IDC
Analyze the Future

Sponsored by: **ServiceNow**

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Business Value Highlights

Total discounted benefits over five years

$36.8M

Average return on investment (ROI)

449%

Payback period

7.4 months

Delivering Enterprise Value with Service Management

EXECUTIVE SUMMARY

IDC's analysis of ServiceNow customers using the company's suite of cloud-based service management solutions demonstrates that these customers are creating substantial business value for both their IT operations and their business operations. ServiceNow delivers this value by reducing fragmentation of IT and other environments, automating repeatable processes, and improving service delivery, thereby making employees more productive and IT and business processes more efficient.

IDC calculates that on average, ServiceNow customers interviewed for this study will capture total discounted benefits worth $36.8 million over five years[1]. This means that they will achieve an average return on investment (ROI) of 449%, with breakeven in their investment occurring in 7.4 months, by:

» Enhancing the efficiency and effectiveness of their IT operations, including incident management and change management

» Providing user-friendly interfaces through service catalogs to save employee time when making service and provisioning requests

» Limiting unplanned downtime as a result of having a single consolidated service automation platform

» Easing the burden and reducing the complexity of audits by establishing automated validation controls and having record traceability

» Driving higher user productivity among enterprise users by speeding service requests and fulfillment processes with ServiceNow service management solutions, including applications developed on the ServiceNow platform

[1] This study applies a 12% discount rate when discussing total benefits and costs over the five-year analysis period, whereas annual benefits discussed in this study are not discounted.

IDC
Analyze the Future

Situation Overview

This white paper presents IDC's analysis of the business value that 10 ServiceNow customers are achieving with the company's service management solutions. IDC conducted in-depth interviews with these enterprise customers to understand how ServiceNow is impacting the customers' IT and business operations. These customers represent a variety of use cases and industry experiences. Table 1 provides an aggregated profile of these customers.

TABLE 1

Demographics of Interviewed ServiceNow Customers	
Average number of employees	24,117
Average number of IT staff	1,934
Average number of internal users of IT services	20,964
Average number of ServiceNow administrators	6.5
Average number of months using ServiceNow	33
Industries	Mining, transportation, insurance, managed care, retail, healthcare, financial services, IT service provider, higher education
Countries	United States, Australia, and South Africa

Source: IDC, 2015

Interviewed organizations have unique ServiceNow use cases that reflect their IT and business needs. All interviewed organizations are using the ServiceNow IT Service Automation Suite, which includes incident management, problem management, and change management, and are leveraging the capabilities of the ServiceNow Service Automation Platform. 60% of interviewed customers develop custom applications using the CreateNow Development Suite to address specific challenges and establish strategic advantages. Several customers are using service management applications for service domains such as human resources (HR), facilities, and field service.

On average, the customers interviewed by IDC had been using ServiceNow for nearly three years at the time of their interview. They migrated to ServiceNow from a variety of IT service platforms ranging from IT service management (ITSM) tools offered by other vendors to homegrown tracking efforts based on Excel spreadsheets.

Service Management Trends

» Growth in the consumerization of IT, BYOD, mobility, and virtualization is driving increasingly heterogeneous and hybrid IT environments that are adding significant complexity to IT service delivery and support within the enterprise.

» Business users are becoming more mobile and reliant on self-service technologies; therefore, IT organizations must increasingly leverage advanced, automated service management processes as well as collaboration tools to engage users and empower users to remain relevant and effective in their respective organizations.

» With the proliferation of and easy access users have to consumer-grade/cloud-based applications outside the enterprise, IT's failure to deliver similar experiences in the business environment can foster rogue IT trends such as "shadow IT."

» As business units witness the IT department's gained efficiencies and increased agility via improved process and automation, they increasingly seek their own service management solutions to improve service delivery capabilities across the business.

» Service management software delivered through SaaS will continue to gain traction in organizations of all sizes as customers continue to seek solutions that reduce up-front capital expenditures as well as ongoing maintenance.

ServiceNow Overview

» ServiceNow offers a single cloud-based service automation platform that enables customers to build a single system of record that can be accessed by multiple applications. The platform's underlying architecture allows services and applications to share the same data model and code to assist IT organizations in reducing fragmentation of their IT environments as well as improve service delivery.

» The ServiceNow platform delivers foundational capabilities utilized by all the applications running on top of it — whether the applications are created by ServiceNow, its partners, or its customers. Those platform capabilities include configuration management, knowledge management, collaboration tools, survey management, service-level management, instant application mobility, reporting and analytics, service mapping, and request management available to all service domains via an easy-to-use service catalog.

» ServiceNow is expanding its core capabilities to adjacent markets, including the worldwide system management software management market, which is expected to grow from approximately $17.9 billion today to $24.7 billion by 2018. ServiceNow has

been increasing its capabilities in the areas of orchestration and workflow for automation of processes and technical operations, cloud provisioning of resources on-demand and through self-service, and business service mapping capabilities that add a service orientation to infrastructure discovery capabilities already present in the core ServiceNow platform. The capabilities integrate with the core platform and IT service management to dramatically improve incident management, problem management, and change management capabilities to address issues that are exposed as a result of the integration with IT operations management.

» ServiceNow also supports a broad range of ITIL-compliant functions, including discovery, CMDB population, incident management, change management, problem management, asset management, event management, and release management.

» The ServiceNow platform's application creation and task automation capabilities and single data model are increasingly driving usage of the product outside the IT department and in business functions such as HR and facilities. ServiceNow has entered into several strategic partnerships and introduced product enhancements that bolster service management capabilities across the enterprise.

» Non-developers can build applications that business units can utilize to automate the delivery of their services.

» IT departments and business units alike can transform manual and inefficient service delivery models (often reliant on disparate spreadsheets, email, and point solutions) into automated and user-centric service experiences consisting of online support, forms, knowledge bases, and collaboration technologies.

