HFS

services
-AS-SOFTWARE

Seizing the $1.5 Trillion Services-as-Software Opportunity

HFS Research Webinar, July 24, 2025

Phil Fersht, CEO and Founder, HFS Research
Saurabh Gupta, President, HFS Research
Tony Filippone, Chief Research Officer, HFS Research

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-Coined Industry Terminology – Shaping the Narrative

- **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.
- **RPA (2012–13)**
  Pioneered the definition and adoption of robotic process automation.
- **OneEcosystem™ (2022)**
  Value co-creation across interconnected platforms, partners, and capabilities.
- **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.

BE THE DISRUPTOR

Our Mission at HFS:

Be the most Influential Analyst-Advisory firm at the intersection of Services and Software

Agenda

Seizing the $1.5 Trillion Services-as-Software Opportunity

- **Why should you care?** The legacy model is broken. IT services are stagnant. Clients are frustrated with both Software and Services.
- **What is Services-as-Software (SaS)?** A brand-new category is here that will absorb revenue from both Services and Software.
- **How to make SaS real?** Your playbook for the $1.5 Trillion opportunity
- **Key takeaways** for employees, enterprises, service providers, and software vendors
- **Q&A**

Today's Speakers

Phil Fersht
CEO and Chief Analyst

Phil Fersht is widely recognized as the world's leading analyst focused on reinventing business operations to exploit AI innovations and the globalization of talent. He recently coined the term "Services-as-Software" to describe the future of professional services, where people-based work is blurring with technology.

Saurabh Gupta
President, Research and Advisory Services

Saurabh Gupta is president, Research and Advisory Services for HFS Research. He sets the strategic research focus and agenda for HFS Research, understanding and predicting the needs of the industry and ensuring that HFS maintains its position as the strongest impact thought leader for business operations and services research.

Tony Filippone
Chief Research Officer

As Chief Research Officer for HFS Research, Tony Filippone spearheads the strategic research initiatives that shape the future of enterprises and technology ecosystems worldwide. Under his leadership, the global analyst team delivers groundbreaking insights that drive innovation and efficiency, solving the complex problems organizations face.

NY October Summit 8-9 October 2025 – an amazing early line up!

www.hfsresearch.com/summits

Join the Conversation: Our Always Sold-Out Summits Return!

www.hfsresearch.com/summits

HFS Fall Summit 2025

THE SERVICES-AS-SOFTWARE ECONOMY: DISRUPT OR BE DISRUPTED

New York, NY | October 8-9, 2025

What to Expect:

- Insight into how services-as-software is redefining value creation
- Actionable strategies and real-world use cases
- Panels, innovation showcases, and hands-on workshops
- High-level networking with tech leaders, startups, and change agents
- Candid thought leadership from HFS analysts and global execs

HFS India Summit 2026

THE RISE OF SERVICES-AS-SOFTWARE: WILL INDIA REINVENT OR BE DISINTERMEDIATED?

Bangalore, India | February 10-11, 2026

What to Expect:

- A bold look at how India is leading GenAI, digital engineering, and platform innovation
- Real talk on reinventing services, delivery models, and enterprise value creation
- Dialogues with policy, tech, and business leaders shaping the future
- Strategic insights for GCCs, service providers, and global enterprises
- A curated, senior-level audience focused on driving outcomes—not effort

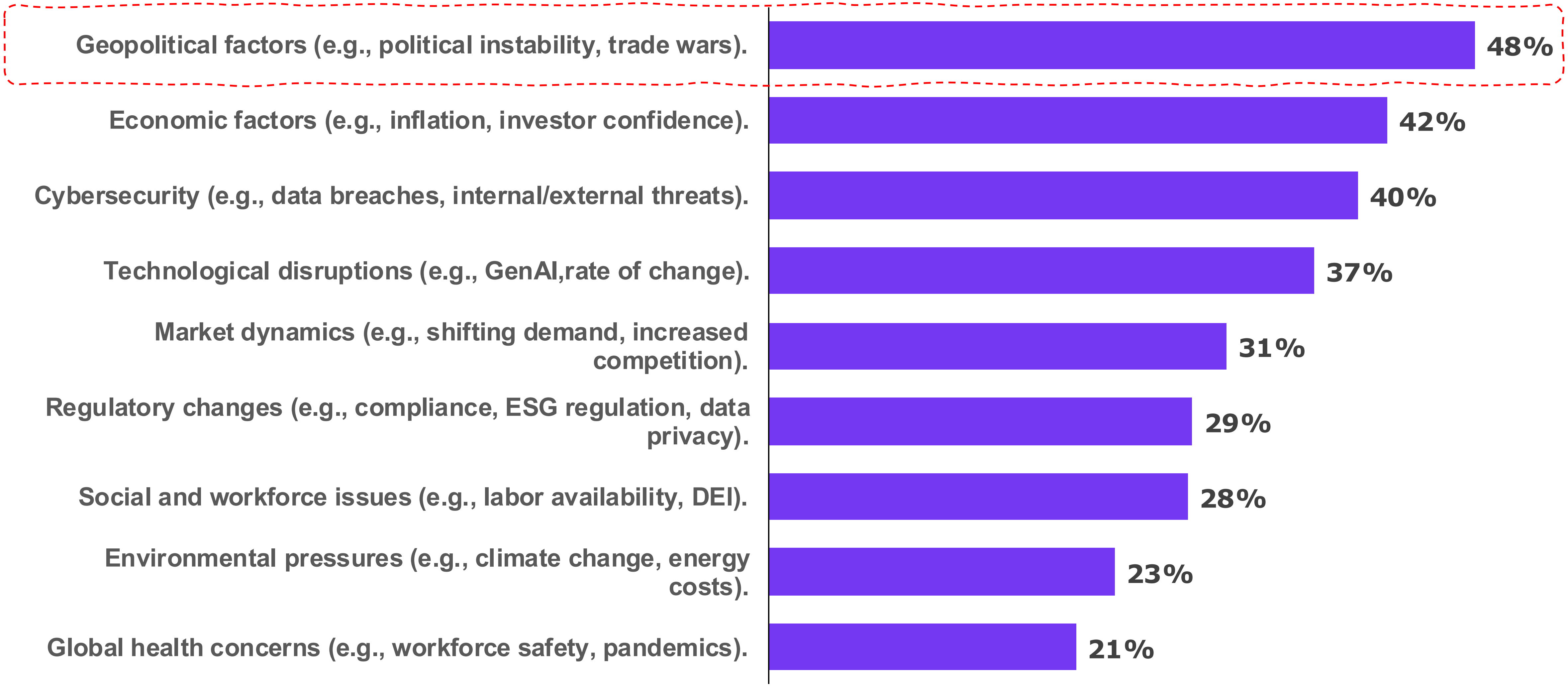
1

Why should you care?

The legacy model is broken.
IT services are stagnant.
Clients are frustrated with both Software and Services.
AI must not be an excuse for layoffs.

Geopolitics the number one factor impacting enterprises

What are the most concerning external factors impacting your organization's ability to achieve your strategic priorities?



