Customer (Dis)Satisfaction: Why Are Enterprises Unhappy With Their Service Providers?

An Enterprise Pulse Study on Digital and IT Services
Market Report – January 2017

This is a complimentary excerpt from Everest Group's full report, "Customer (Dis)Satisfaction: Why Are Enterprises Unhappy With Their Service Providers?" The full report is available on Everest Group's website.

EGR-2017-4-R-2077-IDGE

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Background of the research

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- Technology is transforming all businesses and is becoming the fulcrum for enterprises. IT applications, digital technologies, and cloud services are driving unimaginable value and disruption across industries
- The fortunes of the global services industry are tightly linked to this technology disruption. Enterprises rely significantly on service providers to assist them in navigating the technology landscape and be a trusted partner
- Everest Group believes these trends require a deeper understanding of the true picture around the investment priorities of enterprises and their experience working with service providers
- In this research we present:
  - A summary of the views of various enterprises regarding the capabilities of services providers they engage across applications, digital, cloud, and infrastructure services
  - Enterprise views around their key investment priorities for technology and IT services
- The assessment is based on over 130 interviews conducted in 2016 with enterprises across the globe on applications, digital, cloud, and infrastructure services. These enterprises were nominated as reference clients by different service providers across multiple PEAK Matrix™ evaluations of Everest Group

Scope of this report

- **Services:** IT applications, digital, cloud, and infrastructure services
- **Geography:** Global
- **Service providers:** 30 Global service providers
- **Enterprises**: 130+ enterprises

Research methodology | Assessed service providers[1]

We conducted interviews with enterprises that were nominated by service providers as a “reference check” for our PEAK Matrix™ assessment research. Each enterprise was asked multiple questions including their experience of working with the specific service provider and their investment priorities

accenture	Atos	Birlasoft	CSC	Capgemini	Cognizant
Cigniti	<epam>	GENPACT	HCL	Hexaware Technologies	Hewlett Packard Enterprise
IBM	Infosys	L&T Infotech	LUXOFT	MICROLAND	Mindtree Welcome to possible
NIIT technologies	NTT Data	NTT DATA Services formerly Dell Services	Prodapt	Softtek	SYNTEL
Tech Mahindra	TATA CONSULTANCY SERVICES	UNISYS imagine it. done.	virtusa Accelerating Business Outcomes	WIPRO Applying Thought	Zensar Technologies Your Transformation Partner

1 Please refer to the Appendix for more details around enterprise information for each service provider

Source: Everest Group (2017)

Enterprises' assessment of service provider capabilities – summary

Discussion with enterprises on their experience working with service providers and expectations going forward reveals intriguing trends

- **Experience of enterprises working with service providers**
  - 48% of the enterprises are not satisfied with their service providers. This surprising and undesirable result from clients nominated as "references", calls for introspection by service providers
  - With a rating of eight and above out of ten on technical and industry-specific capabilities, enterprises believe service providers bring meaningful value across these two dimensions
  - Service providers are performing poorly as "strategic partners" for enterprises and score an average rating of five on a scale of one to ten
  - Moreover, despite service providers' assumption that pricing is table stakes, the average satisfaction rating of enterprises on commercial models is less than seven out of ten
  - There is a significant gap in enterprises' expectations and service providers' performance on innovation, creative engagement models, and day-to-day project management

- **Service provider performance**
  - TCS, Cognizant, HCL, Accenture, and L&T Infotech are rated the highest by their nominated enterprises for "overall experience"
  - In general, enterprises believe that mid- and small-sized service providers bring a lot more innovation and engagement flexibility than their larger counterparts
  - Enterprises believe that some large service providers have become lethargic and complacent and are indifferent to client requirements

