HFS

HFS Spring Summit 2025

THE RISE OF
SERVICES-AS-SOFTWARE
THE AGENTIFICATION OF EVERYTHING

Welcome to the Services-as-Software Era

The $1.5 Trillion Opportunity

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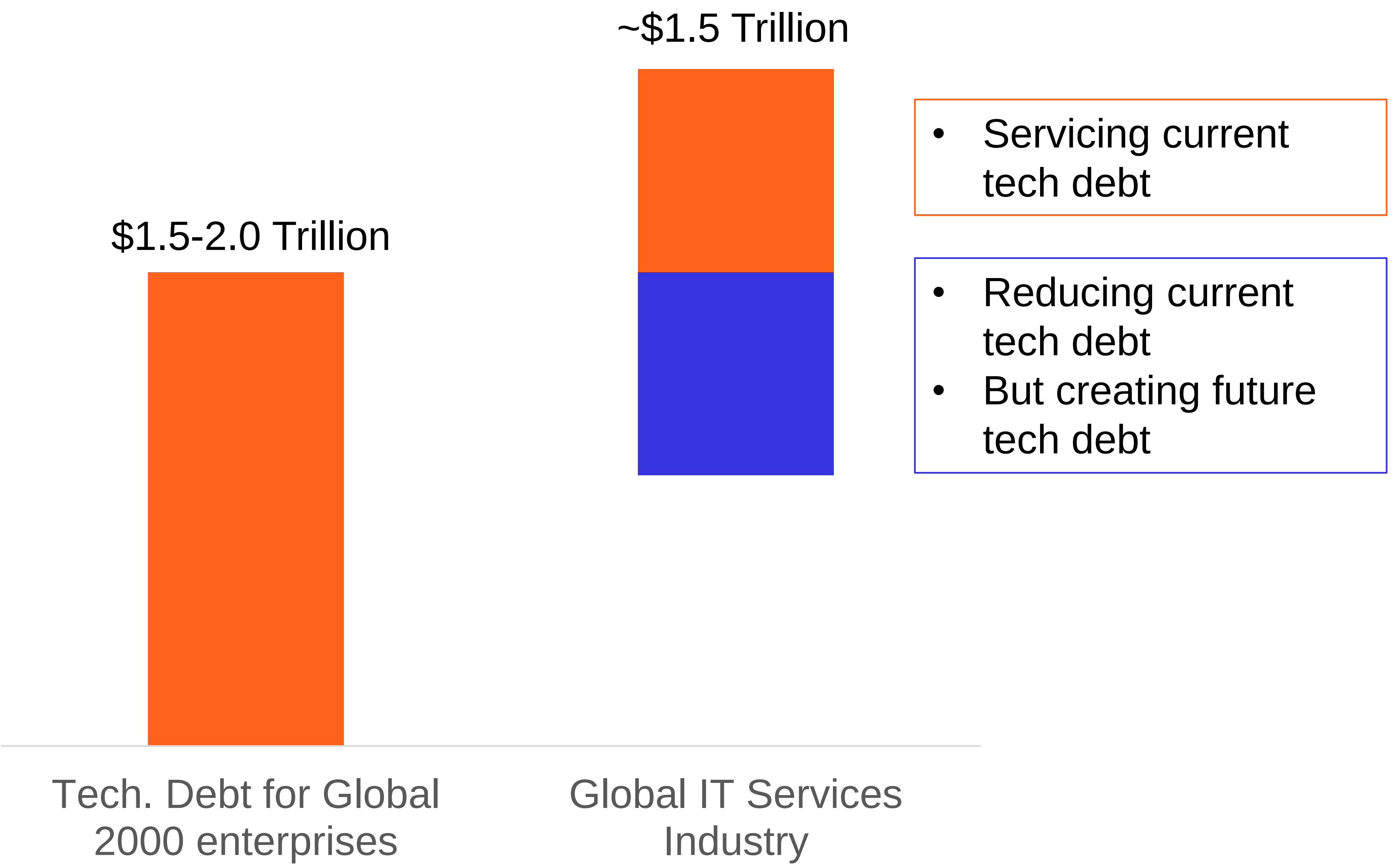
The IT services industry is ripe for disruption

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.

