

Cloud Computing | Europe | 2023

ServiceNow Services in Europe 2023 – Overall Capability

SITSI® | Vendor Analysis | PAC INNOVATION RADAR

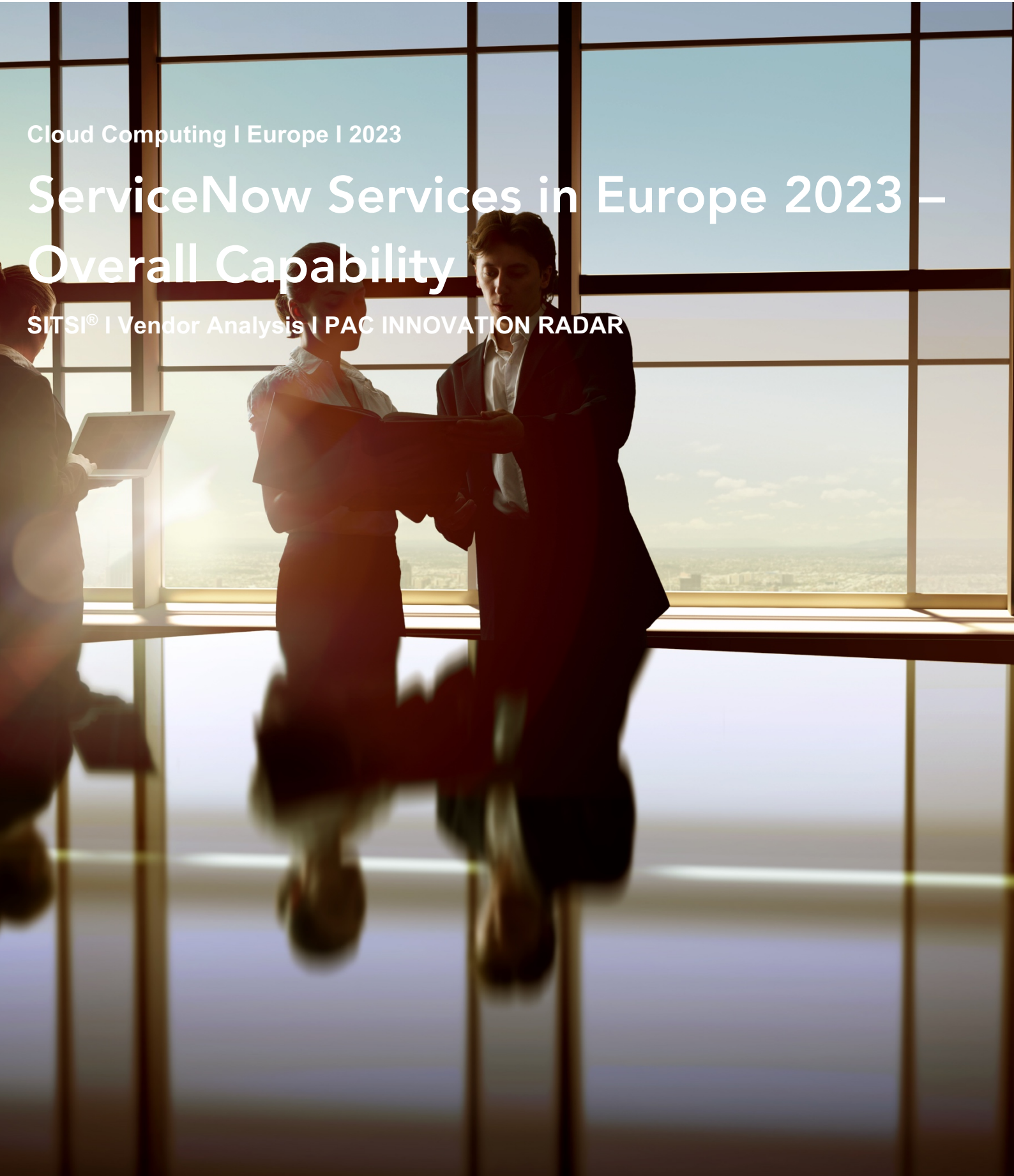


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INTRODUCTION

ServiceNow services in Europe: An ongoing hyper-competitive market anticipating strong growth

The ServiceNow Services market in Europe is perhaps one of the most competitive and mature. IT services giants, large consultancies, and innovative boutiques make up a dynamic and diverse ecosystem catering to what seems like insatiable and ongoing enterprise demand for the platform.