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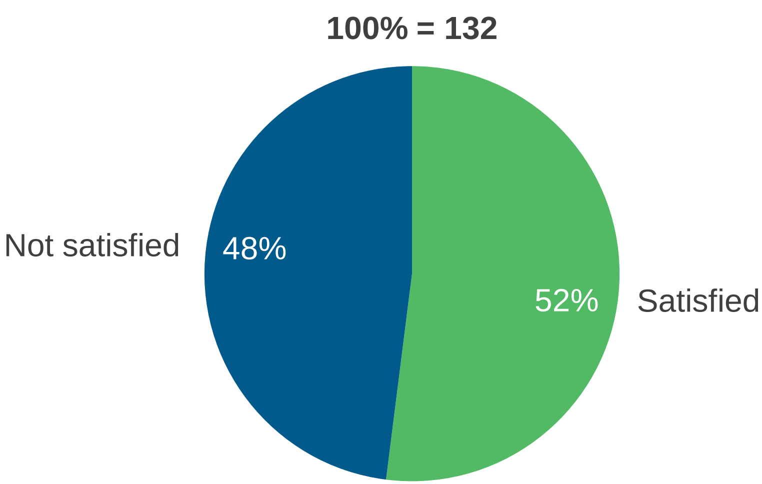
Almost half of the enterprises are not satisfied with their service providers; we believe this is a significant concern for the industry

Enterprises' overall satisfaction with service providers[1]
2016; Percentage of total discussion



Enterprises' satisfaction level with service providers[1]
2016; Percentage of total discussion

Highly satisfied	10%
Moderately Satisfied	42%
Somewhat unsatisfied	23%
Highly unsatisfied	25%

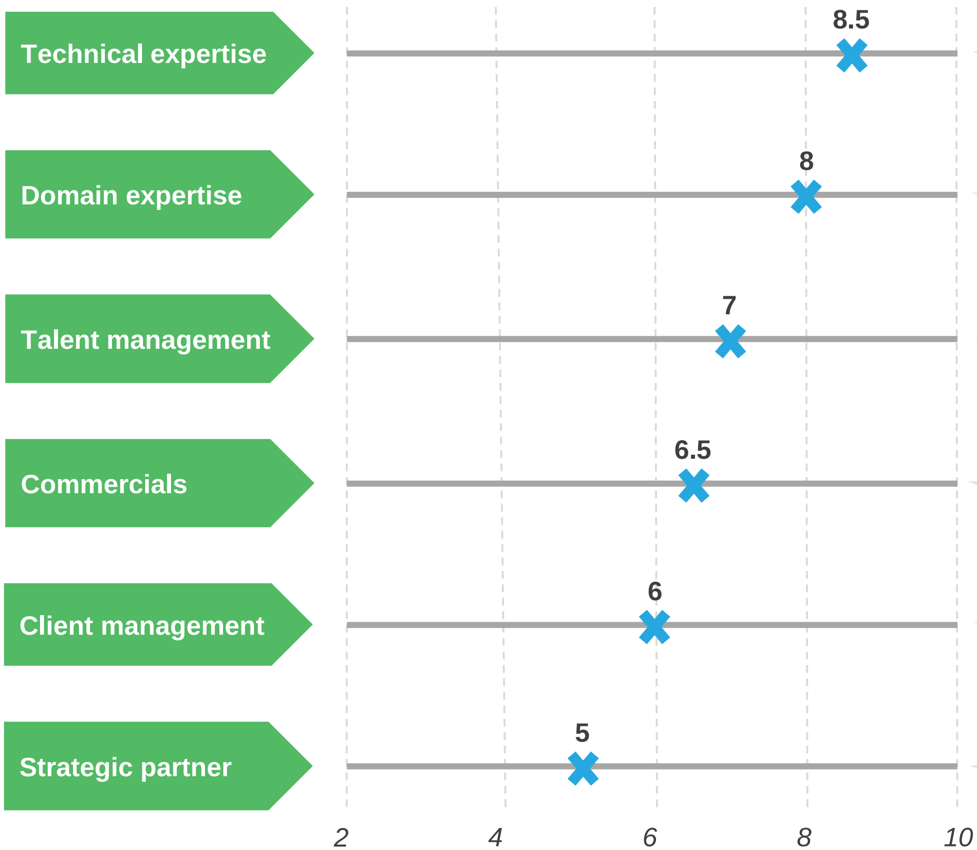
- Only 52% of customers are satisfied with the performance of their service provider. However, only 10% of enterprises are meaningfully satisfied and this indicates the challenges facing service providers
- Moreover, it is a matter of concern that 25% of the enterprises are **"highly unsatisfied"** with their service providers. This high number indicates a break down in communication and significant expectation mismatch between enterprises and their service providers
- Considering this is the feedback from the clients that were nominated by service providers, the results could be much worse for a broader enterprise set

