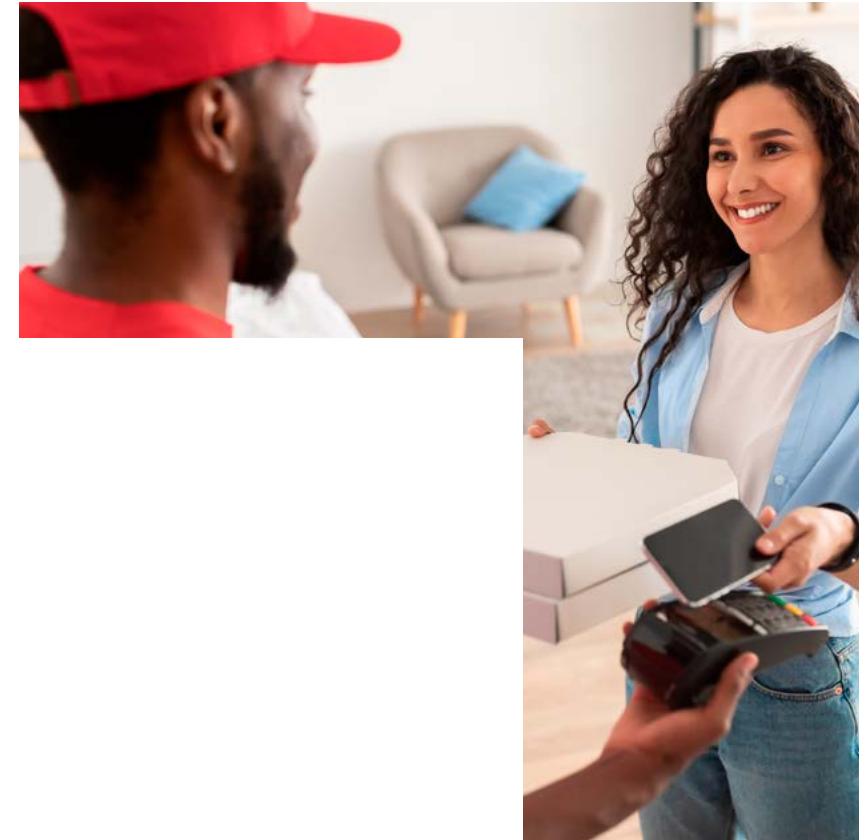# Services

Shifting customer behavior and rising competition from new entrants require business and consumer services organizations to invest in new business models, products and services quickly. Pursuing digitization and sustainability will be the key drivers of success.

Read on for more insights into services executives' top trends and priorities, along with recommendations for key actions they can take now to accelerate their digital journeys.

CGI

Reinventing business models to meet unprecedented customer demands

Hit particularly hard by the pandemic, pressures from radically changing customer behavior and new competition continue to grow, forcing services organizations to re-think how they do business. At the same time, services organizations recognize the need to achieve operational excellence to reduce costs and drive business agility.

Despite more executives having a digital strategy in place, achieving results from those strategies has stalled. Addressing constraints such as budgets, cultures and legacy systems are needed.

The majority of services executives say sustainability is core to their ability to create value for customers. This reflects growing awareness, particularly among the C-suite, that net-zero is no longer an option or a nice-to-have. Understanding the environmental impact of operations and responding to increasing market pressures from regulators, investors, consumers and other stakeholders must be made an urgent priority.

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders. This report summarizes the trends and priorities from our 2021 CGI Voice of Our Clients discussions with 81 services executives, along with recommendations for services organizations to accelerate their digital journeys.

About the insights

In 2021, we met with 1,695 business and IT executives. This summary shares sample insights from 81 services* client executives.

Interview demographics

43% Business leaders		**57%** IT leaders	
69% C-level		**31%** Ops-level	

Over the past 6 years through the CGI Voice of Our Clients program, we've held 7,470 client discussions, collecting 1 million data points across the industries and geographies we serve. Our anonymized benchmarking data reflects insights from 5,500 client organizations located in countries representing 68% of the world's IT spend across all economic sectors.

* The services industry comprises customer services and business services organizations, including those in the domains of travel, hospitality, catering and restaurants, rentals, leasing, real estate, construction, entertainment, and technology and software services.

