



VENDOR PROFILE

AppCentrica: Building a Future in the Digital Transformation Services Market

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IDC OPINION

AppCentrica is an emerging IT and business services vendor headquartered in Toronto, Ontario, Canada. With a focus on digital transformation enablement, AppCentrica enjoys a strong combination of industry and domain expertise, a seasoned leadership team, organizational structure, and an impressive client list, which should make it an attractive implementation partner and see it succeed through its first decade in operation and beyond. IDC believes AppCentrica has all of the ingredients in its strategy and competitive positioning for it to achieve continued success in the emerging digital transformation enablement services market in North America. Specifically, AppCentrica has:

- Focused on the right market – digital transformation enablement – at the right time to achieve short- and long-term growth objectives
- A well-articulated and easy-to-understand project management framework that should resonate with prospective customers
- A healthy corporate culture and positive work environment that will continue to benefit both employees and customers alike
- Several large multinational clients that clearly demonstrate AppCentrica's status as a trusted advisor

IN THIS VENDOR PROFILE

This IDC Vendor Profile examines AppCentrica, a Canadian IT and business services vendor focused on digital transformation enablement. This Vendor Profile introduces readers to AppCentrica's key strategies and corporate objectives, current capabilities including service offerings and vertical market expertise, and objectives for the next five years.

SITUATION OVERVIEW

AppCentrica is a Canadian IT services company specializing in digital transformation enablement services, the emerging IT services paradigm for the 21st century.

Company Overview

The company that was to become AppCentrica was forged by the relationship of three IT services professionals working at a large multinational professional services firm in the early 2000s. The experiences gained by the three founders at this firm demonstrated opportunities available to professional services providers that were willing to create new customer engagement and service execution frameworks. Employing this new vision, AppCentrica was formed in 2011 with the following leadership structure:

- Ed Nemes, President and CEO
- Ken Kitamura, CTO
- Rob Lokinger, COO

From its inception, AppCentrica established its core values around four key principles:

- **Craftsmanship.** Ensuring that work completed on behalf of customers is a source of pride and enjoyment for the organization and of high value for buyers
- **Creativity.** Working with customers to unlock innovative solutions that challenge traditional thinking and modes of work and create fresh perspectives
- **Forthrightness.** Creating an honest and open relationship with customers and a foundation upon which to build trusting relationships
- **Perspective.** Providing technology-centric solutions that blend IT and business interests with organizational objectives to help customers achieve short- and long-term goals

As of 2016, AppCentrica employed approximately 50 people in its Toronto office and has a revenue run rate of approximately C\$8 million.