Sample: 305 major enterprise decision makers
Source: HFS Research Pulse, 2025

*"GenAI is not a big bang solution, it is incremental innovation and a gradual disruption…. this is a **smoldering platform**, not a burning one"*

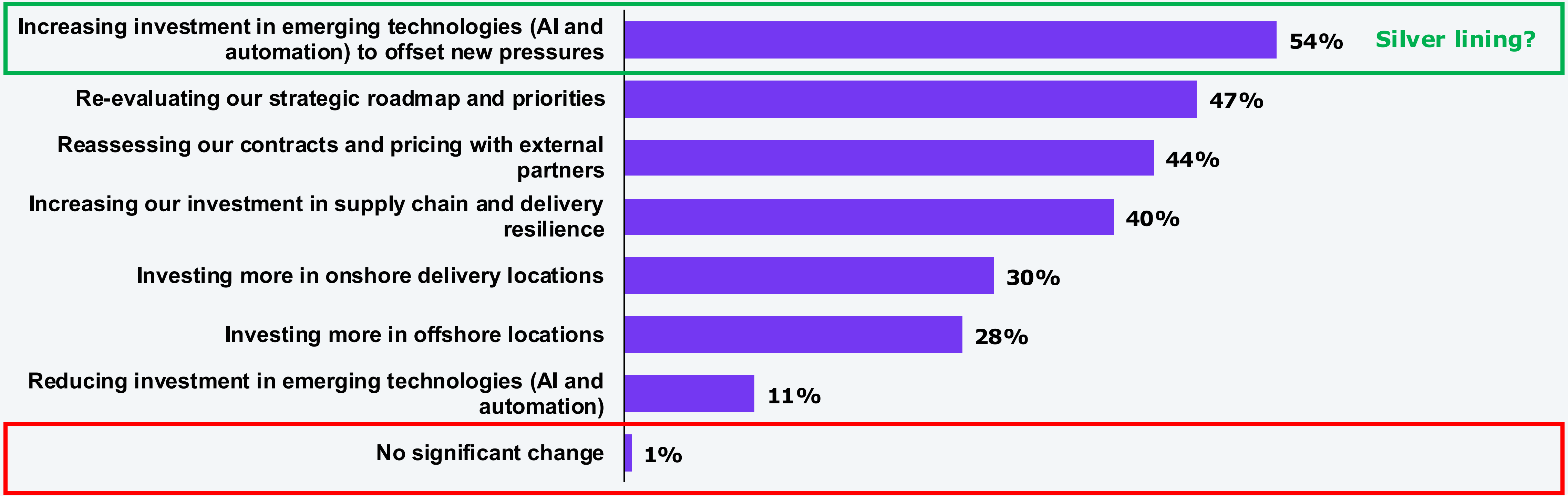
- Phil Fersht

*"If we ever needed a **burning platform** to accelerate AI, this is it"*

- Phil Fersht

Enterprises are reassessing their priorities in response to Trump-era tariffs. But is there a silver lining?

How is your organization's strategy changing in response to Trump-era tariffs?



Sample: 305 major enterprise decision makers
Source: HFS Research Pulse, 2025

Enterprises are changing the model before changing the location. The fastest-growing play isn't reshoring — it's replacing labor with logic.

At what tariff level would your organization initiate the following actions specifically in response to tariffs?

Action	Most Common Trigger	Implication
Accelerate automation & AI	10%	First line of defense
Absorb additional costs internally	10–15%	Short-term buffer
Renegotiate vendor contracts	15–20%	Tactical response to rising costs
Explore new delivery models (SaaS, agents)	15-20%	Mid-range shift toward platform thinking
Shift to U.S. or nearshore	20–25%+	Late-stage geographic adjustment
Reduce outsourced scope	20%	Cutback mode — not preferred
Pause or cancel outsourcing	25%+	Endgame reaction

Automation and AI are the first levers pulled at just a 5-10% tariff level. It confirms that AI is no longer just about productivity — it's now a geopolitical risk hedge.

Cost absorption and vendor renegotiation come next: Before shifting delivery models or locations, enterprises try to contain damage internally (56% absorb costs, 74% renegotiate contracts by 20%). This shows a strong bias toward preserving existing models until pain becomes too great

New delivery models is a mid-range response, not a fringe innovation.

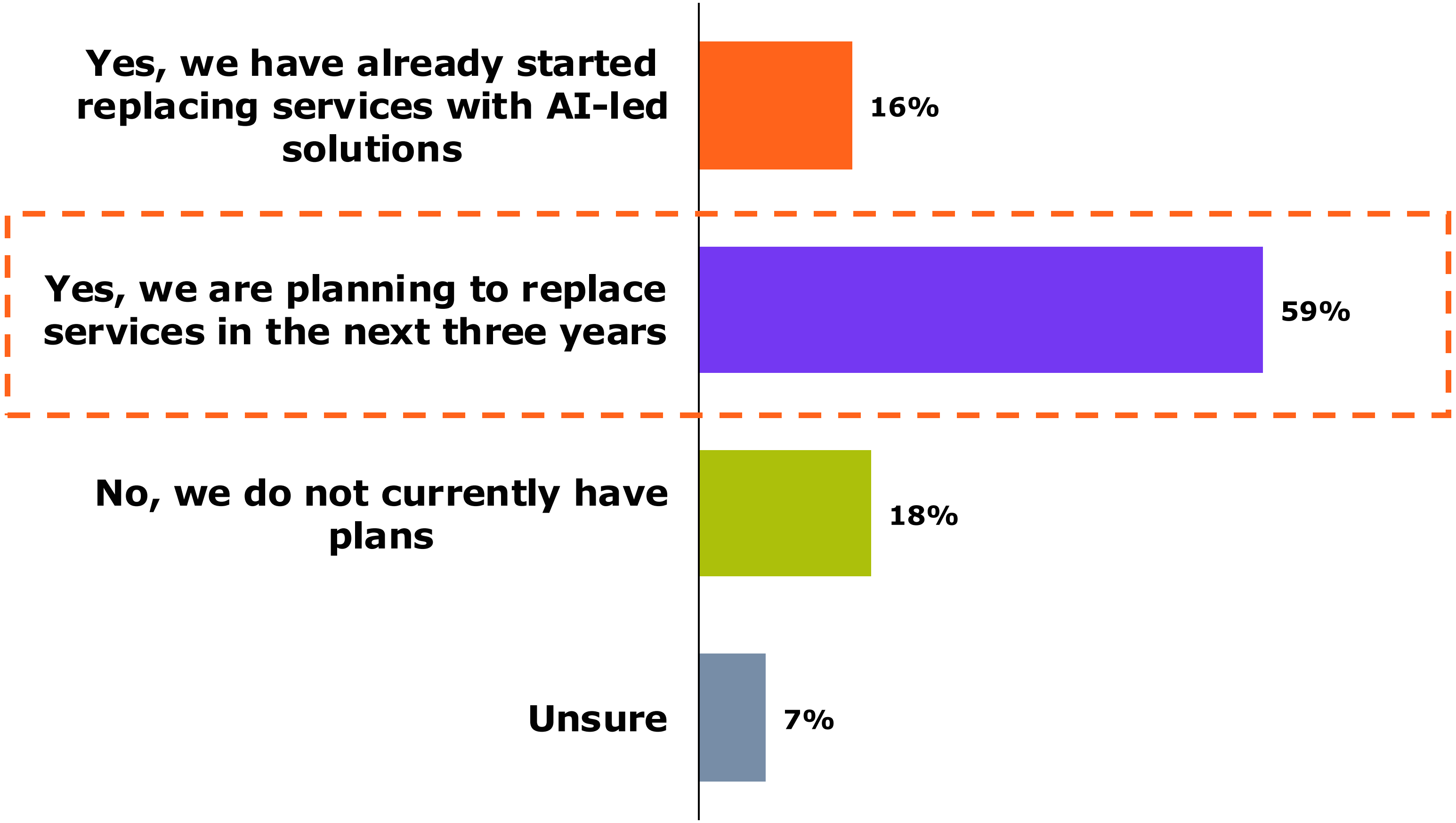
Geographic moves are a last resort:
Actions like reshoring or reducing outsourcing scope don't kick in meaningfully until tariffs exceed 20–25%.

