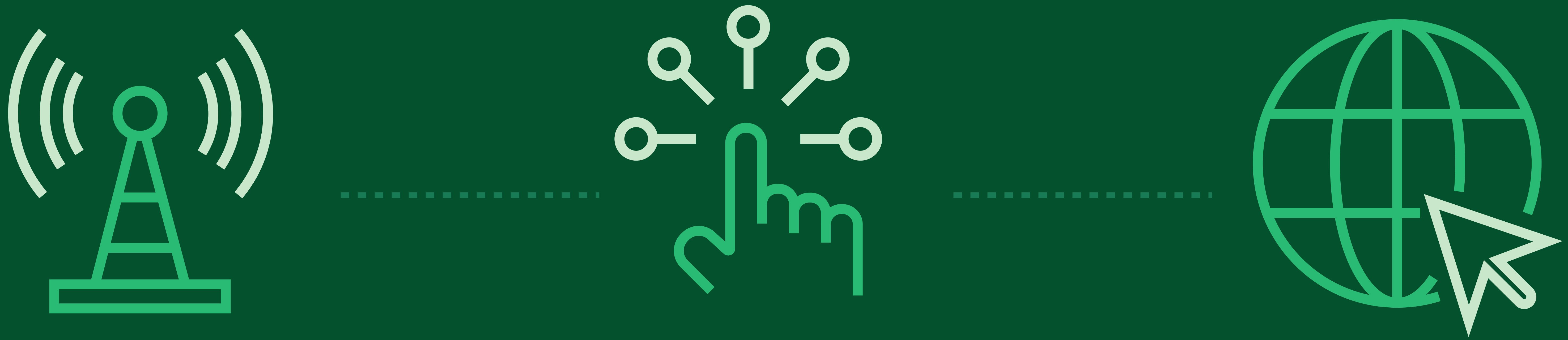
SOFTWARE AND SERVICES

What the Data Tells Us About Digital Transformation, by Industry



The key findings for software and services companies

Software's digital transformation success rate of 60% is the highest across all sectors because these companies are inherently digital and because leaders are naturally primed to be early adopters of digital advances.

Top-quartile companies nail the six key success factors, while median companies struggle most with talent.

Software companies pursue digital initiatives more broadly than companies in other industries, emphasizing customer experience, marketing and pricing, and innovation.

Successful digital players are prioritizing areas that have not yet emerged as universal priorities, such as automated lead generation, personalization, and automated churn reduction.

Software companies have sophisticated forward-looking digital agendas in customer experience and services, security, and support functions.

ESG is becoming more important in the digital agenda, especially supply chain, customer and employee data risk, and cyber resilience.

Source: BCG analysis.

The data in more depth

Rates of success in digital transformation

Topics of focus for software companies

Top priorities for the future

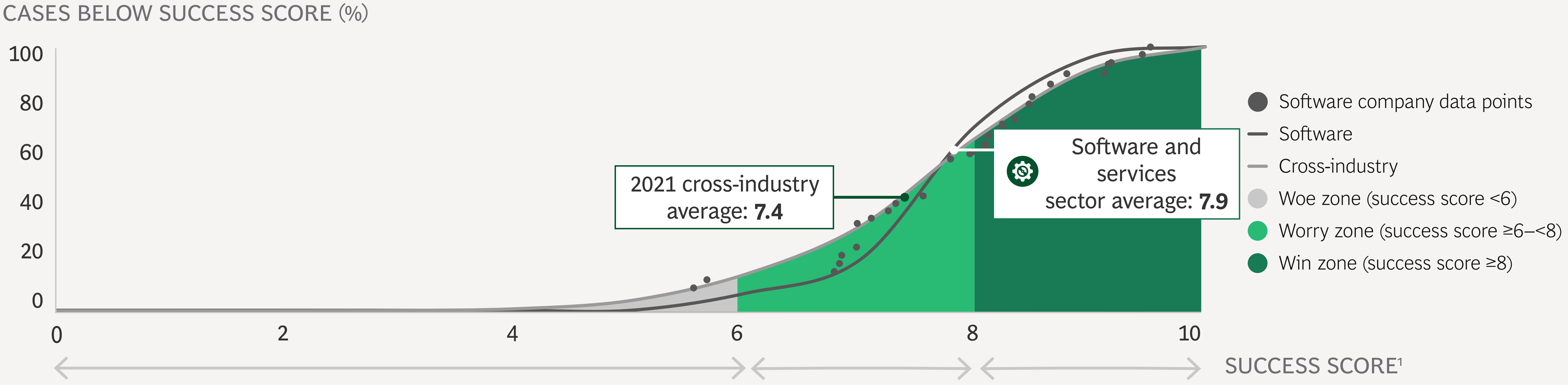
The critical human and tech enablers

The role of ESG in digital transformation

Source: BCG analysis.

