Buying Services-as-Software™

A new playbook for enterprise buyers

HFS RESEARCH WEBINAR

July 21, 2026 | 10:00 – 11:00 a.m. ET | Via Zoom

HFS Research Live Webinar

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Via Zoom

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Welcome & housekeeping

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Why HFS?

We Don’t Follow the Narrative. We Create It.


Horses *for* Sources

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2030 HFS Services Technology Vision: The Future is Services-as-Software

September 13, 2024 | Phil Fersht, Saurabh Gupta

Why do enterprises buy services? Because they need “work” performed that can be managed more effectively by *people* outside of their company. However, by 2030, we will be engaging with “services” primarily through *technology*, minimizing human intervention and maximizing efficiency. In fact, services will barely even be *services* anymore…

HFS 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

AI-First Deal Labs (2025)
Smarter. Faster. Future-proof deals for the AI era.

Agenda for today

01 Why the old playbook of buying and selling services doesn't work anymore

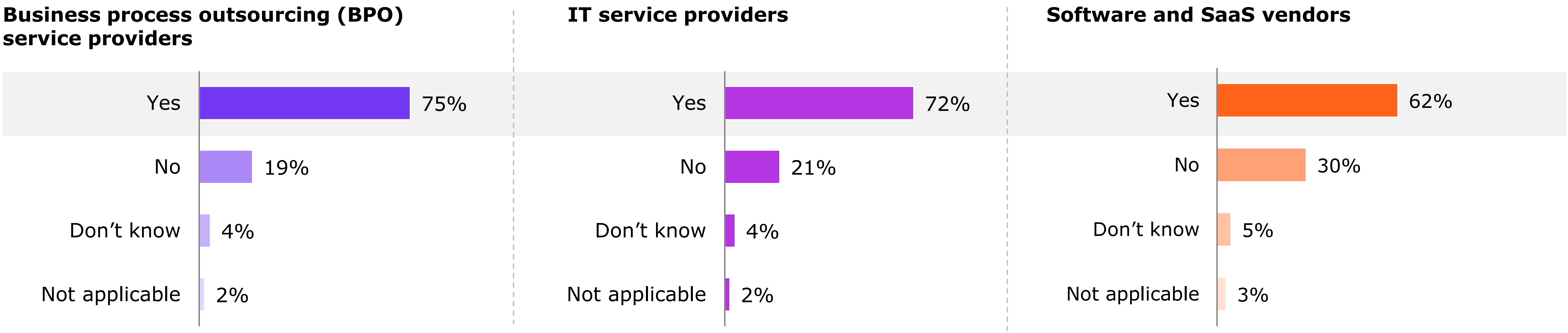
02 Panel discussion with HFS advisors

- Business case
- Performance metrics
- Sourcing process
- Contractual T&Cs
- Pricing structures
- AI sovereignty
- AI Tokenomics

