Buying services-as-software™: How to make AI deals that deliver

HFS RESEARCH WEBINAR

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Welcome & housekeeping

Thank you for joining us today!

Important notes:

All participants are automatically muted by the webinar administrator.

There will be a Q&A session following the presentation. Please feel free to send your question(s) at any time using the chat feature.

This webinar will be recorded and posted on the HFS webinars page. We'll also email you the recording once it's ready.

Why HFS?

We don’t follow the narrative. We create it.

HFS is shaping the narrative

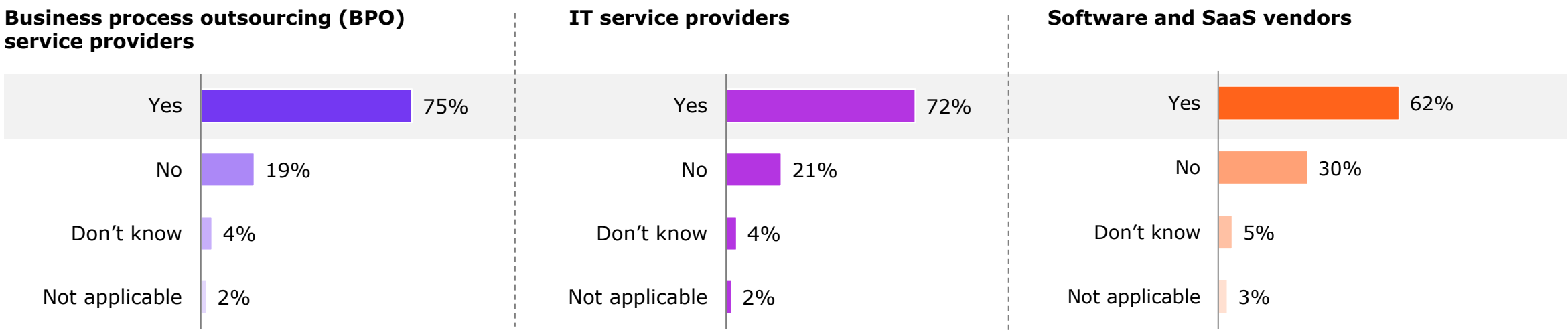
- **RPA (2012–13)**
  Pioneered the definition and adoption of robotic process automation.
- **As-a-Service Economy (2014)**
  Shift from traditional outsourcing to plug-and-play, outcome-based services.
- **Digital OneOffice™ (2016)**
  Unified front-to-back operations driven by data, automation, and customer-centricity.
- **Generative Business Services™ (GBS) (2023)**
  Using generative and agentic AI to transform business operations into intelligent, adaptive systems that continuously create value.
- **Services-as-Software™ (2024)**
  The convergence of services and software into scalable, IP-led solutions.

Agenda for today

- The WHY for AI is clear. The WHAT is emerging. But “HOW to AI” remains a black hole.
- AI is moving fast. The way we buy and structure services isn’t.
- How the concept of AI-first deal labs moves from sourcing theater to outcomes
- Panel discussion and audience Q&A

Enterprises lost patience with legacy service models — cost, speed, and value no longer matched AI-era needs

Is your firm seeking to renegotiate contracts with your service and SaaS providers in 2025?
(Percentage of respondents)



Services are Overpriced, Slow, and Labor-Heavy

- ❌ **Billable hours and FTE-based pricing measure effort, not outcomes**
- ❌ **Services don’t scale efficiently:** Revenue is tied to **human labor**, making profitability **linear**
- ❌ **Service firms profit from inefficiency**

Software is Static, Bloated, and Dumb

- ❌ **Feature bloat:** SaaS platforms keep adding features no one uses
- ❌ **Rigid workflows:** Enterprises have to configure everything manually
- ❌ **Still requires services:** Most enterprise SaaS products still need consultants to make them work