According to PAC's latest CxO survey, we expect continued strong demand for the ServiceNow platform. As enterprises look to drive digital transformation projects further than ever, service orchestration and asset management continue to grow in complexity as enterprises move to multi and hybrid cloud operating models.

As a result, we can expect leading providers to continue scaling up investment plans as they push aggressive growth strategies – in some cases anticipating triple-digit percentage growth in revenues. Consequently, merger and acquisition activity – which is already heated – will continue to evolve over the next two years.

Providers are also keen to invest in building out their talent pools with training and certifications as they build out multi-year investment strategies that focus on bringing the knowledge and scale needed to deliver high-value ServiceNow services. Investment plans, however, cannot distract from what remains one of the biggest challenges facing providers and enterprises alike.

Even with many providers continuing to invest considerable time and resources into growing their talent pool, the supply still falls far short of demand across many areas and is increasingly competitive between service providers.

Of course, meeting the growing demand for services is a strong position for providers – assuming their investment strategies pay off.

Innovation in the platform remains a considerable focus for ServiceNow as well as its partners – the platform continues to be pushed into new and exciting areas of the modern enterprise with a growing focus on enterprise asset management (EAM) and sustainability services. Evolving far from its humble ITSM beginnings. The platform has become a vital digital foundation for many leading businesses worldwide. This fact enables the providers evaluated in this research to continue to benefit from a growing market, albeit one they need to continue working to add layers of value to.

This push into other areas of the enterprise has seen the playing field open to a range of new providers. The large consultancies still enjoy strong traction in GRC, security, and HR as they cross-sell the platform into their core client groups. Meanwhile, in line with ServiceNow's laser focus on developing vertical solutions and use cases for the platform, we're seeing significant year-on-year (YoY) growth in high-value custom applications and new workflows for industry challenges from the leading IT giants and boutique specialists.

Why have we focused our research on the ServiceNow market?

The ServiceNow services market is one of the most competitive and dynamic segments in the IT services industry. And many of Europe’s leading providers are positioned to invest considerably in building and diversifying their capability to meet strong ongoing growth demand.

It’s essential, then, for PAC, as a trusted voice in this market, to assess the leading and most mature providers today – with a view to providing an ongoing benchmark for their capability as it evolves over the coming years. Now more than ever, enterprise buyers need support in selecting the right partner for their business as the management of services and assets continues to grow in complexity.

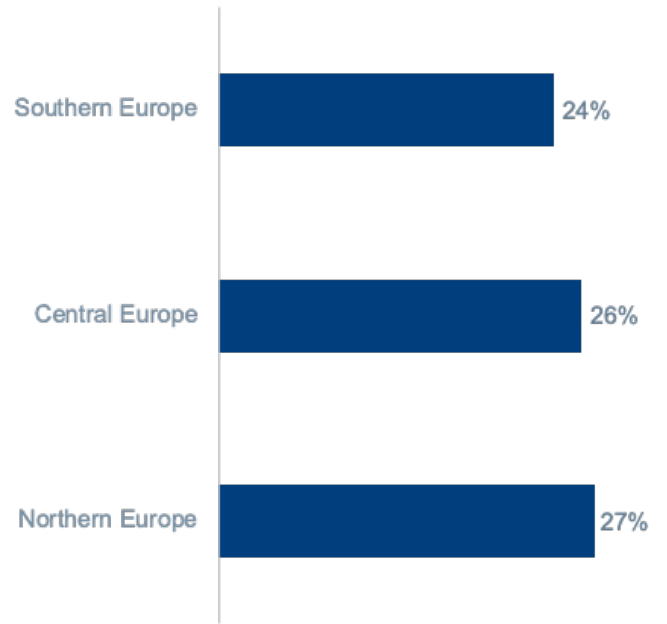


Fig. 1: Percentage of enterprises with planned investment in ServiceNow over the next two years – PAC CXO Survey, 2021



To provide this market view, PAC assessed many of the service providers delivering ServiceNow services in the European market – selecting only the most mature. As a result, this report leans heavily towards the larger IT services firms and the major consultancies – including some of the regional and specialist boutiques that compete directly with these firms. The assessment evaluates their overall delivery capabilities – as well as separate assessments for their workflow-specific capabilities in IT, HR, CSM, GRC, Security, and Creator workflows.

