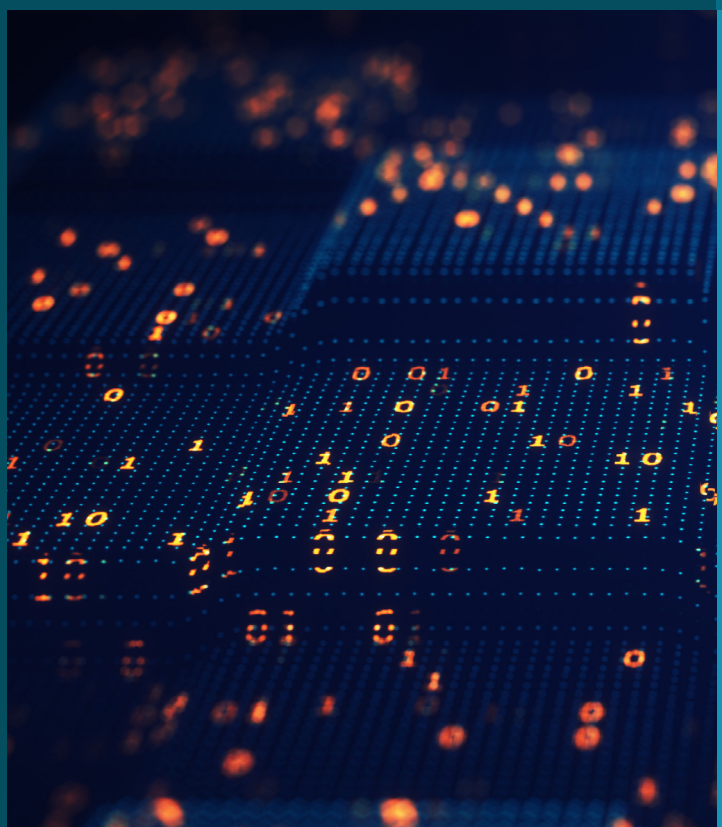
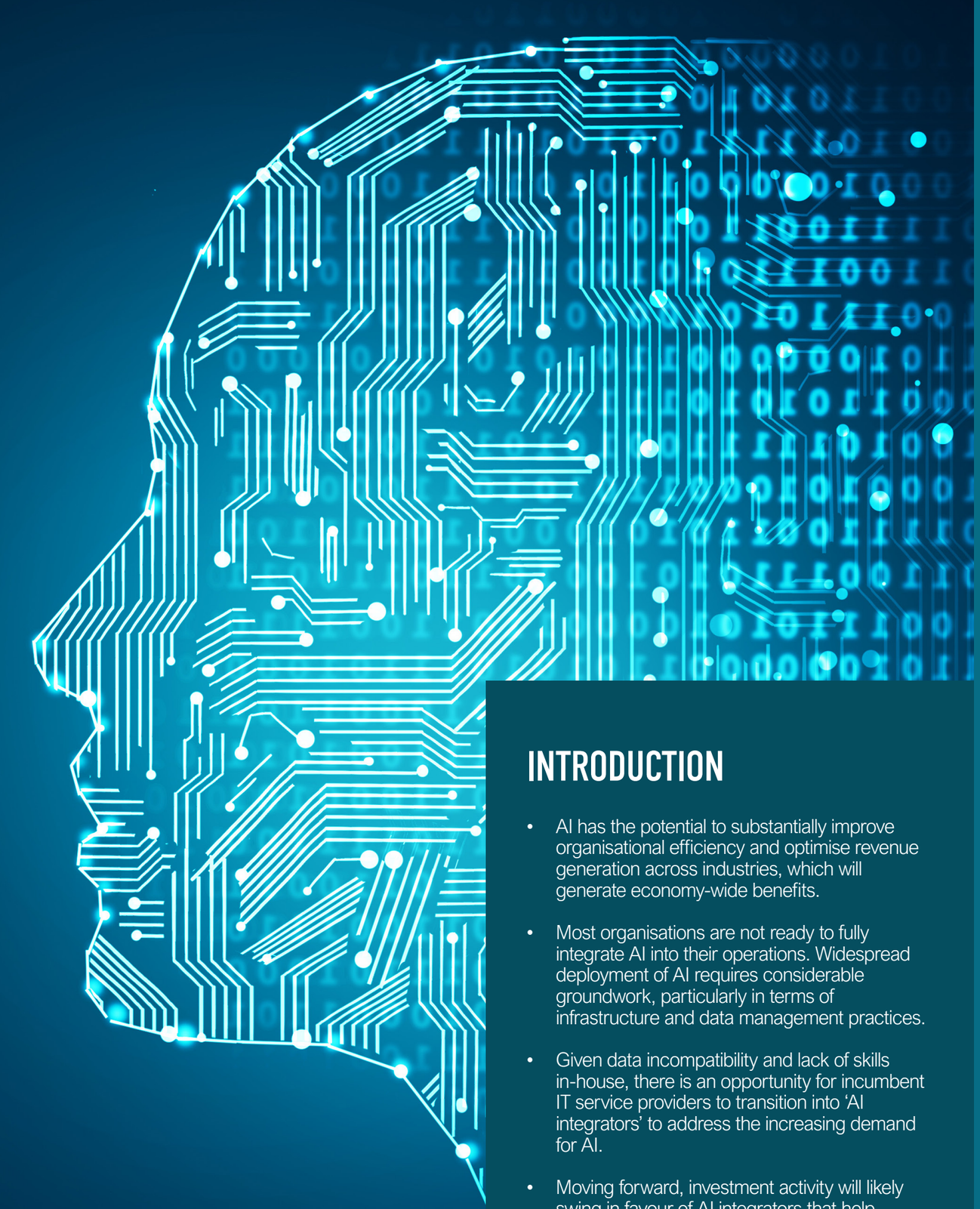
MANAGEMENT CONSULTANTS