Business Value of ServiceNow

Interviewed customers repeated a common theme in describing why they chose ServiceNow: They needed a more robust platform that could better support their business. Legacy and homegrown service platforms could no longer deliver the quality of IT services demanded, let alone drive productivity gains among all functions of the business. Several interviewed customers voiced these ideas in describing their choice of ServiceNow, with an IT director at Bristow Group articulating it as:

There was recognition from our executive leadership that the information technology organization needed to be positioned to support the growth of the company. We had several legacy systems and platforms that were past their end of useful life, and the IT leadership recognized the need for modernization.

"There was recognition from our executive leadership that the information technology organization needed to be positioned to support the growth of the company. We had several legacy systems and platforms that were past their end of useful life, and the IT leadership recognized the need for modernization."

Representatives from organizations interviewed reported achieving strong operational efficiencies and employee productivity gains with ServiceNow. All of these organizations cited such gains in terms of IT operations, and most have successfully deployed ServiceNow to support at least some lines of business (LOBs). Respondents ranked automation, IT system consolidation, having a single system of record, and improved IT transparency as among the most significant benefits of ServiceNow (see Figure 1). These choices reflect core value traits of ServiceNow such as service management and improved operational visibility that provide benefits across the organization.

FIGURE 1

Benefits of ServiceNow

■ Top benefit   ■ Second benefit   ■ Third benefit   ■ Fourth benefit   ■ Fifth benefit
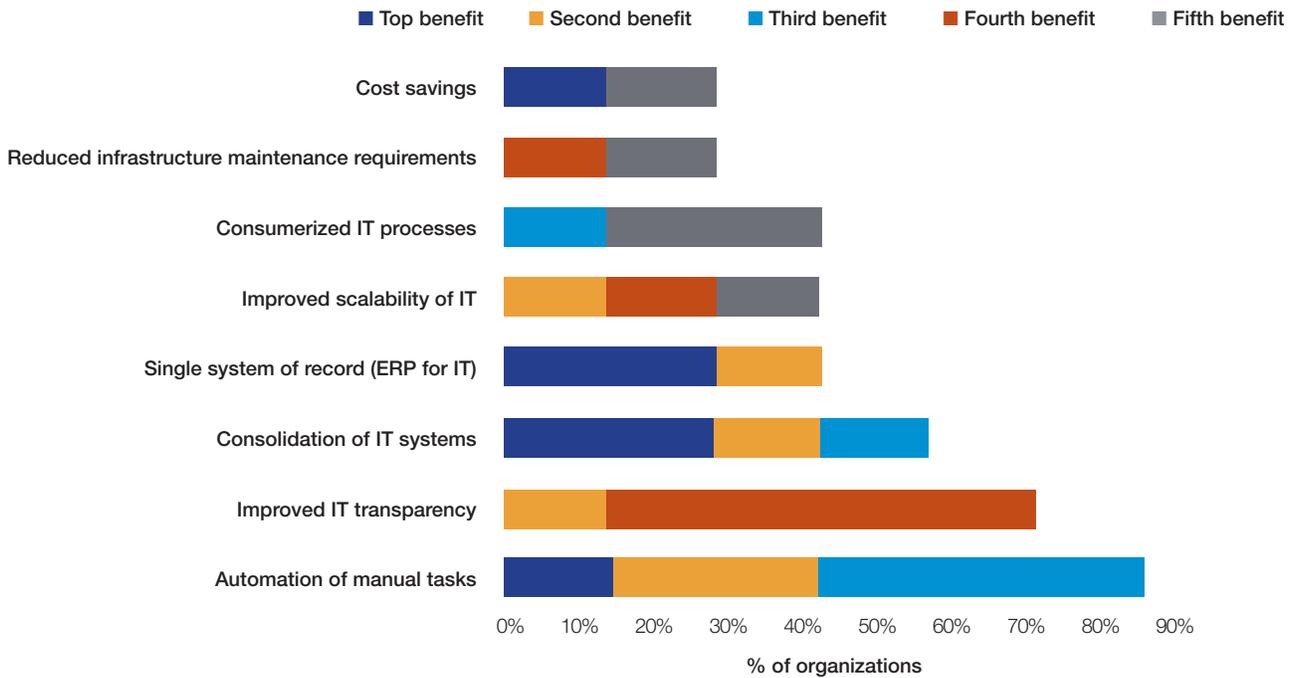
% of organizations

Note: Interviewees were asked to rank the top five benefits of using ServiceNow from a list of potential benefits in order of importance.
Seven interviewed customers provided responses to this question.
Source: IDC, 2015

In general, organizations interviewed for this study initially deployed ServiceNow as a single consolidated IT service automation platform, but most have since extended its use to at least some other service domains. This extension represents the organizations' understanding that ServiceNow benefits can be equally impactful on IT operations and lines of business.

IDC calculates that in total, these customers will achieve benefits worth an average of $10.76 million per organization per year over five years, or $51,336 per 100 users.

Financial Benefits Analysis

Based on data collected during interviews with these organizations, IDC measured the aggregated average financial impact of using ServiceNow. These financial benefits are found in both the IT operational efficiencies created by ServiceNow and its positive impact in terms of enterprise service delivery. In general, organizations interviewed for this study initially deployed ServiceNow as a single consolidated IT service automation platform, but most have since extended its use to at least some other service domains. This extension represents the organizations' understanding that ServiceNow benefits can be equally impactful on IT operations and lines of business. The types of benefits that companies attribute to ServiceNow reflect the increasing prominence of service management disciplines in their use cases, particularly in terms of developing custom applications and using ServiceNow applications designed for specific service domains — HR, facilities, and field services, for example.

