

MARKET CHALLENGERS

SoftwareOne: Tackling the digital dichotomy through self-funded innovation

HFS has identified widespread Tier 1 fatigue in our conversations with enterprise clients, which show a growing appetite to partner with providers beyond established market leaders. They seek partners that can be more agile, deliver personalized solutions, and, in many cases, do it all at an improved price point. To that end, HFS has launched the Challenger Series to identify, evaluate, and highlight leading Tier 2 providers in the IT services space.

Authors:

Sam Duncan, Practice Leader

Tom Reuner, Executive Research Leader and Head of EMEA

At a glance



2000
established



Switzerland
HQ



\$900 million
revenue



9,000+
employees

The latest firm to receive the coveted Challenger accolade from HFS is SoftwareOne, thanks to its ability to help enterprises self-fund innovation while embracing innovations such as cloud. It helps organizations grapple with what HFS calls the Digital Dichotomy. At a time when the macroeconomic environment is forcing enterprises to balance the big hurry to innovate with the need to tighten belts, SoftwareOne's portfolio of offerings comes together to enable enterprises to self-fund their digital investments, allowing them to delve deeper into their innovation projects and drive new efficiencies and competitive advantages throughout their business.

SoftwareOne was founded in 2000 as Softwarepipeline to help clients buy and manage software licenses—which was less straightforward more than two decades ago! Since its inception, the vendor has completed more than 20 acquisitions, notably merging with Swiss software licensing firm Microware in 2005 and acquiring SoftwareOne in 2006, ultimately taking its name. Years of steady corporate development followed, during which

SoftwareOne pushed international expansion. Following an investment by private equity firm KKR in 2014, M&A activity accelerated, culminating in a slew of acquisitions since 2019. Today, the company boasts over 9,000 employees and focuses on delivering end-to-end software, cloud, data, and AI solutions for clients globally.

SoftwareOne leverages its heritage in IT asset and portfolio management to drive expanding capabilities

SoftwareOne stands out with a rare value proposition of blending purchasing and managing software. The company leverages many touchpoints from its heritage in software licensing to assert that clients have the proof points for SoftwareOne helping them take costs out of their business. Verifiable client success gives SoftwareOne the landing patch for pitching a much broader services-centric value proposition, including cloud migration, application modernization, and AI solutions.

SoftwareOne's portfolio focuses on the following areas:

- **Data and AI:** Data Foundations Services is a comprehensive suite of services designed to establish, standardize, and optimize an organization's data infrastructure; Analytics and AI Services leverages analytics tools and AI models to transform raw data into actionable insights.
- **Application services:** SoftwareOne's application services leverage its heritage in application portfolio management and benchmarking and its recent investments in cloud-native development and SAP services.
- **Cloud services:** SoftwareOne has a strong focus on automation through DevOps transformation, with strength around observability, GitOps, and platform engineering. For SoftwareOne, FinOps is the logical evolution of its heritage in software licensing. The evaluation process starts with reviewing and assessing clients' existing processes, roles, and responsibilities to benchmark their cloud maturity through data analysis and stakeholder feedback.
- **Digital workplace:** Focusing on Microsoft and Google capabilities, the digital workplace encompasses a variety of services enhancing productivity, security, and cost-effectiveness.

Despite its heritage in software licensing, SoftwareOne tends to lead client conversations with advisory services. Those advisory engagements often begin from a budgetary standpoint, what it calls the innovation flywheel, which supports self-funding by reducing licensing costs and reinvesting those savings into the innovation process.

SoftwareOne's business today extends far beyond software

While maintaining its software roots, SoftwareOne has significantly extended its portfolio of offerings to support enterprises across its digital transformation journey. Today, the provider boasts capabilities covering cloud, data, and AI services, which offer a unique proposition for enterprises in combination with its portfolio management offerings.

Building on its commitment to building new offerings, SoftwareOne has nurtured partnerships with the leading cloud providers and developed capabilities covering cloud migration services, managed services, and security. The provider advises that it has migrated over 10 million users to the cloud and has approximately 1,300 long-term managed services clients, demonstrating its impressive growth in the market. In addition, SoftwareOne has developed Data Foundations Services and Analytics and AI Services, supporting enterprises' AI and data initiatives end-to-end. For example, SoftwareOne can support clients in establishing and optimizing a proper data infrastructure, all the way to deploying AI and analytics to enable data-driven decisions, automate complex tasks, and deploy unique solutions.

SoftwareOne's capabilities also extend to SAP and digital workplace services, hosting 6.9 million active users across 3,400 clients.

The secret sauce of SoftwareOne comes when it's all pulled together

While its capabilities suite may not be unique on its own, SoftwareOne's true value proposition is realized when enterprises leverage its full spectrum of offerings. SoftwareOne calls this the SoftwareOne Flywheel, where its IT portfolio management services provide the time and cost savings needed to justify investments into cloud, AI, and data initiatives—effectively self-funding innovation.

This approach is enabled by focusing on portfolio rationalization and a pragmatic approach to guiding migration and modernization decision making. SoftwareOne facilitates its projects by blending strong expertise in monitoring with financial management. It covers the gamut from IT asset management to observability to FinOps. Its strength lies more in technology transformation services and optimization than business transformation consulting.

Client case studies

Case study 1: Panasonic

Delivered



Migrated its data center and 11 business locations

Outcomes



50%
cost savings



75%
faster provisioning of new servers or computing capacity



99.9%
SLA performance



Demonstrated scalability and reliability

Case study 2: ACCO Engineered Systems

Delivered



Transformed its data management capabilities with AWS

Outcomes



Improved customer service



Centralized structured and unstructured data



Enabled data-driven sales and marketing functions



Enabled predictive data analysis

Key differentiators

SoftwareOne stands out in three aspects. First, its highly differentiated value proposition blends its heritage in software licensing with continuously expanding cloud services. Demand for talent in both areas remains red hot. As we have argued, organizations can leverage those skill sets to fight macro headwinds as they grapple with the digital dichotomy.