Sample: 605 executives across Global 2000 enterprises
Source: HFS Research, 2025

Services-as-Software™ (SaS) promises a non-linear economic model

HFS Services and Ops Tech Vision ~~2030~~ 2028

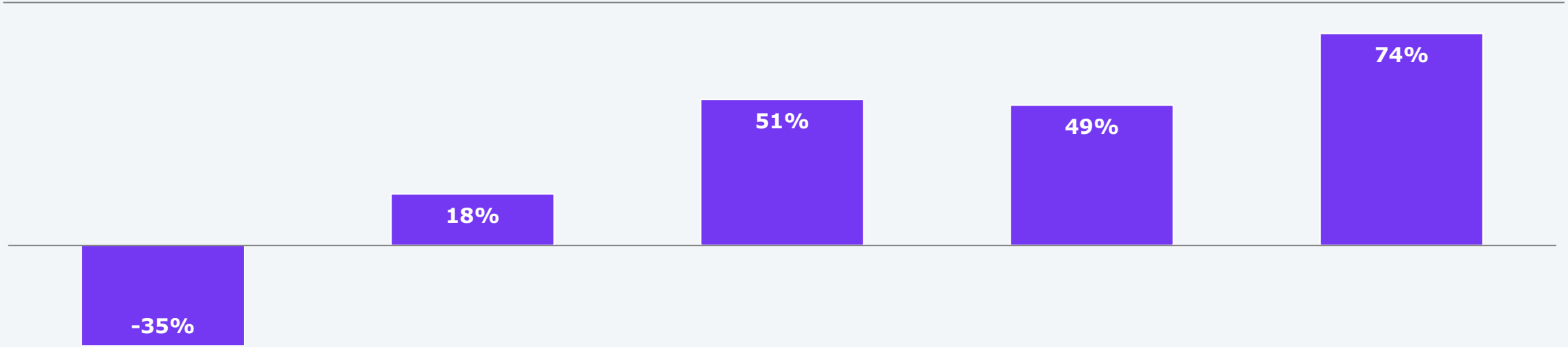
Staff augmentation	Technology-enabled services	Platform-led services	AI-led agentic services	Services-as-Software
Enables companies to quickly fill skill gaps, scale teams up or down as needed, and maintain control over project execution	Primarily driven by people but supported by proprietary solution accelerators, tools, and software	Leverage built-in delivery platforms to enhance service delivery and efficiency	Augment human capabilities through smart AI agents to optimize processes and decision-making	Unlike traditional software-as-a-service (SaaS), this model focuses on delivering services primarily through technology, minimizing human intervention, and maximizing efficiency

Humans + Machine mix (Capability model)
Shows how delivery shifts from human-led execution to machine-led (AI) orchestration, with humans focused on judgment and oversight

Linear vs. Non-linear (Economic model)
Indicates whether revenue and margins scale with headcount or are decoupled through platforms, IP, and AI

IT and business leaders want to displace labor-based outsourcing with AI-powered services

Please indicate if your organization's service models will increase, decrease, or stay the same overtime?
(Difference between percentage of respondents believe the model will increase versus decrease)



Staff augmentation (Traditional labor-based outsourcing rate-card pricing)

Technology-enabled services (Staff augmentation with provider-developed accelerators, FTE pricing)

Platform-led services (Service providers use cohesive platforms for delivery, transaction -based pricing)

AI-led agentic services (AI agents and platforms handle service tasks, augmented FTE or fee-for-outcome pricing)

Services-as-Software (Highly autonomous AI-driven service delivery, outcomes-based or subscription pricing)

Sample: 608 IT and business leaders across Global 2000 enterprises
Source: HFS Research, 2025

The WHY for AI is clear. The WHAT is emerging. But "HOW to AI" remains a black hole.