IDC calculates that in total, these customers will achieve benefits worth an average of $10.76 million per organization per year over five years, or $51,336 per 100 users of IT services at these customers:

» **IT staff productivity gains:** IT operations, including incident management and change management, have become more efficient and effective because of automation, improved visibility, and repeatable processes enabled by ServiceNow. IDC calculates that organizations will record IT staff productivity benefits worth an average of $5.63 million per organization per year over five years, or $26,871 per 100 users.

» **Minimizing burden of risk:** Organizations experience less productivity-impacting downtime and must devote fewer resources to meeting audit requirements with ServiceNow. IDC calculates that resulting employee productivity gains and cost savings are worth an average of $2.77 million per organization per year over five years, or $13,194 per 100 users.

» **Higher employee productivity:** Line-of-business employees have become more productive because processes surrounding areas such as service requests, incident management, procurement, and onboarding are improved as a result of automation, repeatable processes, and improved operational visibility. IDC calculates that this increased productivity is worth an average of $1.88 million per organization per year over five years, or $8,970 per 100 users.

» **Lower IT infrastructure costs:** Customers are leveraging their use of ServiceNow to reduce datacenter-related costs as well as license and maintenance costs. IDC projects that these customers are capturing cost savings worth an annual average of $482,426 per organization over five years, or $2,301 per 100 users (see Figure 2).

FIGURE 2

Average Annual Benefits ($ per Customer)
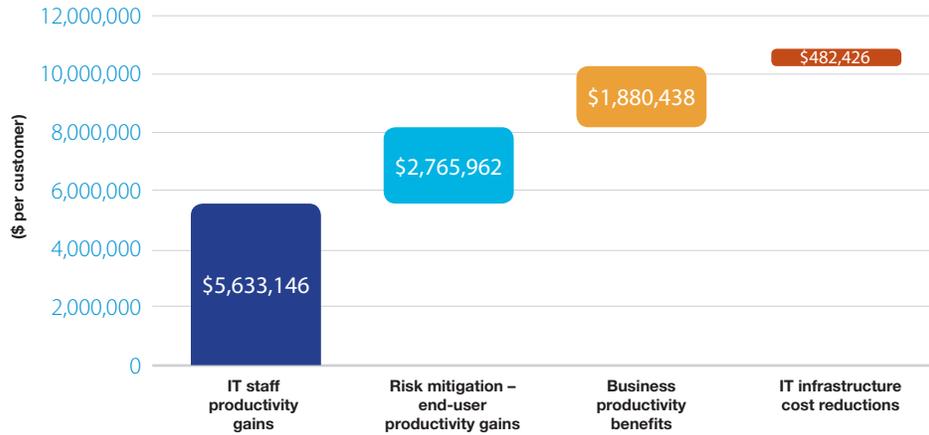
Total: $10.76 million per year per customer

Note: Average annual benefits are not discounted in this study.
Source: IDC, 2015

IT Staff Productivity Gains with ServiceNow

Interviewed organizations are capturing substantial value in their IT operations as a result of IT staff efficiencies and increased staff productivity delivered by ServiceNow, particularly its IT Service Automation Suite. With ServiceNow in place, IT teams can do more without commensurate staff increases while also becoming more valuable to the businesses they support by enabling business growth, offering improved IT scalability, and making it easier to integrate acquired entities. IDC calculates these IT staff-related benefits to have an average annual value of $5.63 million per organization over five years, or $26,871 per 100 users.

ServiceNow drives value for IT staffs by delivering a single platform that enables users to build a single system of record for IT. As a result, organizations are able to integrate previously disjointed IT operations, create robust and reliable workflows, and adopt ITSM best practices. These types of improvements allow IT staff to work much more efficiently, free up time for innovative and business-enabling activities, and help IT teams better establish themselves as partners to the lines of business they support. An IT director at the University of Sydney explained the benefits of moving to ServiceNow:

We had an on-premise incident management system that we were using that wasn't meeting our needs. The intent with ServiceNow was for us to move toward a tool that had stronger workflow and the ability to put in place a self-service capability as well as the ability to push out knowledge elements to customers with a broader set of functionality more in line with where we want to take our organization.

These efficiencies and improvements in process have changed users' perceptions of IT departments at several interviewed organizations. An IT manager at a U.S. financial services company explained: "*After we deployed ServiceNow, the IT organization became the guys to follow*." Such a change in sentiment increases LOB comfort with using IT services and helps position IT as a value provider. With ServiceNow in place, several organizations have undertaken significant efforts to change how IT services are provided. For example, a senior manager at a global financial services company credited ServiceNow with enabling a corporate initiative to bring IT talent back in-house.

The customers' use of ServiceNow has enabled substantial efficiencies for their incident management operations, an important benefit given the resources these organizations devote to incident management operations. IDC calculates that on average, the organizations' incident management teams have become 46.6% more productive with ServiceNow in place (see Figure 3). As a result of automated workflows and improved operational visibility, these teams can handle more incidents without corresponding growth to staff or have cut the average time it takes their team to handle an incident. An IT manager at an international financial institution said that ServiceNow has enabled his team *"to handle about 100% more incidents, and that's a very low estimate."* The vice president of global operations at an international resources company praised the impact of ServiceNow on incident management operations, saying: *"In the past, tickets were not logged in the system and people just tried to grab an IT guy in the hall or keep calling him. It's so much easier now to go and look online."* An IT manager at Equinix summarized how ServiceNow has affected Equinix's IT operations: *"We have become a lean and mean ITIL shop with a rock-solid incident and problem management system in place with ServiceNow."* According to an IT manager at REI, ServiceNow has helped make REI's IT process considerations more proactive: *"Previously, we spent a lot of time trying to resolve issues, trying to make a tool work better for us. Now, the conversation has moved almost entirely to process improvement. This means we're able to do things we weren't able to do before."*

"We had an on-premise incident management system that we were using that wasn't meeting our needs. The intent with ServiceNow was for us to move toward a tool that had stronger workflow and the ability to put in place a self-service capability as well as the ability to push out knowledge elements to customers with a broader set of functionality more in line with where we want to take our organization."