1 Satisfied: Satisfaction rating of eight or above, Not satisfied: Satisfaction rating below eight (out of 10)
Source: Everest Group (2017)

Service providers bring strong technical and domain expertise; however, they have a long road to travel to meaningfully engage clients and become strategic partners

Enterprise perception of service provider capabilities[1]
2016; Ratings on a scale of one to ten

Service providers' performance rating on the dimension



Enterprises perceive that most service providers bring meaningful technical competence. It has become a "default" expectation from service providers

Enterprises are satisfied with service providers' industry knowledge and their understanding of business regulations

Talent management issues such as, attrition and scalability, heavily impact enterprises. These are areas of improvement for various service providers

Though service providers believe they have exhausted most of their pricing levers, enterprises don't seem to agree. Enterprises believe there is a significant room for service providers to improve their commercial models

Enterprises indicate that there is a significant scope for improvement in project management capabilities of service providers. They want service providers to build better alignment between delivery and account teams

Though difficult to define, enterprises rarely consider service providers as "strategic partners." We believe this indicates failure on service providers' part to move beyond day-to-day project delivery

1 Please refer to the Appendix for more details
Source: Everest Group (2017)

Though there are subtle differences across industries, strategic partnership was cited as a very important aspect of relationship by all the enterprises

Relative importance cited by enterprises

Low ◔ ◑ ◕ ● High

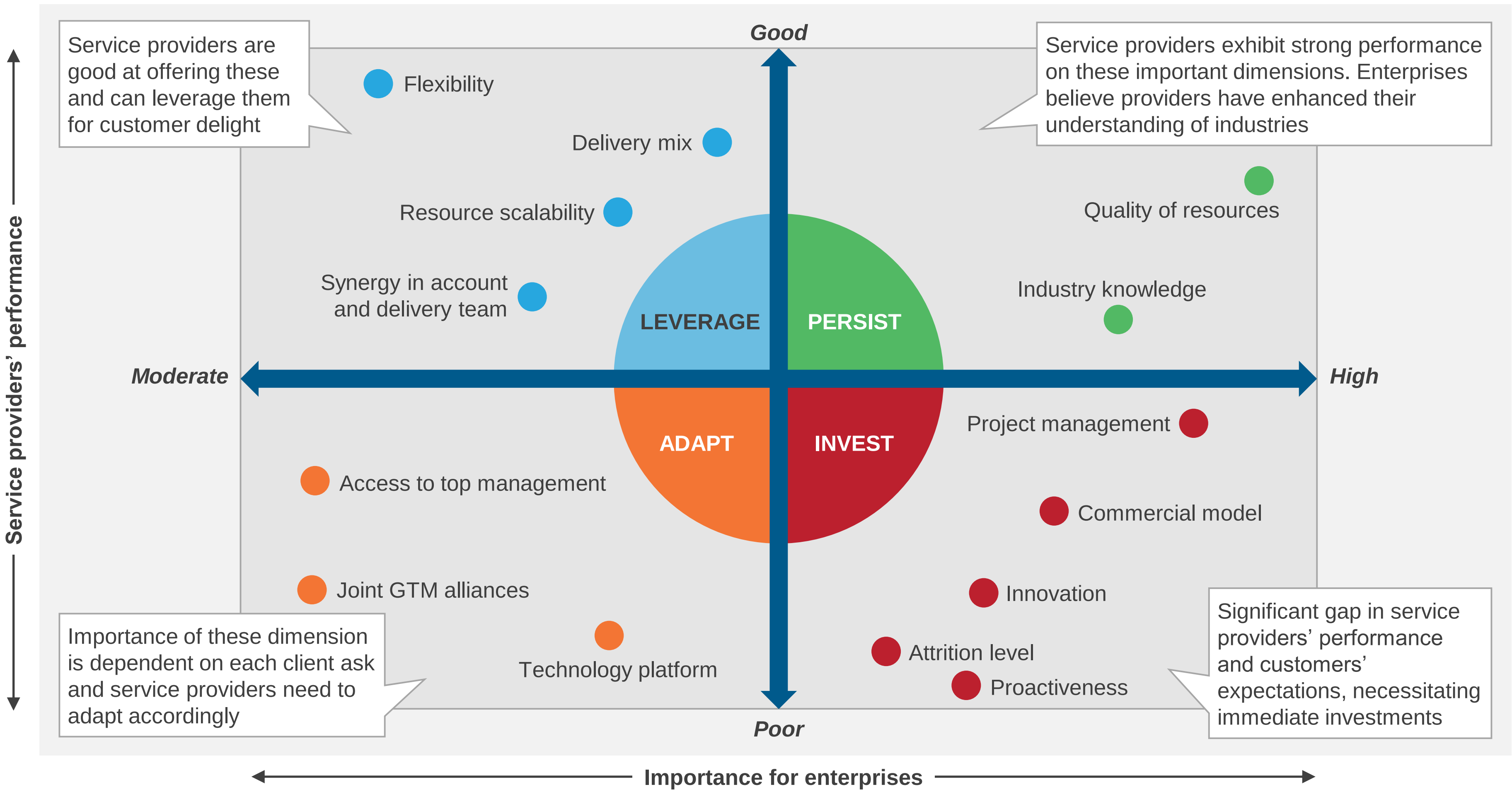
	BFSI	Healthcare & life sciences	Electronics, high-tech, & technology	Energy & utilities	Telecom, media, & communications	Retail, CPG, & logistics
Technical expertise	●	◕	●	◕	◕	●
Domain expertise	◕	●	◑	●	◕	◕
Talent management	◕	◕	◕	◑	◑	◕
Commercials	◕	◕	◕	●	◕	●
Client management	◑	◕	◕	◑	◑	◕
Strategic partner	◕	●	◕	◕	●	●