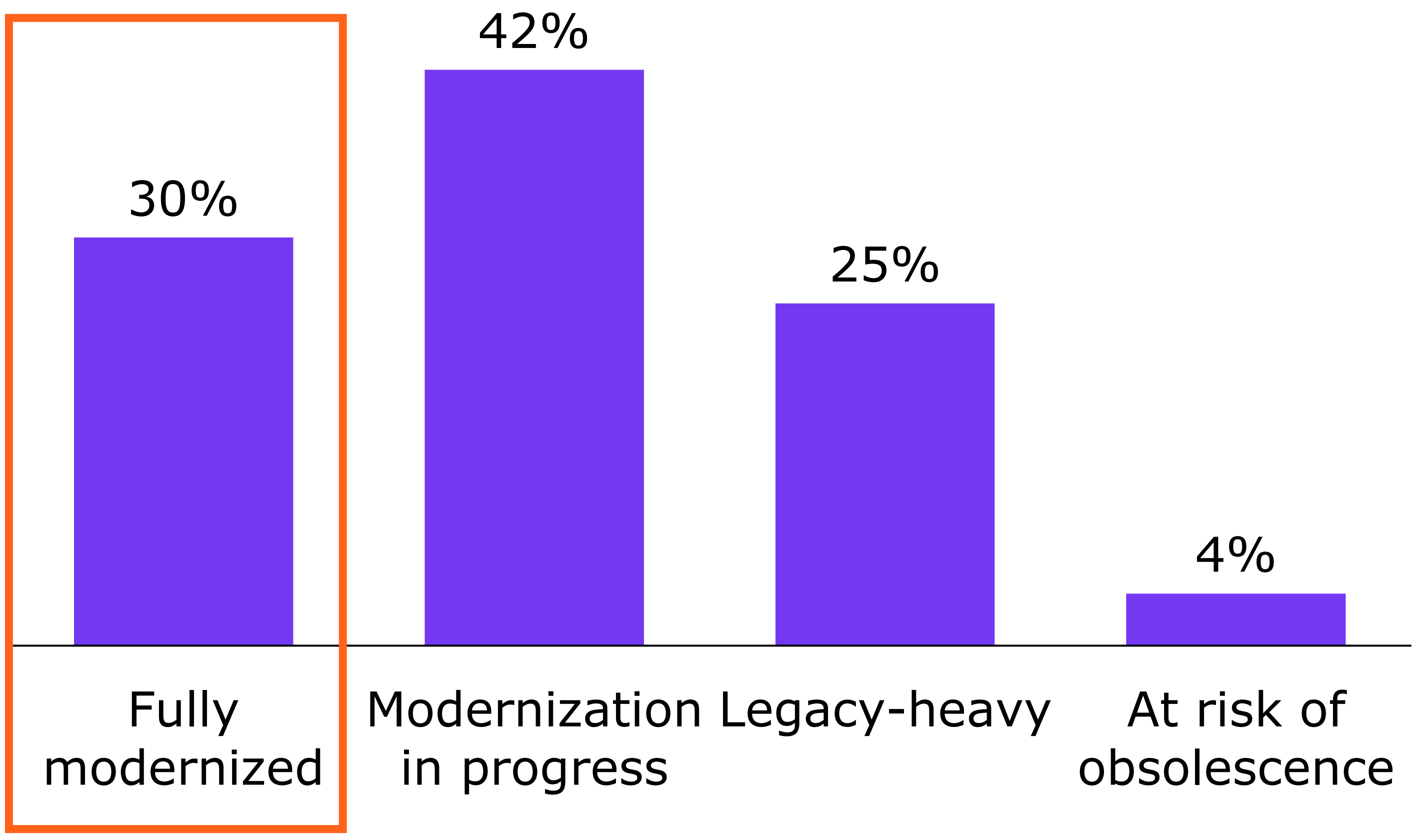
The math simply does not add up!