Why AI? Crystal clear

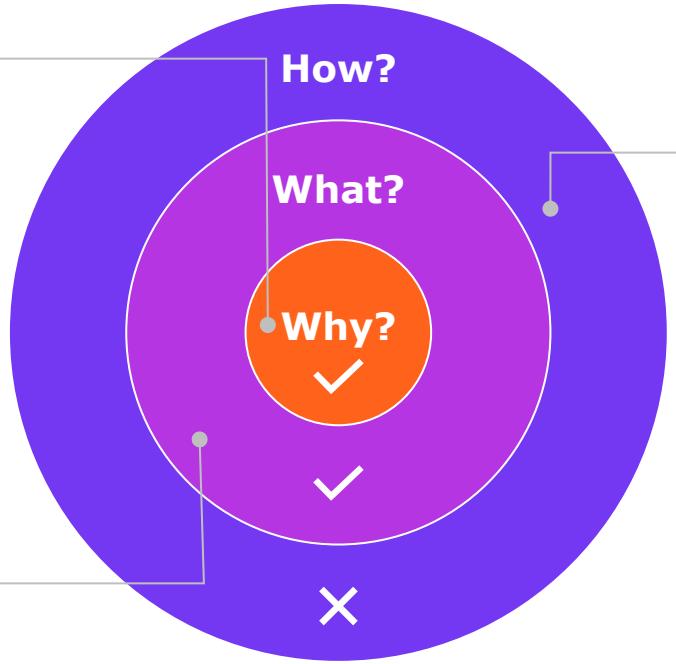
The people-driven model is out of gas

- Global productivity stuck below **1%** (OECD).
- **$1.5T** Services-as-Software forecasted TAM
- **75%+** enterprises are already replacing or planning to replace services with AI solutions

What? Evolving at ridiculous speed

The tech is not the problem anymore

- Hallucinations: ↓ **30–50%**
- Reasoning accuracy: ↑ **500%**
- Agent task success: **15%** → **60%+**
- Inference cost: ↓ 70–80%
- Context windows: **100× expansion**
- Multimodal**: near-human** accuracy



How? Black hole

The strategy-to-execution gap will define 2026

- **How to build a practical AI Business Case?** Obsession with cost-reduction will fail AI ambitions
- **How to get AI-ready?** AI fails if enterprises don't pay their process, data, people, and technical debts
- **How to structure AI-First relationships?** The labor-based commercial model collapses in an AI world.

The old playbook of buying and selling services doesn’t work anymore

- We are buying and selling new stuff with an old playbook.
- Enterprises are moving into an era of services-as-software—cloud, platforms, AI-native solutions—yet contracts are still structured as if it’s 1995 outsourcing.

The outsourcing playbook is tired and expired

Multi-year, rigid contracts written around effort (FTEs, rate cards) rather than outcomes

Adversarial negotiations that stifle innovation

Gain-sharing models that collapse in execution

AI-first deal structuring requires rethinking the entire sourcing lifecycle

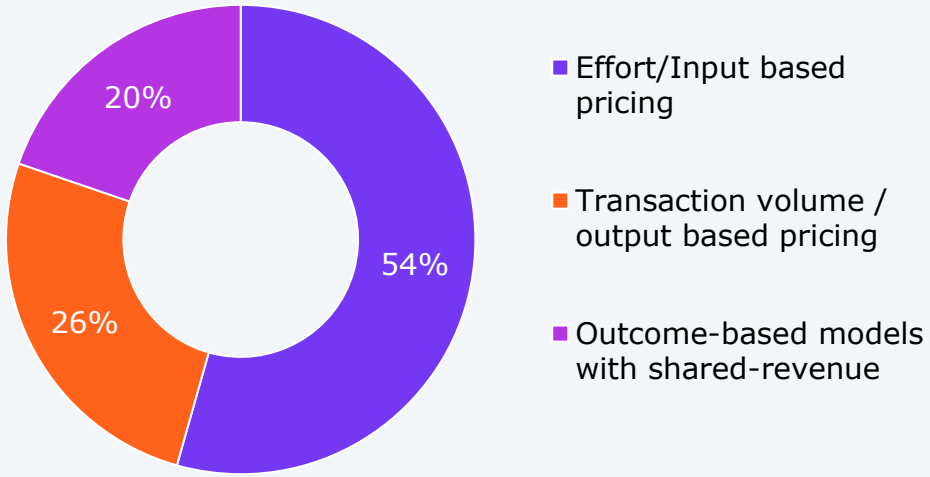
The traditional outsourcing model was built for a labor-arbitrage world, not for services-as-software, where value is delivered through AI, data, intelligence, and IP.