03 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**

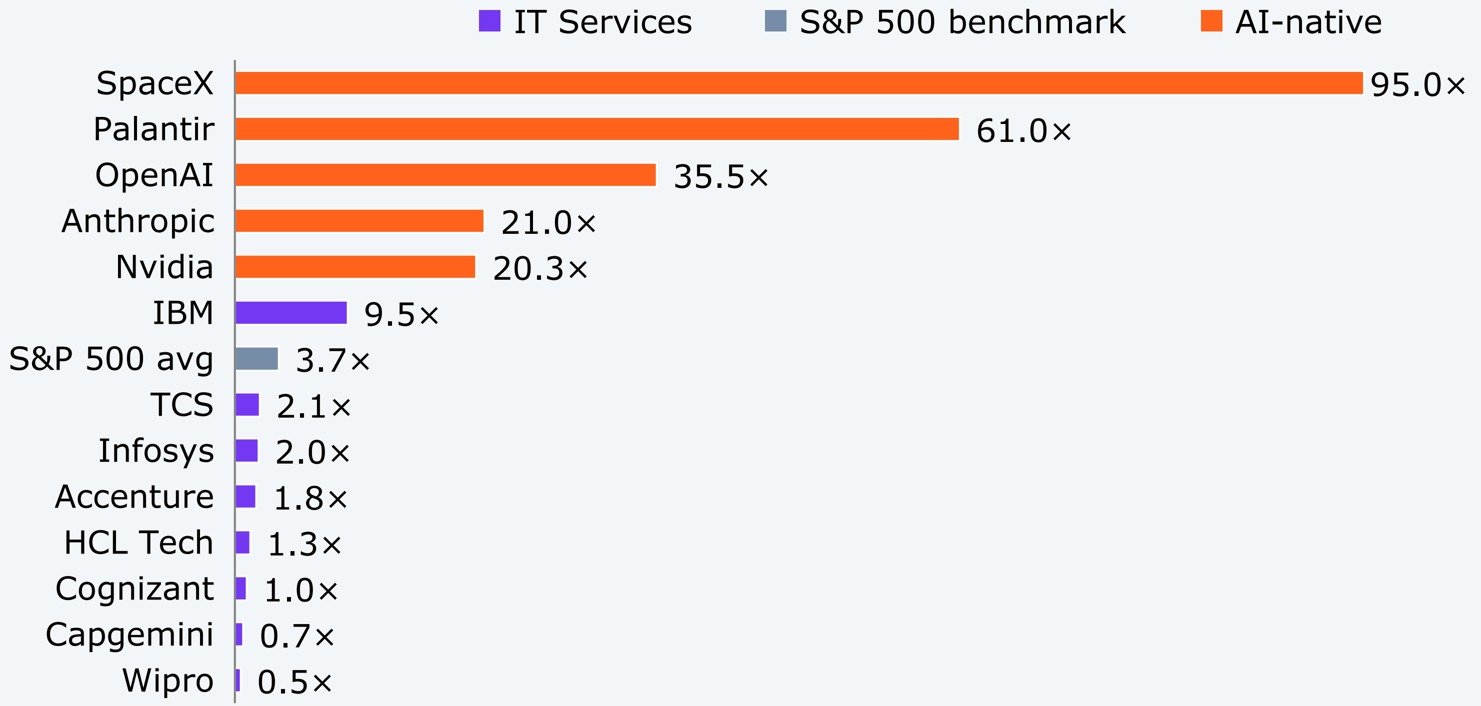
Software is Static, Bloated, and Dumb

- ❌ **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, 2026

Legacy services are losing market cap. AI-natives command PSRs of 20–100×

Price-to-Sales Ratio (PSR) by company
(sorted in ascending order)



IT services average PSR

~1.5×

Below S&P 500 avg. The market is pricing these firms as if they have no role in the AI economy.

