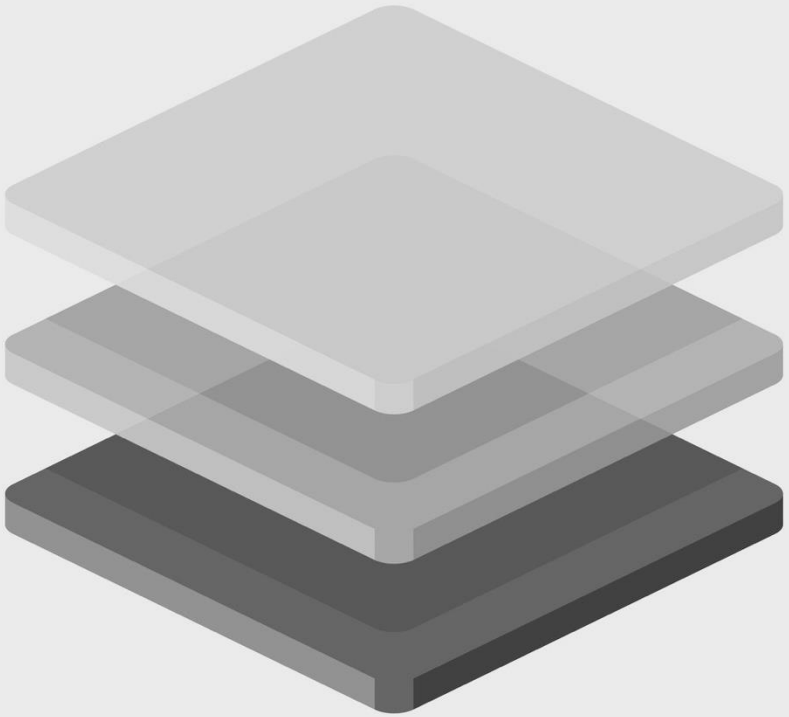
Futurewerk

Service Catalog: A Practical Guide to Structuring IT for Impact

Building and leveraging an IT Service Catalog to improve business service outcomes.



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Introduction

In today's rapidly evolving digital landscape, where cloud computing and managed services form the backbone of IT infrastructure, a well-structured and efficient service catalog is no longer just a helpful tool—it’s a strategic necessity.

As organizations increasingly shift towards cloud-first environments, the expectations placed on IT services have grown significantly. Businesses now demand the same simplicity and speed in provisioning services internally that they experience from leading cloud providers.

A service catalog is more than a mere listing of services; it is a powerful tool that aligns IT capabilities with business objectives, helping organizations navigate the complexities of modern IT environments. By streamlining service offerings and enhancing transparency, a service catalog empowers businesses to seamlessly incorporate AI, automation, and other advanced technologies. This ensures that IT services not only support, but also drive, innovation and operational efficiency.

This thought leadership paper explores how IT organizations can leverage a well-designed service catalog to simplify choices, amplify success, and meet the rising demands of modern enterprises. It highlights the challenges of aligning IT services with business goals and offers insights into implementation strategies that can transform service delivery and enhance business outcomes.

Complexities in aligning IT services with business demands

The absence of a structured service catalog introduces significant complexities for business users, and IT and procurement departments leading to a variety of challenges. It further makes it difficult to align IT services with overall business objectives.

Business users

The absence of a structured service catalog leads to confusion, delays, and inconsistent customer experiences.

IT departments

IT departments face inefficiencies, increased workloads, and difficulties in tracking and reporting.

Procurement/finance departments

Procurement processes become lengthier and more complex, with challenges in cost management and vendor relations.

Implementing a service catalog can mitigate these issues, streamline service delivery, and improve overall operational efficiency.

Business user complexities

Unclear Service Offerings

Business users may not know what IT services are available or how to request them. This leads to confusion and inefficiencies, as users struggle to navigate the IT services landscape without clear guidance.

Inability to Plan and Budget

Business units may find it difficult to plan and budget for IT services without a clear understanding of available services and associated costs. This hinders financial planning and the alignment of IT expenditures with business goals.

Direct Procurement Preferences

Businesses prefer to buy IT services directly without involving the IT department. This can lead to fragmented and uncoordinated IT procurement, resulting in compatibility issues, redundant services, and increased costs.