	Old Model (Tired & Expired)	HFS AI-First Deal Lab (Future-Ready)
Strategy & Planning	Location choice, cost savings, concentration risk.	• Business case built on 4Ps: Performance, Personalization, Prediction, Productivity. • Includes automation potential, bias, IP, explainability.
Evaluation & Selection	Lengthy RFPs, transactional SLAs, vendor commoditization.	Data-driven testing, automation %, AI performance SLAs, outcome-based experimentation.
Contracting & Commercials	FTEs, delivery centers, attrition clauses, complex gain-sharing.	Outputs and AI metrics, governance clauses, tiered flat-fee & consumption pricing.
Onboarding & Transition	Process documentation, vendor handovers, lift-and-shift.	Data portability, adaptive ramp-ups, AI model rebuilds.
Performance & Improvement	Monthly SLAs, QBRs, incremental tweaks.	Continuous AI assurance: monitoring drift, bias, hallucinations; retraining and model swaps.
Governance, Risk & Compliance	Traditional audits: ISO, SOC2, GDPR, HIPAA.	Algorithmic accountability: bias audits, model cards, explainability, responsible AI guardrails.
Financial Management	Linear budgets = FTEs × rates; rigid and predictable.	Variable budgets: model fees, compute, storage, upgrades; flexible innovation funding.
Renewal & Exit	Vendor swaps with knowledge handovers, manageable risk.	Data + model portability, AI model rebuilds; higher transition risk but greater enterprise control.

The current economic model for services is broken

We continue buy and sell services on presence (FTEs, effort, and rate cards)

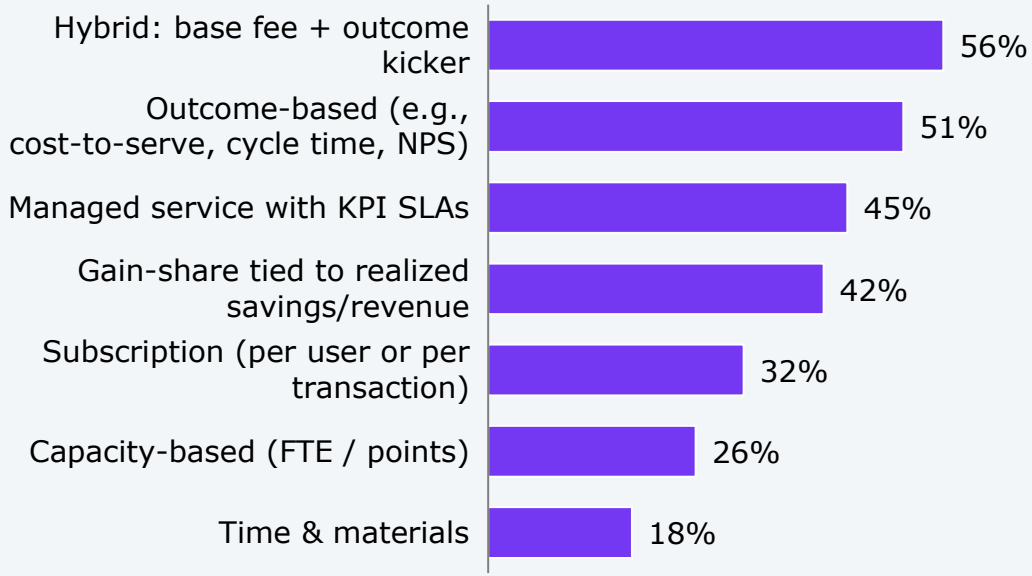
What is your CURRRENT commercial model for AI-enabled IT and business services?



Sample: 510 major enterprise decision makers
Source: HFS Research, 2025

But, the market is demanding an economic model based on performance

What is your PREFERRED commercial model for AI-enabled IT and business services?