"We have become a lean and mean ITIL shop with a rock-solid incident and problem management system in place with ServiceNow."

FIGURE 3

Average Productivity Gain by IT Service Area with ServiceNow

(% productivity/efficiency gain)

33.1%	43.7%	46.6%
Change management	Problem management	Incident management
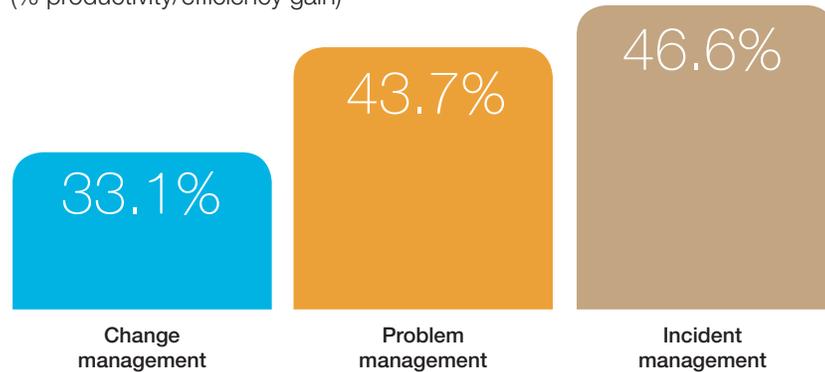
Source: IDC, 2015

Customers are also capturing IT operational efficiencies in areas such as change management, problem management, and release management. For several organizations, the ability to develop custom applications within the ServiceNow platform to support these operations has been critical to recording these improvements. By leveraging custom applications and ServiceNow integration capabilities, organizations can provide IT services that match their maturity levels and thereby gain higher user acceptance. The IT manager at REI explained the benefits of application customization with ServiceNow: *"We do a lot of growing into a process by customizing something while we grow into our ability to move into the formal app."* Customers also reported leveraging automation and workflows with ServiceNow to achieve staff time savings in areas such as password reset and management of their configuration databases.

In addition to specific areas of impact within IT teams, ServiceNow Performance Analytics has enabled the collection of better and more actionable information about IT operations. A financial institution explained: *"Before ServiceNow, everything was done in a best-effort manner. Now, we have great reporting capabilities, and people see what is really going on with incident management. For us, this means that if you can measure it, you can manage it."* Other customers referenced the business value of putting more and better information in front of business decision makers: An IT manager at a major insurance company noted: *"With ServiceNow, a consistent, standard report is being used by all officers, so decisions across the organization are being made from a common ground."*

Minimizing Burden of Risk with ServiceNow

Interviewed organizations reported that ServiceNow provides them with a more robust, reliable platform for IT and other LOB operations and is easing the burden of meeting audit requirements. IDC projects that ServiceNow is providing value to these customers worth an average of $2.77 million per organization per year for five years, or $13,194 per 100 users, by helping them avoid the loss of productive employee time and trimming costs associated with their compliance efforts.

A number of customers used ServiceNow to replace diffuse and unstable legacy IT service platforms that were neither sufficiently reliable nor robust. As a result, these legacy platforms were subject to frequent and lengthy outages that left users without access to important IT and other business applications. ServiceNow has helped organizations reduce the frequency of unplanned downtime on their service platforms (38.5% fewer unplanned downtime instances) and resolve downtime faster (21.4% faster resolution).

The increase in reliability and availability with ServiceNow is based on several factors, including the consolidated nature of the ServiceNow platform, use of a single-instance architecture, security of customer data in ServiceNow's enterprise-grade cloud architecture, compliance with industry standards, and having better information about incidents and changes. The IT manager at the major insurance company praised the reliability of the ServiceNow architecture: *"Having ServiceNow come in with a code base that's designed for integration, a code base that's software as a service, that we don't have to take a lot of downtime for what the vendor's doing, that's just added frosting on the cake."*

ServiceNow is also helping organizations lessen the challenge of meeting audit requirements. With ServiceNow in place, organizations that need to prepare for audits can leverage automation and data traceability to greatly reduce the amount of time spent in preparation. ServiceNow customers said that by using definitions and scripts, they are avoiding time-consuming and laborious processes they had to follow with their legacy platforms while reducing the overall complexity of complying with audits. In addition, the ServiceNow IT Governance, Risk and Compliance application helps customers meet compliance requirements by documenting and enforcing policies and creating remediation plans for non-compliance. Organizations also benefit from being more certain that they are meeting audit requirements and lowering costs associated with hiring external auditors. For organizations in industries with burdensome audit requirements, deploying ServiceNow has proved to be a boon to their compliance efforts (see Table 2).

"Having ServiceNow come in with a code base that's designed for integration, a code base that's software as a service, that we don't have to take a lot of downtime for what the vendor's doing, that's just added frosting on the cake."

TABLE 2

Risk Mitigation Benefits with ServiceNow				
	Before ServiceNow	**After ServiceNow**	**Benefit**	**Advantage (%)**
Unplanned Downtime				
Unplanned downtime instances per year	111.16	68.38	42.78	38.5
Hours per unplanned downtime instance	4.44	3.49	0.95	21.4
Productive hours lost per year per user	12.46	6.59	5.87	47.1
Audit Operations				
Audit team productivity gain (%)			38.3	38.3
External audit spending per year ($)	98,125	30,575	67,550	68.8

Note: Table 2 represents averages across the 10 ServiceNow customers interviewed for this study.
Source: IDC, 2015

> Customers have achieved higher employee productivity levels in business functions across the organization because of ServiceNow service management capabilities. The same qualities that create efficiencies in the delivery of IT services drive higher productivity outside IT, including automation, reusing validated information through the ServiceNow Knowledge Base, and repeatable processes.

