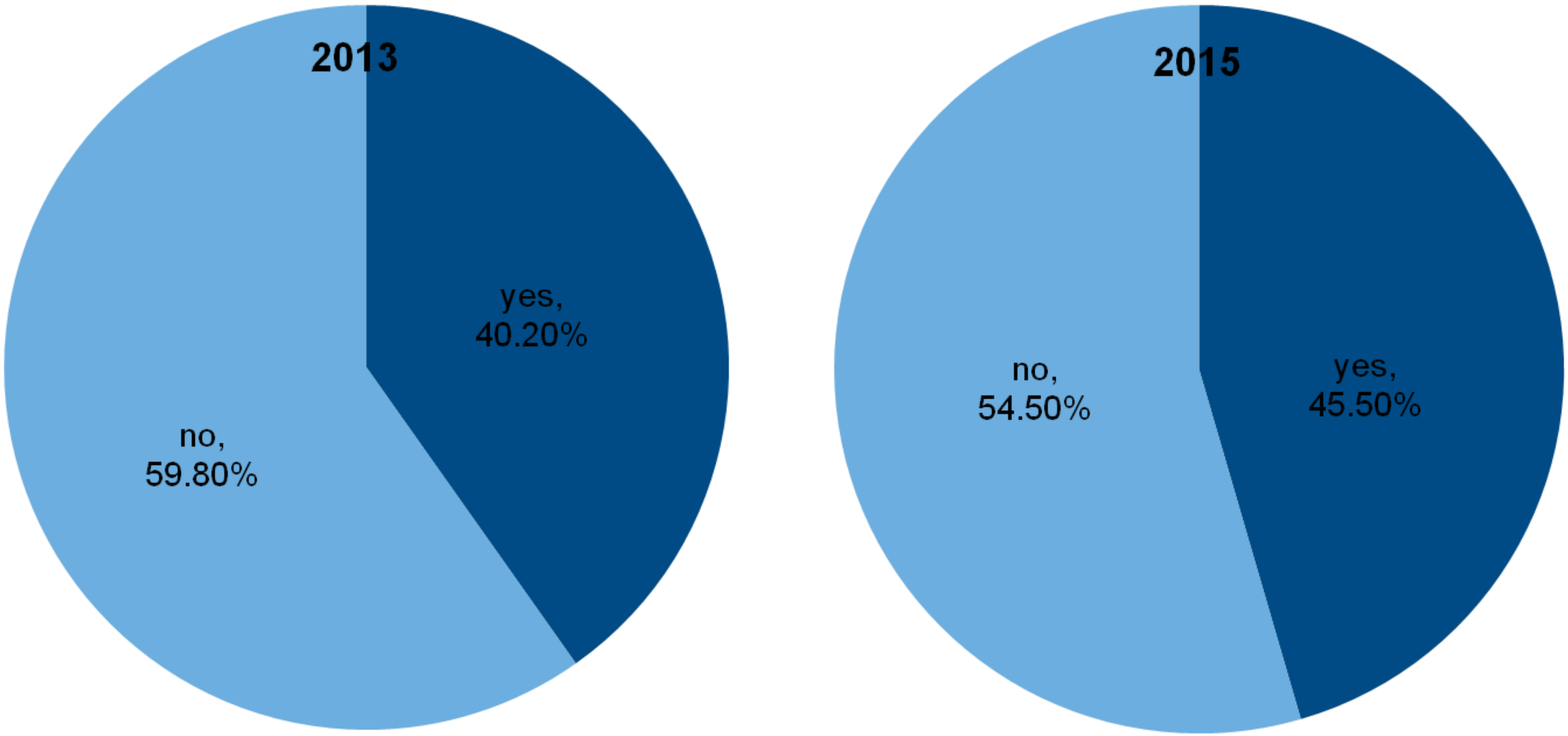
TPM's Yesterday and Today

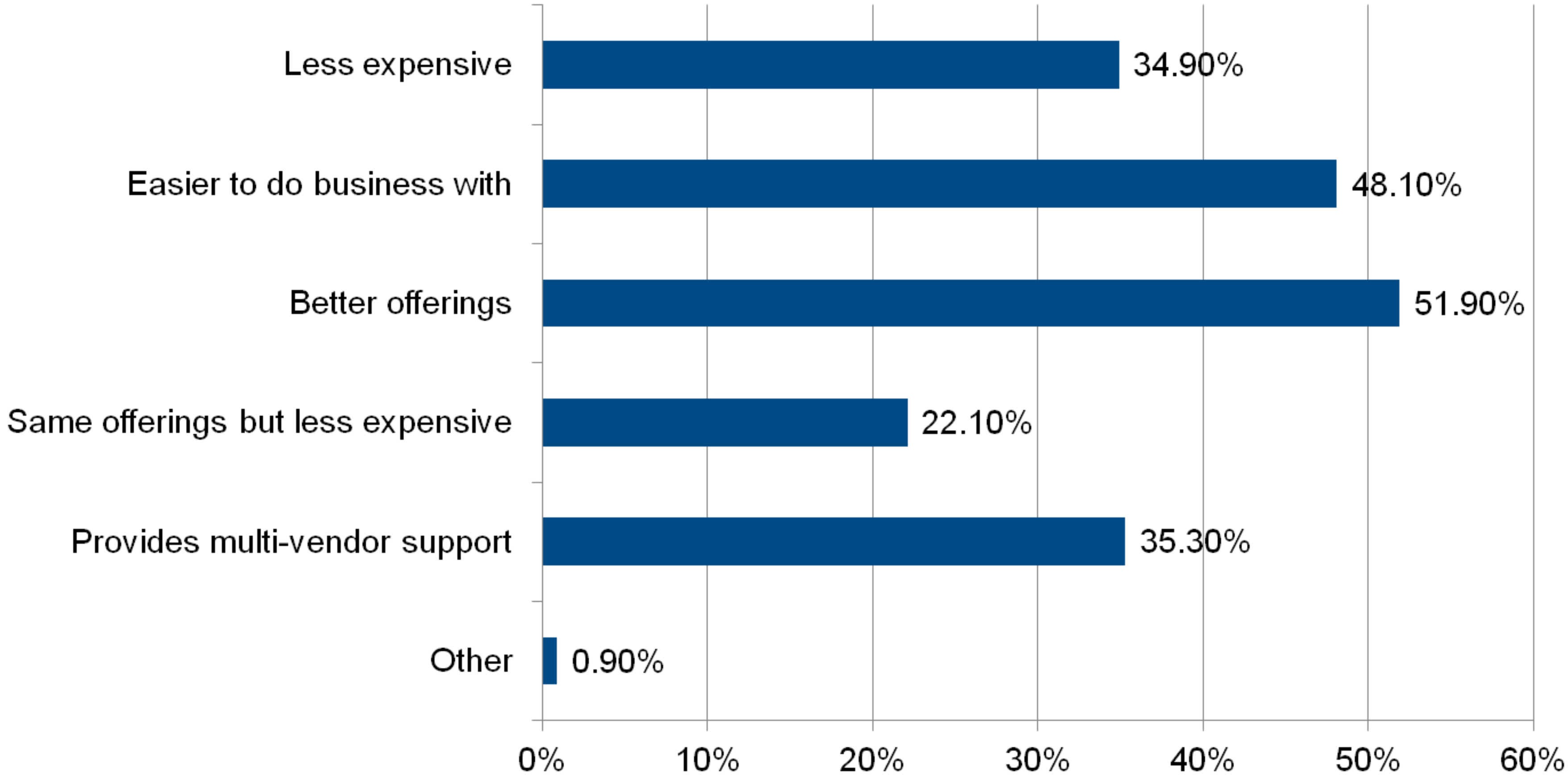
Do you use any third party maintainers for support of your datacenter assets (i.e. a third party maintainer)?



N=516
Base: Total Respondents
Source: Attach Rate Study 2015

TPM's

If yes why?



N=235
Base: Respondents who use any third party maintainers for support of your datacenter assets
Source: Attach Rate Study 2015