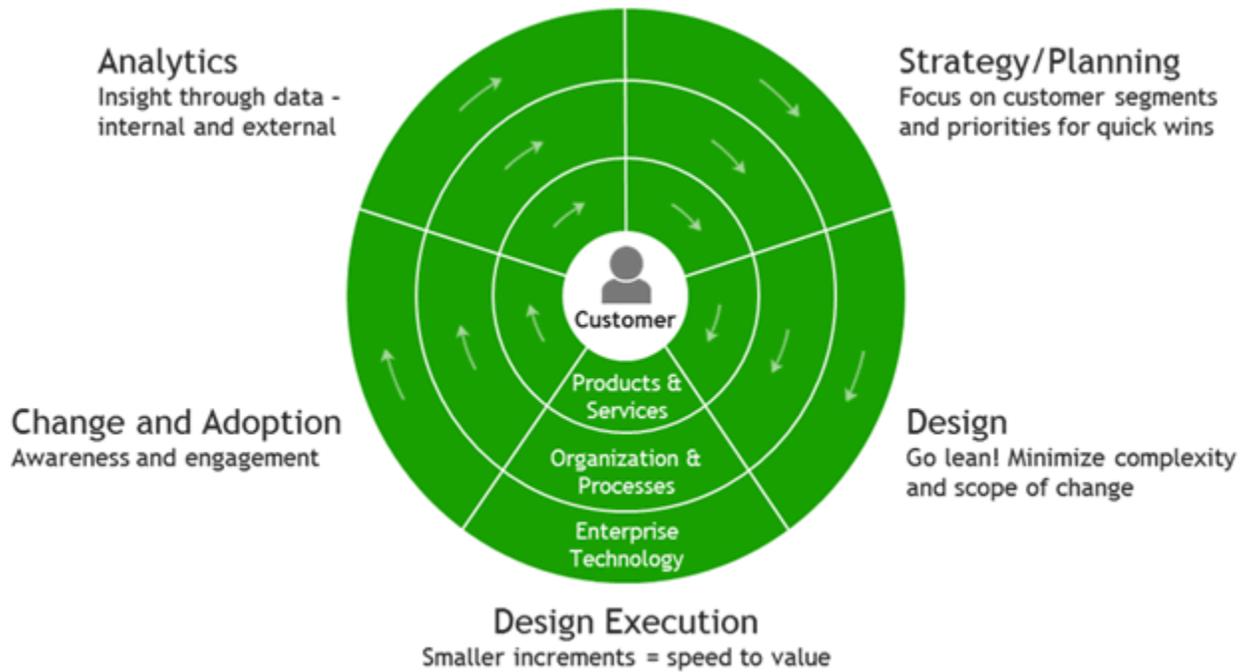
Company Strategy

At the highest level, the strategic operating model of AppCentrica is anchored by its digital transformation framework. As illustrated in Figure 1, AppCentrica's digital transformation model places customers and customer experience at the centre of the transformation agenda. AppCentrica augments the customer experience program with complementary capabilities including strategy and planning, design, design execution, change and adoption, and analytics.

These customer experience capabilities are delivered through a variety of enterprise technology services that can help customers transform their front-office capabilities to improve the delivery of their products and services as well as their back-office organization and business process capabilities.

FIGURE 1

AppCentrica's Digital Transformation Model



Source: AppCentrica, 2016

Digital Transformation Enablement Strategy

AppCentrica's digital transformation enablement strategy is key to corporate strategy, and it is based on two primary activities: IT consulting and project delivery services for the execution of digital transformation projects (e.g., customer application development). The key for AppCentrica lies in the consistent application of its delivery services methodology through the designation of projects based on systems of record, insight/automation, and engagement.

AppCentrica's project execution and delivery strategy relies on a well-organized methodological construct. The framework segments customers' IT infrastructure into five main components called Enabling Technologies:

- Systems of Record
- Systems of Engagement
- Automation
- Systems of Insight
- Integration

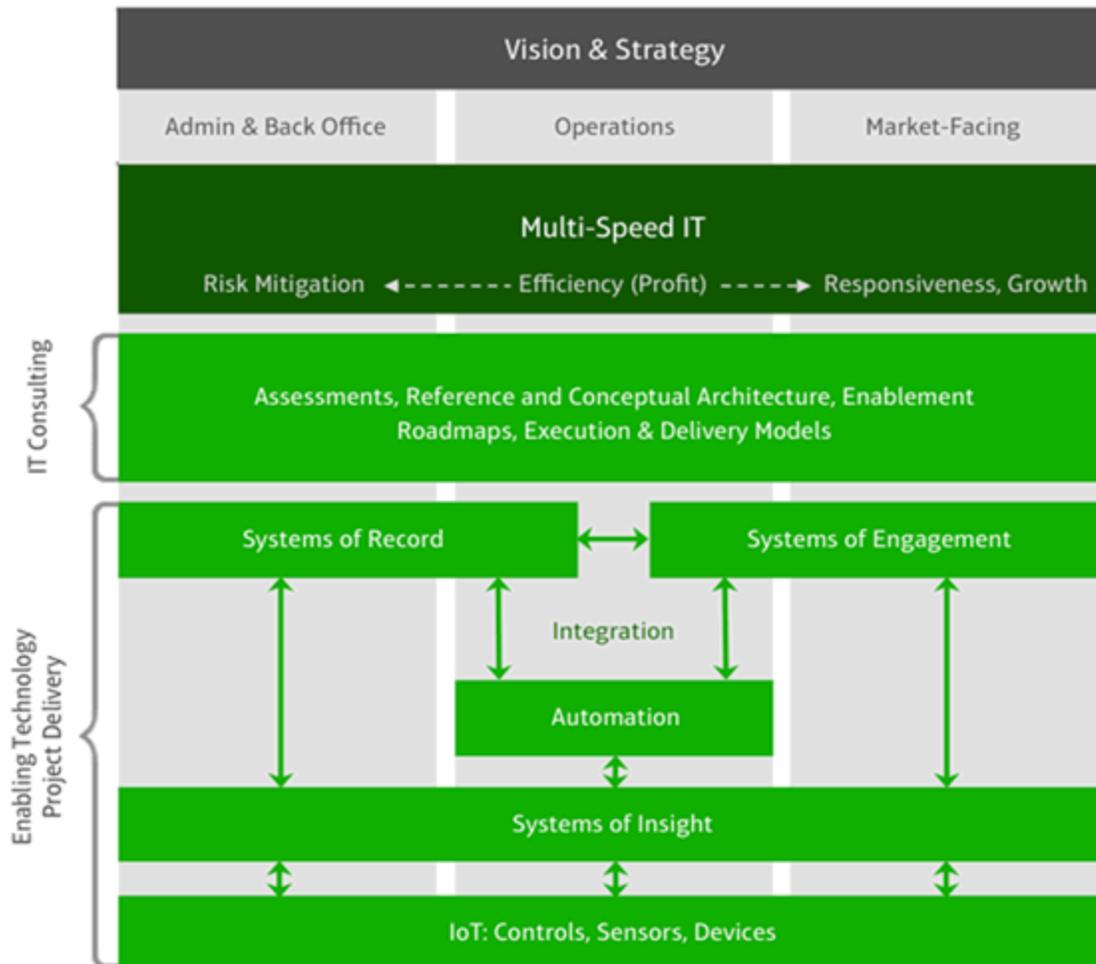
From a business perspective, Systems of Record roughly correspond to administrative and back-office solutions (as well as components of operations functions), and Systems of Engagement align with customer- or market-facing functions and activities as well as some operations activities. Automation