Higher Employee Productivity with ServiceNow

Customers have achieved higher employee productivity levels in business functions across the organization because of ServiceNow service management capabilities. The same qualities that create efficiencies in the delivery of IT services drive higher productivity outside IT, including automation, reusing validated information through the ServiceNow Knowledge Base, and repeatable processes. In addition, ServiceNow has enabled organizations to "consumerize" service delivery through interfaces such as the ServiceNow Service Catalog. User-friendly and accessible interfaces supported by automated workflows encourage employees to make use of service platforms, thereby enabling efficiencies and minimizing the time needed to address mistakes and carry out follow-up efforts. IDC calculates that in total, these productivity benefits have an average annual value of $1.88 million per organization over five years, or $8,970 per 100 users.

Employee Efficiencies Driven Through Service Management for IT

Customers interviewed for this study have leveraged IT service management with ServiceNow to capture efficiencies, time savings, and productivity gains outside their IT departments. Two prominent examples of these types of efficiencies are user time savings through the use of Service Catalog and higher employee productivity through improved IT support capabilities:

» **Service Catalog:** Customers using Service Catalog reported that their employees spend 92.9% less time on service and provisioning requests. Time savings are relatively small per instance but accumulate quickly, with an average of 52,000 requests made through their service catalogs per year. A U.S. financial institution noted that it *"used to have about the equivalent of six full-time employees on hold on the help desk"* at all times, an inefficiency it has nearly eliminated with its service catalog.

» **Higher productivity with IT support:** Improved IT service levels achieved with ServiceNow benefit user productivity, especially when users' perceptions of an organization's IT capabilities evolve. CareWorks' CIO provided an example of a company unit with many remote workers. He explained: *"Before ServiceNow, the whole model was broken, and often these remote employees didn't want to talk to IT, and IT couldn't help them. By doing a full IT integration with MobiChord to support a BYOD program on ServiceNow, we've increased their productivity by at least 10–20%."*

Service Management Productivity Increases Across the Business

A number of interviewed organizations also reported achieving efficiencies and driving employee productivity for lines of business with ServiceNow service management capabilities. In essence, these customers have taken the ServiceNow service model used by their IT departments and applied it where beneficial to other areas of enterprise services. The use of ServiceNow in other service domains has occurred both by design and as a result of feedback from users asking about the possibility of using ServiceNow to support their own service operations. As with IT services, ServiceNow helps companies realize value in other functions of the business by creating efficiencies and driving productivity gains through automated, more consistent processes and workflows.

These customers are realizing efficiencies with ServiceNow in terms of process improvements for the delivery of services and handling of procurement requests. For example, the efficiency of onboarding new employees depends on providing them with equipment and support in a timely fashion. By extending ServiceNow to processes related to onboarding these employees, surveyed organizations are reducing the average time to onboard a new employee by 62% (see Table 3).

TABLE 3

Business Productivity KPIs

	Before ServiceNow	After ServiceNow	Benefit	Advantage (%)
New Employee Onboarding				
Number of new employees onboarded per year	337	337		
Average number of days to onboard a new employee	11.83	4.50	7.33	62.0
Total productive hours lost per year during onboarding of new employees	31,884	12,125	19,759	62.0
Service Catalog				
Number of requests per year	58,307	58,307		
Time per request (hours)	0.646	0.046	0.600	92.9
Total hours of requests per user	5.258	0.373	4.885	92.9

Note: Table 3 represents averages across the 10 ServiceNow customers interviewed for this study.
Source: IDC, 2015

ServiceNow customers said they are benefiting from the ease of creating new applications within ServiceNow. Interviewed customers have gone from creating few, if any, custom applications with their previous ITSM platforms to an average of seven applications per year with ServiceNow. These applications often provide the basis for greater efficiencies with ServiceNow in the IT arena and enable the use of its service management capabilities across all service domains.

ServiceNow customers also said they are benefiting from the ease of creating new applications within ServiceNow. Interviewed customers have gone from creating few, if any, custom applications with their previous ITSM platforms to an average of seven applications per year with ServiceNow. These applications often provide the basis for greater efficiencies with ServiceNow in the IT arena and enable the use of its service management capabilities across all service domains. Customers reported leveraging ServiceNow to save time associated with an average of 7,333 HR requests, 515 finance requests, and 719 facilities requests per year.

Customers interviewed for this study described a number of use cases for ServiceNow in the lines of business:

» **Omnicare**, a provider of pharmaceutical services, has used ServiceNow to automate the monitoring of the robots it depends on to dispense drugs to pharmacies. Omnicare can now better escalate maintenance issues with these robots as they arise and has established triage rules to ensure that the right person is notified when problems occur. As a result, Omnicare's robots are being repaired faster, engineer time is saved, and Omnicare's robots have higher availability to support the company's business.

» **A United States–based financial institution** is using ServiceNow to cover its financial services, agency services, and customer complaint centers. The impetus for using ServiceNow in these areas came from employees asking about improvements made by the IT department with ServiceNow. Employees in these areas are now benefiting from having a familiar, customer-friendly interface for ordering the supplies and services they need to perform their jobs. As the IT manager at this institution explained: "I haven't needed to buy a workflow system for the financial service center or a complaint management system for the complaint management group."

» **REI**, a leading U.S. retailer of outdoor recreation gear, is using the ServiceNow platform to support activities of certain service domains. Teams such as HR and facilities are using ServiceNow to process and resolve inquiries and requests more efficiently. REI is also leveraging ServiceNow to support teams responsible for interacting with customers. For example, its business analysts are reclaiming time by deploying a customer feedback application on ServiceNow. Because this application pulls in all needed data, normalizes and transforms the data, and puts the data into a user-friendly output, these analysts spend much less time searching for information about comments or feedback left by customers on the company's Web site. Beyond saving valuable employee time, this enables REI to respond to customer feedback more effectively.