RATES OF SUCCESS

Nearly 60% of software companies fall in the win zone—a figure 70% higher than the cross-industry average



2021 BCG Global Digital Transformation Survey overall	**13%**	**52%**	**35%**
Software and services sector	**7%**	**35%**	**58%** ······ **1.7x cross-industry average**
	Limited value created (<50% of target); no sustainable change	Value created but total targets not met; limited long-term change	Target value met or exceeded; sustainable change created

Source: 2021 BCG Global Digital Transformation Survey.
Note: Survey question: "Across the following dimensions, please rate your organization's digital transformation experience to date on a scale of 1 to 10, using the guidelines in the table below."
[1]Success score is calculated from respondents' answers on six dimensions of transformation: strategy; leadership; talent; agility; monitoring; and tech and data.

RATES OF SUCCESS

Software companies struggle most with deploying high-caliber talent

DISTRIBUTION OF SUCCESS SCORES ON INDIVIDUAL KEY FACTORS[1]

Source: 2021 BCG Global Digital Transformation Survey.
Note: Survey question: “Across the following dimensions, please rate your organization’s digital transformation experience to date on a scale of 1 to 10 using the guidelines in the table below.”
[1]Success score is calculated from respondents’ answers on six dimensions of transformation: strategy; leadership; talent; agility; monitoring; and tech and data.

TOPICS OF FOCUS

Transformation priorities for software companies have been customer oriented and innovation focused

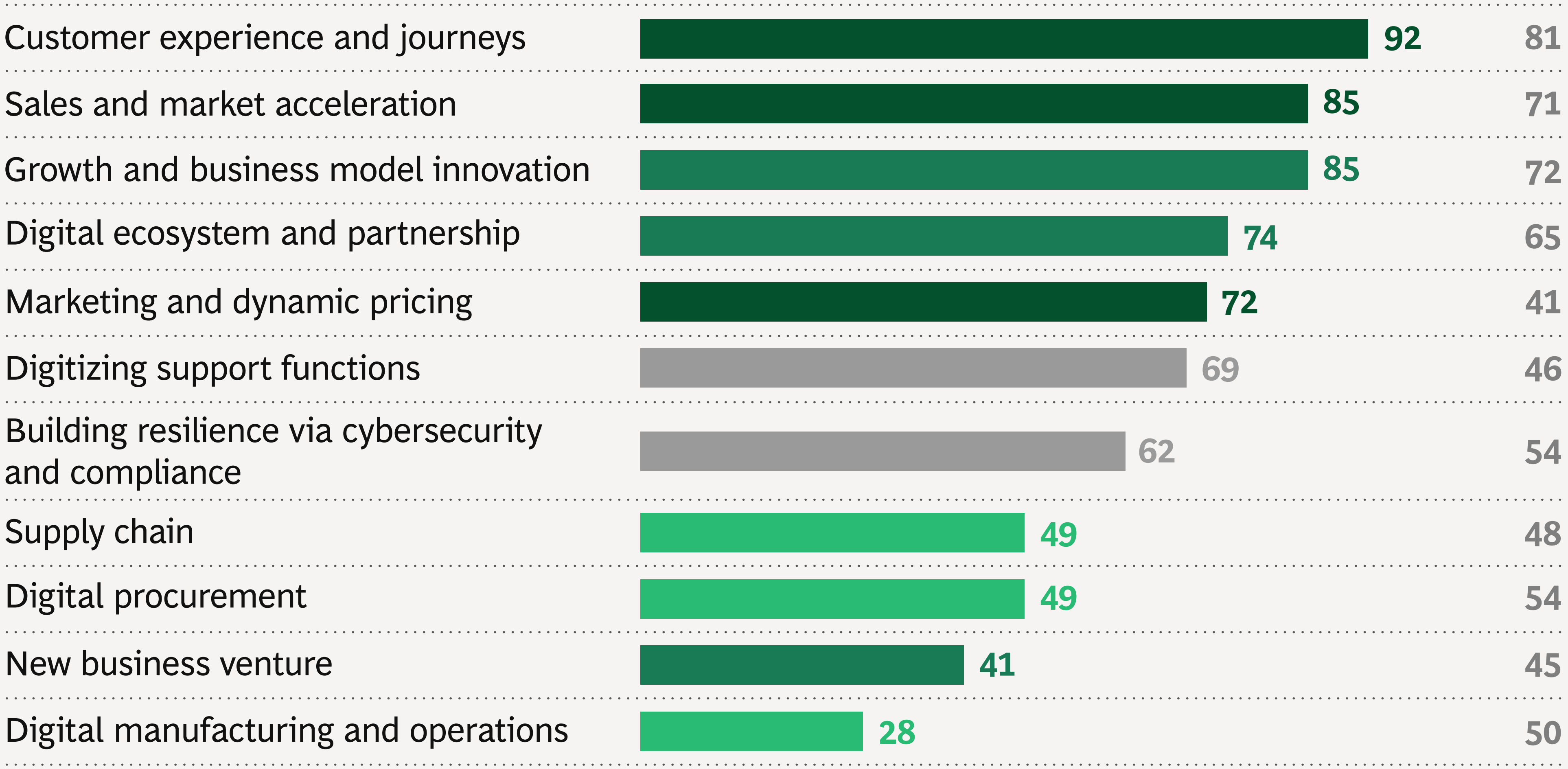
Strategic objectives

SHARE OF RESPONDENTS (%)