Only 33% would reshore before tariffs hit 25%, and nearly half (45%) only cancel outsourcing at the very highest levels

Sample: 206 Decision-markets across F1000 US Enterprises ($2bn+)
Source: HFS Research in partnership with KPMG, June 2025

Six out of ten enterprises plan to replace people-run services with software-run services by 2028

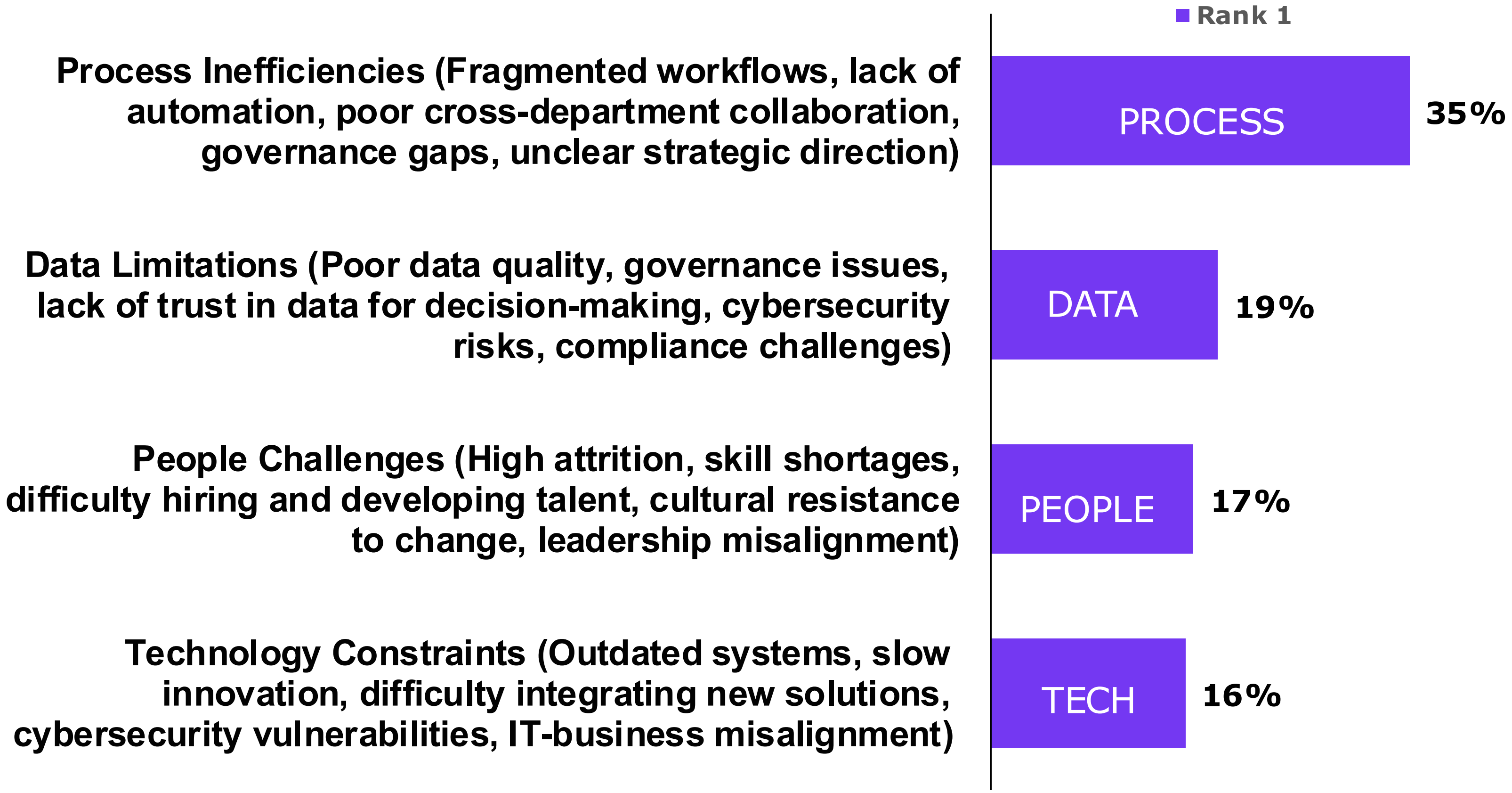
Has your organization started or is planning to replace human-led services or business processes with AI-led solutions?



Sample: 305 major enterprise decision makers
Source: HFS Research Pulse, 2025

It’s time to boldly re-architect how people, data, and platforms connect—building a frictionless engine for growth

Please rank the following challenges based on their impact on your organization’s ability to achieve its goals



Stop obsessing over AI Tech–first fix everything

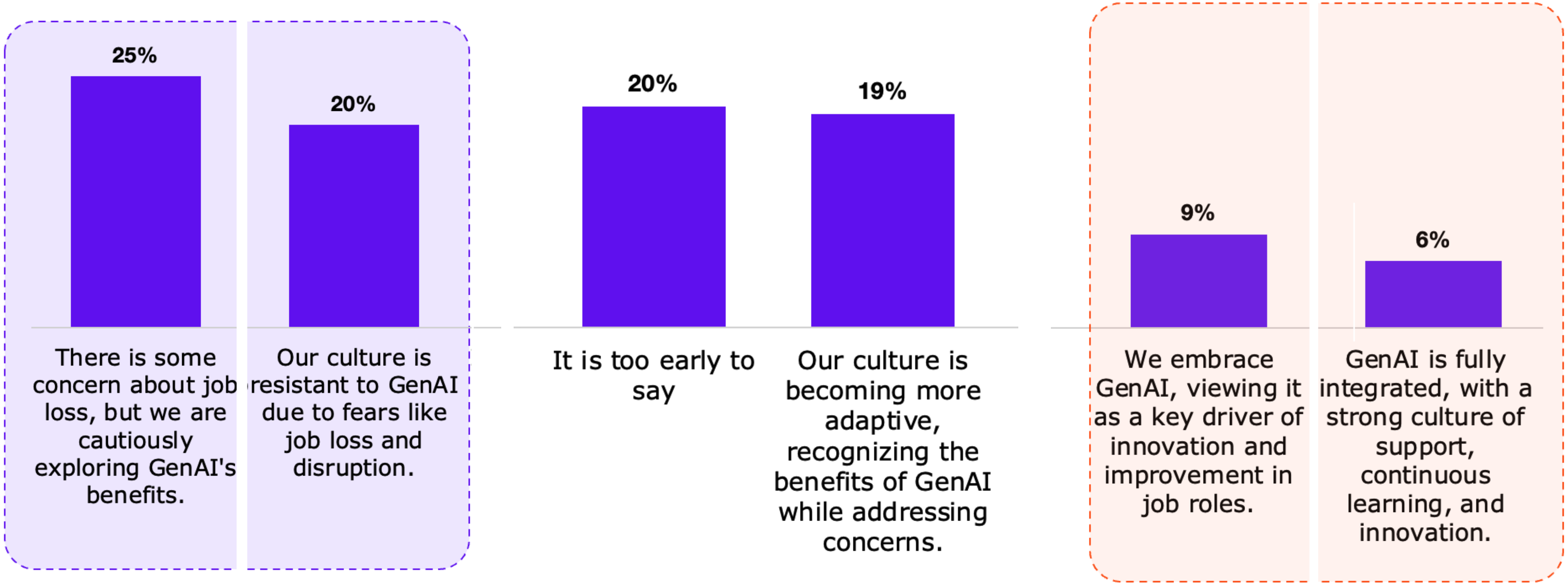
Sample: 305 major enterprise decision makers
Source: HFS Research Pulse, 2025

Nearly half of us are just not ready for AI

How would you describe the culture within your organization regarding GenAI adoption?

45% of employees are either worried about job loss or resistant to change

Only **15%** of employees are genuinely *positive* about AI adoption



Sample: 550 leaders across Global 2000 enterprises
Source: HFS Research in partnership with Infosys, 2025

Invest in young talent or lose the future

Big Four replace graduate roles with AI roll-out

SASKIA KOOPMAN

THE UK's Big Four accountancy firms are cutting hundreds of jobs and pulling back sharply on graduate recruitment, as artificial intelligence (AI) begins replacing the junior roles once filled by school and university graduates.

Deloitte, EY, KMPG and PwC – which cumulatively employ around 100,000 people across the UK – have all stripped back early-career hiring over the last two years, slashing intake by as much as 29 per cent, in some cases.

KPMG has made the steepest cuts, trimming its 2023 graduate intakes from 1,399 to just 942.

Deloitte reduced its own scheme by 18 per cent, while EY and PwC followed with 11 per cent and six per cent cuts respectively.

The job cuts come as firms look to preserve seven-figure partner payouts amid a post-Covid consulting slump, and shrinking client budgets.

Generative AI tools like ChatGPT are increasingly being used to automate administrative tasks usually performed by entry-level employees – accelerating the shift.

"The Big Four are looking at AI very seriously to replicate junior work more cost-effectively", said James O'Dowd of executive search firm Patrick Morgan.