THE TRENDS IN DETAIL

Key findings from the Overall ServiceNow Services RADAR

The overall ServiceNow services market is very mature – with many of the largest incumbents boasting decade-long partnerships. In this market, developing points of clear differentiation is a challenging prospect. Many of the firms profiled in this study are investing aggressively in talent, assets, and solutions to forge ahead and take a larger chunk out of the growing market. This investment is already paying off for some, as they enjoy triple percentage point growth.

The talent war drives investment

At its core, the ServiceNow services space is a talent-driven market – firms with the greatest pool of high-quality talent can deliver the best services and scale up to meet growing enterprise demand. The crux, then, is the sizeable talent war in the market as enterprises and providers race to secure a larger talent pool. PAC continues to see significant talent movement between service providers and consultancies based on engagement experience, focusing on industry verticals and ServiceNow certifications attained.

This battle has seen leading providers ramp up their certified talent pool by as much as 300% as they push ahead with innovative and well-funded attraction, retention, and training programs. Of course, the programs vary based on the unique culture and heritage of

the provider – some of the IT services giants have a large pool of service desk talent to mine for high-potential candidates, for example. The leading consultancies can pull expertise and capability from other areas of their business as a force multiplier – by combining ServiceNow-certified talent with GRC experts, for example. On the other hand, boutiques are working tirelessly to push the innovation envelope in their area of specialism – attracting keen professionals eager to push the platform to its limits.

Asset development

The war for talent aside, one of the key areas of growth and development amongst the leading providers is the development of assets and solutions that add new value thresholds to the ServiceNow platform. These vary from internal accelerators to support quick implementations and efforts to reduce mean-time-to-value on client investments to a much broader effort to build custom applications that support more general business and industry challenges. The ServiceNow store is now well-stocked with provider-developed solutions ranging from highly specific industry solutions to enhancements to existing workflows.

As ServiceNow continues to focus harder on growing in industry verticals, PAC expects some assets built by service provider partners to either be acquired by ServiceNow or incorporated into the core platform. During the discovery phase of this report, it was evident that this had already started to occur.

Verticalization is the crucial strategic imperative

This effort to build new solutions aligns with a strategic imperative from ServiceNow to pivot the platform development roadmap towards industry solutions. To do this, the firm is developing stronger partnerships with providers with specialist offerings or significant traction in specific verticals.

However, innovation is not restricted to these core alliances – many firms profiled in this research are rapidly building out industry-focused solutions to support their clients.

A high-potential market

All these factors combined mean that, while the ServiceNow services market is mature, there are still significant opportunities to drive more value from the platform, particularly as ServiceNow itself continues to drive an ambitious development roadmap.

Many of the firms in this study have continued to push the platform into new areas of the modern enterprise to unlock new value through the development of capabilities and

successfully pull in the talent necessary to succeed in this competitive market.

The challenge will be maintaining this momentum as more firms double down on investments and the boutique ecosystem continues to evolve, bringing fresh competitors into the mix. Europe is swiftly becoming a core battleground for the largest consultancies and IT Services firms – as they look for growth opportunities outside of the U.S. – this presents a challenge to the firms who have focused investments purely on the European market. However, regional differences and adoption maturity across Europe continue to play a critical role in partner selection – which means much more emphasis will need to be placed on targeting specific country challenges and operational nuances.

In all, the ServiceNow services market continues to be an area of high potential and growth, if not one where there are still significant challenges for providers to overcome.

PAC INNOVATION RADAR “SERVICENOW SERVICES IN EUROPE 2023 – OVERALL CAPABILITY”

