

HCL's Prizm and B-OPT: Differentiators in Application Modernization Services

HCL takes a vertical, cost-centric approach to applications rationalization and modernization

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SUMMARY

Catalyst

As a follow-up to Ovum's pair of reports on the state of application modernization services and the associated success factors and challenges of these engagements, this report is part of an informal series of briefs profiling select vendors' modernization offerings.

HCL's application rationalization and modernization services have evolved significantly over the past few years. It has developed its own IP such as its application portfolio management tool, Prizm, and it has integrated its various applications modernization services into its "business operations platform transformation (B-OPT) service."

Ovum view

While HCL is not top-of-mind when it comes to application rationalization and modernization, it has a strong portfolio, particularly in the rationalization space. Prizm presents an interesting value proposition for IT decision-makers and business heads who want to understand how to optimize their application portfolio, the impact this will have on business lines, and any business and cost benefits associated with this optimization. While HCL's position as an agnostic service provider – without any ties to one legacy mainframe or application environment – allows it a degree of flexibility, it also needs to prove that it has the new technology to build in. Clients are increasingly asking vendors to migrate them to the cloud, build out mobile applications, or integrate analytics, and while HCL has invested heavily in its mobility offerings, we do not hear enough about its strategy in other areas. However, HCL has invested in its cloud offerings and is integrating these with its B-OPT offerings, which will add to its value proposition. The vendor is aiming its services at a few key verticals, and this, combined with its overall cost play

(though cost is not everything) and strategic contract targeting, should result in further success for HCL in this space in the coming year.

Key messages

- HCL's application rationalization services are boosted by Prizm's application portfolio management and visual mapping capabilities.
- While the vendor is "agnostic", this does not mean that it does not have preferences and better skills in some software areas than others.
- In its application modernization strategy, HCL adds value and faster time to market by integrating its services into a business operating platform transformation service.
- Although HCL is targeting its key verticals, it should expect high competition in banking, financial services, and insurance and healthcare verticals.
- Customers rate integration of new technology almost as important as cost in awarding IT contracts that are up for renewal.

STRATEGY

HCL's Prizm is at the core of its application rationalization services

HCL's approach to application rationalization is to deliver the service as a consulting engagement or as part of a large applications outsourcing engagement and to work on a focused initiative for the overall landscape. In our view, HCL's Prizm is one its main differentiators within its application rationalization portfolio. This application portfolio management tool has integrated analytics capabilities, and it can quickly analyze and map out clients' applications portfolios and identify applications to be scrapped or modernized, consequently indicating cost savings. Of course, this is not the only application portfolio management tool on the market that can provide insights into application rationalization engagements, but Prizm provides key features such as dependency mapping and the ability to create asset inventories.

Business-driven application modernization

In its application modernization services, HCL delivers application rationalization as part of a broader B-OPT service. This takes a matrix approach (i.e., it is primarily focused on how to deliver platforms and modernize applications in accordance with clients' business and industry requirements). HCL's target verticals are banking, healthcare, consumer services, manufacturing, and the public sector. Figure 1 explains the requirements and opportunities that are driving demand for application modernization within these industries. This vertical approach makes sense, given that industries such as banking and healthcare are two of the larger industries demanding application modernization. The vendor will be competing against tier-1 application services players in these two spaces, so its history of expertise and industry-sector knowledge will be important in winning deals (as will, of course, competitive pricing).

Figure 1: Aligning application modernization to industries

Banking	Healthcare and Pharma	Consumer services	Hi-tech and Manufacturing	Public Services
<ul style="list-style-type: none"> Operational efficiency – Reducing CIRs by as much as 45-70% Risk management and regulatory compliance Cross-sell opportunities Leverage mobility and social media 	<ul style="list-style-type: none"> Regulatory changes including US healthcare – Moving from group to individual insurance Outcome-based revenue models in Pharma Distributed clinical research 	<ul style="list-style-type: none"> Contextual marketing Multi-channel commerce Loyalty 	<ul style="list-style-type: none"> Cycle time reductions Analytics embedded into products 	<ul style="list-style-type: none"> Logistics – M&A integration (product, process, and systems) and operational efficiency Airlines – Loyalty programs bringing profits and realtime ops mgmt Government – Leveraging social media and mobility for better citizen services

Source: HCL

HCL also highlights complementary offerings in next-generation technologies such as cloud, analytics, social, and mobile, with a particular emphasis on mobile. A future report will dive further into HCL's (and other vendors') strategies for these technologies. Ultimately, B-OPT is meant to come together as a pre-packaged "platform-as-a-service", which can be quickly deployed to both weed through customers' complex application landscapes and build on top of what is already there.