Relationship between Tech Debt and IT Services Industry



For all the noise around digital transformation, only 3 in 10 enterprises have modernized their core IT

How would you describe the current state of your IT applications?



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

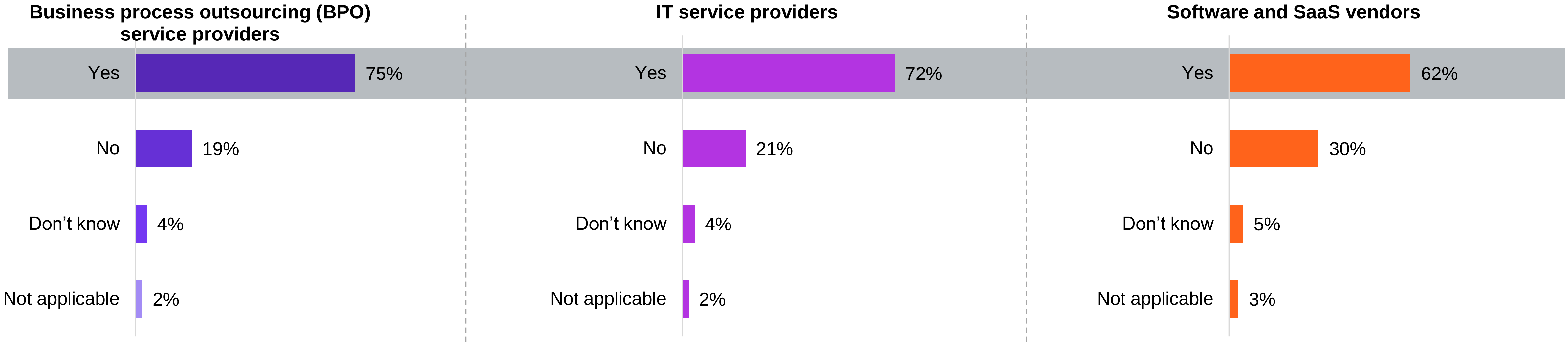
The barriers to digital modernization are massive and compounding

- 56% enterprises cite high modernization costs
- 51% fear business disruption
- 48% are tangled in technical complexity
- 43% feel trapped by proprietary vendor dependencies

More than 2/3 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** rather than exponential.

❌ **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.

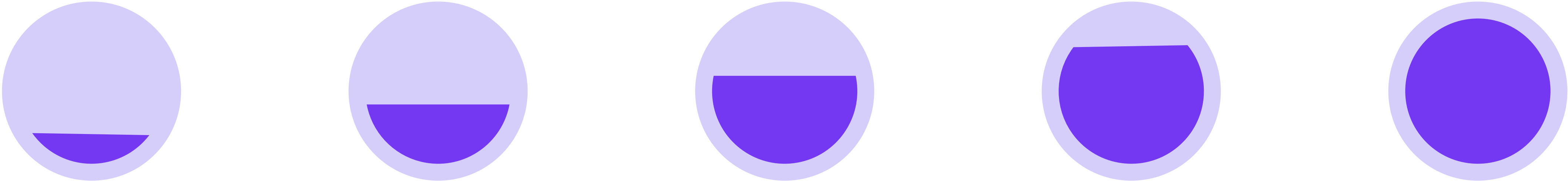
Sample: 605 executives across Global 2000 enterprises
Source: HFS Research, 2024

The 2030 destination is “Services-as-Software,” where services are consumed as software

HFS Tech Services Vision 2030

Human | Machine

Staff augmentation	Technology-enabled services	Platform-led services	AI-led agentic services	Service-as-a-software