» **Bristow Group,** a provider of offshore helicopter transport services, uses ServiceNow to support fleet support services for its maintenance engineers. Use of ServiceNow has improved Bristow Group's overall fleet maintenance operations, which ensures maximum fleet availability and safety.

> IDC heard from several interviewees that ServiceNow Asset Management has given their organizations visibility into areas such as device and software use to identify where overprovisioning is occurring. One customer said: "We just didn't know what we had out there before deploying ServiceNow."

Lower IT Infrastructure Costs with ServiceNow

Customers interviewed for this study also reported IT-related cost savings with ServiceNow. Consolidating IT service operations on the ServiceNow platform has enabled organizations to decommission legacy platforms and ITSM solutions. Further, several organizations reported that ServiceNow has helped minimize their reliance on outsourced IT services, thereby delivering the dual benefits of reducing costs and helping them prioritize the "in-housing" of IT talent to drive their businesses. IDC puts the value of these cost savings at an annual average of $482,426 over five years per organization, or $2,301 per 100 users.
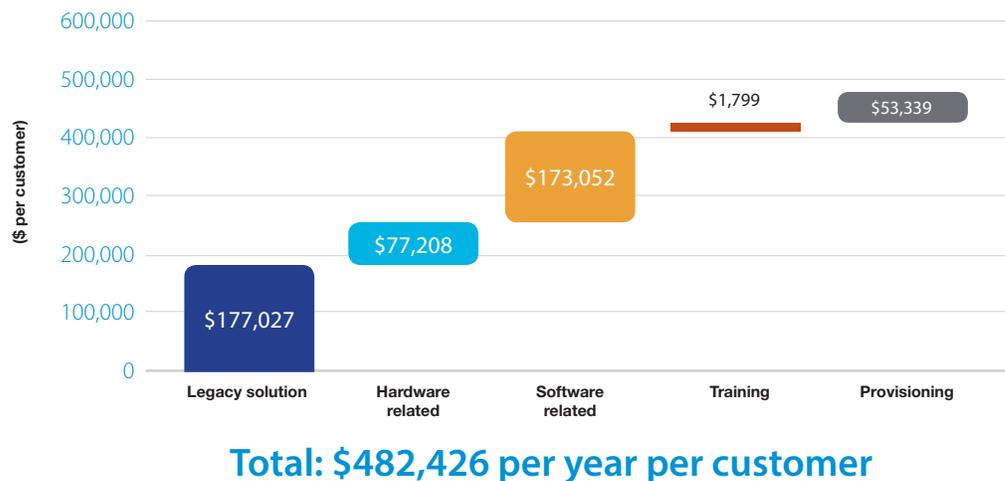
Customers are saving on hardware- and software-related datacenter expenses by using ServiceNow as a cloud-based solution. Organizations that move legacy IT service platforms out of their own datacenters can reclaim servers, avoid software costs, and redirect IT staff time to better support business innovation. In addition, these companies can use ServiceNow

products to manage their own datacenters more efficiently, thereby reducing capital and operating expenses.

In addition, IDC heard from several interviewees that ServiceNow Asset Management has given their organizations visibility into areas such as device and software use to identify where overprovisioning is occurring. One customer said: *"We just didn't know what we had out there before deploying ServiceNow."* Because of the operational visibility these organizations now have with ServiceNow, they can identify areas where they can potentially achieve savings and better match their provisioning to actual business need (see Figure 4).

FIGURE 4

Average Annual IT Infrastructure Cost Savings ($ per Customer)

Total: $482,426 per year per customer

Source: IDC, 2015

According to CTO Bart Murphy, CareWorks deployed ServiceNow as a core component of this strategy after realizing that its functionality extended well beyond IT operations. Murphy explained that, after reviewing and testing ServiceNow, CareWorks concluded that it "could use ServiceNow as an 'ERP for IT' and therefore facilitate the entire shared services strategy that it needed to deploy."

Customer Case Studies

CareWorks: ServiceNow as the Foundation for Re-Envisioning Delivery of IT Services

The CareWorks Family of Companies provides claims and medical management services for workers' compensation, disability, and integrated absence management for companies in Ohio. In 2011, CareWorks ended more than a decade of outsourcing its core IT services to a managed services provider and concentrated on developing internal IT capabilities to support its business. According to CTO Bart Murphy, CareWorks deployed ServiceNow as a core component of this strategy after realizing that its functionality extended well beyond IT operations. Murphy explained that, after reviewing and testing ServiceNow, CareWorks concluded that it *"could use ServiceNow as an 'ERP for IT' and therefore facilitate the entire shared services strategy that it needed to deploy."*

Murphy said that a significant benefit to his company of using ServiceNow is its impact on how employees view IT and their satisfaction with IT services. Murphy acknowledged that surveys of user satisfaction with IT before the deployment of ServiceNow showed that *"we had fairly low numbers across the board."* However, with ServiceNow in place, CareWorks has created user-friendly, customizable, and repeatable processes that make employees more comfortable with using IT and leveraging it to their advantage. Murphy cited one team of remote workers in particular who struggled to get the IT support they needed before the deployment of ServiceNow. Now, those employees proactively engage the IT team, and Murphy attributed a 10–20% productivity gain to this 100+ person team as a result.

ServiceNow has also had a positive impact on CareWorks' audit operations. CareWorks operates in a highly regulated industry and must meet extensive and ongoing audit requirements. Murphy explained that his company is using the ServiceNow IT Governance, Risk and Compliance application to automate tasks and controls to create full traceability to changes and other actions. This not only allows CareWorks to avoid hiring at least another 1.5 employees for its audit team and save over $125,000 per year in external audit costs but also provides CareWorks with the confidence that it can meet strict compliance requirements. Murphy noted that ServiceNow has helped CareWorks ensure that it meets a company policy that requires departing employees to be completely offboarded within 24 hours and provides CareWorks with the necessary documentation that it has met this requirement.