Scope of digital transformation[1]

SHARE OF RESPONDENTS (%)

CROSS-INDUSTRY AVERAGE (%)



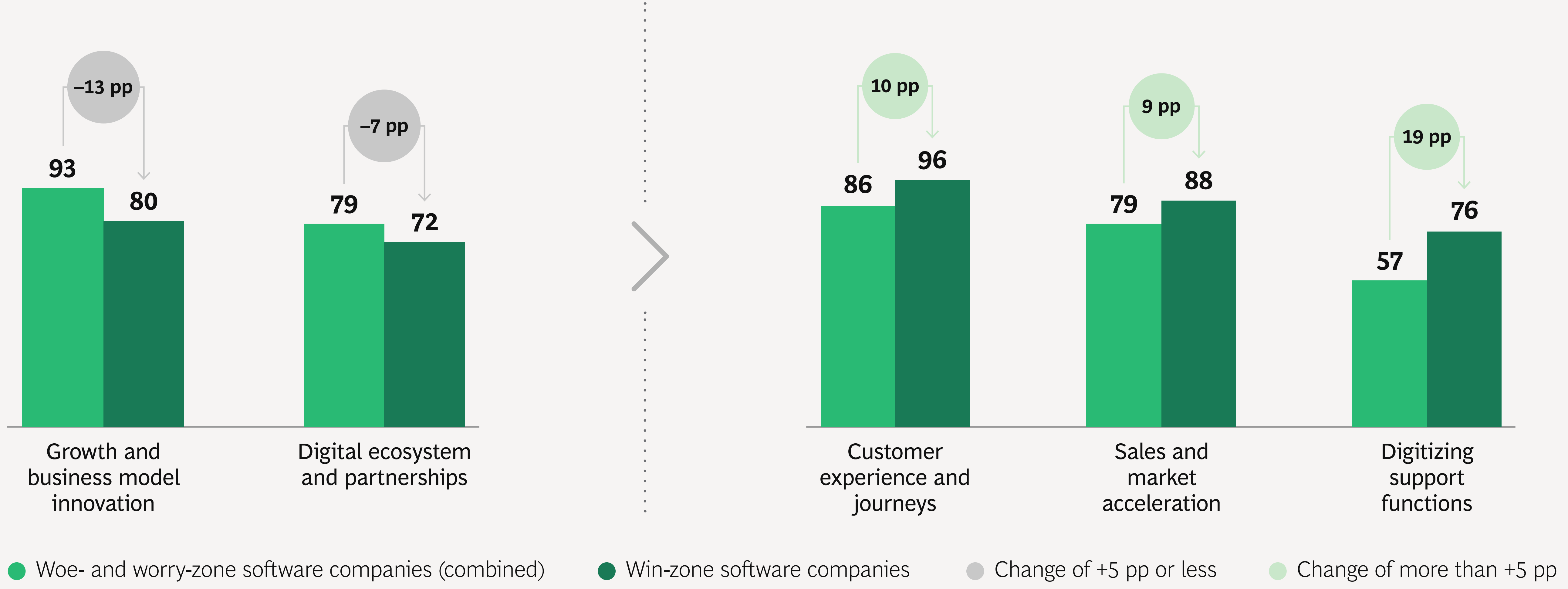
Source: BCG Global Digital Transformation Survey, 2021, n=39.
[1]Respondents were asked to select all priorities that applied.

TOPICS OF FOCUS

Software companies that are farther along in the transformation journey shift their focus toward digitizing support functions and customer-centricity

Scope of digital transformation

SHARE OF RESPONDENTS (%)