Top trends and priorities

Becoming digital remains the top trend for services industry executives while collaborating with the ecosystem emerges as a new trend. Customer experience remains the top business priority, as investing in new products and services and rethinking business model/value creation emerge as new priorities. Driving IT modernization rises in impact as an IT priority.

Top trends

1 Becoming digital organizations

2 Optimize today's operations

3 Big data and predictive analytics

4 Protecting through cybersecurity

5 Collaborating with the ecosystem

Top business priorities

1 Improve the customer experience

2 Invest in new products and services

3 Continue to develop apps, services and third-party relationships

4 Optimize today's operations

5 Rethink business model/value creation

Top IT priorities

1 Drive IT modernization

2 Improve the customer experience

3 Protect through cybersecurity

4 Deliver the benefits of big data and business insight

5 Embrace new IT delivery models
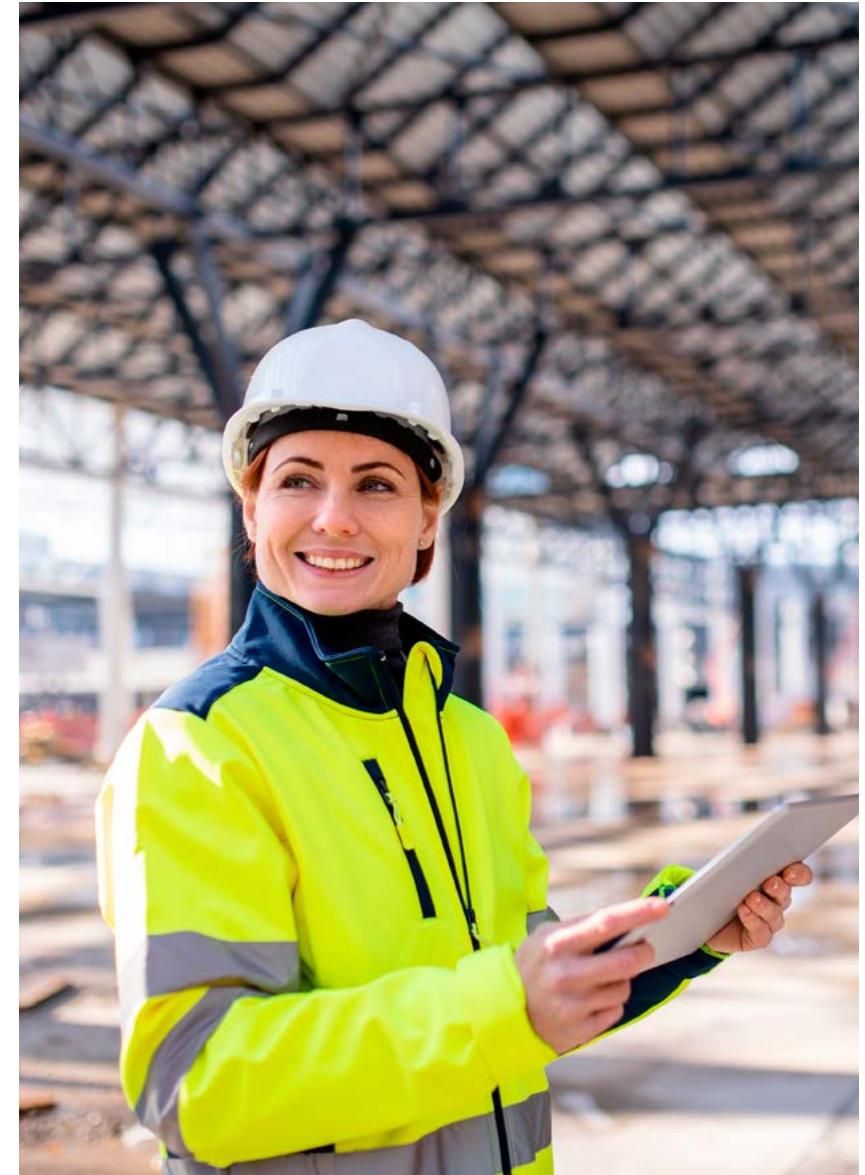
Top insights for services

More executives have a digital strategy in place, but achieving results from those strategies has not progressed. Phygital strategies emerge as a top digital initiative and securing cloud platforms rises in importance as a cybersecurity consideration. Budget constraints continue to pose a challenge to achieving business priorities.

