THE REINVENTION OF VENDOR RELATIONSHIPS

Expectations and complexity around today's IT is growing, and organizations must adopt effective ways of working.
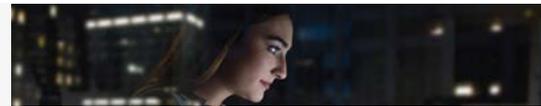
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How to manage the hard to manage

It's time to close the door on traditional business models. Everything IT manages on a day-to-day basis is growing in size and complexity – more devices, more data, more vendors. This situation is pressuring businesses to be more adept at fostering change while also maintaining vitality. Thus, third-party vendors have become essential to running an organization and contributing to the success of IT.

Yet, trends across industries are pushing enterprises towards even stronger IT structures. Next-gen workers are introducing new service concepts into the workspace, while simultaneously mergers and acquisitions (M&A) strategies are redefining the business landscape. Decentralization has become the crux of today's modern IT. It's complicated and harder to manage – so can today's vendors really keep up and provide IT with the help they need?

As it currently stands, many third-party vendors operate on a transactional basis. Enterprises sign on the dotted line, devices and managed services packages are delivered and IT is charged with putting all the pieces together. These contracts generally lack the flexibility and inclusions that could work to IT's advantage, rather than potentially jeopardize an enterprise's stability and growth.

The fluctuation of enterprises

Deloitte, a professional services firm, surveyed 1,000 corporate executives and private equity investors and found that 87% of M&A leaders expect deal activities to increase once again in 2019.[1] With exchanges, transfers and mergers come a plethora of devices data and information that needs to be managed by a single entity — which gives IT vendors an important role to play in the M&A market. Stronger capabilities and more powerful technologies are vital to navigate this fluctuation, and adding these to an already complex enterprise IT environment can introduce unique challenges.

Today's workers are shifting towards a more flexible approach to the workplace, and this will have an influence on device procurement. As digital transformation offers more opportunities for virtual working, the number of devices in an IT department's scope will grow. According to the latest Visual Networking Index, there will be 28.5 billion networked devices by 2022, up from 18 billion in 2017.[2] There is a greater need to continue using third-party vendors to offload in-house resources that are over capacity and struggling to manage a complex IT structure. Consequently, the annual contract value (ACV) of the as-a-service market grew by 159% over the last three years.[3] Shifting from managing IT in house to a vendor-only model is possible, especially as enterprises increase organizational growth.

BY 2022, THERE WILL BE
28.5 BILLION
NETWORKED DEVICES

UP **10 MILLION** SINCE 2017[2]

Quenching the thirst for insight

$260 bn

The revenue for big data and business analytics solutions in 2022.[6]

Large quantities of data have become absolutely critical to enterprise operations. However, excessive amounts of data can also leave enterprises feeling overwhelmed, emphasizing the need to find a partner with the expertise and resources to help weed through the data and act on the results strategically. According to the Data Analytics Outsourcing – Global Market Outlook (2017-2026) the third-party analytics market accounted for $2,233.12 million in 2017 and is expected to reach $18,681.12 million by 2026, growing at a CAGR of 26.6% during the forecast period.[4] Yet, despite this rise, vendors continue to fall short in providing the expertise enterprises seek.

- 77% of executives say that "business adoption" of big data and AI initiatives continues to represent a challenge for their organizations.[5]
- 54.4% of executives reported that an inability to be nimble and compete on data presented the most significant competitive threat that they faced.[5]

In essence, enterprises are drowning in data, but thirsty for insight, which is projected to only intensify as data continues to become a part of everyday operations. According to the latest worldwide market study by IDC, revenues for big data and business analytics (BDA) solutions are expected to grow from $128 billion in 2016 to more than $260 billion in 2022.[6] That's a compound annual growth rate (CAGR) of 11.9% over the 2017-2022 forecast period.

To fully embrace opportunities with data, enterprises are investing in stronger third-party relationships – ones that not only securely manage data but also provide the insights required to propel businesses forward.