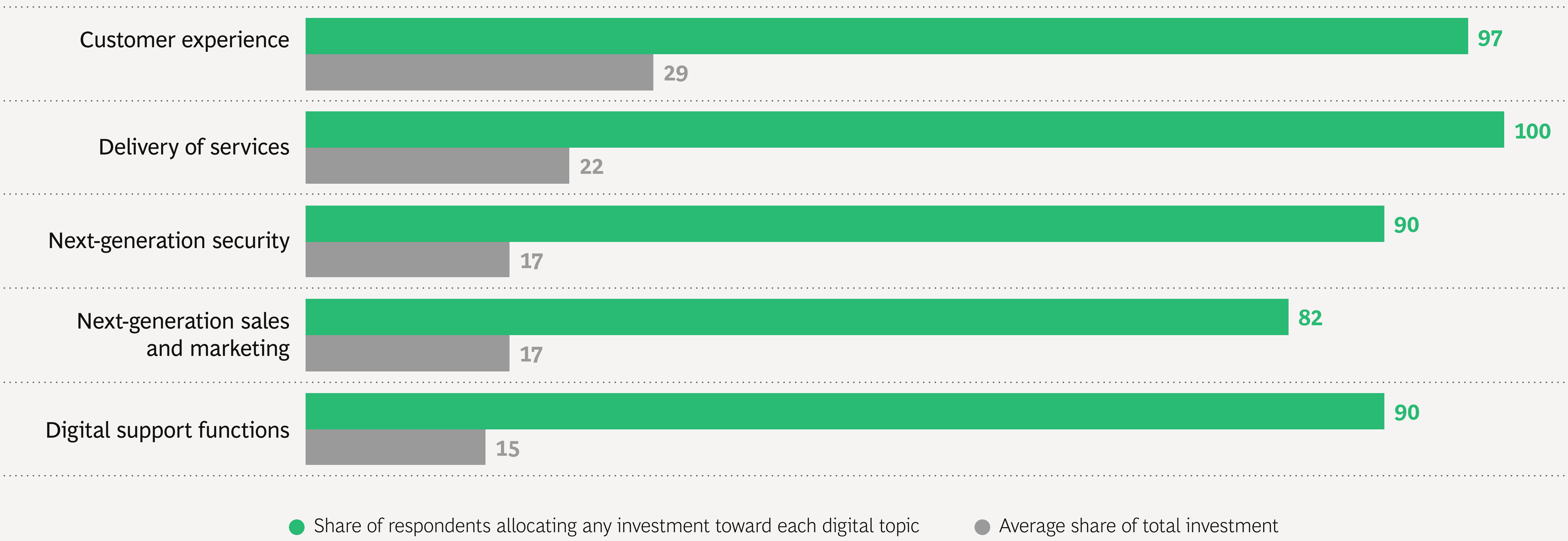


Source: 2021 BCG Global Digital Transformation Survey.
Note: Survey question: "From the list of most common digital outcome areas and enablers in digital transformation, please help us identify the scope of your digital transformation (select all that apply)."

TOP PRIORITIES FOR THE FUTURE

Nearly all software companies intend to direct 50% of their investments toward customer experience and delivery of services

PLANNED SHARE OF WALLET SPENDING ALLOCATED ACROSS DIGITAL TOPICS IN THE NEXT TWO TO THREE YEARS (%)[1]

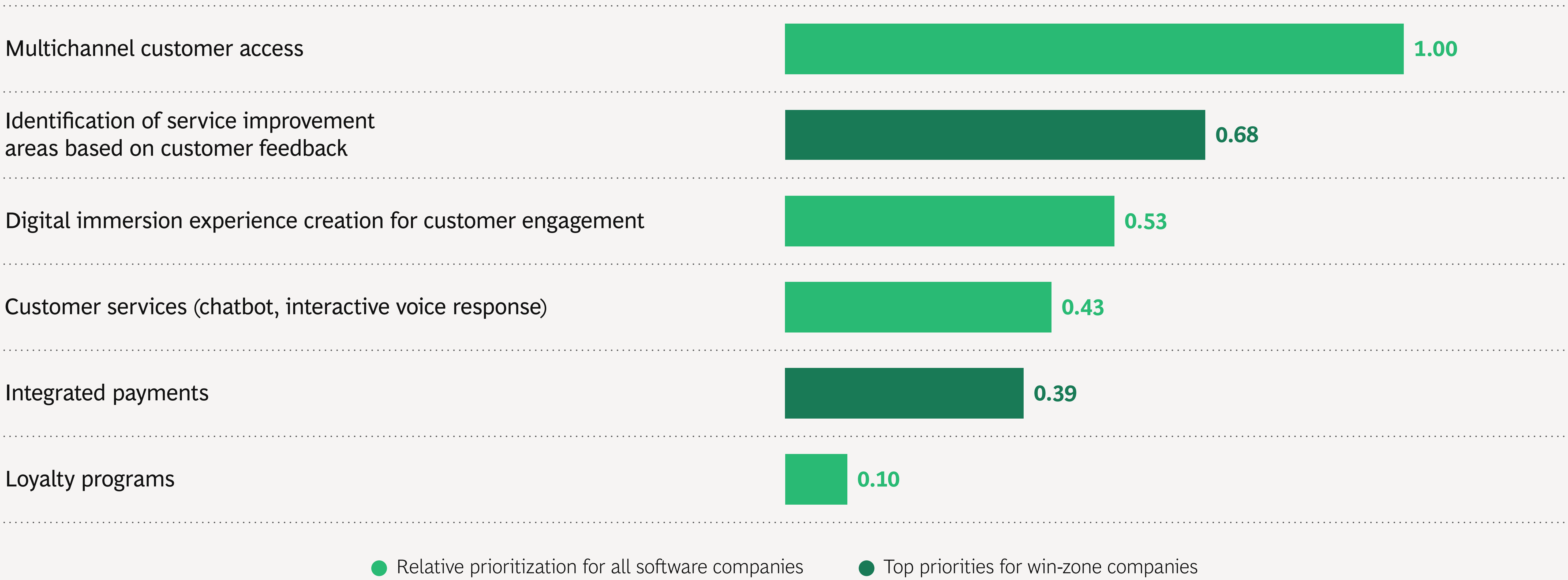


Source: 2021 BCG Global Digital Transformation Survey.
[1]For example, the uppermost pair of bars can be read as “97% of software respondents plan to invest in customer experience, allocating an average 29% of total digital investment.”