Inconsistent Service Quality

The absence of a service catalog can result in varying quality of service delivery. Business users may experience inconsistent service levels, leading to frustration and decreased confidence in IT.

Custom Scope and Change Requests

IT budgets and services are often calculated and procured based on tailored scope and change requests, without standardization. This can lead to unpredictable costs, extended timelines, and difficulties in managing and forecasting IT expenditures effectively.

Undefined Resource Units

Without a service catalog, resource units for various IT services are not clearly defined. This leads to difficulties in resource allocation, tracking, and reporting, reducing the efficiency and effectiveness of IT service delivery.

IT department complexities

Defining Service Scope

Without a service catalog, each service request requires a custom definition of scope and requirements. This increases the workload for IT teams, as they must repeatedly clarify and negotiate the scope of services, leading to delays and inconsistencies.

Transition Complexity

Moving from staffing to service-based pricing without a service catalog can complicate the transition. IT departments face delays as they have to define and map various activities and tasks to standard services.

Inability to Benchmark Services

Without a service catalog, it becomes difficult to benchmark services against industry standards or competitors. This hampers efforts to measure performance, identify areas for improvement, and ensure competitive service offerings.

Managing Users' Expectations

Lack of a standardized service catalog makes it difficult to set and manage expectations for service delivery. IT staff struggle to ensure that business users understand what services are available, leading to dissatisfaction and misalignment.

Resource Utilization

Without a clear catalog, IT teams may find it challenging to efficiently allocate resources. Ineffective resource utilization can lead to either underuse or overuse of IT personnel, affecting productivity and cost-efficiency.

Missed Opportunities for Automation and AI

A structured service catalog can facilitate the inclusion of automation and AI for service optimization. Without it, opportunities to enhance services through automation and AI are missed, leading to potential inefficiencies and higher operational costs over time.

Procurement/ finance department complexities

Complex Procurement Processes

Procurement must repeatedly define and negotiate the scope for each IT service procurement without a standardized catalog. This increases the complexity and time required for procurement processes, leading to inefficiencies.

Vendor Management Challenges

Managing relationships and performance metrics for service providers becomes more difficult without standardized service definitions. Procurement struggles with ensuring consistent service delivery and managing vendor performance effectively.

Cost Control Difficulties

Without a service catalog, it is challenging to track and manage costs accurately. This complicates budgeting, financial accountability, and cost allocation to business units, leading to potential disputes over IT expenditures.

Market influences setting high expectations

Enterprises expect their IT organizations to provide a service catalog similar to those of hyperscalers and leading software vendors, detailing comprehensive services. This will not only enhance customer experience but also improve provisioning efficiency.

Simplifying complexity: benefits of an effective catalog

Increased IT value for the business and external clients

By defining services that align with the actual needs of your business, IT-Business alignment within the organization can be enhanced, positioning IT as a value driver and vital partner for growth.

Well-defined and documented services significantly improve communication and adoption effectiveness with end customers.

Accelerate procurement and service request processes

A service catalogue significantly accelerates sales and procurement processes by eliminating the need for lengthy service definitions.

Modular service design and integration

The service catalog acts as a modular construction kit, easily facilitating new service developments or comprehensive redesigns. Its modular aspects allow for service variants with differing activities and service levels. Integration of IT services becomes easier by leveraging revised processes and an adapted target operating model.

Transparency and standardization of IT-services

Increase standardization of business IT-services by implementing a market-conform service model, which facilitates modular, non-redundant structures enabling business stakeholders to design end-to-end responsibilities across the whole lifecycle.

Standardization allows the business stakeholders to make a direct comparison with commoditized market services on scope, quality levels and pricing, and ask for value add customization when required.

Basis for effective cost controlling

The service catalogue creates cost transparency for business stakeholders and IT organization alike. It allows for a look at IT services along the entire lifecycle and find areas worth investing to effectively save significant cost in the long-run.

What is a Services Catalog?

A service catalogue means different things to different users and depends on its purpose

An enterprise IT organization perspective

1 An IT service catalogue

IT personnel
Delivery
Service integration

- Defines all (or most) services delivered to and consumed by the organization and SSRs.
- Includes variants, activities, technologies, service levels and pricing.
- Allows IT and business groups to order services
- Defined for internal groups or with service providers.

