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Preparing for the 'Next Normal':
The Rising Importance of Digital Technology and Consumption-Based IT

IDC
ANALYZE THE FUTURE

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Canadian businesses have had to contend with an array of challenges during the pandemic. From quickly implementing health and safety protocols, then shifting to mandatory work from home (WFH), to adjusting to rapidly changing consumer buying behavior – all while trying to keep on top of government regulations and financial support programs. Not all businesses have been impacted equally; tourism, hospitality, and the arts and culture sectors are a few of the hardest hit, many of which are small businesses. In addition, the WFH model simply does not apply to most manufacturing, transportation, and bricks-and-motor retail businesses. As we come to the end of the calendar year and take stock of the altered business environment, organizations are wondering: what does the future look like?

"Never going back"

From our perspective at IDC Canada, one thing appears very certain: we will never go back to pre-COVID ways of doing business. Big banks, huge government departments, professional services firms, and tech companies have all learned how to work from home. Retailers who weren't offering online shopping quickly turned on ecommerce capabilities. Universities and colleges ramped up e-learning en masse. All of this is enabled by IT. COVID-19 spurred new IT investments and digital processes in Canadian business. According to an IDC Canada survey conducted in the early part of the pandemic, the top 3 were: collaboration technologies, cloud-based applications, and cybersecurity solutions. Moreover, one of the bright spots coming out of the crisis, particularly among small businesses, is that employees now have a higher perception of digital transformation. Technology has clearly become strategic to the future of all organizations. The pandemic has underscored the importance of being an organization that is resilient, agile, and connected among other traits.

The rise of the agile organization

"Never going back" also applies to IT, meaning that the model of doing it all ourselves on-premise is a recipe for failure. We anticipate organizations will continue to prioritize digital transformation investments post-pandemic. In the 'next

normal' businesses need to be agile and responsive to change - and that is largely powered by IT. Operating processes have gone digital and client relationships have gone virtual. In addition to operating business to service your clients, organizations will need to find ways to market, foster relationships, build trust, and maintain client engagement digitally. Organizations that were already digitally fit, or already had a road map for modernization, were better positioned to respond and are moving at a stronger pace toward post-COVID-19 sustainment. Some of the consumer behaviour and corresponding business processes that began during the pandemic will stay with us. For example, Loblaws' ecommerce business grew 280% to reach $1.2 Billion in sales in Q2. Loblaw president Sarah Davis stated, "We are on a run rate of digital sales that we did not expect for years". Much of what Loblaws did to quickly respond to demand and ramp-up ecommerce and buy-online-pick-up-in-store was enabled by its digital team. But this is a large deep-pocketed organization. Small and medium businesses often don't have the resources, experience, or staff to enable transformation.

Cloud and consumption-based IT are a central part of what businesses rely on to manage spikes in demand for digital services. Consumption-based models for IT infrastructure are an emerging business model that can help customers add IT capacity, software, and services. Like cloud, a consumption-based model provides capacity that can be scaled up or down. This is arguably more important now that ever as businesses are challenged to forecast demand during the pandemic and the ability to scale up can be just as important as the ability to scale down.

Most organizations are using some sort of cloud computing service today, including software-as-a-service (SaaS), platform-as-a-service (PaaS) and infrastructure-as-a-service (IaaS). Consumption-based IT infrastructure is a relatively new but nevertheless fast-growing alternative to more traditional up-front purchase/perpetual licensing and leasing acquisition options for IT hardware and software assets. IDC predicts that by 2024, over 75% of infrastructure in edge locations and almost half of infrastructure in corporate datacenters will be operated in via an as-a-service model.

Technology and IT services to power the future

We still don't have a clear timeline for a COVID-19 vaccine, government mandates are changing daily, and no one can say with any certainty what the economic picture will look like in 2021.

However, we know that businesses will rely on technology even more in the next normal. The usage of digital experiences will be growing, such as e-commerce, real-time collaboration, smart factories, autonomous driving, telemedicine, and remote learning. Predicting and provisioning for these scenarios will be important as organizations will require secure connectivity, as it is the enabler of this digital transformation.

As discussed, we expect a rise in as-a-service solution adoption to run the agile businesses of the future. IDC's research shows that adoption of flexible consumption-based models is increasing because of the agility, transparency, and simplicity of these offers.

With remote working, we also predict organizations will shift more of their functions from internal to external staff via outsourcing, especially in IT. We see organizations struggling with too many day-to-day operational tasks and not enough time available to use technology to create competitive differentiation. In a time of economic uncertainty where hiring freezes are the norm, the ability to tap into expertise and compute resources in a dynamic fashion becomes critical. Combine this with managed services from a trusted partner, and a business' IT function can access resources that it wouldn't have in a traditional internally driven on-premise model. Internal staff can then be deployed to higher value activities. How organizations will staff in the future is a timely and worthwhile topic we will explore further in the next blog post.

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Tony Olvet is Group Vice President of the research analyst team at IDC Canada. He is responsible for managing the services and research direction of the technology market analysts in Canada. Mr. Olvet is also a member of IDC Canada's Senior Leadership Team. The analyst team that Mr. Olvet manages helps technology vendors, IT professionals, and business executives make fact-based decisions on technology marketing, deployment and strategy. He has researched and presented on a variety of industry topics including mobility, cloud computing, and top executive technology priorities.

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