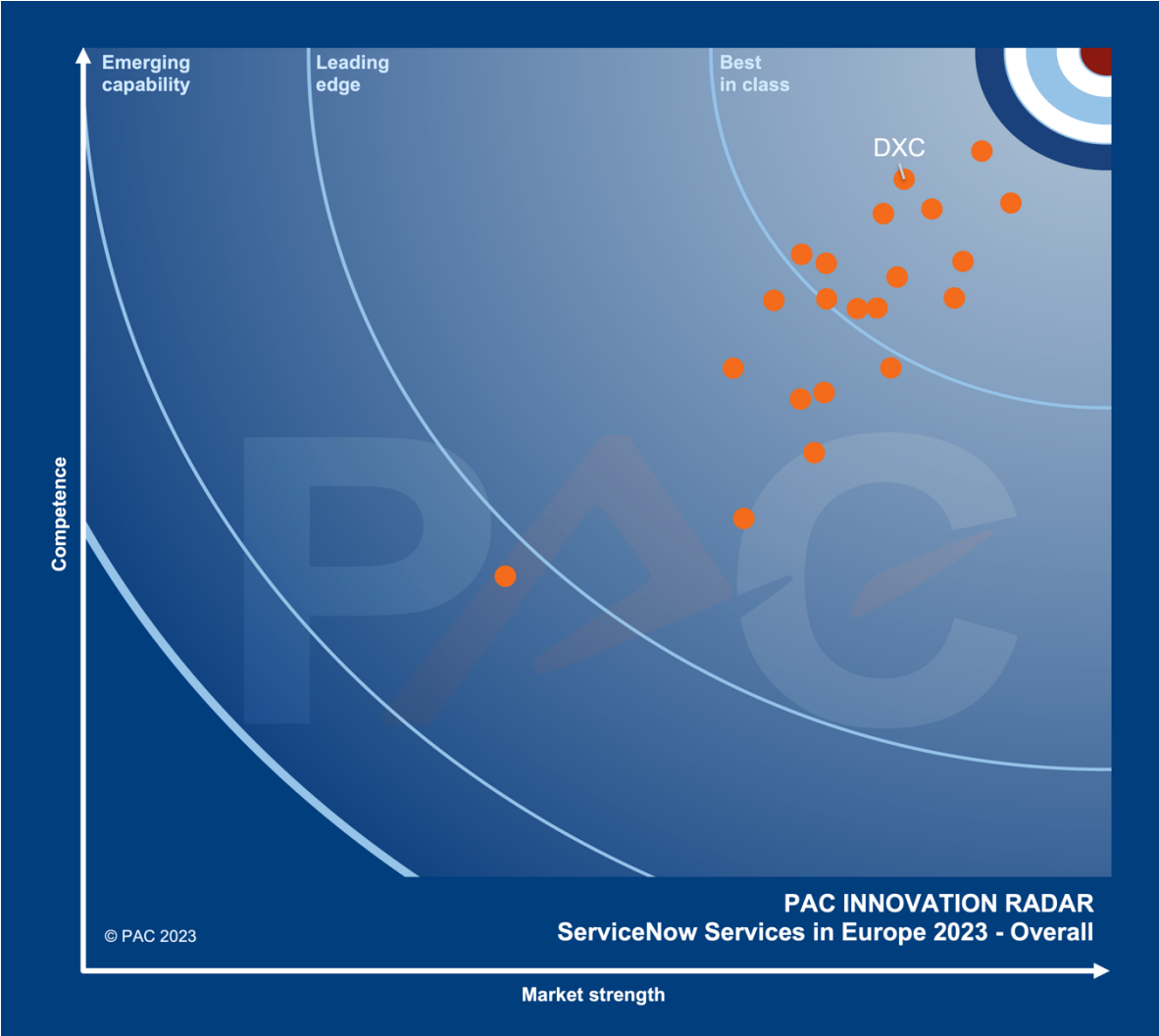


Fig. 2: PAC INNOVATION RADAR ServiceNow Services in Europe 2023 – Overall Capability

PAC INNOVATION RADAR – ServiceNow Services in Europe 2023

Overall Capability Best in Class

| | Average | DXC |
|-----------------|---------|------|
| Market Strength | 1.94 | 2.00 |
| Competence | 2.04 | 1.70 |

Key Strengths

- **Talent pool:** DXC has developed a large talent pool in the ServiceNow services space, capable of all key workflows. The firm has supported its global talent pool with acquisitions. Its significant operating presence across Europe has seen it scale talent successfully across the countries it operates in.
- **Market awareness:** DXC is one of the most recognised firms in the ServiceNow services market – with a strong heritage of delivering services in the space and embedding the platform into the core of its operations.
- **Internal integration:** In recent years, DXC has put significant focus on embedding their use of ServiceNow into their global business and infrastructure services offering called Platform X. This type of integration provides higher value to customers who leverage the broader suite of DXC services.

Growth Opportunities

- **Clearer strategy:** DXC could benefit from pushing a clearer picture of its vision for the ServiceNow services space into the market, particularly as the competition ramps up and enterprises look for long-term partners to invest in.
- **Talent development strategy:** While DXC has one of the largest talent pools in the space, the firm must work to continuing developing its talent strategy – in terms of attraction and the retention of valuable certified talent.

- **Workflow expansion:** Despite the maturity of the European market DXC, like its competitors, still see the most continued activity in the established ServiceNow IT workflows space. DXC has strong capabilities in other workflows but as ServiceNow grows to focus on supply chain and sustainability concerns for enterprises the firm needs to expand into OT and EAM capabilities that will require a complex combination of workflows across IT, GRC, Security, and customer, for example.

