



2019

Sourcing Industry Conference

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Pricing in Application Development – Client Adoption in an Increasingly Agile World

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Agenda

1. What we told you before
2. What we see clients doing and asking for
3. What is Next? How do we do better?



The Move to Agile and DevOps.

ISG thoughts Shared in 2018

- **Not a passing fad** – most, if not all, clients are at least dabbling.
- Agile is not just being applied to development.
- DevOps is not just about tools.
- Premium on business scope knowledge.
- Team definitions are built to suit.

Anticipated Trends for Pricing (shared in 2018)

Agile Development

- Fixed Price Agile Teams (small, medium, large).
- Fixed Price or Rates by Story or Story-Point (calibration).
- Rates for Staff Aug
- Others?

DevOps

- Fixed Price DevOps Teams (small, medium, large) – multiple models, have seen some team flex capabilities as well.
- Fixed Price, Volume, or Rate based Shared service teams.
- Rates for Staff Aug
- Others?



Implications

(shared in 2018)

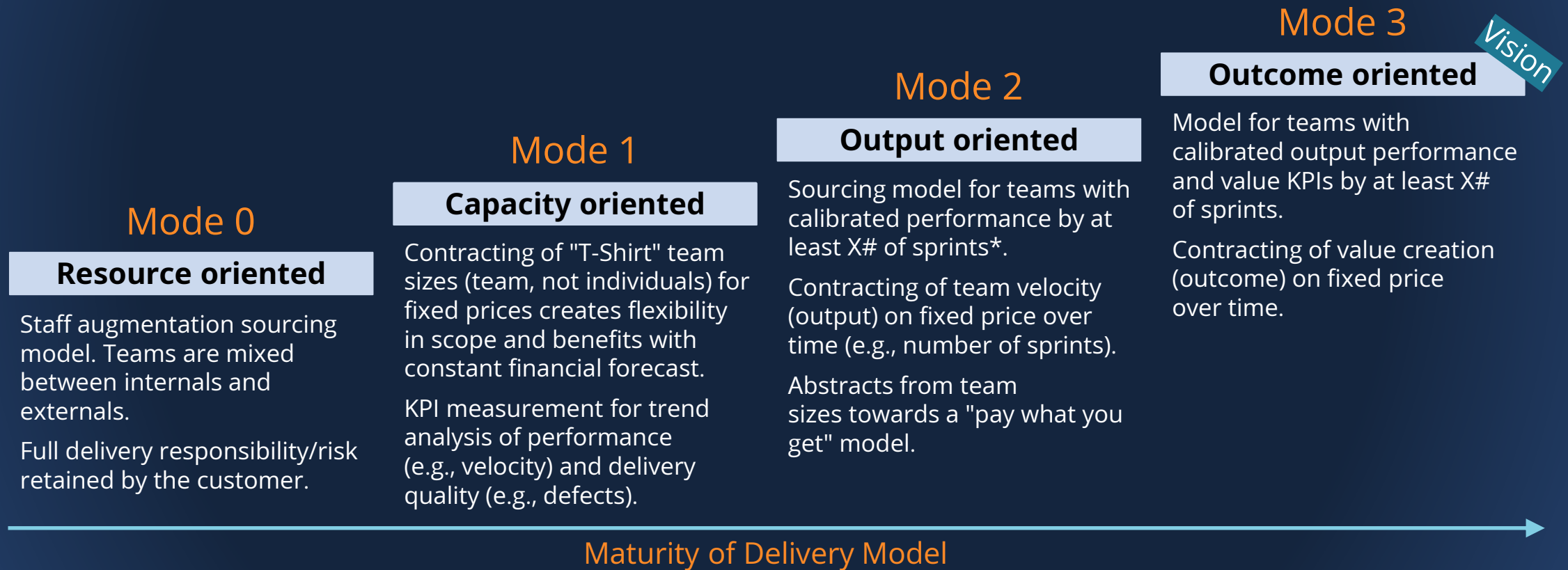
Consistently seeing incumbent providers being outside the room – clients are building their own capability without even considering incumbents.

- Agile and DevOps capabilities are becoming table stakes.
- Delivery Models by Providers need to be prepared for Teams.
- Story and Story-point pricing is still problematic due to calibration for comparison in competition.
- Industry and business knowledge is becoming a true differentiators in team models – clients want to retain or build themselves.