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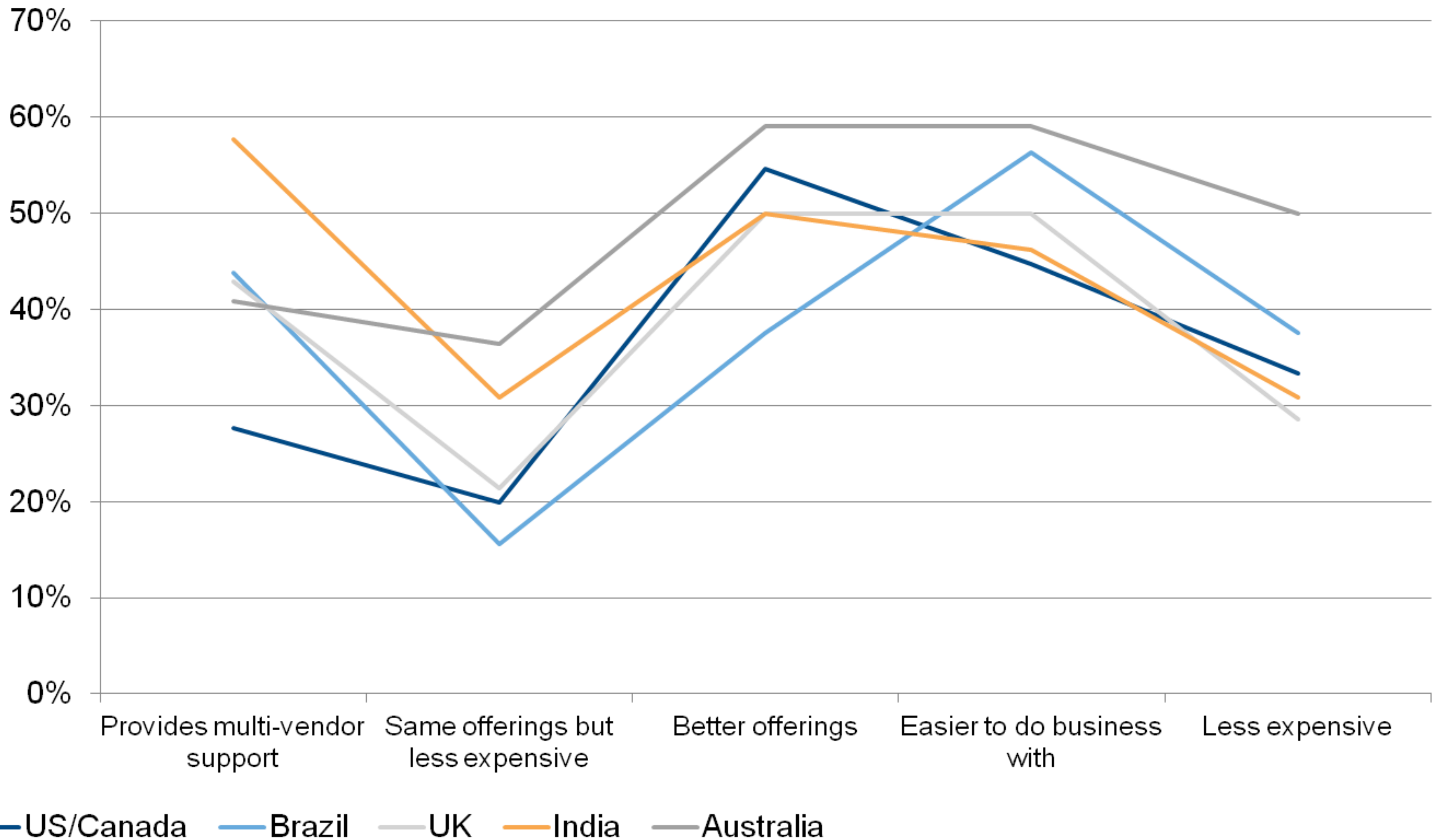
TPM's