OBJECTIVE OF THE PAC RADAR

The PAC RADAR is an effective tool for the holistic evaluation and visual positioning of software and ICT service providers on local markets. Numerous ICT and business decision-makers in user companies of all industries and company sizes rely on the PAC RADAR when selecting their partners and developing their sourcing strategies.

With the help of predefined criteria, PAC evaluates and compares providers' strategies, development, and market position in addition to performance and competencies within specific market segments.

Each PAC INNOVATION RADAR focuses on a certain IT services segment. Up to 30 leading providers are evaluated per segment. Participation in the PAC INNOVATION RADAR is free of charge.

All providers are evaluated using PAC's proven methodology, which is based on personal face-to-face interviews.

PAC reserves to also evaluate and position those providers in the PAC INNOVATION RADAR that do not participate in the self-disclosure process.

After the evaluation of the predefined criteria, each supplier's position is plotted in the PAC INNOVATION RADAR.

The criteria are classified by clusters and can all be attributed to the "Competence" and "Market Strength" main clusters. Within the PAC INNOVATION RADAR the following applies: The closer a company is to the center, the closer they are to meeting customers' requirements.



Fig. 3: PAC INNOVATION RADAR graph (exemplary presentation)

PAC RADAR EVALUATION METHOD

Provider selection & participation

Which providers are positioned in the PAC INNOVATION RADAR?

Providers are selected and invited according to the following criteria:

- Positioning and business activities in the segment to be analyzed in the specified region;
- “Relevance”: Even providers that do not belong to the top-selling providers in the segment to be analyzed are considered if PAC classifies them as relevant for potential customers, for instance due to an innovative offering, strong growth, or a compelling vision.

There is no differentiation as to whether the providers are customers of PAC – neither in the selection of the providers to be positioned, nor in the actual evaluation.

What do providers have to do in order to be considered in a PAC INNOVATION RADAR analysis?

The decision as to which providers are considered in the PAC INNOVATION RADAR analysis is entirely up to PAC. Providers do not have any direct influence on this decision.

However, in the run-up to a PAC INNOVATION RADAR analysis, providers

can make sure in an indirect way that PAC can adequately evaluate their offerings and positioning – and thus their relevance – e.g. by means of regular analyst briefings, etc.

Why should providers accept the invitation to actively participate?

Whether or not a provider participates in the RADAR process does not actually affect their inclusion and positioning in the PAC INNOVATION RADAR, nor their assessment. However, there are a whole host of benefits associated with active participation:

- Participation ensures that PAC has access to the largest possible range of specific and up-to-date data as a basis for the assessment;
- Participating providers can set out their specific competencies, strengths, and weaknesses as well as their strategies and visions;
- The review process guarantees the accuracy of the assessed factors;
- The provider gets a neutral, comprehensive, and detailed view of their strengths and weaknesses as compared to the direct competition – related to a specific service in a local market;
- A positioning in the PAC INNOVATION RADAR gives the provider prominence amongst a broad readership as one of the leading operators in the segment under consideration

The concept



Fig. 4: PAC INNOVATION RADAR – evaluation method

PAC uses **predefined criteria** to assess and compare the providers within given service segments. The assessment is based on the report-card score within the peer group of the positioned providers. This is based on:

- Dedicated face-to-face interviews with the providers about resources, distribution, delivery, portfolio, contract drafting, pricing, customer structure, client references, investments, partnerships, certifications, etc.;
- The analysis of existing PAC databases;
- Secondary research;
- If applicable, a poll among customers by PAC.

The provider data is verified by PAC and any omissions are rectified based on estimates.

If the provider does not participate, the assessment is performed using the proven PAC methodology, in particular based on:

- Information obtained from face-to-face interviews with the provider’s representatives, analyst briefings, etc.;
- An assessment of company presentations, company reports, etc.;
- An assessment of PAC databases;
- An assessment of earlier PAC (INNOVATION) RADARs in which the provider participated;
- A poll among the provider’s customers (as required) on their experiences and satisfaction.

General PAC research method

The following overview describes PAC's research method for market analysis and key differentiation features.