Alongside job reductions, all four firms have expanded their offshoring efforts, pushing more work to lower-cost hubs in India, Malaysia and the Philippines.

Indeed, data has shown that graduate job adverts in accountancy are also down 44 per cent year on year, outpacing the wider slump in overall graduate listings.

Deloitte, PwC and EY are developing AI assurance services – auditing tools that verify the performance and safety of AI models – in response to escalating demand.

Deloitte's audit partner Richard Tedder called AI assurance "critical to adoption", while PwC is reportedly launching its own service "soon".

This comes amid broader ambitions to position the UK as a global AI hub, with government figures showing AI could add £200bn to the economy.

The Challenge

- College **graduate unemployment** at 7% in US - well above national average
- The cadetship model has **eroded** due to a combination of AI and outsourcing
- AI is becoming a symptom of corporate greed, and we need to address this fast

The Risks

- Professional services firms that look to rip out junior headcount to maintain profits will lose their **identity** and **edge** in the market
- The technology is changing, and skills are becoming more domain-specific. The challenge for services firms is to develop **consultative** and **domain-centric AI skills**

The Solution

- The **principles** of professional services are the same
- We have a **duty** to create opportunities for young people
- Lean into **both** young talent and AI tech
- Build a culture and identity around what it **means** to work for your firm.
- Make your company a great environment to continuously **learn** and **develop**

2

What is Services-as-Software (SaS)?

A brand-new category is here that will absorb revenue from both Services and Software.

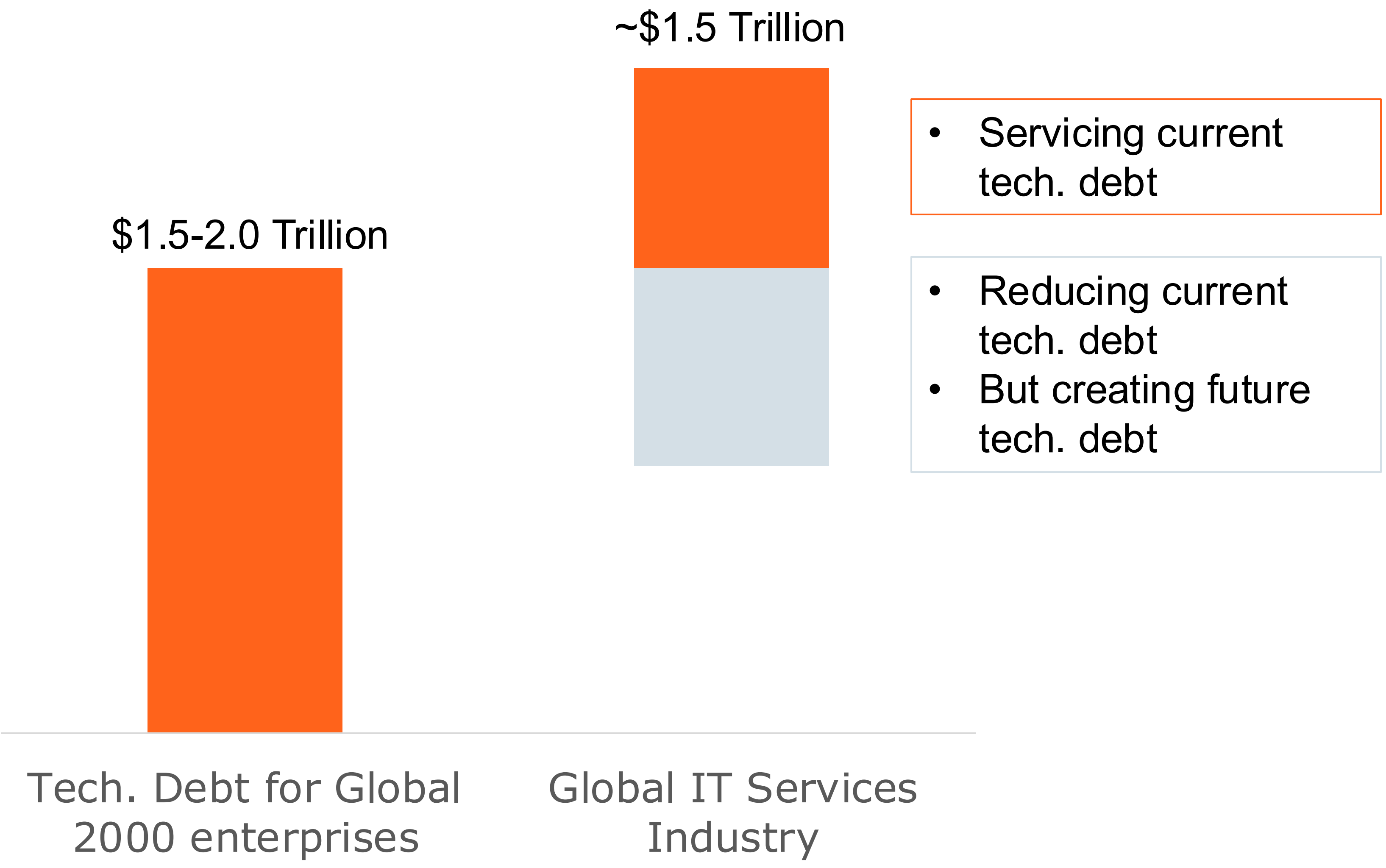
The IT services industry is ripe for disruption

The technical debt for the Global 2000 is estimated to be $1.5-2.0 trillion.

Also, we've created a $1.5 trillion IT services industry that largely addresses our existing debts.

The math simply does not add up!

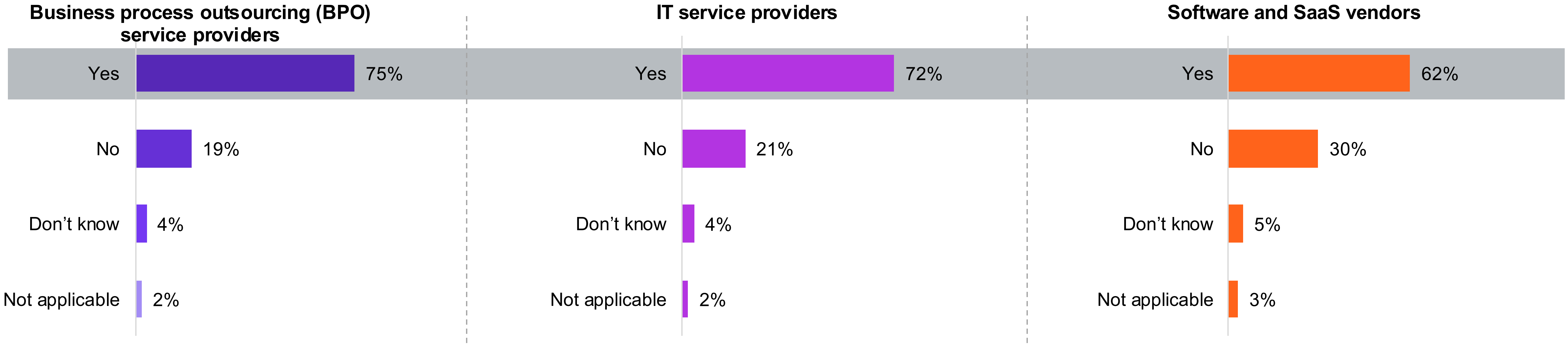
Relationship between Tech. Debt and IT Services Industry



More than 2/3rd of enterprises are frustrated with both their software and tech. service purchases

Is your firm seeking to renegotiate contracts with your service and SaaS providers in 2024?