AI-native average PSR

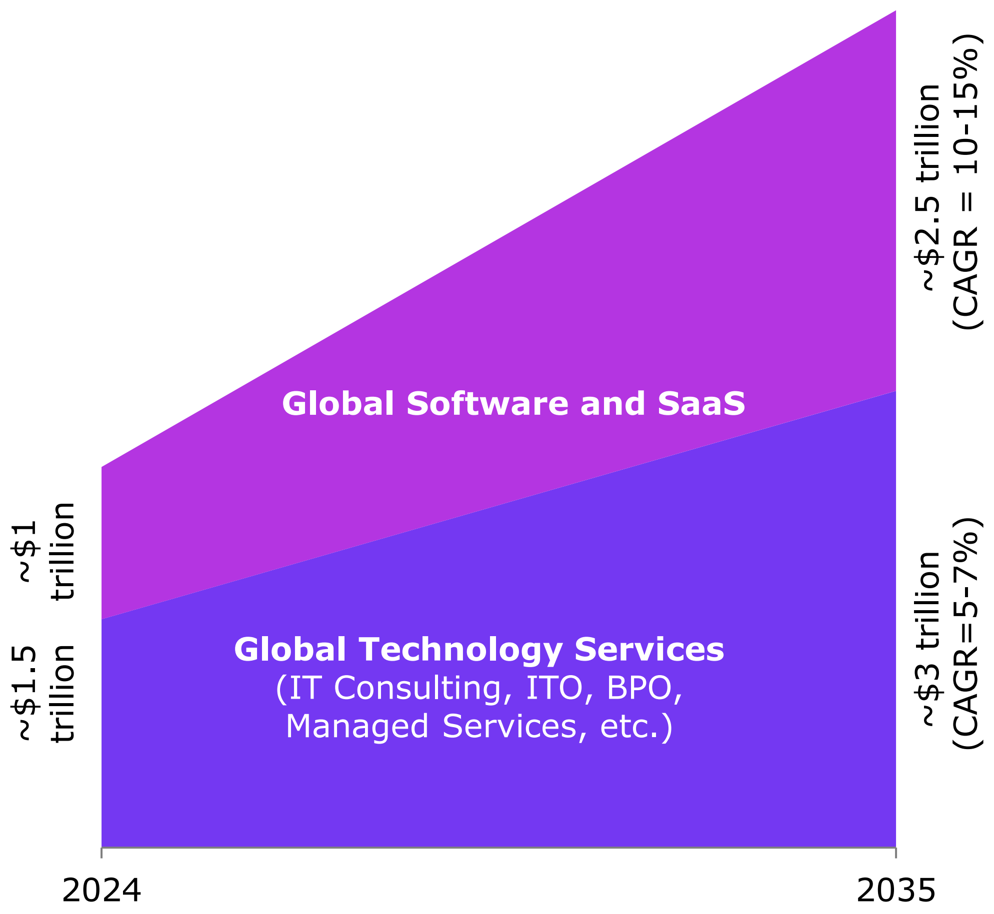
~46×

Priced for a future of mass enterprise AI adoption — which requires the firms trading at 1.5× to actually deliver it.

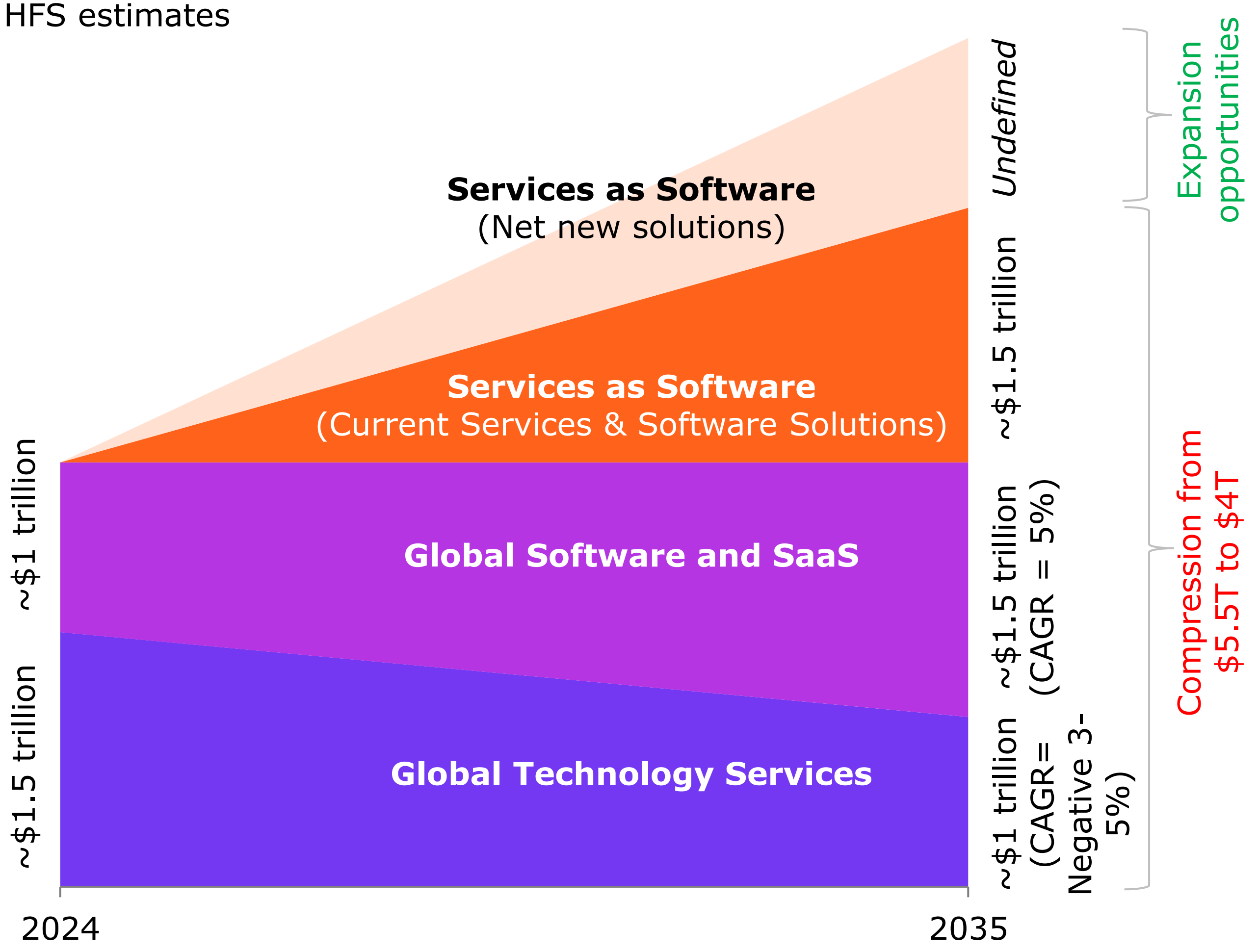
Sources: HFS Research analysis based on publicly announced stats in June 2026. Anthropic and OpenAI PSRs based on latest funding round valuations vs annualised revenue run rates. SpaceX PSR based on IPO valuation of $1.77T vs 2025 revenue of $18.7B. Private company PSRs are indicative.