- Technical expertise and domain expertise are considered as “table stakes” by enterprises across industries
- However, enterprises still prefer providers that can differentiate in these two seemingly hygiene factors
- The definition of strategic partnership varies by client. However, this is extremely important for the entire enterprise base across service providers

Source: Everest Group (2017)

Traditional issues such as project management and pricing continue to be areas of significant discontent along with next-generation challenge of driving innovation in services

Recommended investment strategy to serve enterprise expectations



Source: Everest Group (2017)

Enterprises now expect their service partners to move beyond day-to-day delivery and focus on larger strategic business issues

"Our service partners should be ahead of what is happening in the market. They need to bring in innovation and smarter people to the engagement. I would like to see more effort on that front."

– CIO, Head of Shared Services,
a global investment bank

"We expect service providers to focus on our specific business needs and solve problems. They should bring continuous innovation and be instrumental in achieving our cost reduction goals."

– VP, Global Services Operations,
a leading technology provider

"Agile delivery model is a must-have for service providers. Co-investment and co-creation on a risk-sharing basis would enable us to explore more opportunities with the service provider."

– Head, Product Management,
a manufacturing major

"Senior management should actively engage in resolving issues and the team should be proactive in presenting new ideas to make applications more reliable."

– Director, Customer Management,
a global retail chain

Source: Everest Group (2017)

Five service providers, predominantly large-sized, receive the honor of creating the best "overall experience" for clients[1]

Ranking based on aggregated ratings given by nominated enterprises to their service provider(s)

Rank	Service provider	Comment
1	TATA CONSULTANCY SERVICES	Enterprises appreciate TCS' technical capabilities and initiatives to drive strategic partnership with clients
2	Cognizant	Clients appreciate Cognizant's approach to become their strategic partner as well as its flexibility in commercial constructs
3	HCL	HCL is perceived to be extremely flexible in commercial models and strong in retaining key talent in its client accounts
4	accenture	Accenture is perceived to bring market-leading domain expertise to solve complex problems and drive business outcomes
5	L&T Infotech	L&T Infotech is perceived to provide strong commercial flexibility as well as domain competence in the specific industries it operates in

"TCS invests time in understanding clients. The culture is different from competitors."

