

Cool Vendors in Application Services, 2010

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Four companies – Bleum, GlobalOne, ITC Infotech and Torry Harris Business Solutions – offer distinctive approaches in the application service market, especially in the areas of emerging technologies and globalization. This research will be of interest to all executives and managers connected with application service purchasing and maintenance.

Key Findings

- Application services is a mostly mature market, but our selection of “cool vendors” shows that smaller, innovative companies are still out there.
- As the recovery from the worldwide economic slump begins, enterprises will look for providers that can help them achieve cost savings and innovation at the same time.
- Smaller application service providers can differentiate themselves by responding to market demand in areas such as emerging technologies, green IT and new delivery models.

Recommendations

- Buyers of application services should consider these providers to respond to specialized needs.
- Established service providers should examine these providers for service ideas and potential partnerships or acquisitions.

ANALYSIS

This research does not constitute an exhaustive list of vendors in any given technology area, but rather is designed to highlight interesting, new and innovative vendors, products and services. Gartner disclaims all warranties, express or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

What You Need to Know

Application services, while mature in some instances, are also constantly changing in response to technology and delivery innovations, economic conditions and other external pressures. The recession and nascent recovery has increased the interest in, and demand for, cost-effectiveness on the one hand and innovation-driven growth on the other. Bleum, GlobalOne, ITC Infotech and Torry Harris Business Solutions offer innovative approaches that capitalize on opportunities brought about by such changes. They are leveraging emerging technologies, such as cloud computing, service-oriented architecture (SOA) and software as a service (SaaS), as well as globalization, to deliver increased value to their clients.

Bleum

Shanghai, China (www.bleum.com)

Analysis by Tina T. Tang and Jim Longwood

Why Cool: Bleum provides application and product engineering services to U.S. and European customers using offshore development centers located in Shanghai. It targets the full software application development life cycle, including design, monitoring, testing and Q&A services. Founded in 2001 by a longtime American IT veteran with experience setting up captive centers in China, Bleum is a privately held company that has grown to 800 employees. It targets English-speaking North America and European clients in industries including financial services, e-commerce, retail, supply chain and high-tech. Bleum is illustrative of the more-innovative providers in emerging countries, such as China, which have adopted a more holistic approach to targeting the Western market with a manageable set of offerings and a clear focus on which clients it targets. Its approach, while similar to more-mature offshore providers from India, is more comprehensive than most of its local competitors by virtue of:

- Offering a range of tailored offshore delivery models that support clients' global cost optimization efforts.
- Effective governance model tracking Bleum performance online against pre-agreed key performance indicators
- Helping multinational corporations establish secure and visible local business operations in China
- Using only experienced senior management from global service providers
- Aggressively recruiting bright, qualified and experienced Chinese talent
- Easily scaling up services for smaller clients sizes (20 to 100 staff), which large multinational providers have difficulty doing
- Insisting all staff use only English to communicate with each other and clients.
- Delivering high-quality services via recognized best practice delivery models such as CMMi Level 5 certification and ISO27001 in all delivery centers

Bleum differentiates itself on the latter two points in the domestic market against less-mature Chinese offshore providers. Infusing a local workforce with Western management techniques, Bleum hopes to become a seamless extension of its client's IT organization.

Challenges: Bleum, as do the more-recognized Chinese ESPs (such as Beyondsoft, Isofstone, VancelInfo, ChinaSoft and Neusoft) has been challenged to build brand recognition for itself – and China – in a global market dominated by Indian players, while maintaining profit levels. With 2009 revenue of more than \$20 million, the next challenge is whether Bleum and other Chinese companies can generate enough business to win more midsize or large deals, as well as gaining capital investments.

Who Should Care: Bleum's approach is a good model for other new service providers in emerging countries to emulate. Bleum's services may appeal to multinational enterprises that want to set up new operations or scale up existing ones in China and are seeking a smaller, but experienced, local application service provider. Bleum and similar Chinese providers may also be a good candidates for:

- Small or midsize businesses in the U.S., Europe and the Asia/Pacific region
- Business units of large companies with smaller and specialized offshore requirements that could be met by Bleum's 15 capability centers
- Potential acquisition by international offshore players wanting to expand into China
- Investors in their offshore portfolio as global economies improve

GlobalOne

New York, New York (www.globalone.com)

Analysis by Matthew Goldman

Why Cool: GlobalOne offers consulting, system integration and application development services in support of salesforce.com, delivered through an on-demand model. This approach combines tools, templates and methods that accelerate configuration and integration alongside the ability to staff projects in near-real-time. Beyond project-based services, GlobalOne provides supplemental staffing (that is, subcontractors) for large system integration or boutique providers that need to quickly staff up projects. These services target both enterprises (for direct project work) and other consulting and system integration providers (through subcontractors on enterprise projects). Pricing is by subscription, project, or hourly, and services are predominantly offered through a proprietary global delivery model. GlobalOne has a small team in North America (about 20 resources), while most staff are located in the Philippines (about 80 resources). The company originated to support SaaS implementations, starting with salesforce.com, and its engagement and delivery model is engineered to support and refine salesforce.com consulting and implementation needs.

Challenges: Heavy competition for salesforce.com implementations from global system integrators, India-based providers and specialist firms have made it difficult for GlobalOne to create visibility for its offerings. With a crowded marketplace and emerging messaging, GlobalOne's approach must soon resonate with buyers, or else it may join the ranks of another "me too" vendor. Alternatively, GlobalOne may find more traction among emerging markets (such as Asia/Pacific) where their solutions would be in greater demand. Further, to ensure availability of resources, GlobalOne has to continually staff ahead of demand to deliver "on-demand" availability or risk much-needed profit that it plans to use to fund expansion. Establishing and delivering against tough service-level agreements using this on-demand model is still a work in progress.