HFS called this in 2024. A $1.5 trillion+ Services-as-Software (SaS) market is emerging

Current market forecast for Software and Services (Excluding Services as Software)
HFS estimates

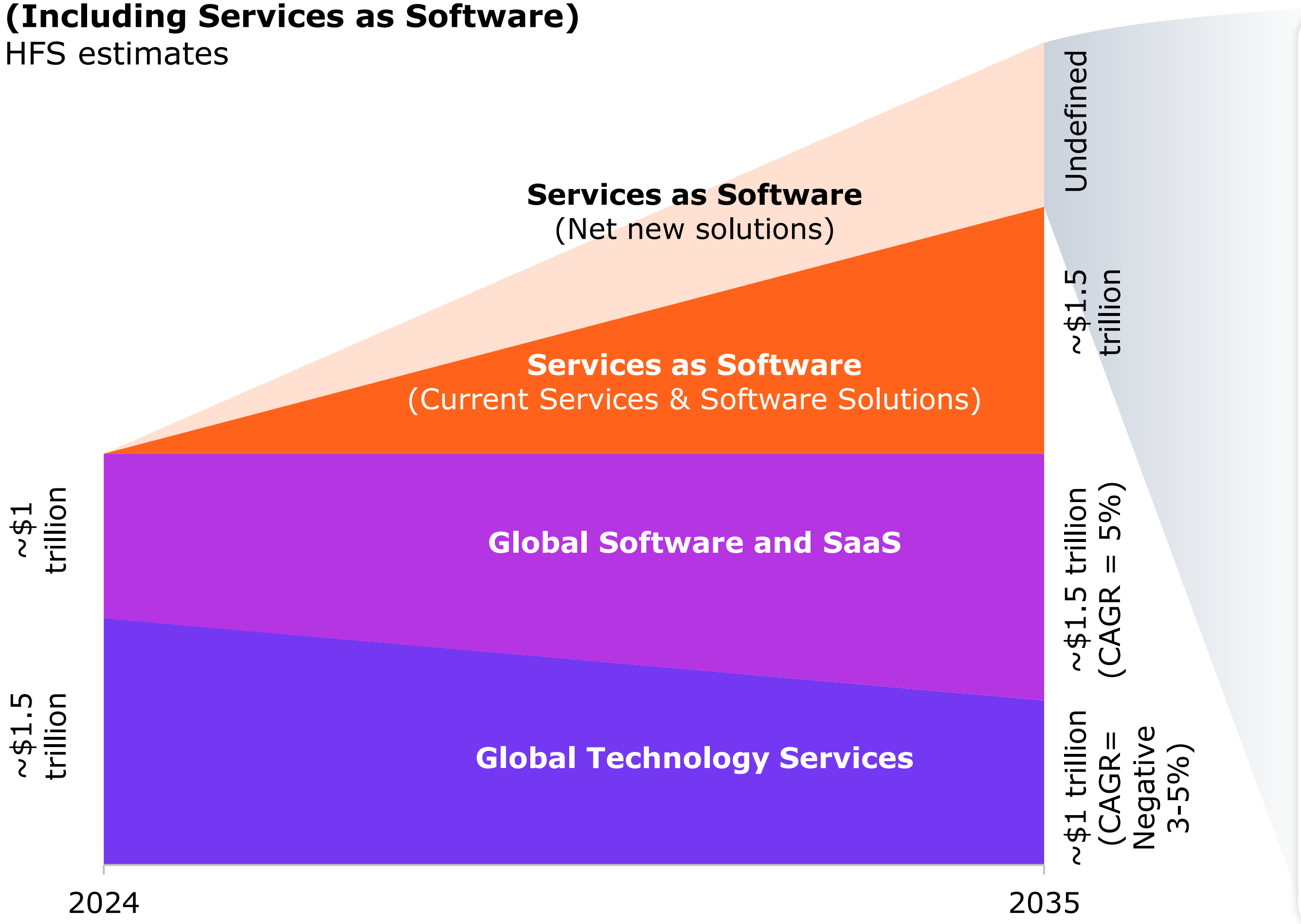


Projected market forecast for Software and Services (Including Services as Software)
HFS estimates



Services-as-Software™ is a generational opportunity to unlock new value that was so far out of reach of the legacy IT services industry

Projected market forecast for Software and Services (Including Services as Software)
HFS estimates



The 4 opportunities that define the undefined space

1. **Resolving $18T in enterprise debt.** Tech, data, process, and talent debt block AI at scale. Resolving debts potentially unlocks ~8% faster revenue growth, 16% lower cost. Nobody has claimed it yet.
2. **Non-linear economic model** that focuses on a 4Ps (Performance, Personalization, Prediction, Productivity) value propositions.
3. **Mid-market and new geographies.** A $300B developed mid-market with no incumbents, plus a $290B emerging market labor arbitrage never reached. Services as Software makes both viable.
4. **Move from CIO to C-suite.** Services sit in 15–20% of the cost base (IT, BPO, contact center). Agentic AI opens the other 80% core (underwriting, clinical, trading, etc.) expanding the market by an unquantified multiple.

Source: HFS Research, 2026

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

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

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 and take 6-8 months to get going

Obscure tokenomics and Gain-sharing models that collapse in execution.

The Business Case: The 4Ps of Services-as-Software (SaS)

Productivity
Do more with less

- 50%+ human effort reduction on L1/L2
- 90% access issues auto-resolved
- Self-healing for alerts, data sync, performance

Example
300K incidents → 150K through automation

Prediction
Preemptive, not reactive

- Pattern-based anomaly detection
- Predictive failure prevention
- Demand-aware capacity scaling

Example
Shift from 'break-fix' to 'predict-prevent' across different value streams

Personalization
Experiences tailored by persona

- Sales rep gets instant, context-aware resolution
- Plant manager sees business-impact dashboards
- Zero-ticket experience for field teams

Example
Field sales (43% of incidents) get personalized self-service; DSD process flows uninterrupted

Performance
Business outcomes, not IT metrics

- Revenue protection via process continuity
- Order-to-cash completion rates
- Supply chain velocity improvements

Example
Every order from creation to invoice is monitored; no revenue leaks through IT failures

Sourcing process: The 6–8-month RFP is a relic

Longer does NOT equal better – compress the time and improve the outcomes!

Compress the cycle: Leverage an optimized process to go parallel instead of serial in partner identification and selection

Traditional RFP 6 to 8 months	RFI	RFP	Provider presentations	Down-select	LOI … then negotiation	Contract (if you're lucky)

HFS AI-accelerated sourcing 10-15 weeks	**Develop North Star** *2-3 wks*	**Data challenge** *2-3 wks*	**AI Deal Labs to finalize solution+ finalize Ts and Cs** *3–6 wks*	**BAFO** *2-3 wks*	**100 day AI transformation plan**

Get all the big rocks sorted concurrently — before you hit the wall!