% 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, 2024

IT services growth has hit a wall—stuck at 3–5% for the past three years

To what extent will you increase or decrease spending on third-party IT services over the next 12 months?
(% Increase - Weighted average across all respondents)

Growth rate: Above 10% | 5-9% | Below 5%

Technology services
- Agentic AI and Generative AI
- Machine Learning
- Process Automation
- Predictive / Prescriptive Analytics
- Data Platforms & Data Mesh
- Cloud Solutions (Incl. Multi-Cloud)
- Major System Replacement
- Metaverse
- Quantum computing
- 5G and IoT
- Blockchain & Secure Digital Transactions
- Edge Computing
- Green IT

IT Services
- Cybersecurity
- Digital Transformation
- Software engineering
- Data transformation
- IT operations
- IT Architecture

Horizontal Business Services
- Finance & Accounting
- Supply chain
- Sourcing & Procurement
- Customer Experience
- HR & Talent Management
- Sales
- Marketing
- ESG
- Legal / Risk

Industry-specific Business Services

Healthcare payers
- Customer and member services
- Risk assessment and fraud prevention
- Care management
- Claims processing and adjudication
- Member management

Life sciences
- Agency and market access support
- Pharmacovigilance
- Supply chain
- Drug discovery and R&D
- Clinical trials

Healthcare providers
- Revenue cycle management
- Patient services and engagement
- Discharge and post-acute care coordination
- Diagnostics and decision support
- Referral management

Retail & CPG
- Manufacturing process optimization
- Store operations management
- Marketing campaign execution & loyalty program management
- Omnichannel order fulfillment & customer engagement
- Supply chain planning & optimization
- Sustainability compliance & reporting
- Procure-to-pay and order-to-cash process management

Telecom
- Customer service
- Order fulfillment
- Field service management
- Network management

Manufacturing
- Sustainability compliance
- Aftermarket services
- Quality control
- Product lifecycle
- Supply chain planning and inventory management
- Maintenance and asset optimization

Transportation & Logistics
- Demand planning and warehouse operations
- Track-and-trace services
- Inventory management
- Fleet and route administration
- Crew management

Media & Entertainment
- Content moderation
- Translation and localization services
- Order management and fulfillment
- Royalty and rights management
- Media asset management
- Content creation

BFS
- Reconciliation
- Settlement
- Record keeping and reporting
- Post trade
- Trade processing
- Payments processing
- Loan servicing
- Origination
- Collections
- Fraud prevention
- Regulatory compliance
- Customer onboarding

Insurance
- Fraud detection and loss prevention
- Actuarial
- Claims administration
- Policy serving
- Distribution channel management
- Underwriting

Tech
- Aftermarket services
- Third-party developer support
- Community management
- Order management and fulfillment
- Product and technical support

Travel & Hospitality
- Revenue Accounting
- Refund claim processing
- Customer service
- Loyalty program management
- Reservations and booking management

Energy & Utilities
- Energy transition, including policy engagement
- Retail (all energy and utilities)
- Transmission and distribution (utilities)
- Generation and asset management (power and water)
- Energy trading and transportation (coal, oil, and gas)
- Refining and chemicals
- Exploration and asset management (coal, oil, and gas)

Sample: 305 IT and Business Executives across Global 2000 enterprises
Source: HFS Research Pulse, 2025

A brand-new category of "Services-as-Software" is emerging

SaaS versus Services versus Services-as-Software

Feature	SaaS	Services	Services as Software
Delivery model	Static software	People-driven	AI-driven, autonomous
Customization	Limited	Labor-intensive	Infinite (AI-led)
Pricing	Per-seat, feature based	Billable hours, FTE-based	Outcome-based, Consumption-driven
Adaptability	Pre-set workflows	Custom consulting	Dynamic, real-time

HFS Services Tech Vision ~~2030~~ 2028

Human | Machine

Staff augmentation

- Allows companies to quickly fill skill gaps, scale teams up or down as needed, and maintain control over project execution without the long-term commitments associated with permanent hires.
- **Key Features:**
  - **Flexibility:** Easily adjust team size based on project needs.
  - **Expertise:** Access specialized skills not available in-house.
  - **Control:** Maintain direct oversight of projects and processes.
- Typical commercial model: rate card

Technology-enabled services

- Primarily driven by people but supported by proprietary solution accelerators, tools, and software.
- Most service providers use this model to optimize processes and deliver value efficiently, such as Cognizant Neuro, Infosys Topaz, TCS WisdomNext & Wipro WeGA.
- **Key Features:**
  - **Human-Centric:** Primarily driven by skilled professionals.
  - **Tool-Supported:** Utilizes a variety of technology tools and accelerators.
  - **Efficient:** Enhances service delivery through tech integration.
- Typical commercial model: FTE-based pricing

Platform-led services

- Leverage built-in delivery platforms to enhance service delivery and efficiency.
- Examples include Accenture SynOps, Firstsource Quintessence, TCS Cognix, and Cognizant TriZetto, which streamline operations and provide consistent, scalable solutions.
- **Key Features:**
  - **Integrated Platforms:** Uses cohesive platforms for service delivery.
  - **Scalability:** Easily scalable and consistent across various operations.
  - **Efficiency:** Enhances productivity and efficiency through platform support.
- Typical commercial model: Transaction-based pricing

AI-led Agentic services

- Augmenting human capabilities with smart AI agents to optimize processes and decision-making.
- Examples of platforms include Amazon Q, Ema, GitHub, Lyzr, Copilot, Replit’s Ghostwriter, Google Gemini, Mindcorp.
- Organizations like IBM and the Big 4 consulting firms are increasingly adopting this model.
- **Key Features:**
  - AI-Augmented: Combines human expertise with AI agents.
  - Cost-Effective: Achieves lower TCO through optimization.
  - Enhanced Capabilities: Expands service potential with AI-driven insights.
- Typical commercial model: Augmented FTE-based pricing or outcome-driven performance pricing

Services-as-Software

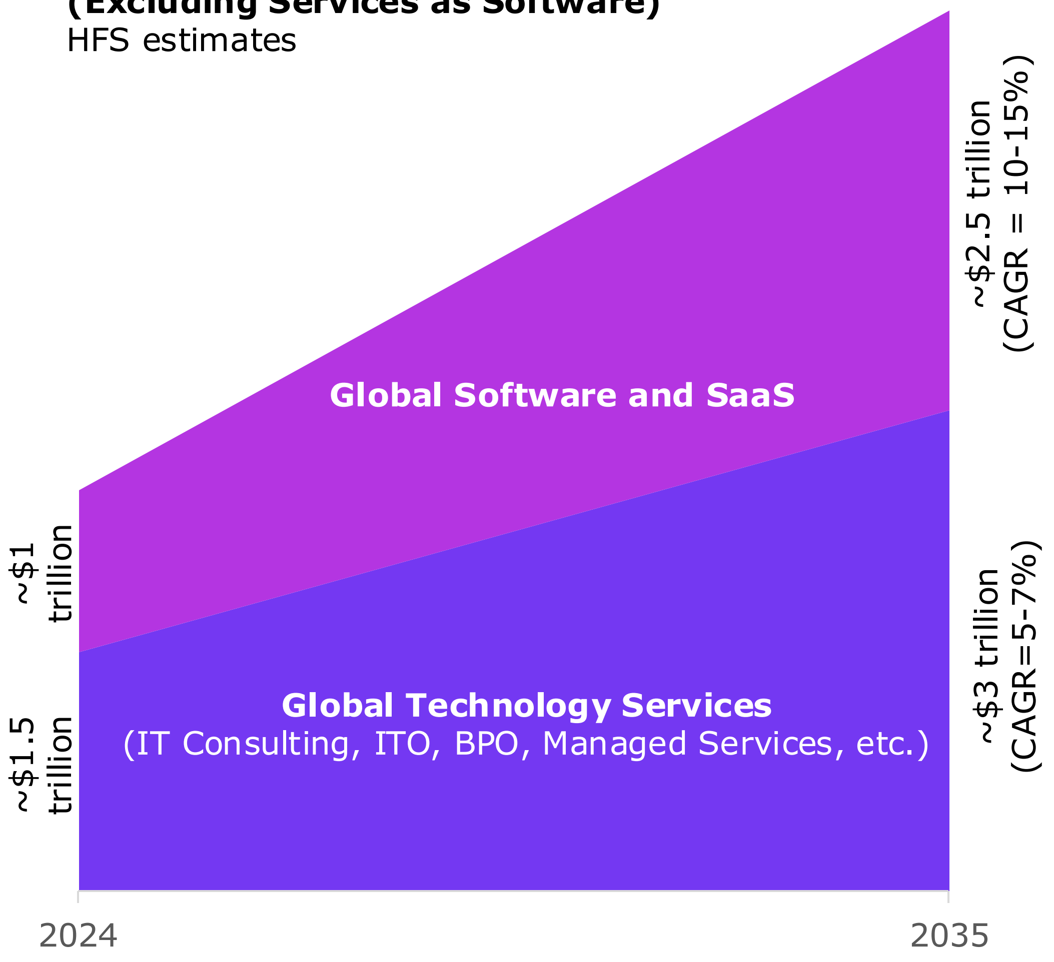
- Unlike traditional software-as-a-service (SaaS), this model focuses on delivering services primarily through technology, minimizing human intervention, and maximizing efficiency.
- Examples include startups like rhino.ai, Daybreak.ai, Now Platform, and Salesforce’s AgentForce 2.0.
- **Key Features:**
  - Technology-driven: Primarily led by advanced software solutions.
  - Minimal Human Intervention: Reduces reliance on human resources.
  - Efficient and Scalable: Provides efficient, scalable, and consistent service delivery.
- Typical commercial model: License / Subscription-based