2021 — **15%**

0pp

2020 — **15%**

+7pp

2019 — **8%**

Executives who say they are producing results from digital strategies
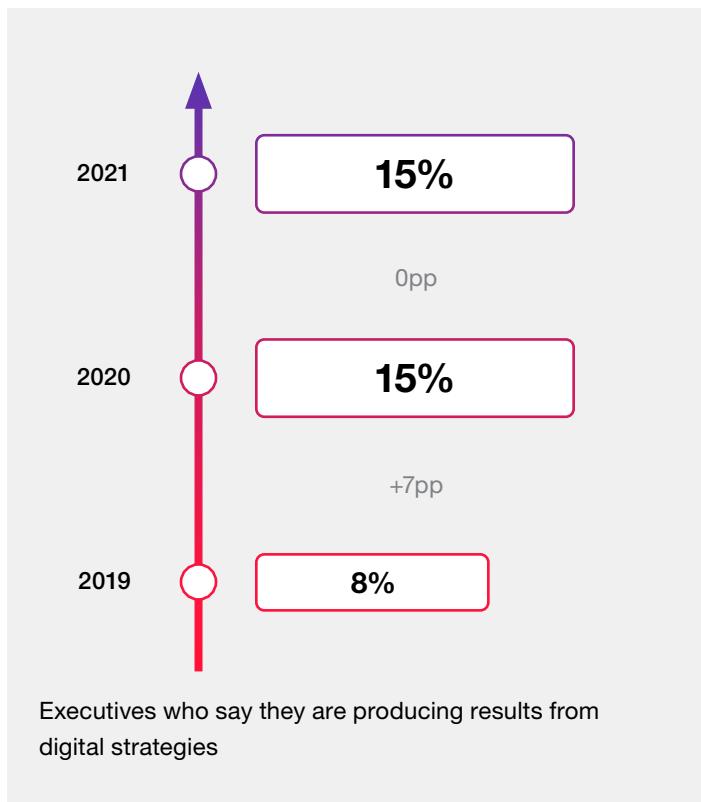
1 **More executives have a digital strategy in place; however, progress in achieving results stalls.**

88% of executives say they have a digital strategy in place, up from 63% last year. Yet, as in 2020, only 15% say they are producing results from these strategies. The services industry ranks lowest among the sectors in the retail, consumer and services industry, and is on par with the manufacturing and government industries—both at 15%. In addition, 67% of executives say legacy systems still pose a significant* challenge to the successful implementation of their digital strategies.

* 8–10 on scale of 1–10, where 10 is high

2 **Phygital strategies gain focus as a digital initiative.**

For services industry executives, phygital strategies emerge as a top-five digital initiative this year. Collaboration between business and IT, and digital employee tools round out the top two.

3 **Digitization continues to impact business model evolution.**

84% of executives say digitization is having a significant impact on their business model evolution, remaining steady from last year. In addition, there is no change in the percentage who say their business model evolution is complete (11%).

4 **New offerings and business models emerge as new business priorities.**

Customer experience continues to dominate business priorities. This year, executives cite investing in new products and services and rethinking business model/value creation as new top business priorities in second and fifth, respectively.

5 **Budget constraints pose a challenge to achieving business priorities.**

74% of executives still struggle with reducing their operation costs, while 64% say budget constraints pose a challenge to achieving their business priorities. 59% say they are increasing their spend on new applications and investment in infrastructure year-over-year, down from 68% in 2020.

6 **Modernizing IT environments remain a key focus.**

Driving IT modernization remains a top IT priority for 88% of executives, rising in importance this year. Despite some progress, 28% of executives still say their legacy systems are a major* challenge to achieving their business priorities, down from 36% last year.

7 **Sustainability is a core topic for the C-suite.**

52% of C-level services executives view environmental sustainability as highly core to their organization's ability to continue creating value for customers in the future, compared to 43% of services industry executives overall.

8 **Leveraging automation remains a challenge.**

Fewer executives say they are "done" with robotic and enhanced process automation implementation. 23% of executives say robotic automation is "not for us," a significant increase from 8% last year. However, 7% say they have completed algorithmic automation compared to 1% in 2020.