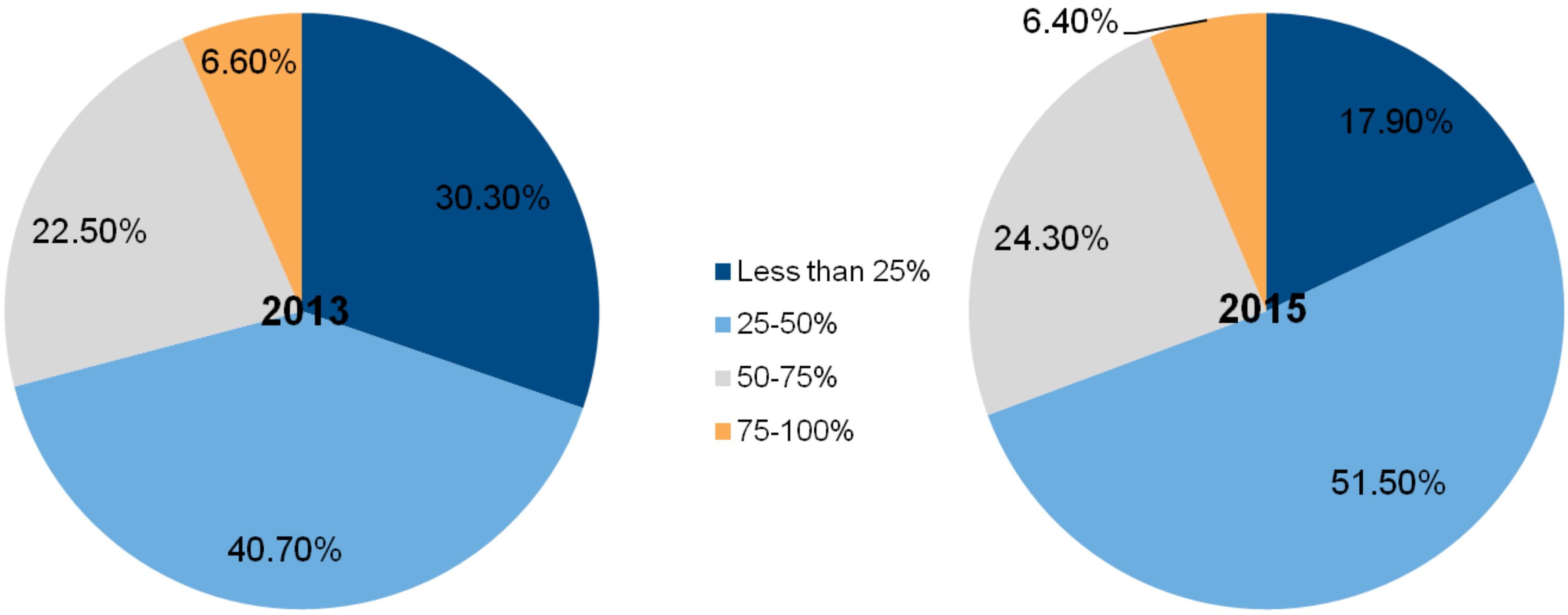
If yes why?



N=235
Base: Respondents who use any third party maintainers for support of your datacenter assets
Source: Attach Rate Study 2015

TPM's

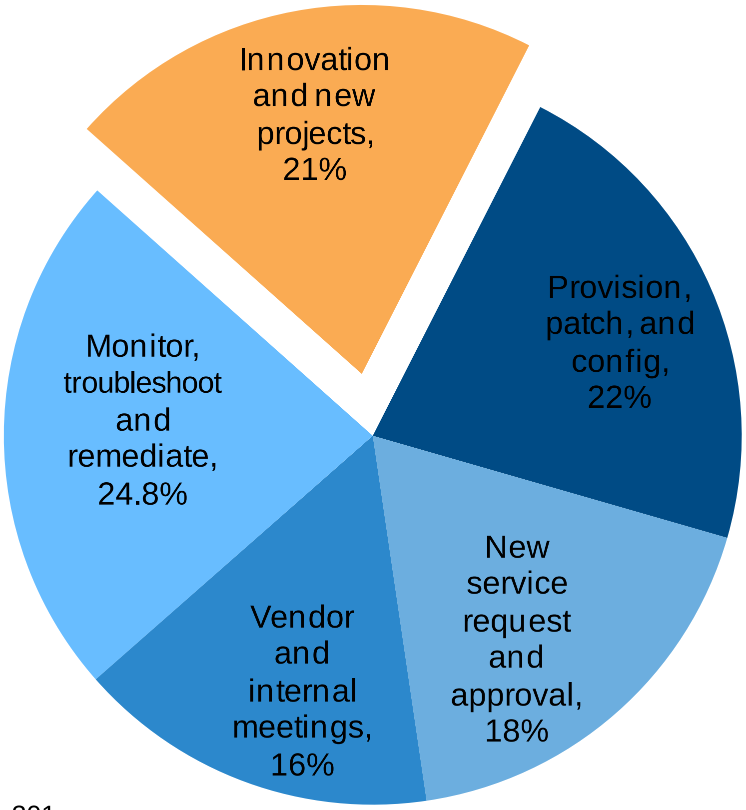
For what % of your environment does that third party maintainer provide support?



