



6 TRENDS ITSMs MUST ADDRESS IN 2018

Businesses in the IT Service Management (ITSM) sector are undergoing significant change. VARs, MSPs and distributors are among those restructuring to meet changing customer demand, secure new revenue streams and maximise profit margins.

This change is being driven by a number of trends, all of which require these businesses—to adapt the way they operate. Outlined below are six key trends that ITSMs must be prepared to address.



Products as services

ITSMs are moving from a single focus on products or services to a hybrid business model combining a mixture of both. Some ITSMs are even trying to package services together as products as a way of creating their own intellectual property.

This shift is driven by the changing needs of customers and encompasses the increased popularity of subscription-based pricing.

These developments are creating challenges for ITSMs in how they run their business in an efficient way. For instance, they need to develop billing for combinations of products, services and as-a-service offerings, and recognise revenue from each stream in a different way.



Wafer-thin margins

While there is this shift in how ITSMs sell their products and recognise revenue, margins are very tight due to increased competition and customers driving a harder bargain.

The pressure on margins means companies are having to increase their volumes, sometimes by as much as three or four times, just to achieve the same profits as before.

Increasing the use of cloud technology and automating back-office processes will help prevent the operational costs rising at the same rate as the company's expansion in these situations.



The great cloud shift

ITSMs that have responded to the growing customer demand for cloud-based services are already reaping the rewards. They're growing and increasing their reach, both domestically and internationally, while achieving significant returns. In contrast, companies that have been late to the cloud, or are still to make their move, are struggling. Such is the extent of this shift to the cloud, that 25 per cent of ITSMs are predicted to fail because they aren't able to successfully make the transition.



Coping with consolidation

The ITSM market is also witnessing a significant amount of consolidation as companies look to scale and expand their international reach.

This is partly fueled by private equity firms that own a number of ITSM businesses and are consolidating them into groups. These investors are looking to create scale and improve margins so they can sell businesses on or prepare them for an IPO.

As a result, there is a need for back-office systems that improve the level of control and visibility that ITSMs have across their increasingly diverse organisations.



The need to be agile

ITSMs need to be agile so they can experiment with different business models and new markets in response to changing conditions.

If, for instance, a new approach doesn't work, the business needs to be able to quickly change direction before things progress too far. Similarly, they need to be able to respond to specific developments in each local market they operate in.



Listening to customers

With so much flux taking place, ITSMs must keep listening to their customers so they can plan ahead to meet their needs.

ITSMs should look at their offerings and make sure they're fit for purpose. For instance, the 'as-a-service' model is very compelling, as it allows entry into new markets, access to new customers and the option to offer new solutions.

ITSMs have a closeness with customers that vendors struggle to replicate. As a result, they're in a strong position to shake-up their portfolio in order to provide the products and services customers need to achieve their goals.

As long as you really understand your customers and the sector that you're in, you should be able to surround them with the solutions they need to meet their challenges.

For more information on how NetSuite can help your business address the challenges and opportunities discussed in this article, please get in touch:

Email: infoAPAC@netsuite.com

Call: 1800 638 784

Visit: www.netsuite.com.au