TOP PRIORITIES FOR THE FUTURE

Software companies’ digital priorities: Customer experience

Digital initiatives (bars indicate relative prioritization of initiatives)

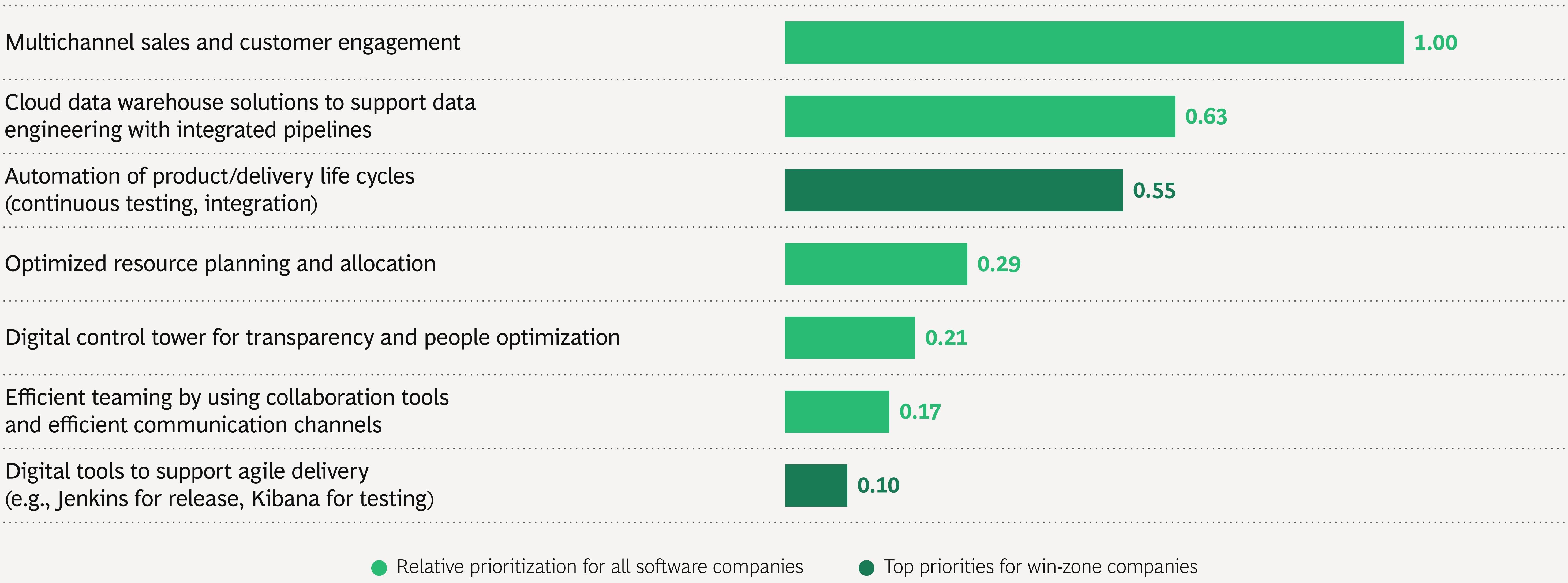


Source: 2021 BCG Global Digital Transformation Survey, n = 37.

TOP PRIORITIES FOR THE FUTURE

Software companies' digital priorities: Delivery of services

Digital initiatives (bars indicate relative prioritization of initiatives)