Current state 2000–2025

Emerging 2025–2030

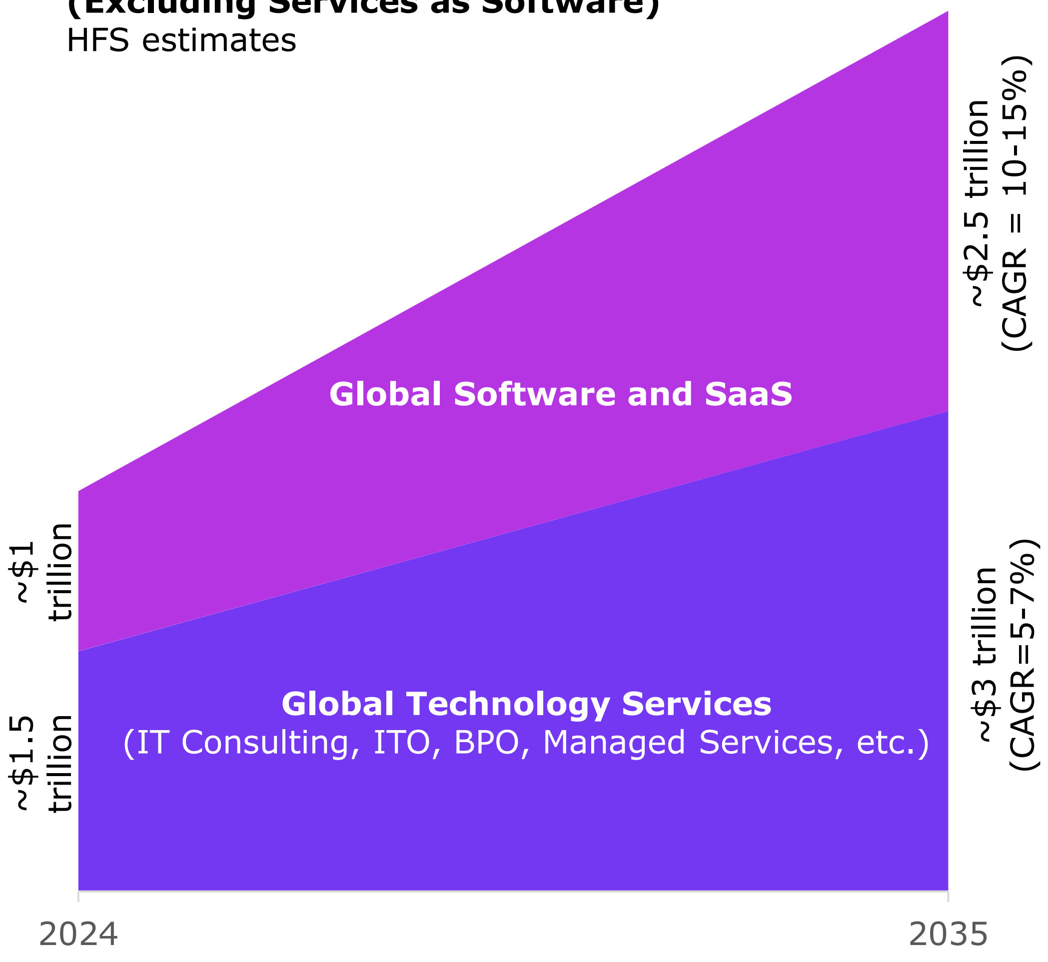
A brand-new category of "Services-as-Software" is emerging