Current *2000-2025*

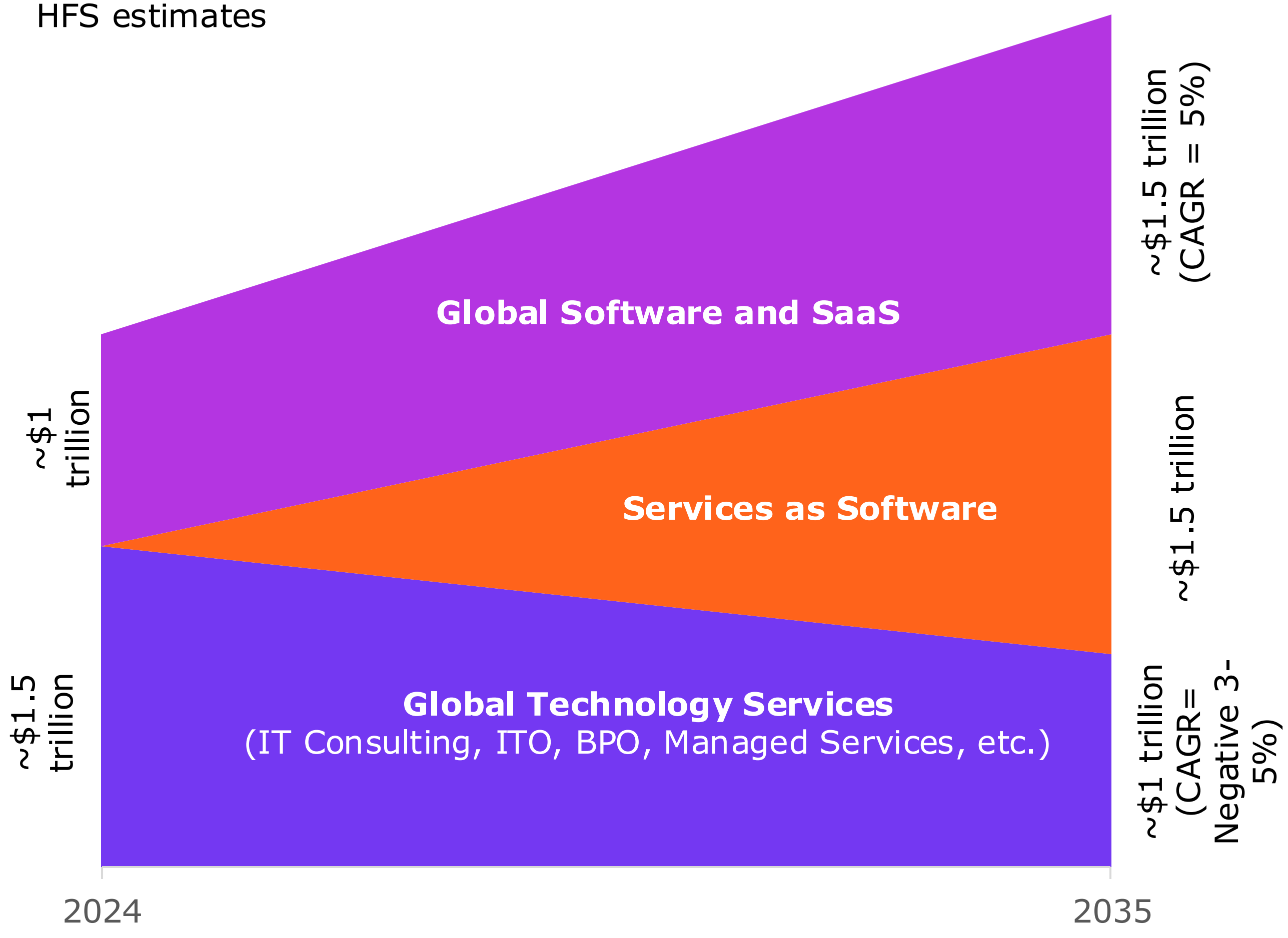
Emerging *2025-2028+*

HFS expects Services as Software will become a $1.5 trillion market by 2035, absorbing revenue from both traditional IT services and SaaS

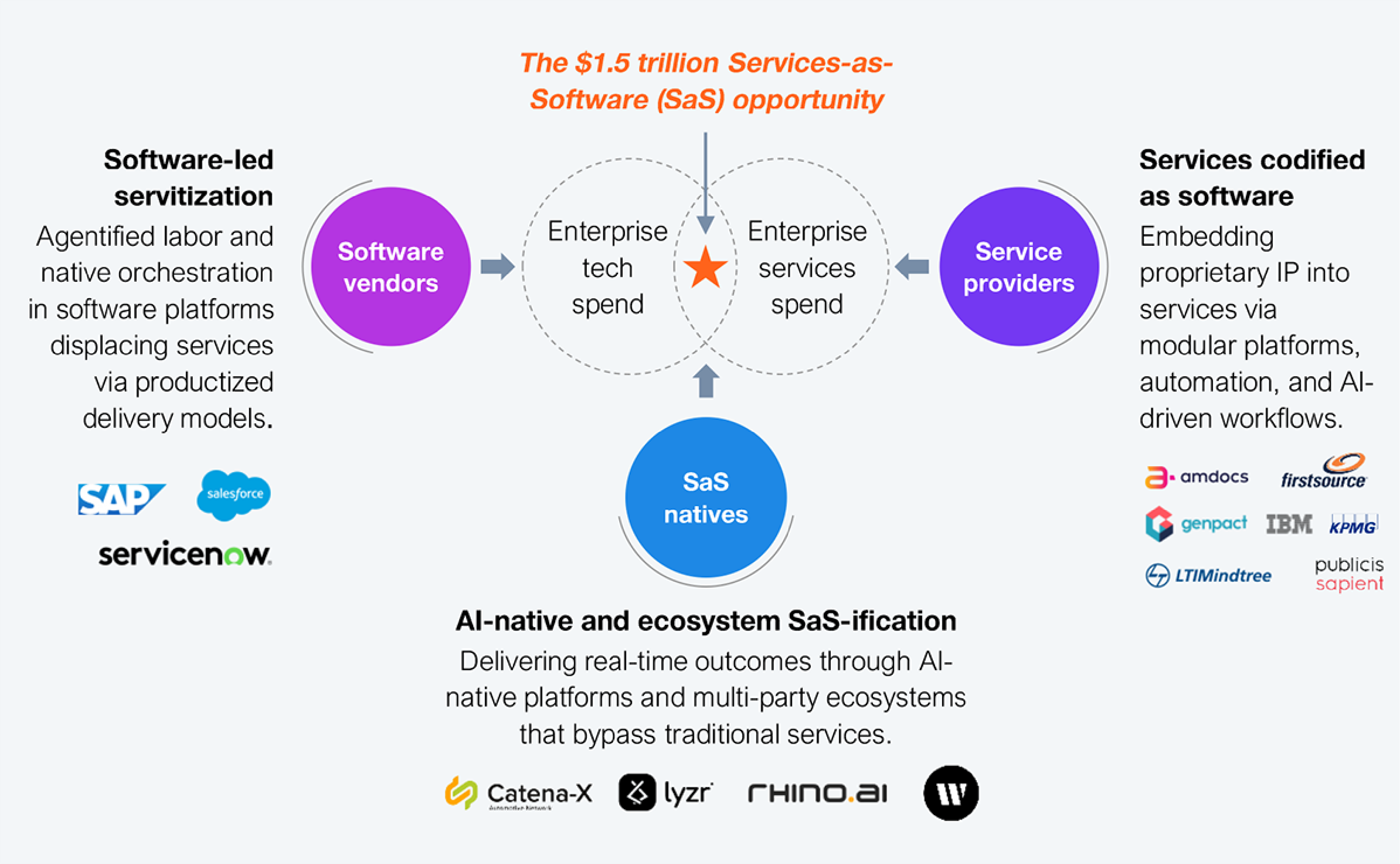
Current market forecast for Software and Services (Excluding Services as Software)
HFS estimates