Benefits

- Reflects the specific IT consumption pattern of every organization.
- Allows for internal (or service provider) cost control and best practice.
- Allows for easy benchmark and alignment with Cloud services.

2 Business Service catalogue

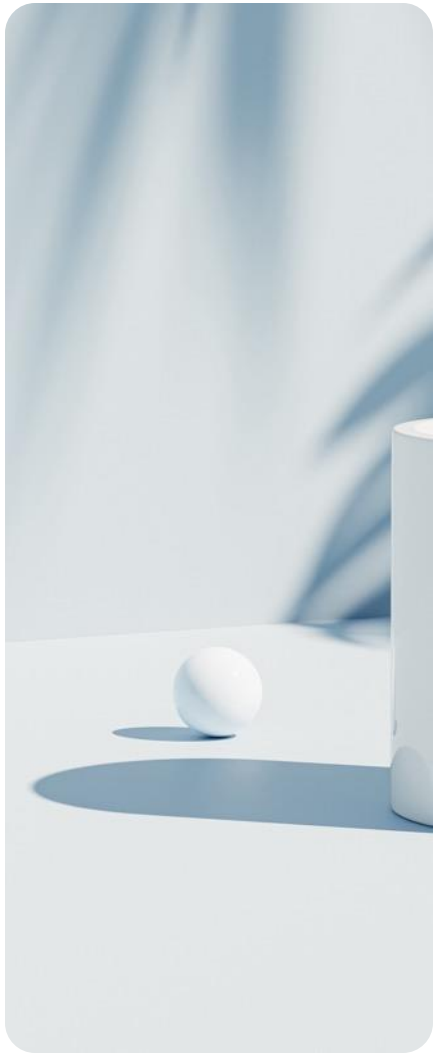
Business users and managers

- Defines services at a more aggregated and non-technical (more easily understood) level for business users (or business tech teams)
- Includes IT, business and other professional services (e.g. consulting)
- Creates a single platform for ordering services from multiple internal and external providers

Benefits

- Drives internal consumption of services (e.g. data, APIs and other Cloud services)
- Close to business and communicates business value add (communication tool)
- Ease of use and access to a service ecosystem.

A service provider perspective



1 A sales service catalogue

Salesperson
Account managers
Delivery

- Defines all (or the most important) services that the service provider sells in the market.
- Defines service variants and price impact based on additional activities (e.g. backup, hot-sync in a second data center), service levels (e.g. service times, Incident response times) and technology variations (e.g. server types).

Benefits

- Clarity for sales and potential customers on services sold and their pricing.
- Allows the salesperson to do easy scenario building without extensive internal approvals.
- Reduces cost and pricing risks considerably.
- Aligns with market best practices (e.g. Cloud pricing)
- Easy service benchmarks

2 A service playbook

Salesperson
Account managers
Sales managers

- Lists and defines all services to be sold by the company's sales/solutioning teams without listing all service variants and processes.
- Includes market appetite by service class, type of customer and region.
- Updated yearly or quarterly as part of the sales kickoff.

Benefits

- Sets and reflects the key priorities in terms of services to sell to which customers, in which regions and in which quarter.
- Effective and easy sales tool for preliminary customer discussions.
- Includes strategic positioning information (e.g. value to customer) and key competitors.

Services are defined at different levels depending on user profiles and purpose

IT and other tech units

Component

e.g. quantum compute server, DC Racks

X USD/component/m

IT users
Application and Infra

Infrastructure (IaaS)

e.g. Servers/VMs, Monitoring, Network

RHEL OS, 16 vCPU, Availability: 99.99% BYOL
X USD/month

IT users
Application and Infra

Platform (PaaS)

e.g. DBaaS, Middleware, Webserver, Container platform

Kubernetes cluster
Incl. Control plane mgmt.