9 **Securing cloud platforms is now a key cybersecurity focus.**

Securing cloud platforms rises significantly to second as a cybersecurity element of importance, up from fifth last year.

* 8–10 on scale of 1–10, where 10 is high

Digital leaders in services

Services executives indicate a lack of progress with producing results from digitization strategies, with 15% achieving such results in 2021, the same as in 2020. In examining the insights from this 15% who are digital leaders, some common attributes emerge. The table compares responses to questions from the digital leaders to those from executives whose organizations are still building or launching digital strategies.

Common attributes of digital leaders	Executives producing results from digital strategies	Executives building or launching digital strategies
Feel strongly* that environmental sustainability is core to creating value for customers	**70%**	41%
Focus more on developing apps, services and third-party partnerships as a business priority	**90%**	64%
Focus more on leveraging predictive analytics as a digital initiative	**100%**	72%
Are more advanced** with data analytics as an IT priority	**55%**	12%
Are more advanced** with customer experience as an IT priority	**70%**	30%
Are more advanced** with IT modernization as an IT priority	**85%**	23%
Are better at aligning IT and business priorities	**50%**	32%

Improving the customer experience is the top IT priority for digital leaders, unlike those building or launching digital strategies who cite IT modernization. Digital leaders also prioritize collaborating across the boundaries of their organization as a business priority.

* 8–10 on scale of 1–10, where 10 is high

** are implementing or are done with this as an IT priority

5 recommendations for achieving your top priorities

(1) **Improve business agility** to introduce new business models, products and services quickly. The services industry continues to grapple with the effects of the pandemic crisis. Although new disruptive business models like dark/cloud kitchens and 3D virtual tours emerged, in many cases, solutions were put together hurriedly to meet immediate needs. At the same time, rising competition from new entrants and shifting consumer behaviors made it critical to find points of differentiation. In response, business and consumer services organizations are revisiting their business models or creating new integrated services to enhance their portfolio. Whether through partnerships, alliances or synergetic acquisitions to boost their digital capabilities, ecosystem collaboration can help to deliver innovative, value-added services faster. This includes mobile apps, contactless offerings and remote delivery capabilities to improve customer convenience, personalization and service. Advanced analytics that leverage enterprise data and contextual information and technologies like artificial intelligence and process automation will be invaluable in creating and assessing new products or services quickly and enhancing the customer journey in real-time. It is also vital to evaluate innovative initiatives launched during the early stages of the pandemic for further optimization, scalability and improvements to the customer experience.

Case in point: Especially today, the lack of an internet presence for a restaurant can mean the difference between success and obscurity. The vast majority do not have a website or the means to build and integrate additional digital services in an agile way. With Hospitality Digital, a business unit of METRO, we developed a business model and an innovative online platform that allows restaurants to set up and customize their internet presence easily. The platform uses a micro-services architecture and cloud-native environment to quickly add and scale new innovative digital services and solutions. For instance, we designed, built and integrated a modular reservation tool into the platform. Available in more than 15 languages, more than 200,000 restaurants currently use the platform and over 20,000 table reservations are made per day through it. With this platform, Hospitality Digital helps restaurants win more customers while delivering new digital solutions that help drive digitization and growth forward in the hospitality industry.

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(2) **Optimize operations** to reduce costs and drive operational excellence. Consumer services organizations have been severely impacted by pandemic lockdowns and radical changes in customer behaviors. To emerge stronger, organizations need to reshape and optimize operations from end to end to reduce costs and drive business agility. However, legacy technologies and systems continue to hinder progress. They are also expensive to maintain and come with higher security risks. Some services sectors like engineering and construction are hastening the adoption of innovative technologies like Building Information Modelling (BIM), robotics and laser-cutting systems to generate new business models that optimize the building process and reduce costs. Many business processes also rely on manual intervention. Automation can efficiently optimize many of these repetitive tasks, improving workforce agility, productivity, and service quality while reducing costs. It will also free up employees for higher-value transformational initiatives. In construction, technologies like IoT and wireless sensors can help with asset tracking and predictive maintenance, while in food services, advanced analytics can support supply chain forecasting and waste management. Moreover, as services companies actively take the M&A route to enter new markets and geographies, they should strengthen their approach to technology integration to optimize infrastructures and leverage synergies.