– CTO, Operations and Trading, a financial services firm

"Cognizant has strong innovation programs to proactively identify opportunities."

– VP, Production Support, a U.S. life insurance major

"HCL makes an effort in co-investment and understanding our requirements."

– Head, Strategic Sourcing, a U.S. technology major

"Apart from Accenture, we see everyone trying to sell products not expertise. Accenture has expertise to decide the best product for us."

– Director, Quality & Test, a consumer goods manufacturer

"L&T Infotech does not over sell, they demonstrate their capabilities and it is easy to work with them."

– VP, Applications Development, a U.S. insurance provider

1 Indicates the weighted aggregated ratings given by the nominated enterprises on key assessment dimensions and client commentary for each service provider

Source: Everest Group (2017)

Beyond "overall experience", enterprises also have strong views on specific capabilities each service provider brings to the market

Ranking based on aggregated ratings given by nominated enterprises to their service provider(s) across dimensions

Technical expertise

1. TATA CONSULTANCY SERVICES
2. HCL
3. accenture

Though most of the service providers are rated well on technical expertise, TCS, HCL, and Accenture stand out for their solutions and resource quality

Domain expertise

1. accenture
2. WIPRO Applying Thought
3. L&T Infotech

Breadth of knowledge and experience across verticals for players such as Accenture, Wipro, and L&T Infotech are appreciated by enterprises

Client management

1. virtusa Accelerating Business Outcomes
2. SYNTEL Consider IT Done
3. WIPRO Applying Thought

It is interesting to observe that mid- and small-sized service providers, Virtusa and Syntel, lead satisfaction on client management

Talent management

1. HCL
2. TATA CONSULTANCY SERVICES
3. accenture

Professionalism and support for rapid scaling and flexibility are the factors appreciated by customers who rated HCL, TCS, and Accenture high on talent management capabilities

Commercial model

1. L&T Infotech
2. HCL
3. Cognizant

Innovative pricing and risk-sharing models deployed by L&T Infotech, HCL Technologies, and Cognizant are recognized and appreciated by their enterprise clients