Container vCPU/hour
Container RAM GiB/hour
X USD

Business user
Product owner
IT Dev/Ops

Application (SaaS, Dev, ApOps/ DevOps, Support and Maintenance)

e.g. HIS, Patient portal, InterOps platform, PDMS

X USD / application/month

Business User

Business Service and Process

e.g. monthly financial reporting, reconciliation, Consulting

X USD / report

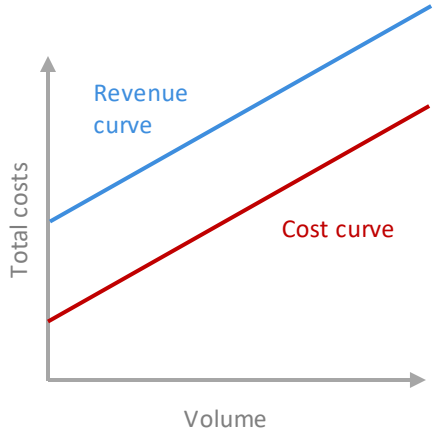
← Technical Oriented Services → ← Business Oriented Services →

Defining service units and pricing is crucial and must align with cost changes. Proper definition mitigates risks and streamlines financial approvals.

Which pricing model is right for which service?

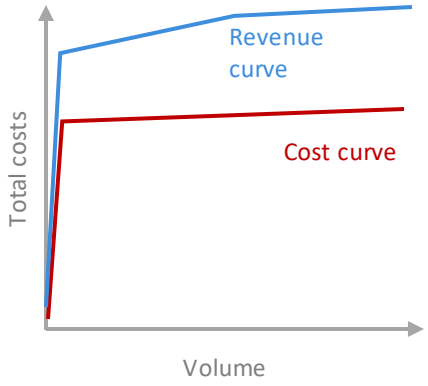
Time and material

- Revenue progression follows cost curve almost linearly
- Risk provider-client balanced
- Cost control difficult for the client
- Can be used for all services where investment and service units are discreet and incremental
- E.g. Resources/people, licenses etc.



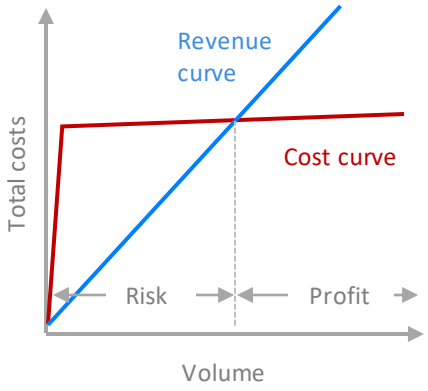
Base cost + volume dependent unit costs

- Applies in cases where significant assets (or teams) must be setup at the beginning, but incremental costs are low after the initial investment.
- E.g. incident/ticket billing for a scope of 4,000 incidents per month (with slow changing volumes)



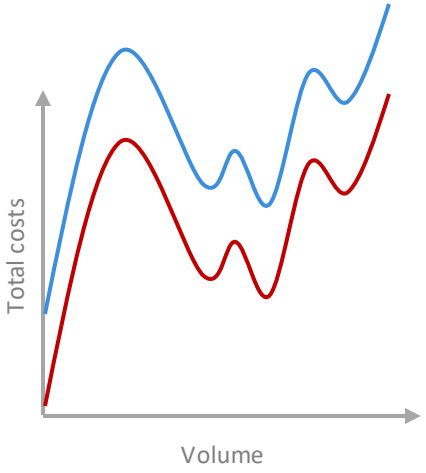
On-demand linear

- The client wants an on-demand pricing but upfront costs are involved (e.g. for service setup).
- May also include forward or retroactive discounts
- Linear pricing can be agreed with termination fees within the ”risk zone”.
- E.g. private cloud setups.



On-demand variable

- Customer demand can vary upwards and downwards freely.
- Cost curve must closely follow demand/revenue curve (e.g. when cloud services are passed through with value add services)
- E.g. most public cloud models



Implementation can vary depending on maturity with different cost and benefits

Maturity

Level 1
List of technical components and T&M rate card

- Basic list of technical components
- Document based (ppt, pdf, excel)
- Regular updates (e.g. quarterly or yearly)

Level 2
Foundational service catalogue

- Comprehensive and regularly published (and updated) catalogue of most services
- Used mainly for simple requests.
- Either in document format but ideally in service request portal

Level 3
Automated and integrated service catalogue

- Comprehensive catalogue of all services produced internally or through service providers.
- Includes integrated E2E services and generally covers multi-regions.
- Implemented into a tool (e.g. Servicenow, internal service order system) with dynamic updates of the services.