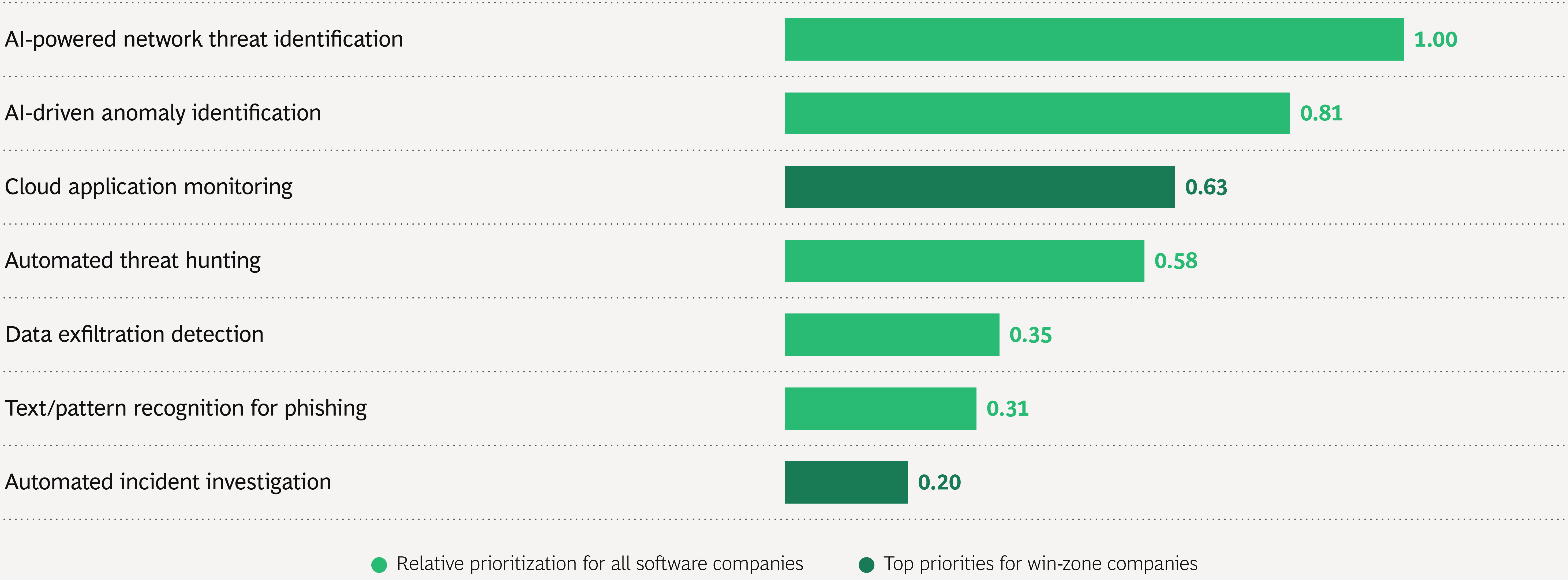


Source: 2021 BCG Global Digital Transformation Survey, n = 37.

TOP PRIORITIES FOR THE FUTURE

Software companies’ digital priorities: Next-generation security

Digital initiatives (bars indicate relative prioritization of initiatives)

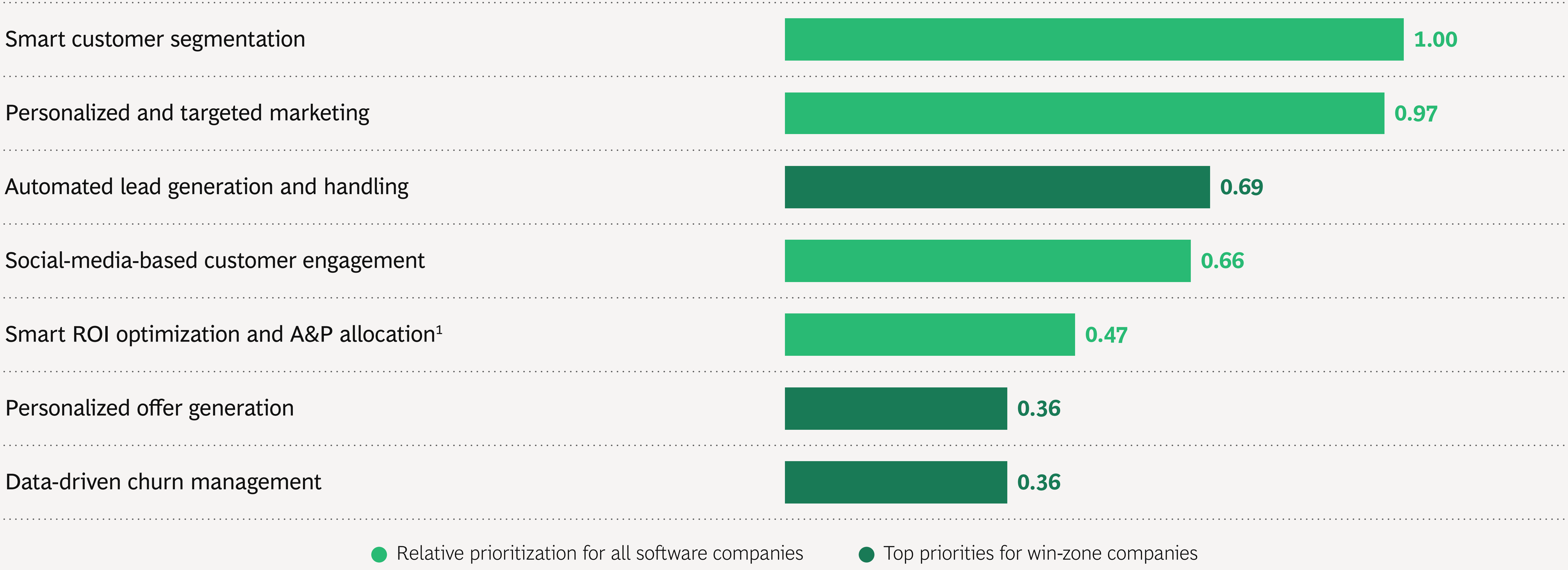


Source: 2021 BCG Global Digital Transformation Survey, n = 37.