Murphy also credited ServiceNow with delivering substantial IT staff efficiencies and productivity gains. He explained that with ServiceNow, "we're obviously able to take on more incidents and resolve them faster" without adding staff. For example, in 2013, CareWorks handled 76% more incidents and resolved incidents 45% faster on average than in 2012. Changes are also delivered faster; ad hoc database updates took up to a week before ServiceNow; they were completed in an average of less than two hours by mid-2014, allowing employees who benefited from these changes to capture additional productivity.

Murphy stressed that ServiceNow has become an important part of his company's overall IT and business strategies, including providing a platform for integrating new acquisitions in as little time as possible. In addition, he believes that CareWorks will realize further audit, business, and IT efficiencies as his company continues to standardize operations on the ServiceNow platform.

Omnicare: Using Service Management to Support Critical Business Operations

Omnicare, the largest institutional pharmacy provider in the United States, dispenses drugs to nursing homes, assisted-living centers, and other long-term care facilities in the United States

and Canada. In total, it serves facilities with more than 1 million patient beds. Kim Liston, senior director of service delivery at Omnicare, explained that her organization has expanded its use of ServiceNow in the past few years from its initial focus on improving its IT support operations to improving core business operations with service management.

According to Liston, Omnicare first used ServiceNow to create IT efficiencies and change the culture of its IT support operations by instituting "gamification" with ServiceNow. Omnicare accomplished this by implementing a game within the ServiceNow platform that engaged its IT support staff and rewarded superior IT staff performance. Liston said that ServiceNow gamification paid immediate dividends by improving IT service levels: *"We could start to demonstrate measurable improvements in our service and delivery goals. So we were able to use this gamification within ServiceNow to get people excited about their jobs, and we have been sustaining incredible service levels from our IT staff through today."* According to Liston, the abandonment rate for users contacting IT has decreased by 90% since Omnicare began its gamification effort, and its IT team is now able to handle approximately two times as many contacts through calls, etickets, and service catalog tasks without a commensurate increase in staff level.

Omnicare has since moved ServiceNow beyond its IT operations to support business operations, including pharmacy automation. Liston said that Omnicare has automated monitoring and event management in ServiceNow for the robotics technology that is used in its pharmaceutical hubs throughout the United States. With ServiceNow supporting these operations, Omnicare can now better escalate management issues with the robots as these issues arise and has established triage rules to ensure that the right person is notified when problems occur. As a result, Omnicare's automated technology is being repaired faster, its 40-member engineer team is saving time, and there is higher availability of the critical equipment that the company relies on to distribute drugs to its skilled nursing facilities and assisted-living communities.

In addition, Omnicare has customized the ServiceNow HR Service Automation application to support its HR team's efforts. Liston explained that this ServiceNow plug-in benefits Omnicare's HR team by automatically directing employee inquiries and contacts to the right team members. In addition, all of the interactions between the HR team and the employees are captured and tracked with ServiceNow, which gives Omnicare better visibility to improve its HR management efforts. In addition, Omnicare has automated its employee onboarding process through the ServiceNow Service Catalog, and electronic interfaces between its HRIS and ServiceNow trigger workflows and the automatic creation of internal accounts as well as the ability to select and order IT and other equipment, saving time for HR staff and new employees.

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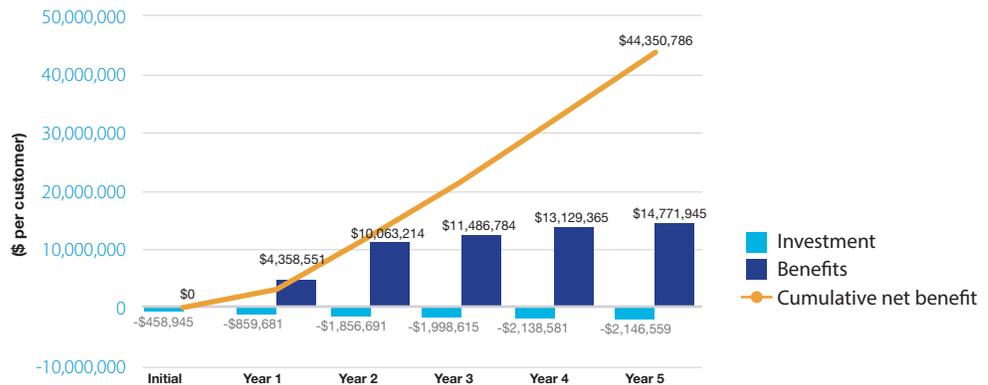
ROI Analysis

IDC used direct interviews with customers to determine the financial impact of the use of ServiceNow. IDC uses a discounted cash flow methodology to calculate the return on investment and payback period. ROI is the ratio of the net present value (NPV) and discounted investment. The payback period is the point at which *cumulative* benefits equal the total investment up until that time.

Cost-Benefit Analysis

IDC assessed the costs, benefits, and value associated with the use of the ServiceNow suite of cloud-based service management solutions by the 10 organizations interviewed for this white paper and projected the benefits and costs associated with their use over a five-year period (see Figure 5). The costs and benefits by year depicted in Figure 5 are not discounted. Based on this analysis, IDC projects that these organizations will spend an average of $1.80 million per organization per year ($8,586 per 100 users) for five years and $458,946 per organization initially ($2,189 per 100 users initially) on ServiceNow licenses, training, external consulting, development, and maintenance. IDC calculates that in return, these organizations will achieve an average of $10.76 million in benefits per organization per year over five years, or $51,336 in benefits per 100 users. This means that IDC expects the average organization surveyed to realize a cumulative net gain of $44.35 million over five years, or $211,561 per 100 users.