Sample: 101 survey participants
Source: HFS Research, 2025

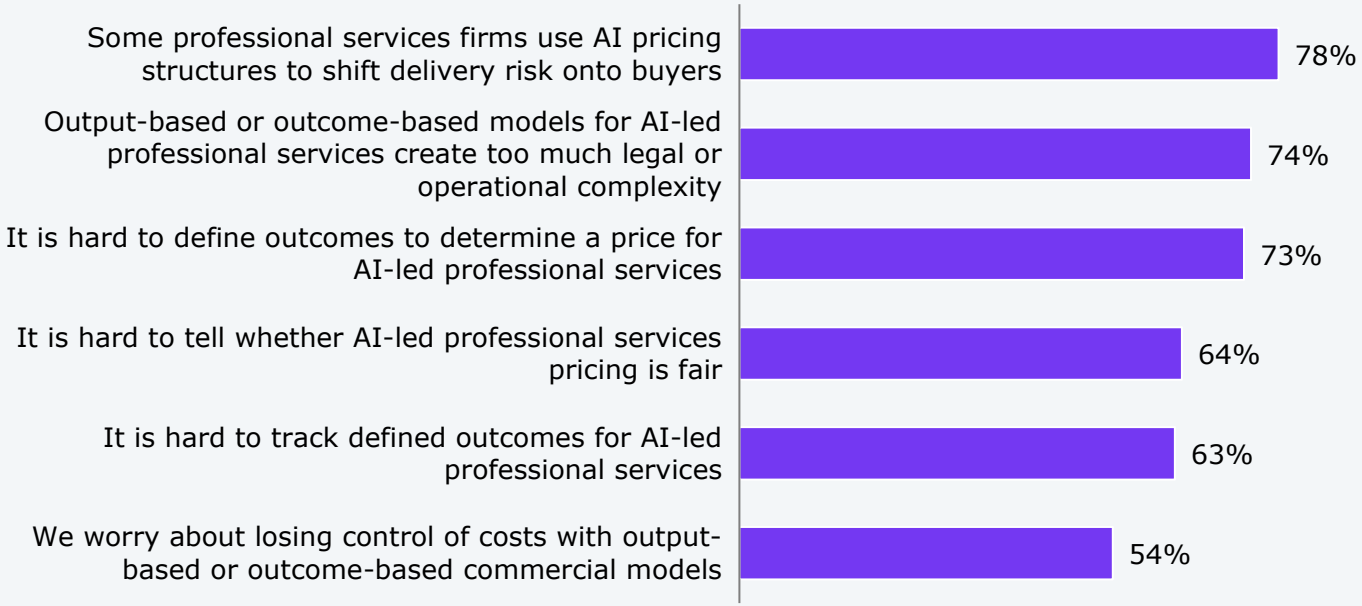
Currently promoted AI-pricing models feel risky and are too complex for enterprise appetites

AI services pricing gets complex fast

- **Compute:** Training/fine-tuning on NVIDIA A100s (at ~$3.06/hour) can rack up tens of thousands monthly.
- **Tokens:** GPT-4 Turbo costs (~$0.003–$0.009 per 1K tokens) scale rapidly with high query volumes.
- **Storage:** AI workloads can generate 10–50TB of data, costing $250–$1,200/month on AWS S3.
- **Model tuning:** Ongoing fine-tuning significantly adds compute and validation overhead.
- **Human oversight:** Sectors needing quality or compliance checks require costly FTE support.
- **Third-party fees:** API and software licenses often stack up with usage-based pricing.

Currently promoted AI-pricing models shift too much risk and are too complex for enterprise appetites

Please indicate your level of agreement with the following statements
(Percentage of respondents who agree)



Source: HFS Research, 2025

The future-ready AI-playbook needs to deliver high-speed, low-friction AI adoption that is financially self-sustaining, commercially aligned to outcomes, and governed with enterprise-grade safety

Self-funded Transformation 01

- Start with high-volume automation to generate fast savings.
- Redirect savings to fund data, process, and talent modernization.
- Use an Autonomous-First design: AI agents that remove work, not add steps.
- Create a continuous value loop → Savings → Reinvent → Scale.

Outcome: AI programs that pay for themselves within 6–12 months.

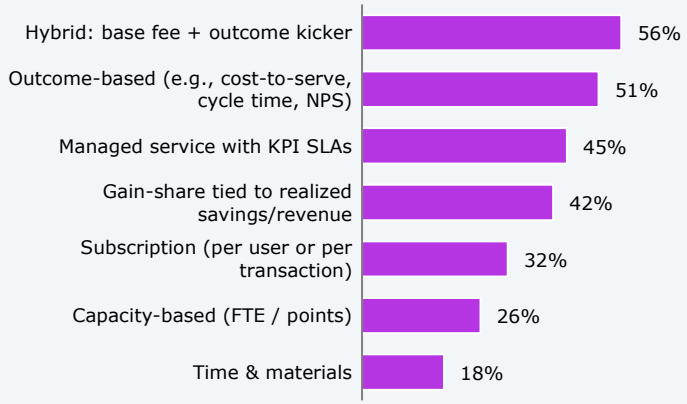
- **80%** of organizations want to leverage a self-funded transformation to fund innovation
- **86%** of enterprise leaders are no longer waiting to realize all cost savings before accelerating modernization efforts.
- **Nearly half (48%)** are willing to fast-track modernization if projected savings are credible and achievable