TOP PRIORITIES FOR THE FUTURE

Software companies’ digital priorities: Next-generation sales and marketing

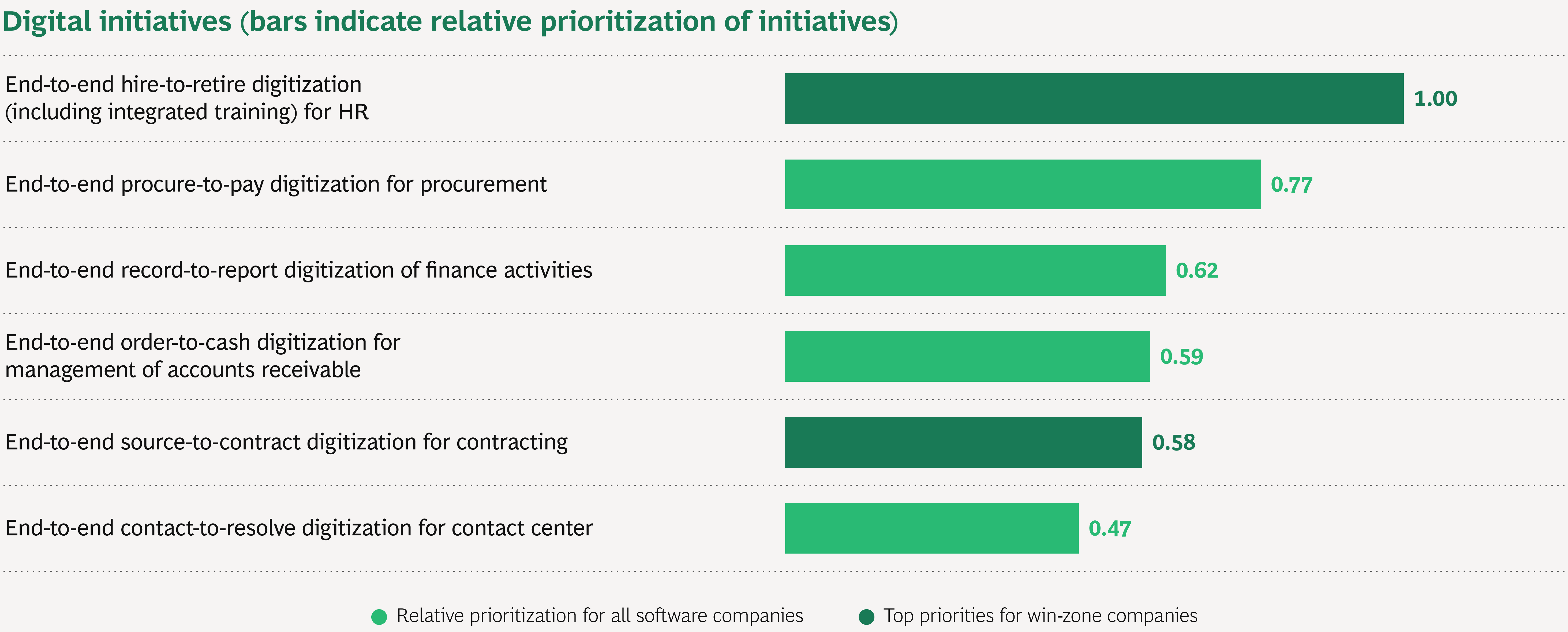
Digital initiatives (bars indicate relative prioritization of initiatives)



Source: 2021 BCG Global Digital Transformation Survey, n = 37.
[1]A&P = advertising and promotion.

TOP PRIORITIES FOR THE FUTURE

Software companies’ digital priorities: Digital support functions



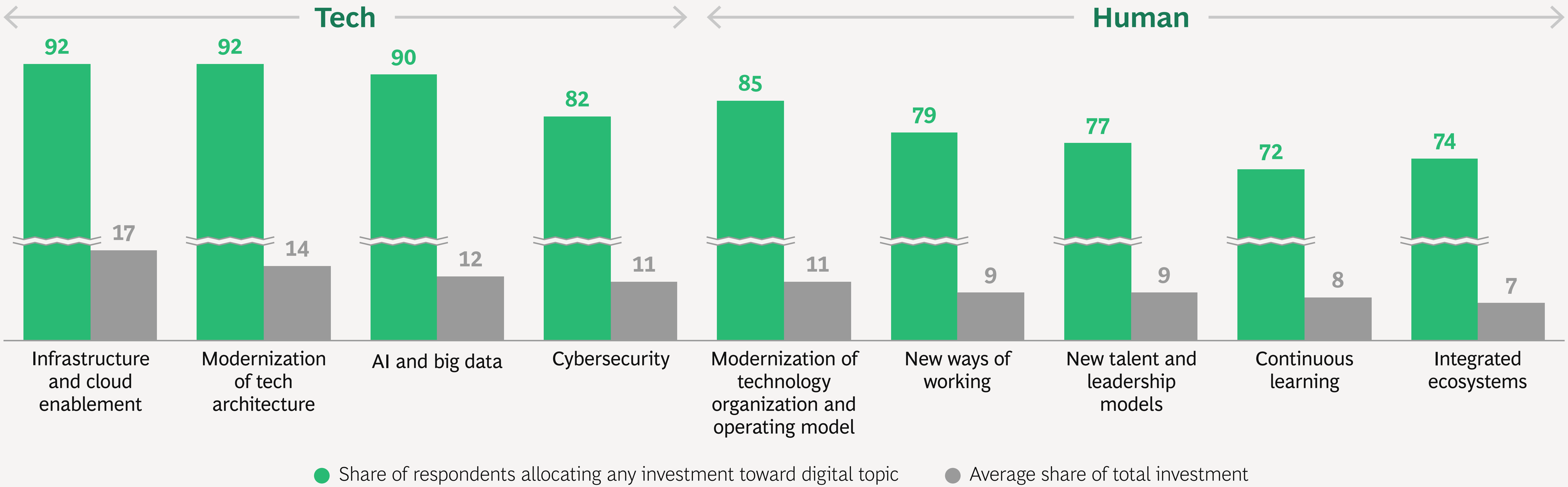
Source: 2021 BCG Global Digital Transformation Survey, n = 37.