N=235; Mean=42.29%
Base: Respondents who use any third party maintainers for support of your datacenter assets
Source: Attach Rate Study 2015

IT Operations Efficiency

Allocation of IT Admin
<u>and Operations Staff Time</u>



N=301
Base = All Respondents
Source: IDC Converged Systems Survey, August, 2014

- Today, IT staff has little time to allocate towards innovation
- Customers expects IS to drive efficiency to IT Staff.
  - Monitoring and Provisioning categories are the top 2 areas of improvement
- **+25%** of IT staff time is expected to be saved across all categories as a direct result of the integrated system
- There are further hints of IS as simplification consolidation tool
  - Respondents that anticipate IT groups merging also expect to spend significantly less time in vendors and internal meetings

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Market Landscape: Buyer Insights

- Increasing focus on TCO and ROI – Add reporting to show the customer the value of your service
- Security and accessibility issues for advanced technologies and preventive support – Use cases show that enterprises will implement
  - Must deliver use cases to demonstrate security capabilities
  - Customer testimonials and deployment/configuration help can speed adoption
- Enterprises feel IT is cost center not a profit center, turn that story around!
- Support cost is top-of-mind (after apples to apples comparison) – software support cost is now one of top five purchase considerations

Competitive Assessment: HW support services market shares

Support and Deployment Services Revenue by Top 10 Vendor, 2013 vs 2014

	2013	2014	Growth
IBM	$ 8,046.34	$ 7,797.35	-3.09%
HP	$ 7,075.38	$ 6,963.18	-1.59%
Cisco	$ 6,945.87	$ 7,149.62	2.93%
Dell	$ 4,974.56	$ 5,102.46	2.57%
EMC	$ 2,584.58	$ 2,741.55	6.07%
Oracle	$ 2,361.64	$ 2,398.53	1.56%
Fujitsu	$ 2,361.53	$ 2,304.69	-2.41%
Hitachi	$ 1,885.13	$ 1,824.68	-3.21%
NEC	$ 1,493.60	$ 1,330.19	-10.94%
BT	$ 1,154.28	$ 1,168.86	1.26%

Source: IDC, 2013

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Competitive Assessment: SW support services market shares

Support and Deployment Services Revenue by Top 10 Vendor, 2013 vs. 2014

	2013	2014	Growth
IBM	$ 6,776.03	$ 6,731.53	-0.66%
Oracle	$ 3,666.55	$ 3,891.74	6.14%
Microsoft	$ 3,032.68	$ 3,158.74	4.16%
HP	$ 2,938.07	$ 2,798.68	-4.74%
Lockheed Martin	$ 1,260.88	$ 1,153.43	-8.52%
EMC	$ 1,168.49	$ 1,261.12	7.93%
Fujitsu	$ 1,090.78	$ 1,060.35	-2.79%
BT	$ 985.15	$ 1,004.61	1.98%
Cisco	$ 952.93	$ 993.66	4.27%
Hitachi	$ 832.27	$ 783.11	-5.91%

Source: IDC, 2013

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Competitive Assessment

- **Competitive drivers**
  - Gain deeper client intimacy through support, yielding additional sales
  - Rise of SaaS and cloud-alternative technologies
  - Price considerations from support providers
  - Multi-vendor support

- **Competitive inhibitors**
  - Proprietary nature of technology
  - Expansion of advanced technologies required for new level of support services
  - Deeper partnerships required to deliver support for business processes

Future View of Market: Forecast assumptions

- Both hardware and software support are closely tied to installed base for underlying technology
- Support market grows and contracts very slowly
  - Growth has slowed in HW support: consolidation and cloud the culprits
  - Third party support alternatives very limited in software
- Support services migrate “down the stack” – premium offerings become basic offerings as market sophistication increases
- Level 1/Level 2 support collapsing across enterprise and consumer
  - Improved access to self-help and advanced diagnostic tools
  - Communities more prevalent than ever
  - Support delivery is shifting considerably to keep pace with technology adoption

Value of the third platform for support delivery: Connectivity Reigns!