FIGURE 5

Cost-Benefit Analysis per Customer

Note: Benefits and investment costs depicted in Figure 5 are not discounted.
Source: IDC, 2015

Five-Year ROI Analysis

Table 4 provides IDC's five-year ROI analysis for the organizations' use of ServiceNow. The analysis shows that the average organization interviewed for this white paper will spend $6.71 million (discounted) per organization over five years, or $31,990 per 100 users, and in return capture $36.82 million in discounted benefits over five years, or $175,618 per 100 users. This results in a net present value for the average organization of $30.11 million over five years, or $143,628 per 100 users, meaning that the average organization will break even on its investment in ServiceNow in 7.4 months and achieve an ROI of 449%.

TABLE 4

Five-Year ROI Analysis

	Average per Organization	Average per 100 Users
Benefit (discounted)	$36.82 million	$175,600
Investment (discounted)	$6.71 million	$32,000
Net present value (NPV)	$30.11 million	$143,600
Return on investment (ROI)	449%	449%
Payback period	7.4 months	7.4 months
Discount rate	12%	12%

Note: Benefits and investment costs are discounted by 12% per IDC's methodology for all numbers in Table 4.
Source: IDC, 2015

Challenges/Opportunities

ServiceNow's comprehensive and automated approach to service management stands to reduce the complexity and cost associated with delivering optimal IT resources and business-related services across the enterprise. As a result, this allows IT executives to attribute fewer resources toward manual tasks and focus more on becoming strategic business partners, driving technology adoptions that directly result in increased business efficiencies.

However, many organizations have made significant investments in point products such as standalone IT service desk solutions and departmental ERP systems and may be content with leveraging them to address specific business functions.

Therefore, potential customers must understand the value proposition of ServiceNow's unified platform in providing process continuity as well as optimizing the collection, management, and utilization of information across the entire organization within a single system of record.

Challenges

» Process maturity can vary widely between IT organizations, with many struggling to optimize their own internal service management workflows.

» Overcoming cultural changes within IT organizations is often a roadblock in maturing service delivery models and thus can limit the IT staff's ability to address business-focused imperatives.

» Effectively executing service management concepts in new service domains will often require IT staff to translate ITSM terminology into business language, specifically within the context of the service management solution.

» With IT budgets generally remaining flat, IT buyers are increasingly seeking service management solutions that not only provide advanced service delivery capabilities but also enable them to lower the product's total cost of ownership (TCO).

» Industry-specific knowledge is often required when implementing service delivery models in line-of-business units, particularly those operating within verticals such as healthcare and government.

Opportunities

» As businesses increasingly rely on rapidly changing technology to remain competitive, IT executives will find a greater need to position themselves as strategic business partners and drive technology adoptions that directly result in improving business processes and productivity.

» As IT organizations continue to mature their processes and automate operational workflows, they can begin to foster additional business value by applying the IT service model to line-of-business units.

» The robust professional services and established partner ecosystem of ServiceNow allows IT organizations to ensure successful product implementations, and available integrations can optimize service management processes.

Recommendations

» IDC believes that as a wide range of systems and services are increasingly provided in hybrid delivery models, decentralized management tools and manual processes will become more and more inefficient and will challenge an organization's ability to effectively capture and utilize critical data.

» For IT executives to overcome the challenges associated with adopting new technologies, they must leverage solutions that provide advanced automation capabilities to allow them to optimize IT and business productivity and reduce the complexity and cost associated with managing IT systems and services.

» IT organizations will increasingly be expected to advance their IT service and operations management maturity to increase their focus on initiatives that directly align with business imperatives.

» By propagating service management models across the enterprise while simultaneously leveraging a single system of record, IT organizations can significantly enhance their business value proposition by enabling companywide process and knowledge continuity.

Conclusion

A number of trends are converging to make service management more important to all service domains. The automation of service has become a core way for IT departments to efficiently deliver their work in increasingly heterogeneous and hybrid environments. Meanwhile, as business leaders better understand the potential value of service management for their teams, they want to leverage automated processes to maximize their employees' productivity and ability to engage their customers.

IDC's research shows that ServiceNow customers are achieving substantial business value with the company's cloud-based service management solutions for both their IT operations and their business operations. As these customers have reached higher levels of maturity in automating IT processes, they are increasingly extending their use cases of ServiceNow to all service domains to improve critical business operations and make users more productive.

Appendix: Research Method

IDC utilized its standard ROI methodology for this project. This methodology is based on gathering data from current ServiceNow users as the foundation for the model. Based on these interviews, IDC performs a three-step process to calculate the ROI and payback period:

» Measure the savings from reduced IT costs (staff, hardware, software, maintenance, and IT support), increased user productivity, and improved revenue over the term of the deployment.

» Ascertain the investment made in deploying the solution and the associated training and support costs.

» Project the costs and savings over a five-year period and calculate the ROI and payback for the deployed solution.

IDC bases the payback period and ROI calculations on a number of assumptions, which are summarized as follows:

» Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings.

» Downtime values are a product of the number of hours of downtime multiplied by the number of users affected.

» The impact of unplanned downtime is quantified in terms of impaired end-user productivity and lost revenue.

» Lost productivity is a product of downtime multiplied by burdened salary.

» Lost revenue is a product of downtime multiplied by the average revenue generated per hour.

» The net present value of the five-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.

Because every hour of downtime does not equate to a lost hour of productivity or revenue generation, IDC attributes only a fraction of the result to savings. As part of the assessment, IDC asked each company what fraction of downtime hours to use in calculating productivity savings and the reduction in lost revenue. IDC then taxes the revenue at that rate.

Further, because IT solutions require a deployment period, the full benefits of the solution are not available during deployment. To capture this reality, IDC prorates the benefits on a monthly basis and then subtracts the deployment time from the first-year savings.

Note: All numbers in this document may not be exact due to rounding.

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