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



Three swimlanes are emerging as the $1.5 trillion Services-as-Software market takes off



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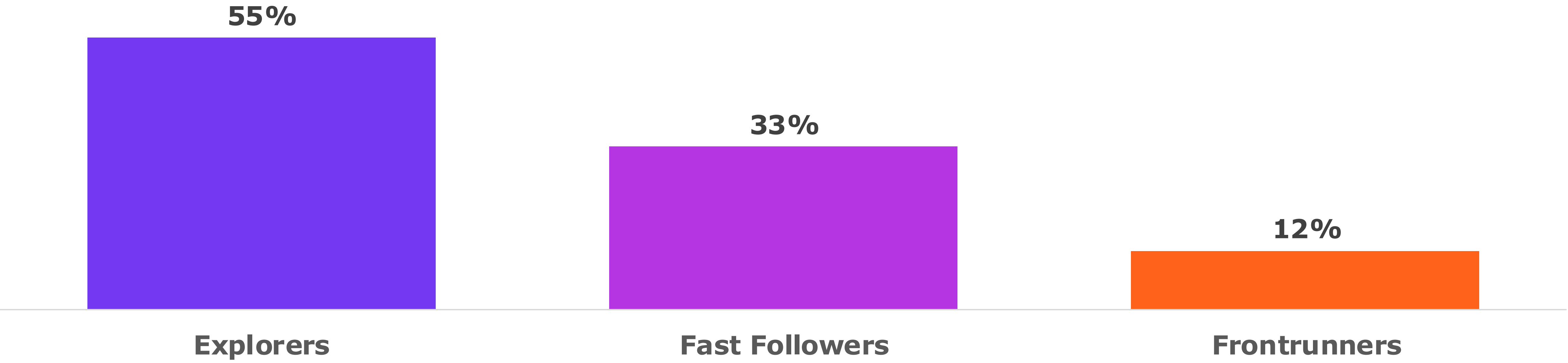
How to make SaS real?

Your playbook for the $1.5 Trillion opportunity

Only 12% enterprises are purposefully leveraging AI

The three phases of enterprise AI maturity



Explorers

- Use AI for **basic tasks** (e.g., workflow automation)
- Mostly **IT-led**, limited org-wide adoption
- Struggle with **deployment, talent, and data readiness**

Fast Followers

- AI extends to **real-time analysis** and **broader functions**
- Business units increasingly **engaged**
- Improving data practices, but **talent and governance gaps remain**

Frontrunners

- AI is **embedded in core ops and decisions**
- Strong on **data, talent, and guardrails**
- Backed by a **culture of innovation** and **robust governance**

Sample: 553 executives across global 2000 enterprises
Source: HFS Research in partnership with Infosys, 2025

Don’t fall for the AI productivity trap

Over 80% of AI in production drive Performance, Personalization, and Prediction; while a majority of POCs and Pilots are obsessed with Productivity

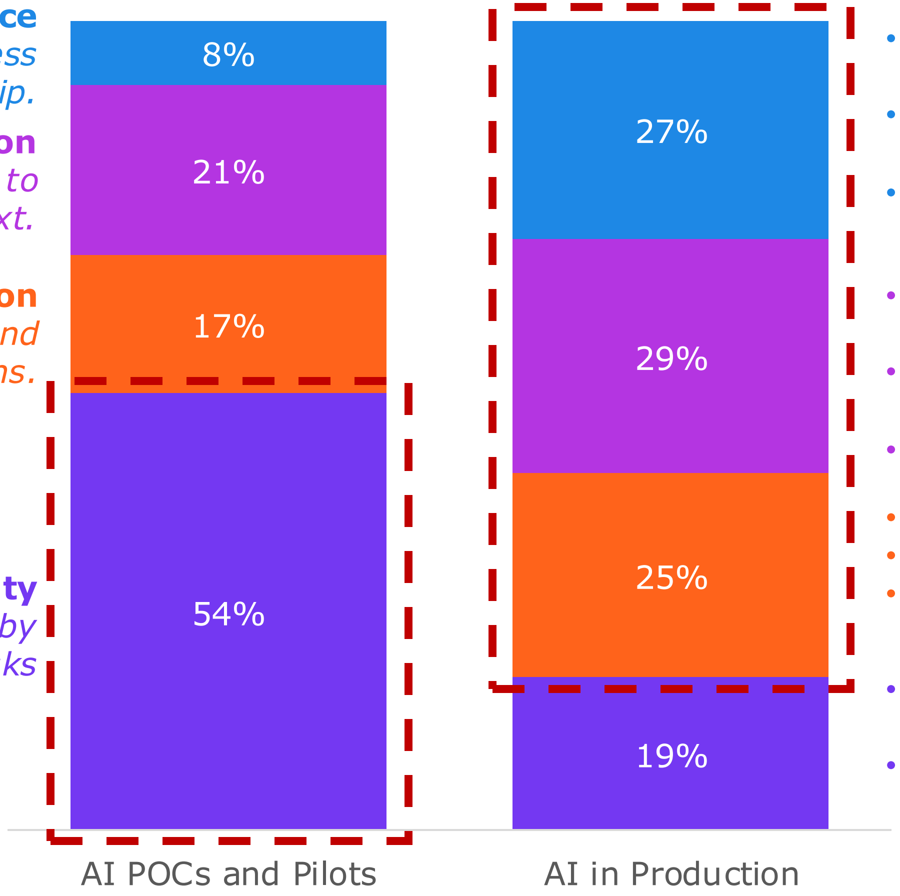
Distribution of GenAI and Agentic AI Outcomes by Stage of Deployment
% use cases

Performance
Strategic outcomes — growth, new business models and competitive leadership.

Personalization
Tailoring experiences and interactions to individual needs/context.

Prediction
Using data and AI to anticipate, forecast, and optimize decisions.

Productivity
Enhancing speed, efficiency, and scale by automating or augmenting tasks



- Competitive advantage (via differentiated outcomes)
- Faster revenue growth and increased market share
- New revenue streams and business models

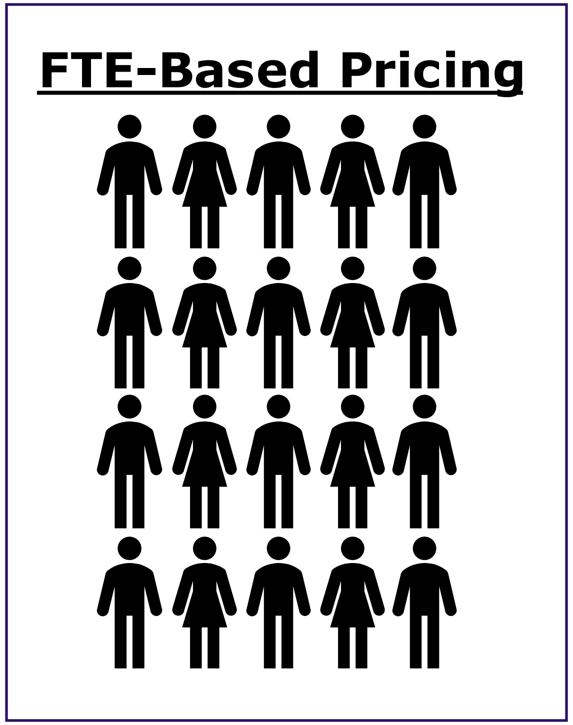
- Improved customer engagement and satisfaction
- Enhanced employee engagement and satisfaction
- Enhanced creativity and innovation