THE CRITICAL ENABLERS

Software companies intend to invest across broad range of tech and human enablers

Nine out of ten software companies plan to invest in infrastructure and cloud enablement, AI and big data, and modernization of tech architecture, allocating on average about 45% of their total digital enabler spending to these areas

PLANNED SHARE OF WALLET SPENDING ALLOCATED ACROSS ENABLER DIGITAL TOPICS IN THE NEXT TWO TO THREE YEARS (%)[1]

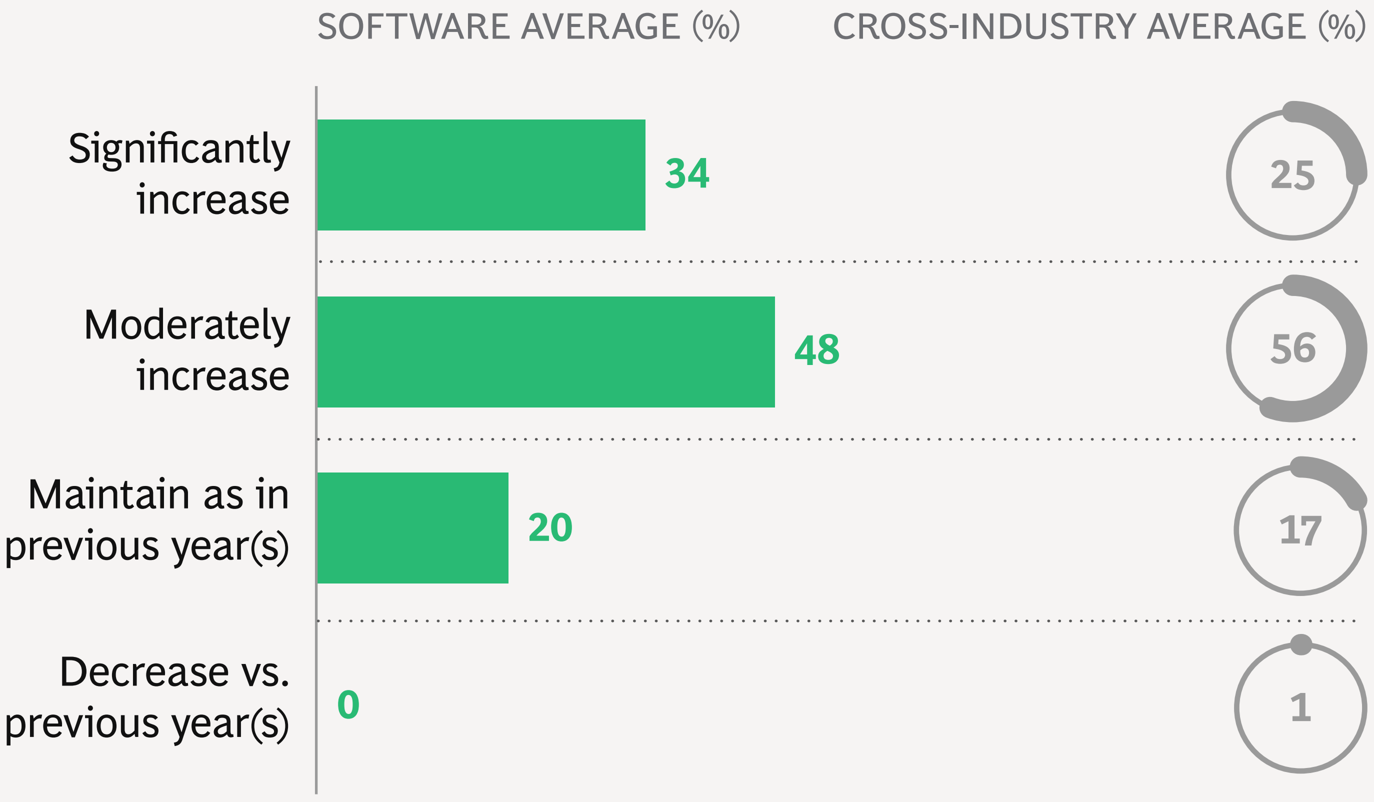


Source: 2021 BCG Global Digital Transformation Survey, n = 37.
[1]For example, the leftmost pair of bars can be read as "92% of software respondents plan to invest in Infrastructure and cloud enablement, allocating an average 17% of their total digital enabler spending."

ROLE OF ESG IN DIGITAL TRANSFORMATION

About 82% of software companies plan to increase investments in ESG (in line with cross-industry averages)

Share of respondents planning to increase/decrease/ maintain investment toward ESG in coming years



… with greater emphasis on S and G dimensions

Leading digital initiatives being prioritized to support E, S, and G goals

Source: 2021 BCG Global Digital Transformation Survey, n = 39.

If you would like to discuss this topic, please contact one of the authors:

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