SaaS versus Services versus Services-as-Software

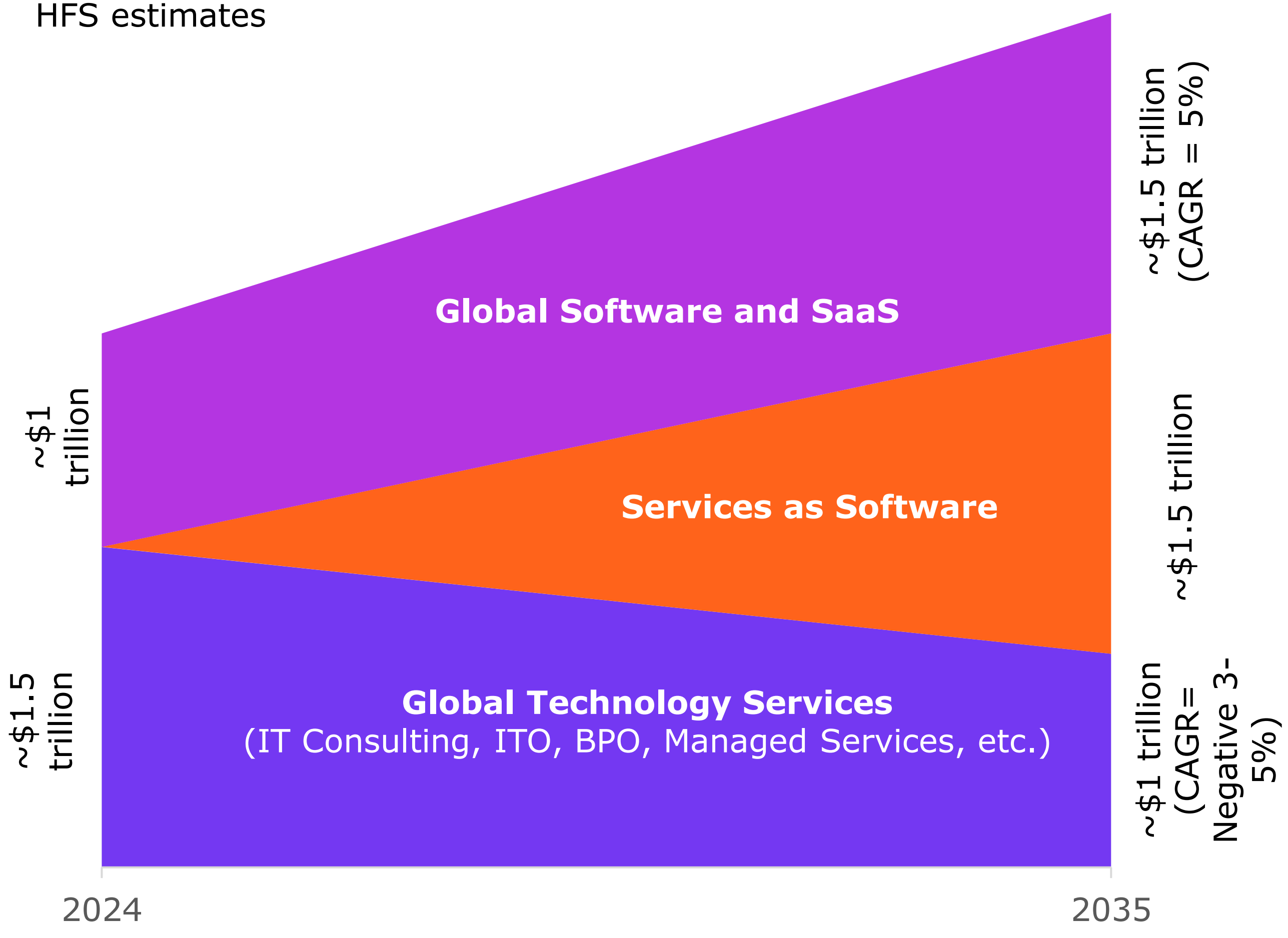
Feature	SaaS	Services	Services-as-Software
Delivery model	Static software	People-driven	AI-driven, autonomous
Scalability	Limited	Labor-intensive	Infinite (AI-led)
Pricing	Per-seat, feature based	Billable hours, FTE-based	Outcome-based, Consumption-driven
Adaptability	Pre-set workflows	Custom consulting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

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



Enterprise leaders want clear cost structures, value-based pricing—and no surprises

What factors would most influence your organization's decision to adopt these pricing models?

Pricing model adoption for AI-led services

Transparent pricing and billing
60% prioritize transparent pricing and billing practices.

Predictable and stable costs
59% value predictable, stable cost structures.

Direct link to business outcomes
55% seek direct link to business outcomes.