Second, building on its value proposition, SoftwareOne has developed expansive capabilities to help organizations operationalize cloud. Those capabilities include scaling out DevOps, going deep on observability, gaining operational telemetry data, and pivoting to FinOps as the logical evolution of its software licensing heritage.

Lastly, the product-centric nature of its software licensing business gives SoftwareOne access to a plethora of clients. As its executives put it, the company has the most success where it has an established relationship with the customer—a selling point of view that enables it to help clients take costs out of their business.

All these differentiators require effective execution. SoftwareOne has been struggling here of late. In the summer of 2023, SoftwareOne received an unsolicited and non-binding offer from Bain Capital. The Board of Directors also rejected a subsequently revised offer, as it was deemed to not adequately value the company and not be in the best interest of SoftwareOne and most of its shareholders. At the same time, the Board of Directors initiated a strategic review to ensure the company had considered all options for value creation, including continuing to operate as a public company, merging or selling the company, and other possible strategic transactions. The strategic review concluded in early 2024 with a decision to remain a standalone company. By acquiring Medallsoft, a Chinese provider of cloud application solutions, SoftwareOne has demonstrated that the strategic review has not distracted it from its strategy.

HFS' take







HFS dubbed 2023 the year of the Digital Dichotomy—when enterprises needed to balance the macroeconomic slowdown with the big hurry to innovate. 2024 looks to be much the same. Not only that, but buyer's remorse around hyperscaler contracts is widespread, with high costs for switching providers adding to rising costs for cloud. Thanks to its ability to enable self-funded innovation, SoftwareOne provides a compelling prospect for enterprises looking to accelerate their cloud adoption journey without placing increased pressure on their financials.



In particular, organizations in North America have a unique opportunity to capitalize on

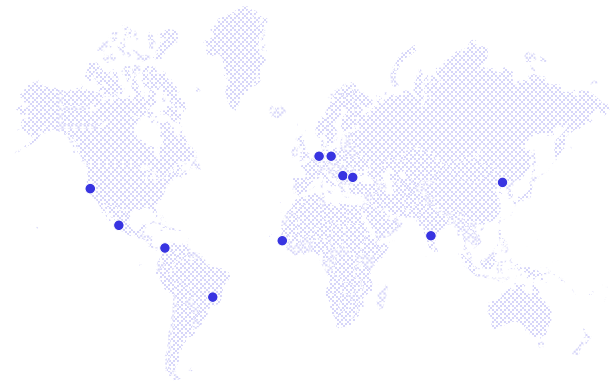
SoftwareOne's geographic growth plans; the provider plans to expand in the region to complement its strong presence in Europe. However, SoftwareOne needs to double down on marketing, not least as its go-to-market is largely horizontal.

Clients increasingly expect their providers to help them solve industry-specific problems rather than generic or horizontal ones. While SoftwareOne concedes it does not focus on business-process-led transformation, industry cloud and other more vertically oriented approaches can help to ringfence its relevance among its client base.

Challenger fact sheet

-  **Founded**
2000
-  **Headquarters**
Switzerland
-  **Number of employees**
More than 9,000
-  **Funding source**
Publicly traded
-  **Key clients**
Vodafone, Panasonic, Camper, Portaal, Vocento, Workrate
-  **Solution portfolio**
Data and AI, Application Services, Business Applications, Cloud Services, Digital Workplace, and IT Portfolio Management

-  **Partnerships**
Microsoft, AWS, Google; 7,500 ISVs
-  **Delivery locations**
Leipzig, Warsaw, Bucharest, Sofia, Leon, Bengaluru, Dalian, Guadalajara, San Jose, Medellin, Belo Horizonte



Research authors



Sam Duncan
Practice Leader

Sam Duncan is a Practice Leader at HFS, based in Cambridge, UK. He graduated from Bournemouth University with a degree in economics. His interest in macroeconomics focuses on how the evolution of technology accelerated globalization. He also studied law, accounting, and investment management during his education.

Since joining HFS, Sam has developed his understanding of blockchain and continues exploring the latest applications of the technology across various industries.



Tom Reuner
Executive Research Leader
and Head of EMEA

Tom Reuner is an Executive Research Leader and Head of EMEA at HFS. Tom is responsible for managing the HFS IT Services practice with coverage areas including cloud native, application modernization, and quality assurance. Furthermore, Tom covers the emerging ecosystems of ServiceNow, Salesforce, and Pega. Leveraging his long entrenchment in the automation community, Tom drives HFS' thought leadership on automation. A central theme of his research is the orchestration and increasing interdependency of approaches such as RPA, AIOps, Observability, and AI. He is also managing the Top 10 program to ascertain consistency and thought leadership.

About HFS

- **INNOVATIVE**
- **INTREPID**
- **BOLD**

HFS is a leading global research and analysis firm trusted at the highest levels of executive leadership. Our mission is to help our clients tackle challenges, make bold moves, and bring big ideas to life by arming them with accurate, visionary, and thought-provoking insight into issues that impact their business.

Our analysts and strategists have deep, real-world experience in the subjects they cover. They're respected for their independent, no-nonsense perspectives based on thorough research, demand-side data, and personal engagements with industry leaders.

We have one goal above all others: to propel you to success.



www.hfsresearch.com



[hfsresearch](https://www.linkedin.com/company/hfsresearch)



www.horsesforsources.com