Ownership sinks in the service economy age

While enterprises continue to take on more data, devices and third parties, vendors are becoming increasingly service-oriented due to consumer demands and behavior. It's the effects of these changes that impact the modern workplace. Part of the influence is coming from generational differences shaping the next-gen IT decision-maker. For example, consider the millennial driven service economy: on-demand services were projected to reach $57 billion by 2019[7] – from printing to food delivery to vehicle usage – which has also driven growth in on-demand and micro-manufacturing. The sharing economy, also popularized by millennials, will grow to 86.5 million US users by 2021 – nearly doubling in just two years.[7] As consumers become more comfortable renting, rather than owning, this trend is likely to infiltrate businesses, too.

A growing digital native workforce is more inclined to adopt new ways of doing business. Their creative mindset is giving rise to the service economy – the market for service-based products. **In this economy, consumers and businesses are able to leverage the services they need, when they need them, and without the full cost of ownership. It's growing at an exponential rate, and is shaping the way businesses decide to offer and receive services.**

Ownership is losing favor among consumers across industries.
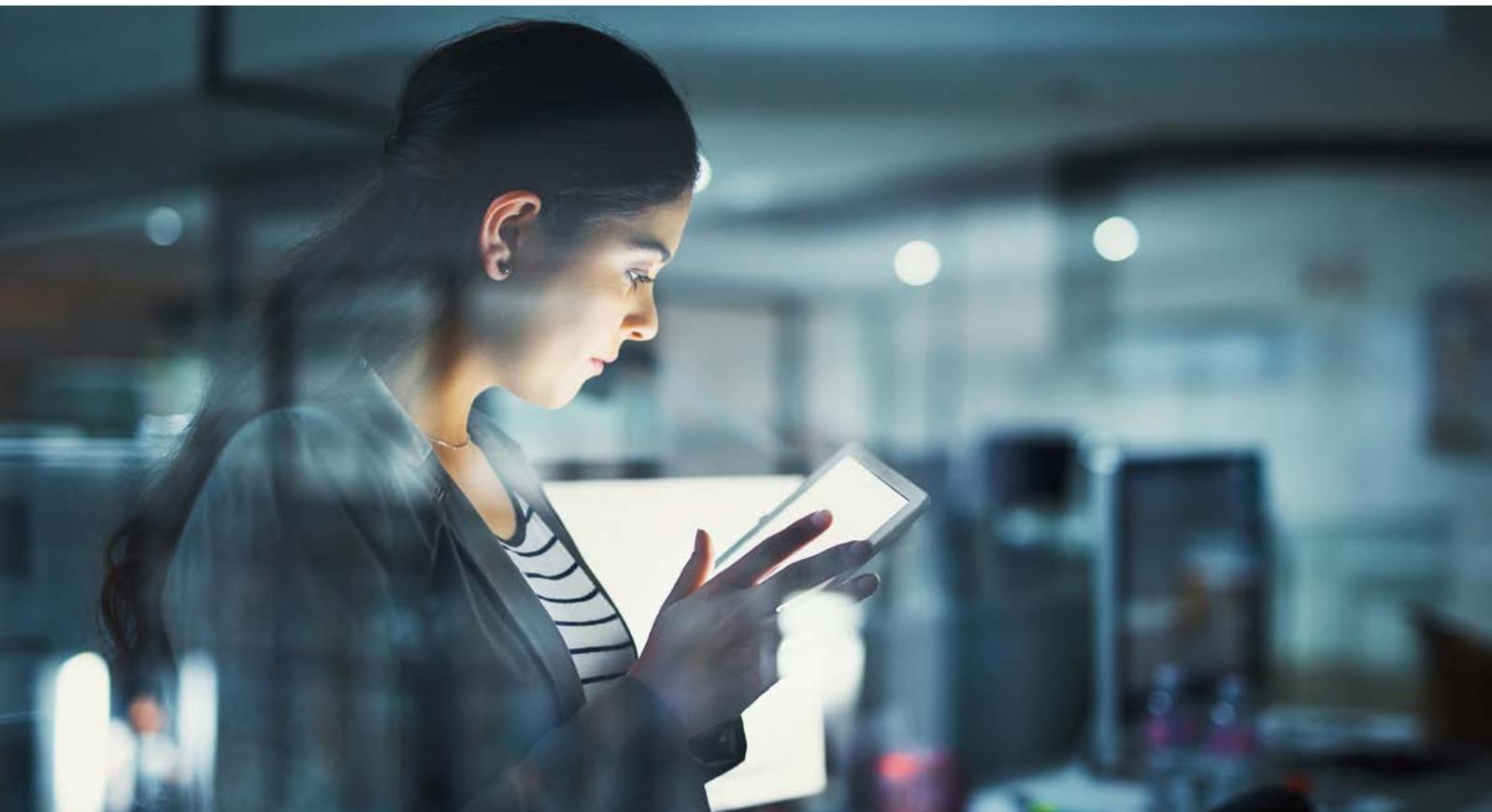
Physical music album sales fell 10.1% in 2018 and now only represents a quarter of the market.[8] However, digital revenues now account for over half (58.9%) of revenue and the total number of streams increased by 34% in 2018.[8]