Level 4
Business oriented service catalogue

- Business oriented catalogue with services aligned with business user consumption patterns and value sought.
- Services are abstracted of technical jargon yet transparent and easy to procure.
- Platform is easy to use and continuously updated.
- IT value clearly visible

Contact us for more information

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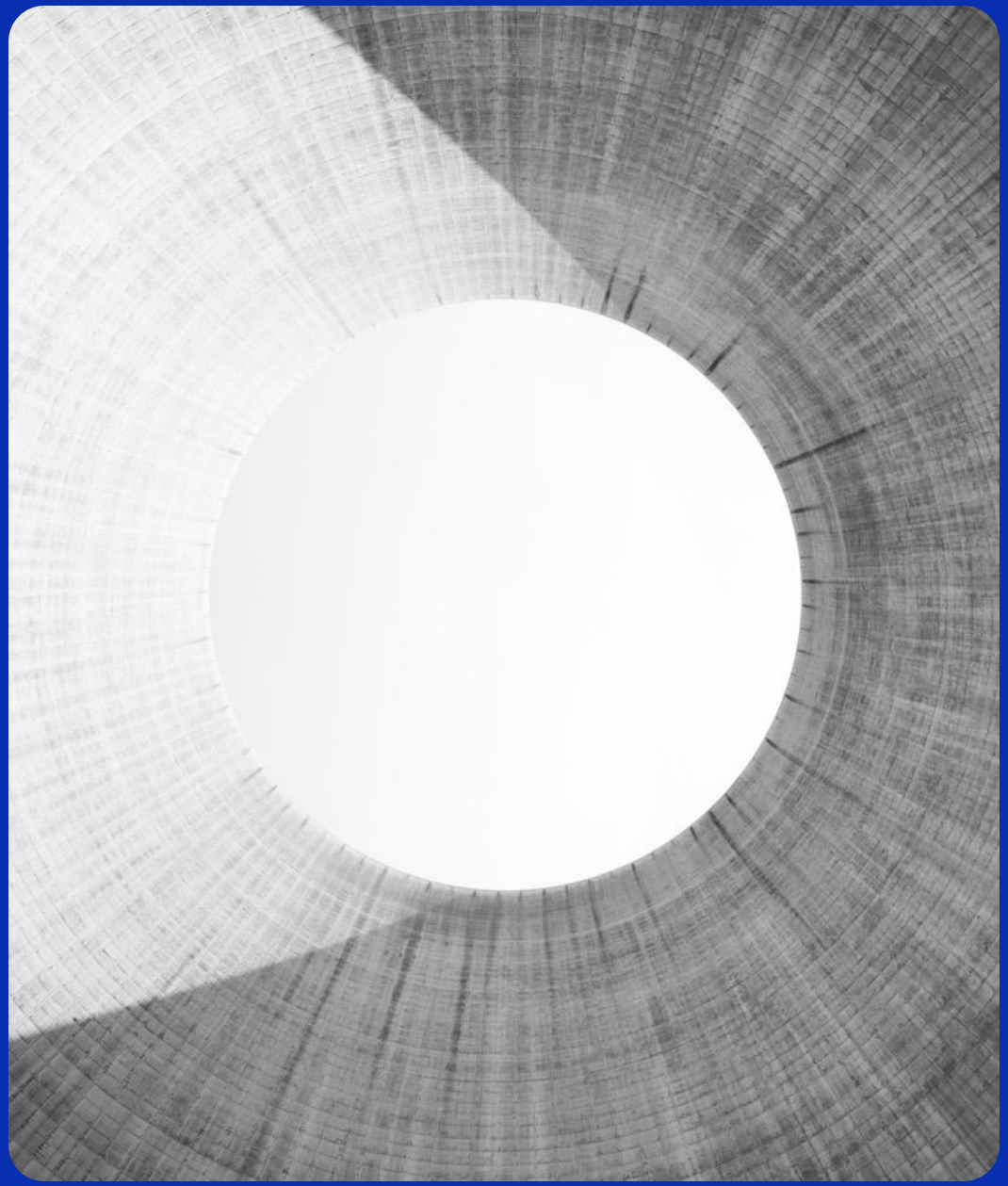
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