(3) **Streamline the IT supply chain** to focus employees on transformational work and best serve business needs. Services businesses are under increasing pressure to deliver immediate savings to fund critical digitization initiatives and new investments. In addition, a shortage of skilled workers in many geographies has grown and is likely to persist for several years. Managed IT services are crucial to helping successful companies reduce the cost of O&M and enhance the quality of service. The ongoing skill shortage will require firms to rethink employees' activities to focus more on core services and projects and collaborate with a capable and accountable partner to support their transformation roadmaps. Accelerating cloud adoption will also help free up resources, but training and change management will be key to ensuring optimal reallocation. In this journey of building a more efficient and effective digital value chain, close business-IT alignment on strategies and priorities is foundational to achieving business outcomes.

(4) **Support the future of work** to get closer to your customers, improve the employee experience and enhance efficiency. For this traditionally high human contact industry, digital engagement has taken on renewed importance with both customers and employees. When the pandemic hit, companies focused on "survival." More than two years on, not all activities have returned to the way they were. A significant part of client interactions remains remote. At the same time, employees have come to value flexibility. In this new workplace reality, services companies must balance a hybrid work environment and build a more agile, digital workforce that leverages intelligent, cloud-based collaborative platforms to provide better customer service. It's also essential to create a holistic employee experience that engages them, makes work exciting and builds human connections that foster purpose, belonging and trust. Using internal social platforms, regular transparent communication and involving employees in the design of new workplace practices will revive their sense of workplace purpose, instill trust and establish new positive cultural practices. We also foresee a wider adoption and creative use of existing tools and practices and a need for a more robust cybersecurity and service disruption prevention posture to ensure safety and business continuity.

Case in point: Taylor Wimpey, one of the UK's largest residential developers, wanted to ensure their business had a truly digital workplace with the right IT services, systems, collaboration tools and devices in place to support this vision. Our assessment revealed that over 5,000 staff working across the UK used different operating systems. Many IT devices were outdated, and there was no central place to record and store information. As a result, employee efficiency was impacted. We upgraded every device across the business to Windows 10 and moved tools and applications into the cloud. All IT assets were either replaced or completely refurbished to keep costs down. The latest tools (SharePoint and Teams) were also rolled out with the necessary support and training to ensure employees could use them quickly and easily. Taylor Wimpey employees can now work safely and effectively from anywhere, as required. Moreover, there is no disruption to the day-to-day business when system changes and upgrades are needed. Taylor Wimpey now has the technology and systems they need to continue driving their business forward, developing award-winning properties and enabling them to focus on what matters most to their business—their customers.

⊕ Read more

(5) **Embrace sustainability as a key driver of success.**
Even though sustainability impact varies significantly across services sectors, overall, this year, more than half the services executives believe sustainability is core to future value creation. Awareness is growing that net-zero is no longer an option or a nice-to-have. It will soon become mandatory to meet regulation and stakeholder requirements, and services organizations need to outline their path to net-zero and refine their business strategy to embrace a circular economy. Achieving sustainability goals requires building your technology architecture to become a data-driven company. Embedding an environmental tracking system into your IT landscape will help to measure progress and track goals. In addition, leveraging technologies like robotic process automation can reduce administrative work in collecting sustainability metrics. Organizations can also realize cost savings by using fewer increasingly expensive resources and avoiding offset payments. Here, the new hybrid work model offers an opportunity to advance sustainability efforts through less paper usage, reduced travel, and the need for large premises, which is a significant contributor to carbon emissions.

Case in point: A leading facility management company has an ambitious sustainability agenda to lower their carbon emissions by 50% in the next seven years. They are actively working to reduce their own and their clients' environmental impact and optimize resource utilization. As a starting point, the company set up a project to calculate and determine a baseline for their CO_2 emissions and identify the largest sources of emissions. Our experts led the project to collect, calculate and analyze emissions resulting from their employees' travel. These data insights helped the company determine a baseline for their CO_2 emissions related to travel and take a key step in advancing their sustainability goals.

About CGI

Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 78,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

For a complete set of the CGI Voice of Our Clients industry insights, and to consult with one of our experts, please visit cgi.com/voice-of-our-clients or contact us at info@cgi.com.