Strategic partnership

1. TATA CONSULTANCY SERVICES
2. Cognizant
3. Atos

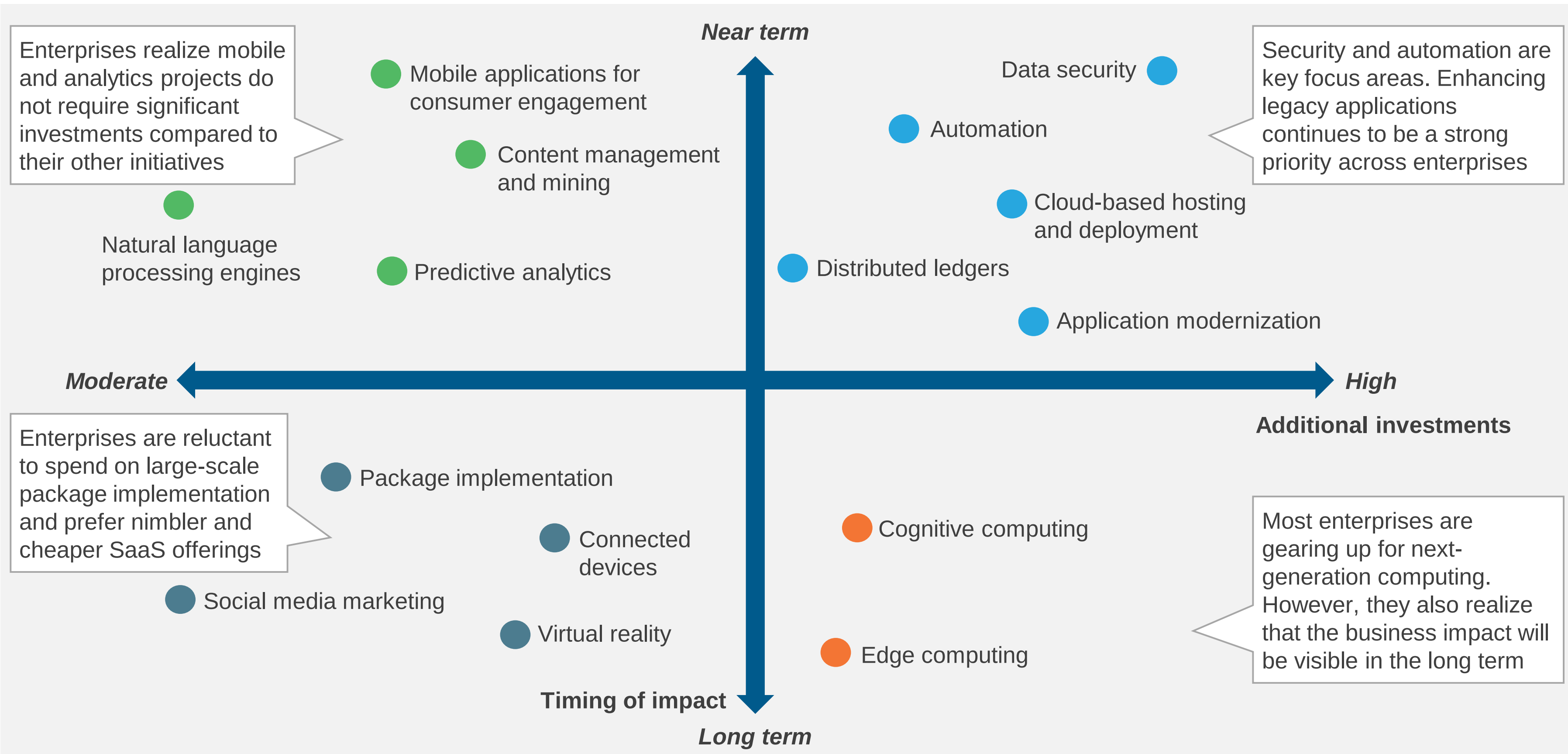
TCS, Cognizant, and Atos are perceived to bring a culture of joint investment with customers to deliver innovation and value enhancement

Source: Everest Group (2017)

Enterprises plan to invest across various initiatives; security, automation, and application modernization for quicker RoI[1]; others such as, cognitive computing for long term benefits

Enterprises' technology priorities[2]

NOT EXHAUSTIVE



1 Return on Investment
2 Additional investments: Additional investments in the near future as compared to today

Source: Everest Group (2017)

Service providers must shift their business model towards next-generation IT and domain capabilities to meet the expectations of enterprises in 2017

- Associate service delivery with business outcomes through contractual commitments
- Engage in risk sharing and co-development models for innovation in next-generation solutions
- Focus on automation to drive standardization, cost efficiencies, and process improvements
- Proactively invest in “moonshot” initiatives without expecting near-term RoI
- Invest in aligning market messages to customer expectations and developing thought leadership

Source: Everest Group (2017)

Additional research references

The following documents are recommended for additional insight into the topic covered in this research. The recommended documents either provide additional details on the topic, or complementary content which may be of interest

1. **Application Services – Annual Report 2016: "No DevOps No Digital":** (EGR-2016-4-R-1770); 2016. This annual research delves into the application services landscape to provide data-driven facts and perspectives on the market. It covers AS adoption trends, demand drivers, and enterprise challenges with iterative methodologies such as Agile and DevOps. The research also analyzes market trends across geographies, industries, and buyer sizes, and provides an outlook for 2016-2017

2. **Digital Services – PEAK Matrix™ Assessment and Market Trends: "Is Digital the New Normal?":** (EGR-2016-4-R-1932); 2016. Digital transformation is a top priority for enterprises. They are seeking providers' help in transforming their back- and mid-office portfolio and reimagining customer interactions. Service providers are undertaking a design-led approach to digital transformation in order to contextualize solutions to solve clients' specific business issues

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