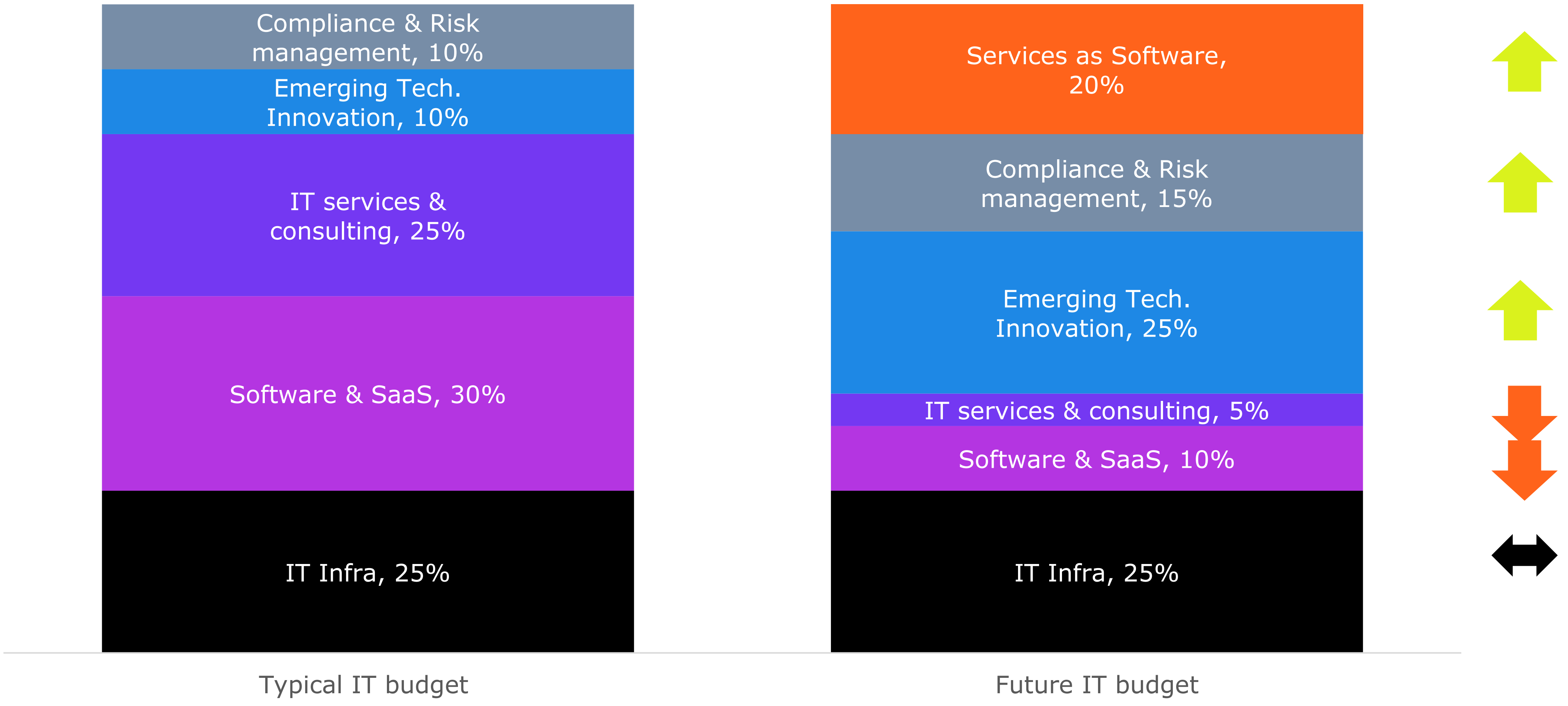
Flexibility to scale service usage
48% desire flexibility to scale service usage.

Lower upfront investment
35% prefer lower upfront investment requirements.