Solution	Co-design the agentic + human delivery model in AI Deal Labs; compare multiple providers to drive a "best of breed" solution
Terms	Quickly get the right Ts & Cs — master agreement, service descriptions, performance management, governance — executable before BAFO
Price	Negotiate pricing last — unit rates, fixed fees, transition and pass-through charges — once the solution has been clarified and both parties have a chance to "kick the tires"

BAFO

All open issues converge and close at once

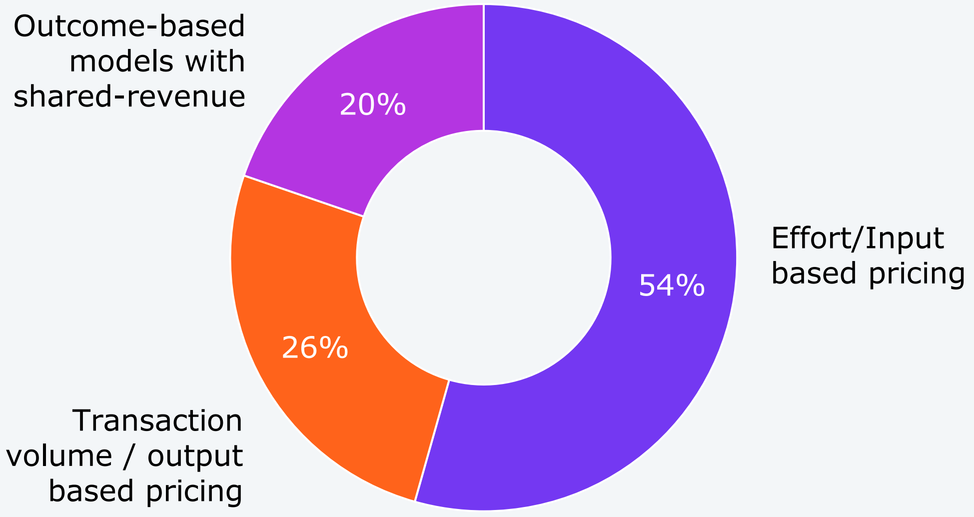
What you gain

- **Better terms.** Best in class terms that set the foundation for long term success
- **Better pricing.** Hard pricing is finalized at BAFO and validated with "war gaming" scenario analysis
- **~2x faster.** 6–16 weeks vs. 6–8 months — concurrent Deal Labs replace sequential rounds
- **Less effort.** "RFI-less" qualification, early exit of unfit providers, and RFx Accelerator© to support rapid turnaround throughout the process

Pricing structures. The current economic model for services is broken

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

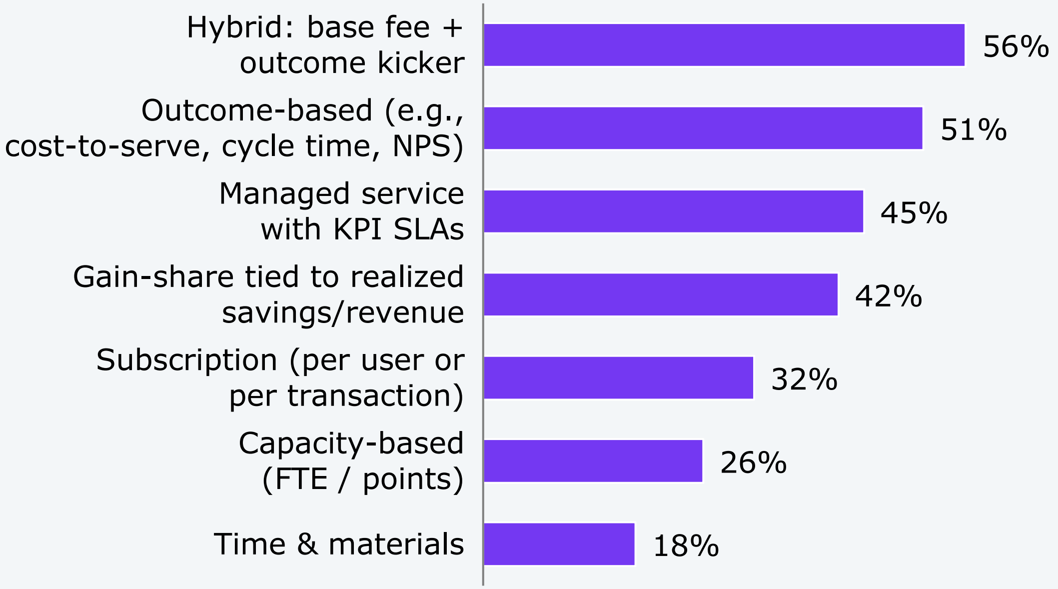
What is your CURRRENT commercial model for AI-enabled IT and business services?