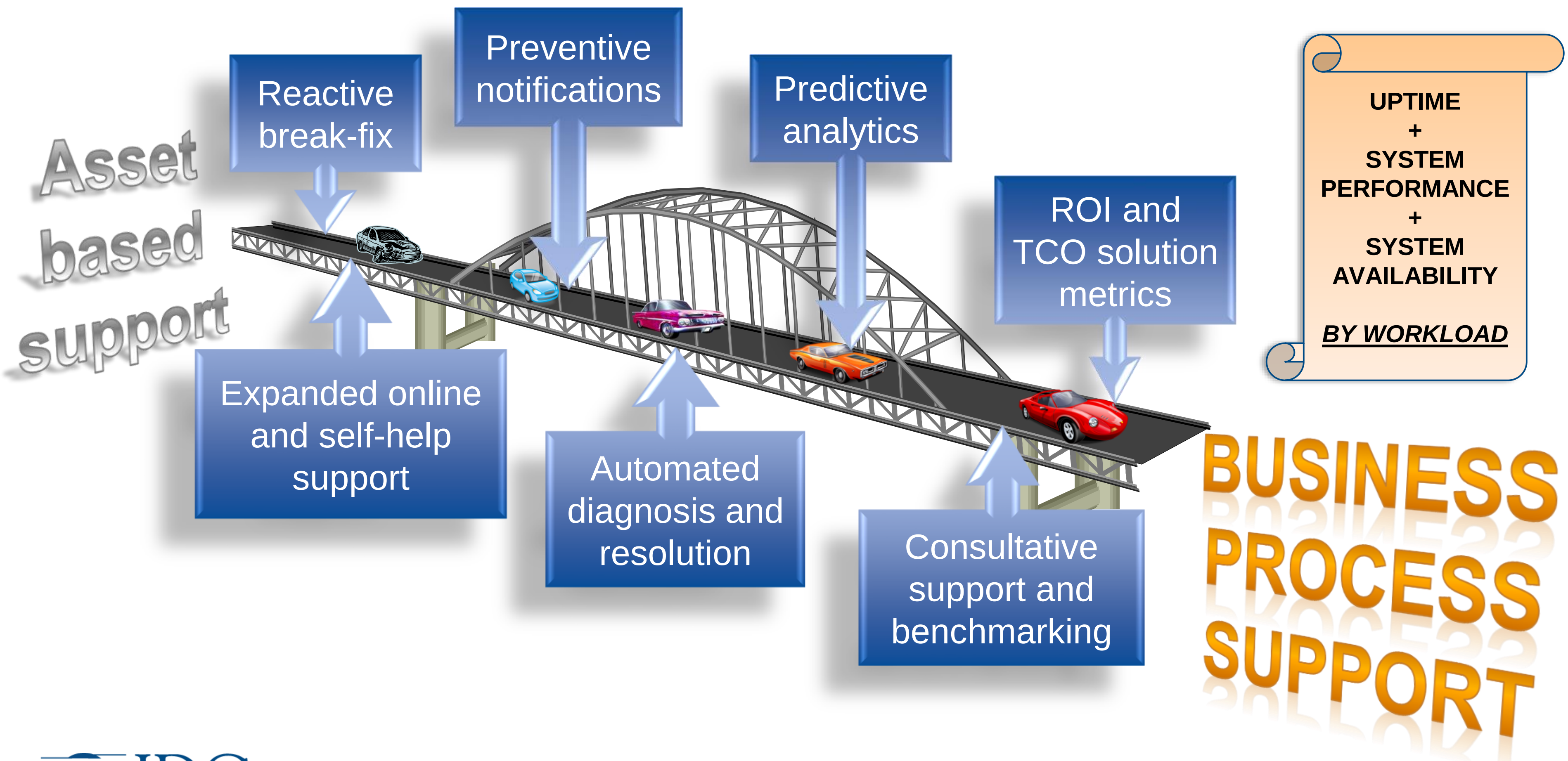
- Unparalleled access to support data
- Available across user spectrum