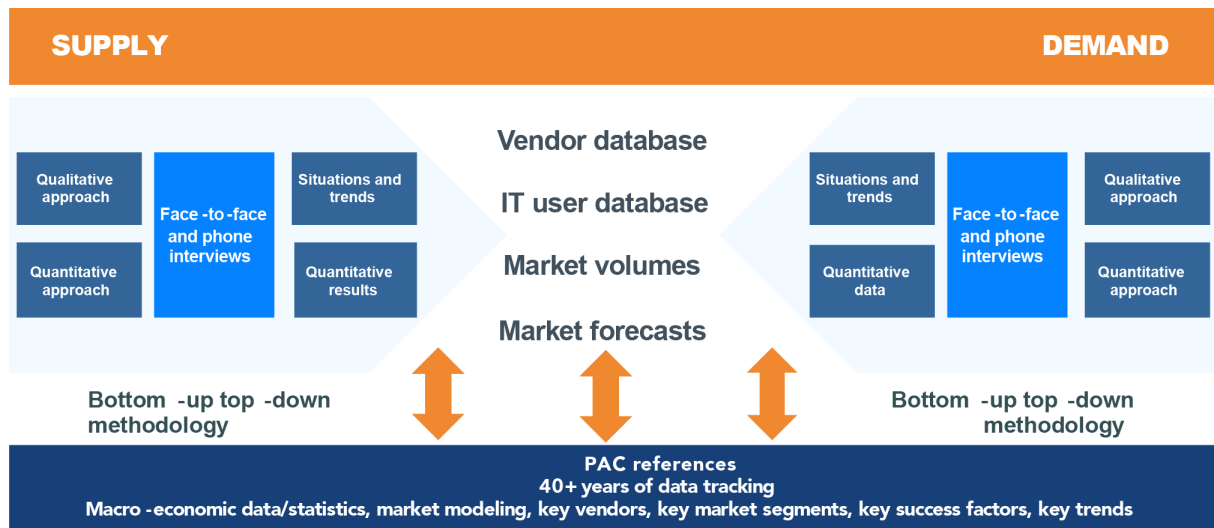


Fig. 5: Description of the PAC methodology

Local research and face-to-face communication are two core elements of PAC's methodology. In our market studies, we can draw on more than 40 years of experience in Europe.

Positioning within the PAC INNOVATION RADAR

Based on the scores in competence and market strength, the overall score is calculated (calculation: competence score plus market strength score, divided by two). From the resulting overall score, each provider receives their characteristic positioning within the PAC INNOVATION RADAR. Here, the following applies: The closer a provider is to the upper right corner, the closer they are to meeting customers' requirements for that segment.

The classification of providers is based on the overall score:

| | |
|-----------------------|-----------|
| “Best in Class” | 1.0 – 1.9 |
| “Leading Edge” | 2.0 – 2.9 |
| “Emerging Capability” | 3.0 – 3.9 |
| “Solid” | 4.0 – 4.9 |

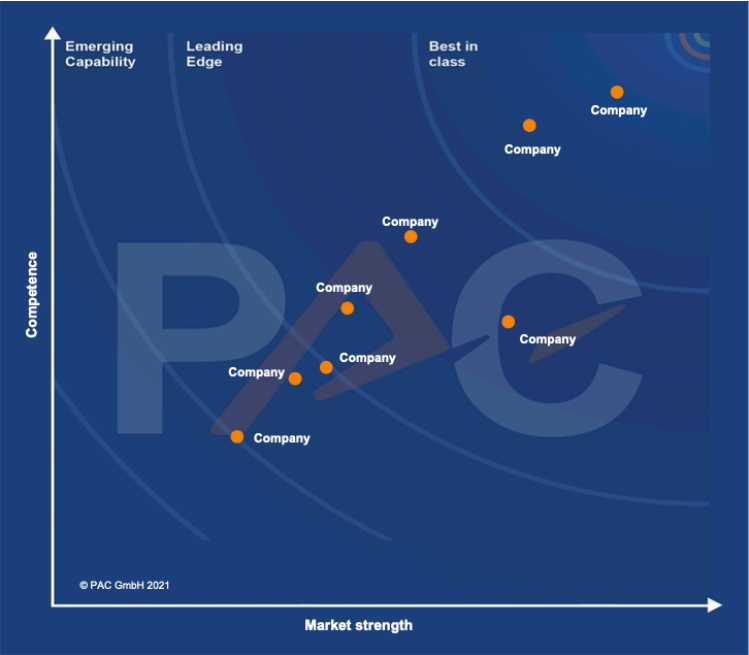


Fig. 6: Classification of providers in the PAC INNOVATION RADAR graph (example)



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