Outcome-driven Commercial Models 02

- Consumption-based pricing (per document, per transaction, per API call).
- Business Outcome-driven kickers
- Tiered flat fees tied to automation coverage.
- AI performance SLAs based on accuracy, cycle time, exception reduction.
- Optional shared-value structures linked to opex reduction.

Outcome: Commercial alignment with business outcomes, not hours.

Preferred commercial model for AI-enabled business services

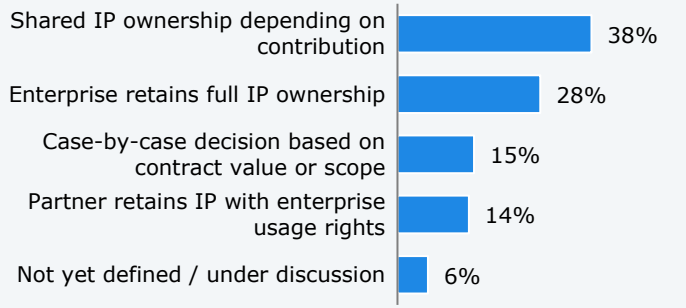


Modern AI Contracts 03

- Clear AI liability boundaries and shared responsibility.
- Defined IP and data rights for models, embeddings, and outputs.
- Required explainability & audit logs for decisions.
- Bias and responsible AI checks built into the contract.
- Retraining triggers and version-control obligations.

Outcome: Safe, transparent, enterprise-grade AI adoption.

How do you prefer to manage intellectual property (IP) and co-created assets with your service partners?



How HFS is moving from sourcing theater to research-led problem solving

Old advisory model
Long, expensive, and out of step

- RFP-driven, 12- to 18-month cycles costing millions in advisory fees
- Procurement-heavy, vendor beauty parades with little focus on innovation or business outcomes
- Check-the-box benchmarking exercises that commoditize providers instead of differentiating them
- Over-engineered governance that kills agility

New HFS AI-first Deal Lab
Research-led, workshop-driven, and future-ready

Research-led
HFS brings data, benchmarks, and deep market pulse to shape deal constructs around what's real, not theoretical

Problem-solving focus
Targeted interventions—diagnostics, deal labs, and negotiation accelerators—rather than endless RFP paperwork

Workshop-driven
Fast, collaborative design sprints with business + IT + procurement to co-create deal structures

Future-proofing
Adaptive contracts, built-in innovation clauses, and governance models designed for AI evolution

HFS AI-first Deal Labs are a case-study, workshop-driven alternative to legacy sourcing advisory

Executive North Star	Relationship Alignment	Research-based Case Study	AI-first Workshops	Co-Design & Optimize	100-day Plan
Research-driven executive alignment on desired outcome	**Assessment of current performance and relationships**	**Alignment on high-level solution**	**Interactive workshop demonstrating provider capabilities**	**Parties sharpen scope and commercials to get closer to a "deal-ready" solution**	**Roadmap to designing transformation details that jumpstart relationship**
HFS leads discussions between client's senior executives on aspirational outcomes and produces the "North Star"	HFS analyzes contracts and other relationship materials, interviews stakeholders, and develops a relationship alignment matrix	HFS develops research and fact-based case study to frame provider engagement and proposals	HFS facilitates a 1-2 day collaborative workshops with client and each service provider focused on case study	HFS facilitates client and service provider refinements to proposed scope and commercials	HFS produces a 100-day for client and selected provider to finalize agreements and jump start transformation

About HFS

- **INNOVATIVE**
- **INTREPID**
- **BOLD**

HFS Research is a leading global research and advisory firm helping Fortune 500 companies through IT and business transformation with bold insights and actionable strategies.

With an unmatched platform to reach, advise, and influence Global 2000 executives, we empower organizations to make decisive technology and service choices. Backed by fearless research and an impartial outside perspective, our insights give you the edge to stay ahead.

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