Partnerships

As part of HCL's application modernization portfolio and go-to-market strategy, its partnerships include:

- Salesforce.com – cloud alliance partner in the top-five for global certifications and customer satisfaction
- IBM – conducts joint delivery of modernization and migration
- Oracle – vertical push around publishing and government sectors
- VMware – collaborating on go-to-market strategy for vFabric, the cloud-ready application platform
- Software AG – industry focus around consumer packaged goods, manufacturing, and logistics.

HCL is an agnostic vendor in terms of legacy applications and mainframes, so building up these partnerships is key, as being agnostic could be a disadvantage to HCL in that it may not have as deep an insight into legacy systems as some of its competitors – notably IBM, HP, and Oracle. However, HCL has an advantage over the likes of IBM from a services perspective. While IBM may advise the

customer to retain its mainframes but modernize its applications, HCL is likely to be more flexible or more ready to volunteer/recommend to migrate the customer to a cheaper Intel x86 platform or even a cloud such as Salesforce.com.

BRIEF CASE STUDY

Bringing a pharmaceutical company to cloud

HCL was brought in to help migrate and integrate a pharmaceutical company's CRM application landscape to the cloud following an acquisition, of which the acquired company's CRM system was highly fragmented with a high total cost of ownership (TCO). Challenges included a lack of a cohesive strategy, tools and applications that were not well integrated, and high costs associated with creating, maintaining, and supporting these processes. Highlights of this engagement include:

- a delivery scope that included 20+ countries
- a total overall engagement of about one year
- main objectives such as rationalizing CRM applications to improve customer service levels, more visibility into KPIs at both regional and global level, and decreased TCO
- outcomes such as a 25% reduction in call resolution time, decreased handling time, faster time to market, and increased operational efficiencies of CRM applications and desktop.

NEXT STEPS

Aggressive targeting

In recent months, it has been clear that HCL, like the rest of its Indian peers, intends to aggressively pursue IT infrastructure and applications management contracts that are coming up for renewal in the next few years, particularly those where the incumbent vendor's troubles are widely public and clients are concerned about the future. It is no secret that some of these contract renewals are more vulnerable than they have been in recent years. If HCL can position itself well with these contracts, it will have more opportunities to push higher value services such as application modernization. At the same time, HCL will pursue strategic application rationalization and modernization engagements, on the basis that its portfolio is strong enough to compete with some of the larger players but at a lower price point.

HCL is also pitching innovation as a key part of these services. As such, it is offering not only the migration, re-architecting, and cost benefits associated with application modernization, but also the opportunity, where appropriate, to integrate new technology such as cloud and analytics as part of the engagement. In Ovum's view, HCL has strong initiatives in mobility, but its analytics would not necessarily be classified in the top tier. In terms of cloud, HCL has invested in cloud implementation and migration as well as in a portfolio rationalization service for cloud adoption, which plays well into its application modernization offerings. It has also integrated areas of its B-OPT with its cloud offerings, further enhancing these services.

RECOMMENDATIONS

Prizm plus competitive pricing makes HCL attractive

Application modernization can be a costly and risky endeavor for clients, and they need to know that their investment will not only provide cost benefits but also enable their business to grow. Prizm's mapping and interface make it easy for IT decision-makers to provide their input and further improve the scope of the modernization engagement. Of course, application rationalization overall is meant to accomplish this, but with the services Prizm can provide beyond these, HCL may find its services are pulled across to other parts of a client's business such as inventory management. Considering HCL's vendor-agnostic stance and flexibility, customers looking for a speedy and competitively priced assessment of their application landscape from a vendor that is also able to undertake the subsequent application modernization should put HCL on their list of potential suppliers.

B-OPT services for faster time to market

HCL's B-OPT services are useful for customers who need to quickly transform their back-end applications to reduce costs and/or update their front-end applications to keep up with rapidly changing market requirements. Banking, healthcare, manufacturing, and public sector organizations should consider HCL's B-OPT services if they are looking for a vendor with knowledge, relationships, and history of serving within these sectors.

APPENDIX

Further reading

On the Case: HCL – Dex One, IT019-003139 (January 2013)

Challenges and Success Factors in Application Modernization Engagements, IT019-003146 (December 2012)

The State of Application Modernization Services, IT019-003145 (December 2012)

Methodology

- First-hand interviews with HCL
- Existing and ongoing Ovum research
- Relevant internal and external secondary sources

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