addresses business operations activities, and Systems of Insight span the entire business activities spectrum. Integration ties all of these solutions and technologies together, and it connects to IoT solutions (controls, sensors, and devices) to address the full range of digital transformation solutions.

Figure 2 illustrates the project methodology framework employed by AppCentrica for digital transformation enablement and execution projects.

FIGURE 2

AppCentrica's Project Methodology Framework



Source: AppCentrica, 2016

As digital transformation continues to evolve and emerge as the principal IT services paradigm, many competitors are dealing with legacy offerings and solutions that hinder their ability to focus on developing customer needs. AppCentrica is not constrained by these legacy businesses, and it is able to harness all of its capabilities on providing customers with digital transformation enablement services.

AppCentrica offers a range of integrated solution offerings aggregated in six major domains:

- Applications
- Data/analytics
- Systems integration
- Infrastructure
- Security
- Strategy and governance

Figure 3 provides a detailed overview of AppCentrica's solution offerings in the digital transformation enablement space.

FIGURE 3

AppCentrica's Digital Transformation Services/Solutions



Source: AppCentrica, 2016

Customers and Contracts

As a comparatively small firm, AppCentrica has chosen to focus its resources and efforts on building relationships with clients in the following industry sectors:

- Financial services
- Automotive
- Primary resources
- Healthcare
- Real estate

One of the unique aspects of AppCentrica's business has been the company's ability to attract and retain very large corporate customers, businesses that typically engage with the largest business and IT providers. In its short history, AppCentrica has cultivated a client list that would be the envy of many of the largest business and IT services providers in Canada. While its size does not allow it to compete for every project proposed by its large customers, AppCentrica has carved out a significant niche, and it has done an exceptional job building its status as a trusted advisor.

Key Differentiators/Strengths and Weaknesses

By any objective measure, AppCentrica is a small IT services firm. This can represent both a strength and a weakness, depending on how the firm chooses to compete in the marketplace.

Strengths

- **Boutique positioning.** For AppCentrica, being a boutique firm is a strength as it provides the company with the ability to act responsively to customer needs and engage customers with select project teams that provide flexible and consistent results. With the emergence of the digital transformation era, boutique firms are well positioned as they are not overly burdened with legacy technology application and infrastructure solutions.
- **A-list customer accounts.** AppCentrica has leveraged existing relationships to create a customer list that would be representative of a much larger IT services firm. Listing global-level accounts will burnish AppCentrica's reputation among prospective clients, and it could give the company the opportunity to bid on projects of other global accounts.
- **Low attrition rate.** While AppCentrica is still very young, it has developed and maintained a corporate culture and environment that has resulted in a very low turnover rate, one that is significantly lower than the typical market average. AppCentrica has done a good job attracting and retaining its key resources, and it is one of its advantages as it grows and continues to build its brand in North America.

Weaknesses

- **Awareness.** Not surprisingly, AppCentrica, as a small IT services firm in operation for approximately five years, is not widely known in the marketplace. The challenge to carve out mindshare in the emerging digital transformation services market will remain highly contested for firms of all sizes. Larger multinational firms may have an advantage in setting the digital transformation agenda based on their marketing and branding reach, and smaller firms will have to work hard to defend their vision for customer success.
- **Scale.** As it grows and attempts to build its North American customer base, AppCentrica, like all growing businesses, will be challenged to onboard qualified resources, effectively oversee these resources, and maintain its distinctive culture and management style. The era of digital

transformation may be altering the requirements for staffing IT services firms, but there will still be some competitive pressures to match the capabilities of the largest firms in the market.

- **Business consulting.** AppCentrica has consulting and advisory services capabilities, but these capabilities are largely in relation to the execution of IT projects. In these early days, digital transformation requires fundamental changes and the re-imagining of the entire business and its processes. AppCentrica has some of these capabilities internally, and it is creating alliance and partnership relationships to deliver appropriate offerings, but there is still time to enhance solutions to compete with the offerings of other competitors.