- Collaborative provider support delivery systems
- Peer-to-peer support consult

- Predicting and resolving issues
- Personalizing support delivery

- Monitor support process anytime, anywhere
- Enables remote diagnose/resolve

Evolution of support services: Business process support



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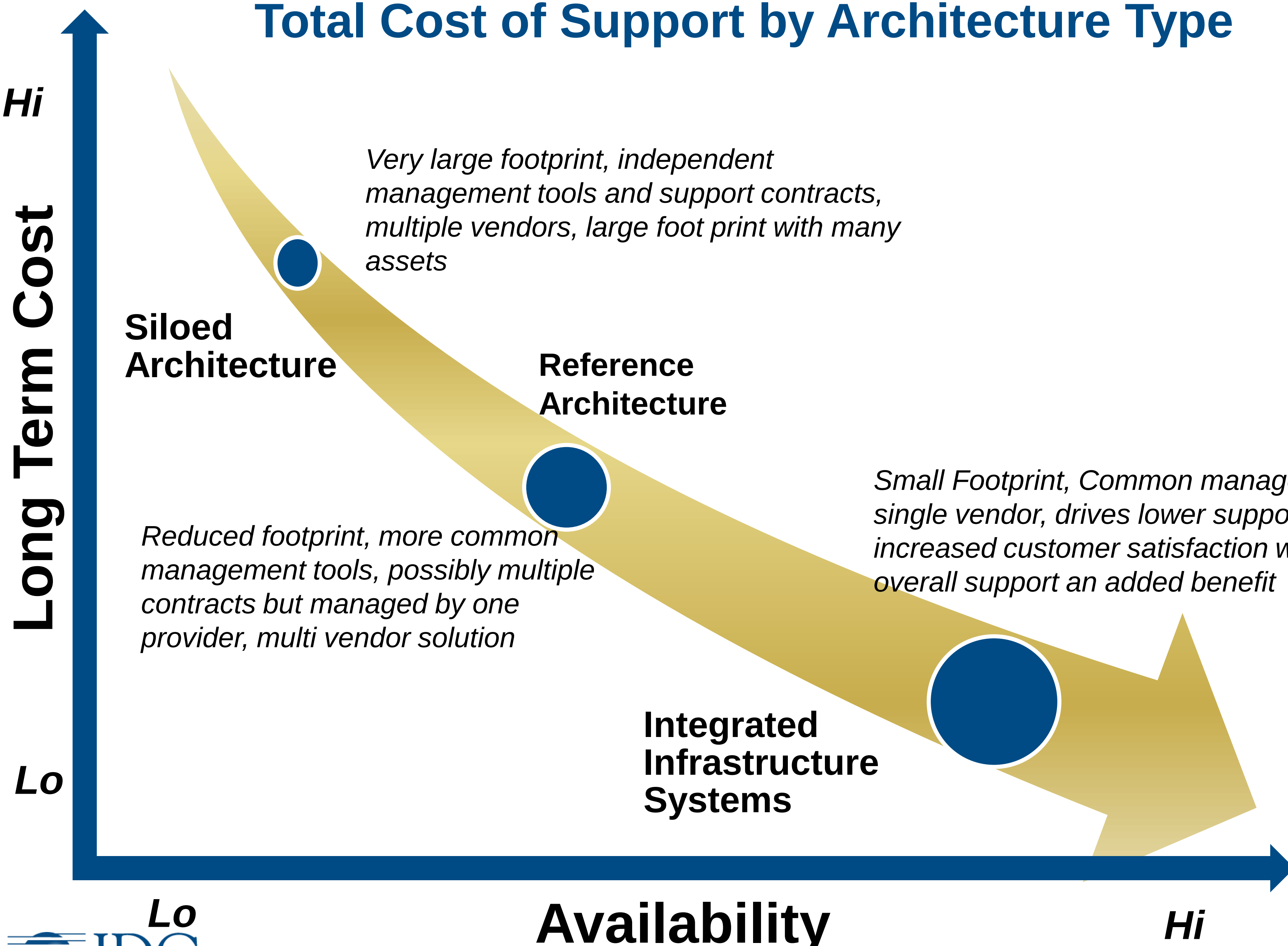
Why new architectures?
Total Cost of Support by Architecture Type



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Essential Guidance

- Connectivity! Think efficiencies and proactive support. Connectivity and be more prescriptive in support satisfies all parties (enterprises, partners and vendors)

- Software support will become more important as the “software-defined” world moves ahead
  - Packaging, pricing and entitlement practices key to “Internet of Things” delivery
  - Patch and upgrade management brings new challenges to non-software industries
  - End user adoption evolves over time with more automated and remote support
  - 5-10 years hardware break/fix is a scheduled event for those in the software defined world, most of our work today is scheduled during some down or quiet time, look for that to continue.
  - Eventually vendors get out of the traditional break/fix business

Essential Guidance

- Increase marketing and outreach to demonstrate tangible benefits of proactive and preventive support (be more connected)

- Consider programs and initiatives that help customers measure better business outcomes.
  - Program to help drive alignment between IT and business managers
  - Portfolio rationalization to integrate IT assets with business processes

- Invest in support community growth – including advanced search and self-remediation capabilities, chat, peer-to-peer networking and social tools

- Engineers know the environment put initiatives and compensation in place to use their knowledge, have them work with sales

Questions?

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