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

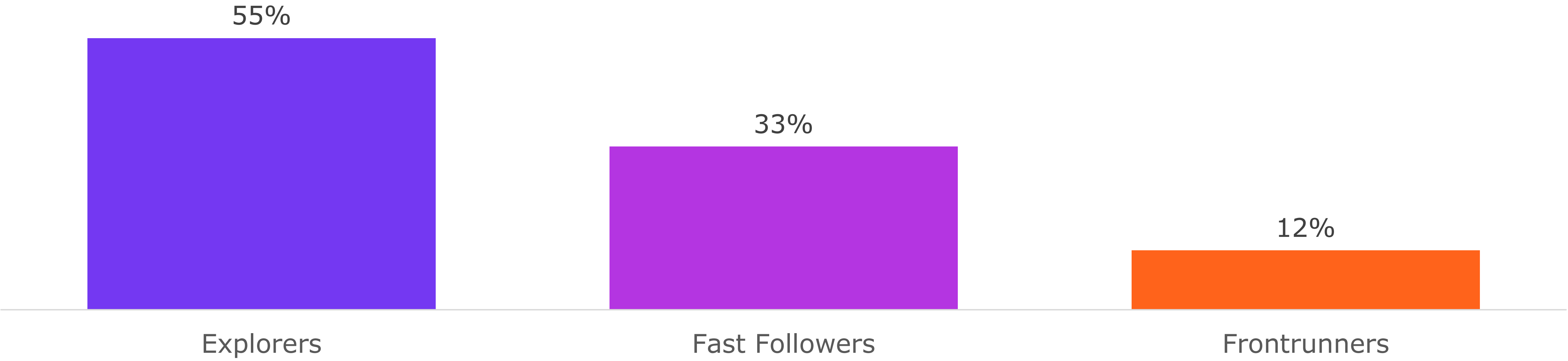
The emergence of Services-as-Software will completely change technology budgets

IT Budgets will look very different in the Services-as-Software era



AI ambitions vs. reality | Only 12% of enterprises are purposefully leveraging AI

The three phases of enterprise AI maturity
Percentage enterprises



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**

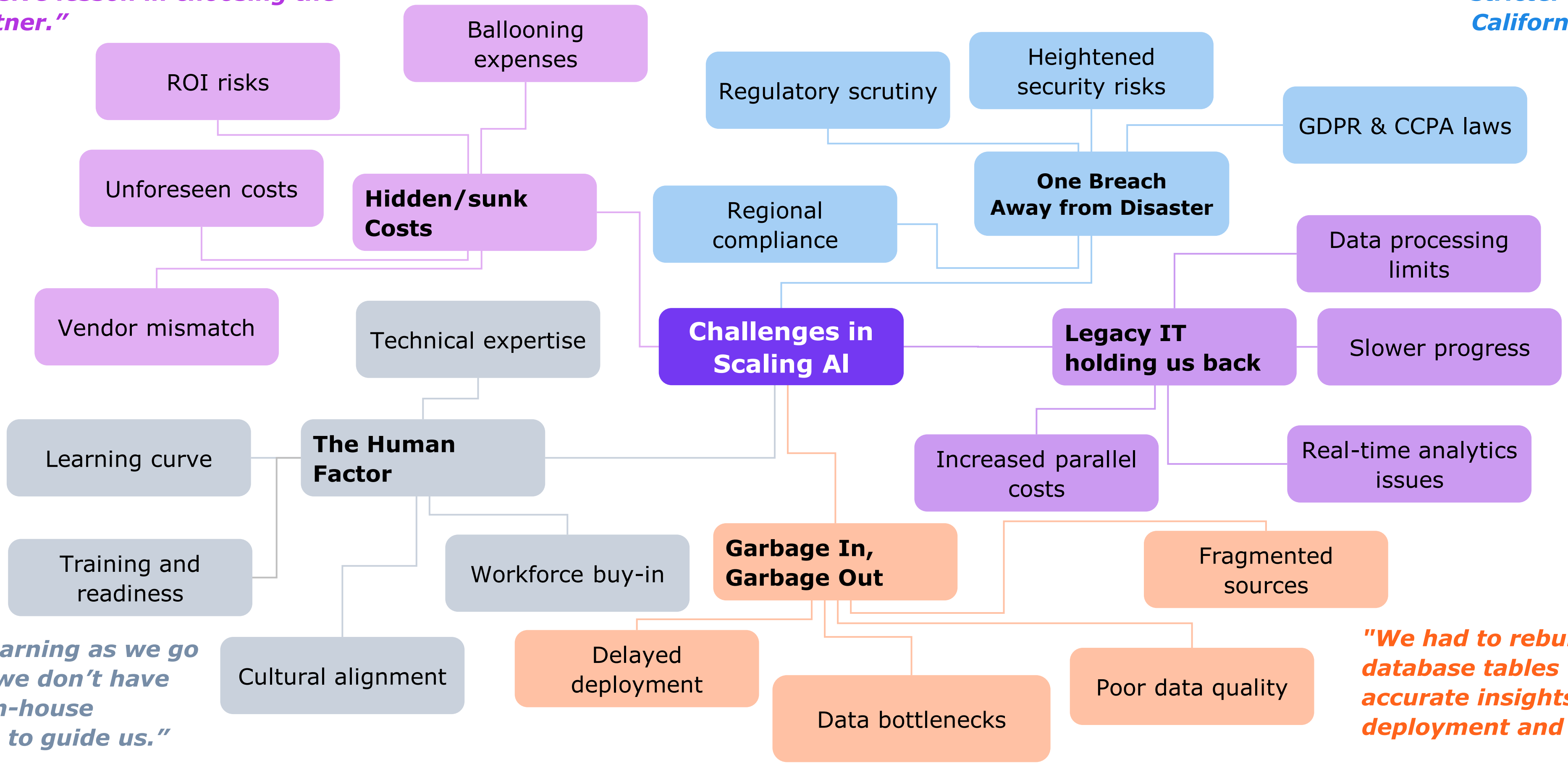
Frontrunners
- AI is **embedded in core ops and decisions**
- Strong on **data, talent, and guardrails**
- Backed by a **culture of innovation** and **robust governance**