Sample: 510 major enterprise decision makers
Source: HFS Research, 2026

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

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

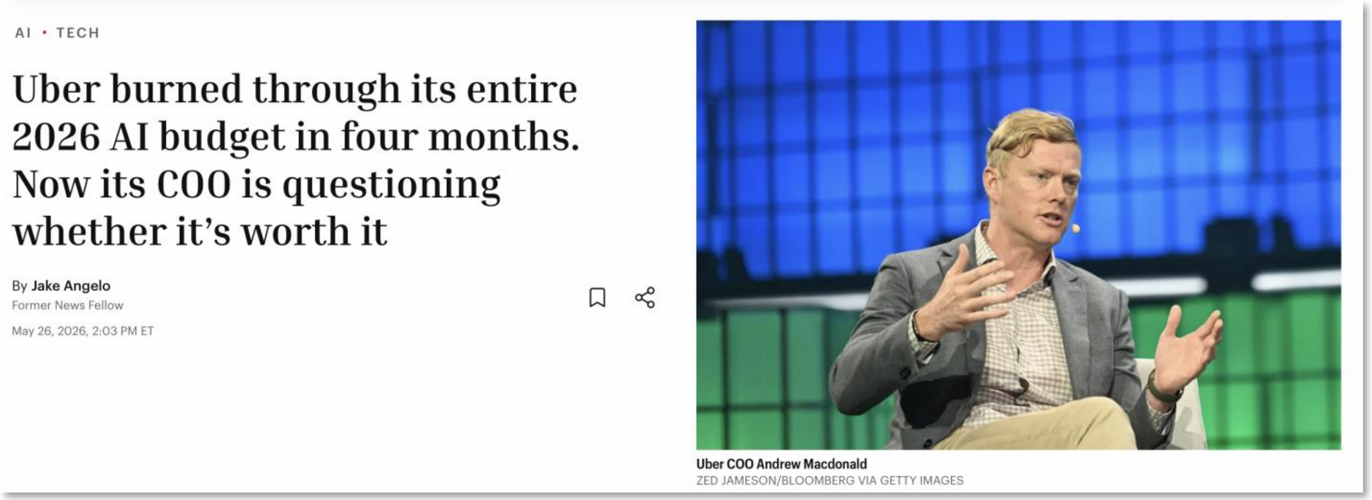


Sample: 101 survey participants
Source: HFS Research, 2026

AI Tokenomics. "Cheap AI" Is a Myth Once You Count the Full Stack

AI 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.



AI • TECH

Uber burned through its entire 2026 AI budget in four months. Now its COO is questioning whether it's worth it

By Jake Angelo
Former News Fellow
May 26, 2026, 2:03 PM ET

Uber COO Andrew Macdonald
ZED JAMESON/BLOOMBERG VIA GETTY IMAGES

Enterprises that budgeted for AI costs to keep falling may be underwriting a curve that's about to bend the other way.

As AI labs IPO, the commercial pressure shifts from land-grab pricing to margin proof.

HFS Commercial Model for SaS: We need an AI-first pricing model that is simple to understand and easy to implement

Performance-Based Upside (Value Layer)

- Tie fees to 2–3 measurable KPIs such as cost per transaction reduction, cycle time improvement, straight-through processing %, developer productivity etc.