What we see clients doing and asking for...

Contracting Modes to Source/Price Agile

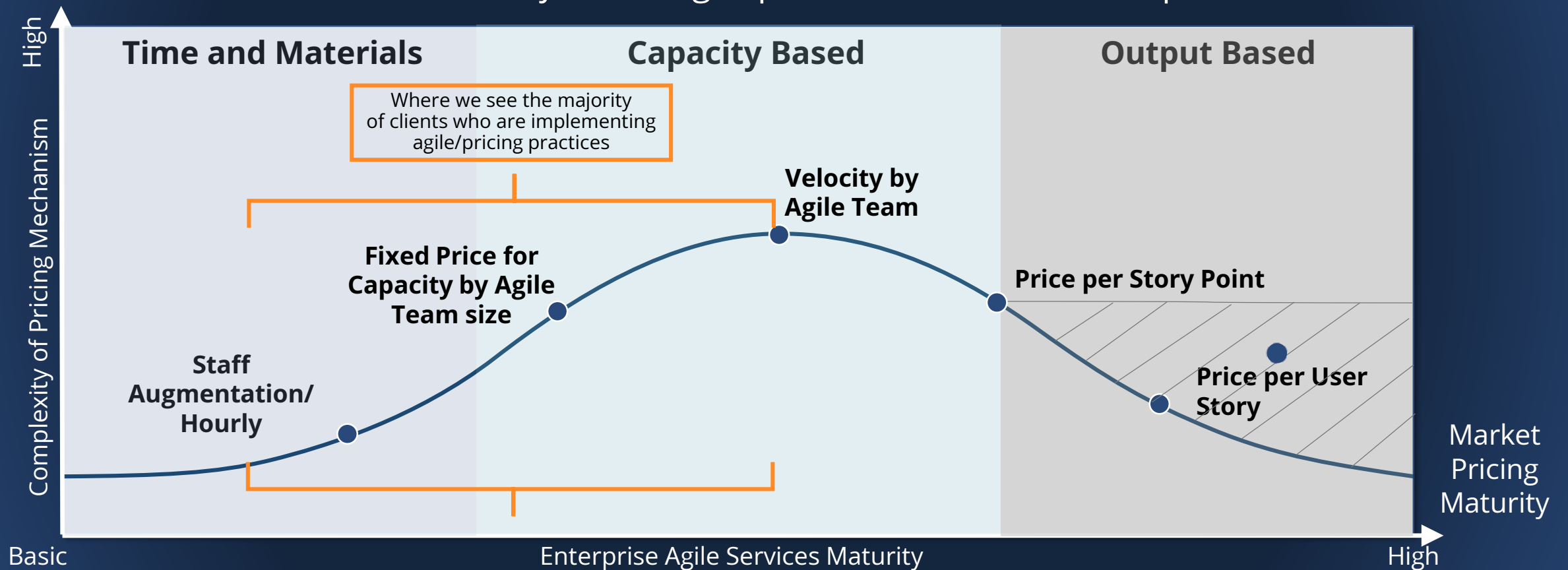
Moving into Agile Sourcing and Contracting does not mean to transform into a "one size fits all" mode. Pick the appropriate contracting/pricing modes for each product(s).



* if not already calibrated in Mode 1

Uptake: Agile Pricing Maturity – 2019

Contracting for Agile Services evolves based on the maturity of the Agile practices within an enterprise.





Implications – 2019

Implications that are specific
to pricing practices;
We do see differentiation amongst
Providers that are able to speak to and
enact these contracting modes and
pricing schemas.

- Multi-modes of delivery driving multiple modes of pricing in the same agreements:
- Delivery Pricing Models by Providers need to be prepared for Teams/Pods of various types:, sizes, locations, standard/custom make-ups...
- Increased governance from you or imposed upon you...moving from individual time tracking to capacity-based model reporting – helping clients get comfortable with the invoicing.
- Transparency with clients to help them move from the capacity models to output/outcome-based models.
- Assemble teams with focus on continuously improved output.
- Develop staff on technology but also industry knowledge... – clients appear to be expecting this...a future pricing implication?

What is Next? How do “We” do Better?



- What are you seeing?
- Challenges you are having?
- What would you like to see in your agreements?
The sourcing process?



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