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

Breaking through cost, complexity, and culture to scale Gen AI is hard

"We wasted $10 million on a vendor who didn't understand our business, an expensive lesson in choosing the right partner."

"Our AI efforts vary by region to comply with stricter laws like GDPR and California's CCPA."



"Maintaining legacy and AI systems in parallel has significantly increased our costs."

"We're learning as we go because we don't have enough in-house expertise to guide us."

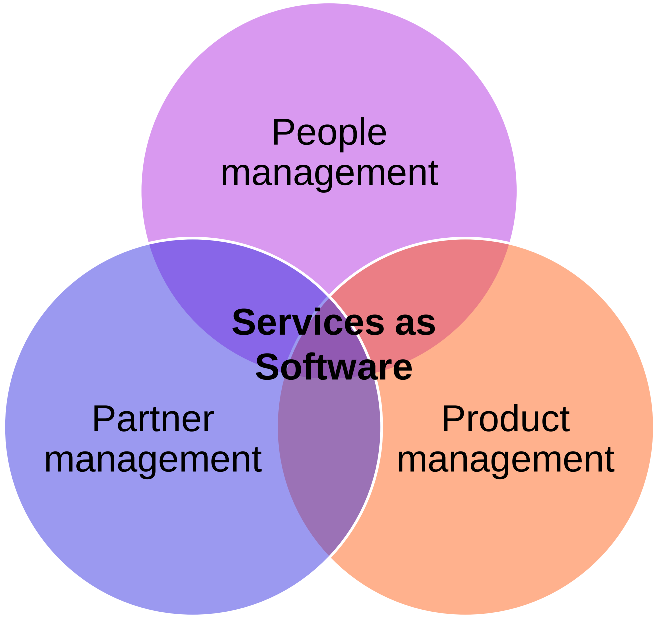
"We had to rebuild several database tables to ensure accurate insights, delaying deployment and adding costs."

Source: Interviews and discussions with HFS OneCouncil members

Three 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.

Thank you.

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