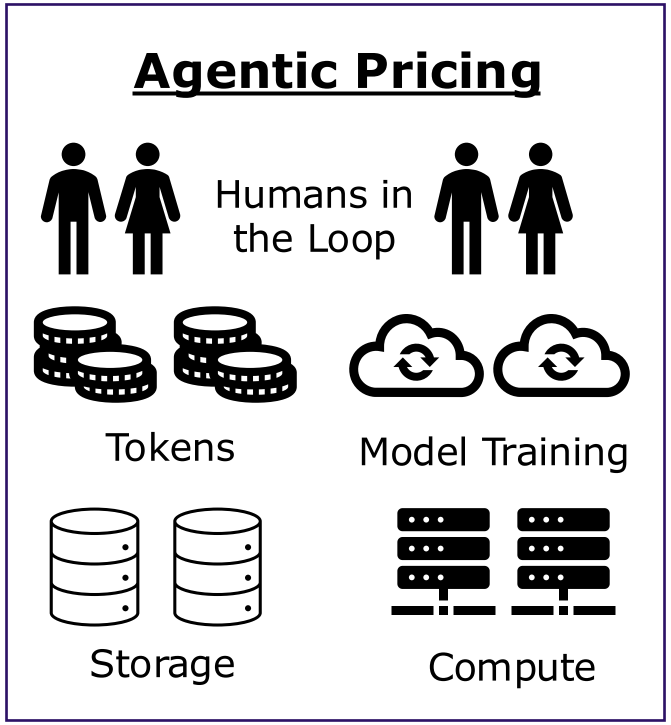
- Better decision making and insights
- Enhanced security and risk mitigation
- Improved agility in aligning operations with market strategy

- Improved productivity and efficiency for cost take-out
- Accelerated product development and time to market

Sample: 979 GenAI and Agentic AI use cases collected by HFS over the last 12 months
Source: HFS Research, 2025

Complicated pricing models conflict with buyer psychology and are an adoption speed bump.

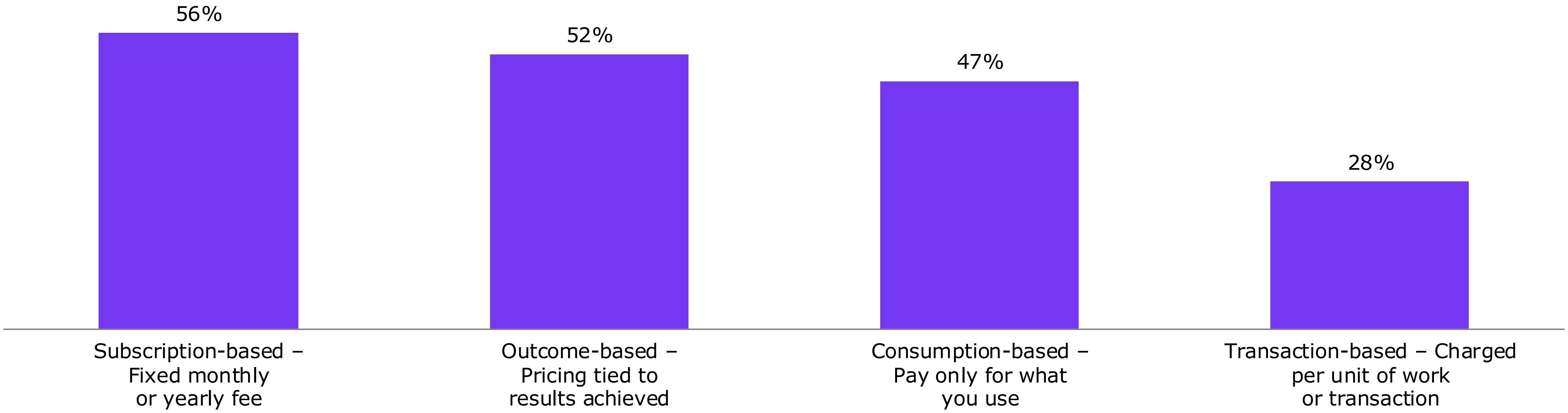




- Buyers **overestimate** usage
- Buyers will buy "**insurance**"
- Buyers prioritize **convenience and simplicity** over complicated invoices
- Buyers want **emotional comfort**, not risk

Pricing Services-as-Software *clearly* will drive adoption.

Which pricing models do you think will drive the adoption of Services-as-Software?



Sample: 608 IT and business leaders across Global 2000 enterprises
Source: HFS Research in partnership with Publicis Sapient, 2025

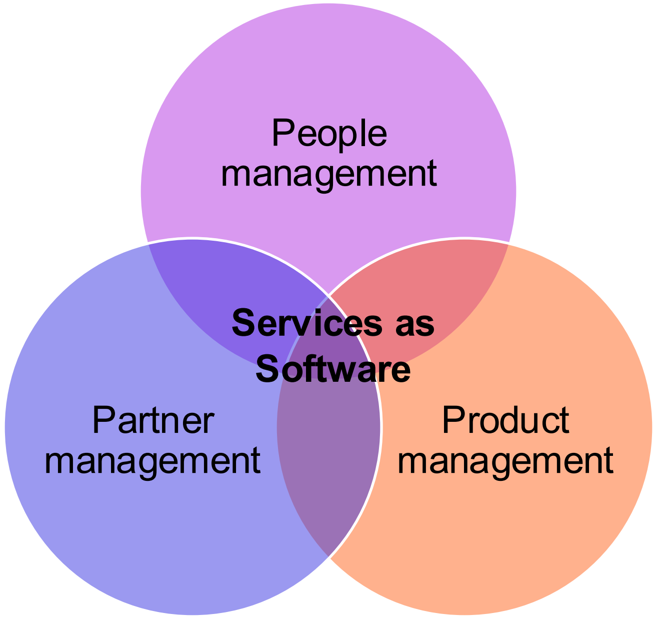
Invest in the 3 Ps of winning in the ”Services-as-Software” era: People, Products, and Partners

People Management – The AI-Augmented Workforce

- **Old Model’s Dead** – You can’t scale by hiring more people.
- **Consulting’s Too Slow** – Impact beats expertise.
- **AI + Human** – Augment, not replace.
- **New Skills, New Roles** – Manage AI models, not manual tasks.
- **Adapt or Fade** – Master the hybrid workforce or fall behind.

Partner Management – Driving Collaborative Innovation

- **Plug & Play** – Connect top tools and APIs.
- **Speed Wins** – Tap startups, hyperscalers, and academia.
- **End-to-End** – AI + automation + analytics.
- **Adapt Fast** – Tech pivots built-in.
- **Govern Smart** – Align on trust and outcomes.



Product Management – Scaling AI-Driven Solutions

- **Built to Scale** – Standardized, efficient AI frameworks.
- **Always Learning** – Feedback fuels updates.
- **Beyond Services** – Tools that differentiate.
- **Impact First** – Real business outcomes, not just AI hype.

Key Takeaways

- **The legacy services industry is running on borrowed time.** Traditional IT and business services are stagnant, bloated with technical debt, and misaligned with enterprise expectations.
- **“Services-as-Software” is the $1.5 Trillion wake-up call for both Services and Software.** It’s not SaaS. It’s not outsourcing. And it will cannibalize both.
- **Pay your debts to scale AI.** The real barriers aren’t the AI models—they’re broken workflows, data silos, mismatched skills, legacy IT sprawl, and cultural drag.
- **Don’t fall for the AI productivity trap.** Build a balanced scorecard for your AI initiatives across performance, personalization, prediction, and productivity.
- **If you’re still buying and selling time and bodies, you’re already behind.** The future belongs to those who can productize their expertise, price for outcomes, and deliver through tech.
- **Invest in young talent or lose the future.** Ripping out junior headcount without reinvesting in next-gen talent is a slow death. Firms that win will grow AI-native leaders, not just cut costs.
- **Get your hands dirty.** AI won’t replace you. But someone who knows how to use it will.

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