FUTURE OUTLOOK

In many ways, the next five years will define the future of the IT and business services market in Canada and around the world. IDC believes the 3rd Platform, spearheaded by mobility, big data/analytics, cloud, and social business and other innovation accelerators, will lead into digital transformation. Figure 4 illustrates IDC's 3rd Platform model for information technology.

FIGURE 4

IDC's 3rd Platform Model



Source: IDC, 2016

The transition to digital transformation solutions is already under way, but within the next five years, several traditional IT services markets will feel the full disruptive impact of the 3rd Platform innovations and begin to recede in size and influence. Business and IT services vendors have been refocusing their strategies to meet emerging market expectations and the question of which firms can emerge from the 2nd Platform era to be a leader in the 3rd Platform era.

AppCentrica has the expertise and leadership capabilities that were honed in the 2nd Platform era, but it has relatively little in the way of legacy, low-growth, or declining growth markets. By focusing solely on the products and services of the 3rd Platform and digital transformation solutions, AppCentrica is focusing its efforts on becoming one of the best digital transformation enablement companies operating in North America. Within this five-year period, as the 3rd Platform/digital transformation services market establishes itself, success for AppCentrica will be measured by the growth of the company through the completion of digital transformation projects, the development of strong customer relationships, growth in key business metrics (revenue, employees), and stronger awareness and positive brand awareness and reputation. These are measurements that will determine the success of any professional services firm including AppCentrica. The consistent attainment of these objectives will help AppCentrica reach its vision of becoming one of the leading digital transformation enablement services firms active in North America.

A key part of the AppCentrica five-year strategic plan includes two additional components:

- **Deepening and expanding the client lists of AppCentrica in its key vertical markets.** This is expected to be the approach for the financial services and real estate sectors with a growing concentration on subverticals. For the financial services sector, this means adding tier 2 FIs, and in real estate, this means adding residential developers, diversified property management and real estate services firms, and healthcare real estate entities. AppCentrica has also identified the industrial manufacturing sector and the insurance services sector as growth markets for 2017 and beyond.
- **Extending AppCentrica's reach into the U.S. market.** AppCentrica has had early success in generating revenue from United States-based accounts, and it will have to continue to increase its awareness and presence in that market and further expand its roster of customers in order to successfully attain its objectives.

ESSENTIAL GUIDANCE

The IT and business services market in North America is highly fragmented and highly competitive, and these characteristics will not change significantly despite the disruptive evolution of the 3rd Platform and digital transformation services era. AppCentrica is an active and growing participant in this market, and IDC Canada offers the counsel for the company in the section that follows.

Advice for AppCentrica

- **Focus on relationship-based marketing strategies.** Broad-based marketing campaigns that raise company profiles generally may help large services firms, but it is more beneficial for small firms to raise their profile directly with IT and business services influencers and decision makers. AppCentrica's focus on digital transformation enablement should be reinforced by targeting CXOs tasked with their business transformation agenda and positioning AppCentrica as a strategic partner in that journey.

- **Enhance business consulting capabilities.** As it aspires to be a leader in the digital transformation services market in North America, AppCentrica will require business consulting services to fully address the needs of clients as they transform their entire business and become digitally enabled. The ability of AppCentrica to advise clients on digital enablement strategies that address all aspects of professional services will further entrench the company as a trusted advisor for its customers.
- **Ensure that the AppCentrica project management framework integrates well with other standards and methodologies.** AppCentrica has organized its services delivery around a methodological framework that allows it to provide consistent and high-quality services. The company is encouraged to clearly demonstrate that its methodologies and standards comply with other broadly used quality standards and compliance/governance standards in order to protect the existing investments and approaches of customers.
- **Ensure corporate values and mission statements are maintained through the early high-growth years.** One of the biggest challenges for new organizations is retaining their founding principles and core values. This will also be a challenge for AppCentrica as its base of employees and customers expands, but they have seen AppCentrica through its first few successful years, and it is worth maintaining for the life of the organization.
- **Take a long-term view of digital transformation.** The era of the 3rd Platform and digital transformation is evolving at an accelerated pace, but it is still going to require a great deal of work over a long period of time to effect the required changes. AppCentrica is well suited to helping clients develop a digital transformation strategy and making incremental changes to their business to make them increasingly digitally enabled.

LEARN MORE

Related Research

- *Canadian Digital Services Usage and Spending Intentions: The 3rd Platform Is Gaining Momentum* (IDC #CA40643116, August 2016)
- *Canadian IT Professional Services Forecast, 2016-2020* (IDC #CA41227516, May 2016)
- *IDC MaturityScape Benchmark: Digital Transformation in Canada* (IDC #CA41078216, May 2016)

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