Access is now king, with ownership falling secondary. That is why companies are seeking vendors that act as facilitators of functional/tactical tasks, as well as true partners that can offer strategic insight and oversight on anything from device usage to enterprise risk management. Such an approach isn't expected to slow down. According to Deloitte's 2018 Global Outsourcing survey, vendor outsourcing is likely to see growth across various enterprise functions. The payoff? Of the respondents surveyed, 77% felt positive about their outsourcing relationship.[9]

The burden on IT to manage and continually update owned services and goods can be lightened by choosing to invest in third parties — not simply as a vendor, but as a partner — that can move their business forward. One way this is already being done is through as-a-Service (aaS) offerings.

77%
of executives felt positive about their outsourcing relationship.[9]

Managed services fuel the vendor evolution

The aaS business model was established for businesses looking to subscribe to services or solutions on flexible terms, often through strategic relationships such as managed services providers (MSPs). These managed services or solutions can be customized to meet individual business needs. For enterprises, this means saving on costs by not buying expensive tools and devices and supporting them with in-house resources. In turn, it enables them to increase their value and efficiency by acquiring services on an as-needed basis, without worrying about the total upfront cost of ownership.

Engaging in a managed service relationship can help enterprises in several ways:

- Reduce in-house IT workload
- Save on support costs and capital costs
- Improve efficiencies and productivity
- Meet end-user needs and optimize experiences
- Acquire reliable technology through consistent upgrades
- Access actionable analytics to help comprehend large amounts of data

There are a number of services – such as software, infrastructure and platform – that can be accessed through aaS offerings. For example, Device as a Service (DaaS) enables enterprises to establish flexible contracts with predictable financing for the latest devices, at a suitable refresh rate. If an enterprise expands, or downsizes, device management can be adjusted accordingly. Additionally, features such as security capabilities can be added depending on what the business needs at the time. By engaging with a third-party relationship to handle device procurement and management, deploying only the assets needed and replacing them when they become obsolete, IT can have the support required to reduce structural complexities and focus on company growth. On top of this, with device health monitoring, organizations get actionable insights to make recognizing and addressing any issues easier.

Simplified hyperconverged solutions can generate savings of 69% compared to traditional IT.[10]

True strategic relationships

These comprehensive and customizable managed service solutions deliver on relationships that give businesses what they truly want. This way of conducting business has not only disrupted the traditional purchase-and-go model but also transformed it. Vendors now offer a powerful benefits portfolio, one that can keep devices updated and secured, manage large amounts of data, provide actionable insights and ultimately raise businesses to the next level.

Learn more about HP DaaS

*Security Policy and Enforcement and Lock and Wipe available on HP DaaS Enhanced or Premium plans only.
†Remote lock and wipe functionality requires the device to be powered on and have Internet access.
‡HP DaaS Proactive Security Service available as a separate purchase for Windows 10 devices, regardless of manufacturer. See www.hpdaas.com/requirements for additional system requirements. The HP DaaS Proactive Security Service requires HP TechPulse, which is included in any HP DaaS or HP DaaS Proactive Management plan. Security Experts available in the Proactive Security Enhanced plan only.
§For full system requirements, visit www.hpdaas.com/requirements. iOS devices are not covered in the Standard plan.

Sources

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HP DaaS plans and/or included components may vary by region or by Authorized HP DaaS Service Partner. Please contact your local HP Representative or Authorized DaaS Partner for specific details in your location. HP services are governed by the applicable HP terms and conditions of service provided or indicated to Customer at the time of purchase. Customer may have additional statutory rights according to applicable local laws, and such rights are not in any way affected by the HP terms and conditions of service or the HP Limited Warranty provided with your HP Product.

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