Consumption-Based Pricing (Execution Layer)

- Business-aligned units (per invoice / per interaction / per document etc.)
- Internally driven by AI tokenomics
- Externally expressed as business transactions

Platform subscription (Foundation Layer)

- Per enterprise / per domain / per user tier
- Anchored as: "AI operating system for the enterprise"

Tokenomics-to-Value Tool (Critical Enabler)

- Translate AI consumption → business economics
- Inputs:
  - Current cost baseline (FTE, tools, cycle time)
  - Volume + process complexity
  - Error / rework rates
  - Target automation level
- Outputs:
  - Cost per transaction (current vs future)
  - Break-even timeline
  - Sensitivity scenarios (low/med/high automation)
  - ROI + payback

"Capacity-as-a-Service" framing

- "equivalent FTE capacity unlocked"
- "throughput increase"
- More intuitive for business leaders

Value Assurance Mechanism

- Quarterly KPI review
- If targets missed: credits / optimization sprints / fee adjustments
- Builds trust without complex gain-sharing contracts

Performance metrics / KPIs

From uptime to business outcomes

One SLA can't govern agentic delivery. Split accountability into three tiers — and reward business outcomes, not green dashboards.

SLA
Service-Level

Provider

- System uptime
- Model accuracy
- Self-healing rate
- MTTR · deploy frequency

XLA
Experience-Level

Co-owned

- Forecast accuracy
- Cycle / order time
- Time-to-deploy a change
- Zero-ticket rate

VLA
Value-Level

Enterprise

- On-time-in-full (OTIF)
- Perfect order rate
- Working-capital days
- Revenue | Fill rate

Scorecard = The Four Ps
Productivity | Prediction | Personalization | Performance.
Add a “Process Guardian” to own the gaps between systems — where the “watermelon SLA” hides.

Source: HFS Research — AI-First Deal Lab & Agentic Services research.

Sovereign AI: From imperative to contract

AI sovereignty – but how do you define it?

Jurisdictional sovereignty
Whose law applies? Data, model weights and inference workloads reside within a defines legal jurisdiction and are subject to its laws, court, and regulators.

Operational sovereignty
The ability to keep running when someone tries to switch you off. Resilience against geopolitical shock, sanctions, export controls, vendor withdrawal, kill switches and license revocation without catastrophic capability loss.

Strategic stack sovereignty
End to end control of the stack matter and HFS have defined 5 stress tests. Remember it's not just the AI layers that matter

- ↑ Operators and HITL
- ↑ Applications
- ↑ Data and embeddings
- ↑ Fine tuning and adaption
- ↑ Foundation models
- ↑ Cloud platform
- ↑ Networking
- ↑ Servers and hardware
- ↑ Chips/Silicon
- ↑ Energy and power

- Jurisdictional control
- Operational portability
- Infrastructure resilience
- Governance ownership
- Stack interoperability

The sovereignty dust will not settle in 2026 but…

- Sovereign infrastructure contract terms will flow down their supply chain.
- GSI's: will you underwrite Sovereign Compliant solutions you advise on and build as alliance leaders?
- Stress test before you sign. Stress test your stack and put a board level owner on sovereign exposure
- Those that lead will define the terms that others will follow

Contractual terms & conditions

Five terms to add – Human-era terms to retire

Providers are already rewriting AI contracts to shift risk. Old terms written for human labor no longer protect you.

Add (HFS AI-First Deal Lab)

- AI disclosure & approval rights
- Data-IP ownership — you own outputs + a perpetual license
- Bias transparency & explainability (reasoning logs)
- Indemnification — IP infringement + discrimination
- Termination when AI fails — accuracy / bias thresholds

Retire (written for human labor)

- FTE / rate-card / effort-based pricing
- Human-labor SLAs (hold time, headcount ramp)
- Blanket vendor liability disclaimers / AI “as-is”
- “Constant training” cure that blocks any exit
- “Adequate trained personnel” / “good & workmanlike”

“Rate cards are dead.”
Add new “agent-run” asset terms and name a consequence owner before go-live — ~80% say responsibility is unclear when an AI partner gets it wrong.

Source: HFS Research — AI-First Deal Lab & Agentic Services research.

In summary: It's time to move 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

The Differentiated HFS approach to structuring AI-first deals

Research-led
HFS brings a unique combination of leading analysts and senior advisors, 500K+ proprietary data points, and industry leading narrative to shape and influence AI-first deals

One Council Advantage
Leverage the 250+ enterprise decision makers in HFS OneCouncil as your sounding board and shape future deals

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

Powered by our ecosystem
HEX for deal and price benchmarking and Orbitshift for in-depth account intelligence

Skin-in-the-game
Where possible, HFS co-invests with the provider on success-based fees

HFS

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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