Who Should Care: Buyers of services for salesforce.com or SaaS implementations should take note, since GlobalOne offers needed skills for specific tasks. Its value proposition is faster time-to-value with limited risk. Providers of consulting and system integration services should also consider how this on-demand model could become an alternative approach to deliver their own offerings. Segments of the consulting and system integration market are demanding shorter, faster projects. Service providers must explore how to deploy more-agile delivery methods, such as on-demand services.

ITC Infotech

Bangalore, India (www.itcinfotech.com)

Analysis by Michael von Uechtritz

Why Cool: ITC Infotech, a subsidiary of the diversified conglomerate ITC Limited, combines expertise for platforms such as Java, Microsoft and SAP, supported by corporatewide green business measures. ITC has been carbon-positive for four years in a row and consecutively water-positive for seven years. ITC recycles nearly 100% of solid waste. ITC Limited's Social and Farm Forestry initiative, driven by an extensive research-based clonal propagation program, has made nearly 96,000 hectares green and created cumulative agricultural employment of 43 million person-days. It was the first Indian IT company to be awarded Social Accountability 8000:2008 certification. ITC Infotech's approach to green services includes assisting organizations in defining, developing and reporting their corporate social responsibility initiatives as per global standards, such as the Global Reporting Initiative. The provider combines cross-disciplinary knowledge in application research, vertical expertise, and environmental and sustainability expertise. Its environmentally friendly industry solutions include an optimizer for selecting airline routes and weight and balance tools that can be used by airline industry, with which it can improve performance in delivering consignments at optimal routes while adhering to the Cargo 2000 norms of the International Air Transport Association. ITC Infotech runs radio frequency identification initiatives that can help reduce paper consumption across industries. ITC Centre, in Gurgaon, India, is Platinum Green Building rated by the U.S. Green Building Council.

Challenges: ITC Infotech will be challenged to manage its growth ambitions versus its commitment to green practices. Revenue and margin pressures may impede its differentiating green approach, its ability to retain critical talent and its plans for geographical expansion, for example, into Europe. The company is also challenged by its limited green service offerings, software implementation capabilities in parts of Europe and the Asia/Pacific region, and a limited community representing sustainability and IT competencies. Finally, it is somewhat challenged by its lack of demonstrating in detail corporate social responsibility related to its IT services revenue.

Who Should Care: Gartner's green IT surveys showed that one-third of enterprises describe themselves as having an "aggressive" position toward sustainability and environmental issues. At minimum, these buyers would consider eco-friendly computing as an important element in their technology strategy and are more likely than other buyers to prefer green service partners. Some business buyers want to highlight their investments in green service projects, not the least for reductions in energy consumption. These

include housing and facility management firms, steel and other natural-resource-intensive manufacturers, innovation managers and corporate sustainability strategy leaders. These kinds of buyers should look at ITC Infotech if they require quick improvements to their industry's sustainability efforts through application development and implementation services. Service buyers that care about gaining a competitive edge in the wider context of corporate social responsibility should consider ITC Infotech to manage some areas of IT services and related IT solutions.

Torry Harris Business Solutions

Perth Amboy, New Jersey (<http://www.thbs.com>)

Analysis by Susan Tan

Why Cool: Torry Harris Business Solutions (THBS) focuses on high-end, niche technical skills, and specializes in SOA, cloud integration services, middleware and integration. Its strategy of combining deep technology skills with client business objectives seeks to differentiate it from purely technical firms (that tend to emphasize technical capability) on the one hand, and broad-based global firms (that emphasize business alignment) on the other. The company is working to bring together agile methodologies to increase speed and accommodate changing business requirements with an offshore cost savings model. This model responds well to current economic conditions in which IT managers are pressed to deliver projects faster and at lower cost. It has developed a full life cycle of cloud-based services tools, such as a Cloud Readiness Analyzer, and tools to work with Amazon EC2, Amazon and Google App Engine. It has implemented several cloud deployments, mainly in the telecommunications industry, has a cloud center of excellence and partnerships with the major cloud providers.

THBS has grown organically to approximately 1,700 employees, and has achieved 26 successive quarters of profitability. Given its focus and specialization on specific technical skills and leading-edge technologies such as cloud services, it commands a higher overall price point for its ability to bring together a unique combination of competencies.

Challenges: As a niche technical firm, THBS will find it difficult to expand beyond its areas of specialization. Remaining in these areas of specialization limits its market, but diversification could dilute its brand and technical focus. Moreover, as the technologies it specializes in become mainstream, THBS's advantage and ability to command a higher overall price point may not be sustainable. THBS must keep ahead of the technology curve by continuously looking for new solutions. To date, it has been able to move from older application integration technologies to SOA, and now to cloud computing technologies. This requires constant investment in learning and assessment of how emerging technologies can produce business results. However, SOA and cloud computing are still at the early stages and represent big opportunities for THBS. Further penetration into emerging countries, such as China, where THBS has already started servicing clients, represents additional opportunities.

Who Should Care: CTOs and internal innovation teams responsible for evaluating the business potential of cloud computing should evaluate THBS for difficult integration solutions. IT managers responsible for modernizing their environment to a services-oriented one will find THBS a strong provider of technical skills, as well as a rapid implementer with an agile offshore delivery model.