RISE OF THE AI INTEGRATOR

Leveraging the power of AI within IT services





INTRODUCTION

- AI has the potential to substantially improve organisational efficiency and optimise revenue generation across industries, which will generate economy-wide benefits.
- Most organisations are not ready to fully integrate AI into their operations. Widespread deployment of AI requires considerable groundwork, particularly in terms of infrastructure and data management practices.
- Given data incompatibility and lack of skills in-house, there is an opportunity for incumbent IT service providers to transition into 'AI integrators' to address the increasing demand for AI.
- Moving forward, investment activity will likely swing in favour of AI integrators that help customers integrate data analytics and AI practices into their core operating model.

EXPANDING HORIZONS OF ARTIFICIAL INTELLIGENCE (AI)

AI has the potential to substantially improve organisational efficiency and optimise revenue generation, generating economy-wide benefits.

While public perception often associates artificial intelligence (AI) with large language models like ChatGPT, it is important to recognise that AI is a burgeoning technology with a vast range of potential use cases. As our understanding of its capabilities improves, and the technology itself continues to advance, the breadth and depth of use cases will increase.

The potential benefits of AI to the global economy are substantial. According to Goldman Sachs' projections for the next decade, AI is forecast to contribute a 7% increase in global GDP and a 1.5% annual upswing in productivity growth. Organisations that are already harnessing the potential of AI have successfully achieved both cost reductions and increased revenue.

Example use cases for AI

Retail	Financial services	Healthcare	Media	Manufacturing
Customer experience / front-office Across verticals, AI transforms customer experience by enabling personalised interactions, predictive analytics and virtual assistants, enhancing overall satisfaction and engagement.				
Real-time recommendations for consumer shopping decisions.	Personalised financial recommendations and interactions with consumers.	Virtual health assistants provide initial triage based on symptoms, reducing burden on healthcare providers.	Personalised product placement / advertising in atypical settings, e.g. TV shows.	Match customer requirements automatically to catalogue of SKUs.
Back-offce Across verticals, AI is used to automate data entry, document processing and workflow management, which enhances efficiency and reduces manual workload.				
AI-based demand forecasting based on numerous factors to optimise inventory levels and improve supply chain efficiency.	Automation of know-your-customer (KYC) / anti-money laundering (AML) processes.	Automate initial detection of pathology from x-ray / CT / MRI scans.	Automatic tagging of images, videos and articles can streamline content management workflows.	Damage detection and predictive maintenance of machinery.

THE AI ADOPTION JOURNEY

Many organisations are not ready to integrate AI into their operations. Widespread deployment of AI requires considerable groundwork, particularly in terms of infrastructure and data management practices.

In some specific use cases, organisations can implement AI without relying on cloud-based data and analytics (e.g. using Microsoft Copilot alongside productivity software). However, to effectively use AI for more bespoke applications and leverage internal data, it is important to transition to a cloud-based technology stack and implement robust data management practices.

Most organisations are in the early stages of their AI adoption journey. Many are currently in the process of migrating to the cloud or implementing data analytics, meaning only a limited number have integrated AI on a wide scale.

Three stages to AI adoption

1. Migrating to the cloud

Many organisations are in the process of transitioning on-premise / hybrid infrastructure estates to the cloud (often hyperscalers such as AWS and Microsoft Azure).

This involves modernising large volumes of applications and their associated workloads to achieve the benefits of cloud computing.

2. Managing data

Once data is on the cloud, it needs to be organised, usually through a data lake or warehouse which provides a central repository that can be quickly analysed and queried.

3. Executing AI

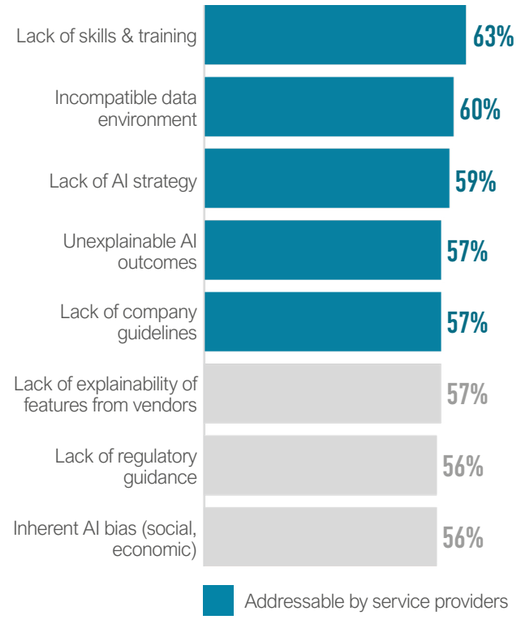
Once centrally stored, data can be leveraged by AI models to provide actionable insights across the organisation. This can streamline internal workflows and improve / add value to product and service delivery.

Barriers to AI adoption

Many organisations face challenges in fully leveraging AI due to lack of scale and skill gaps.

The principal barriers to AI adoption are technical debt from underinvestment in modernising cloud and data environments, the absence of a unified AI strategy, and the difficulty of recruiting and retaining the required skills for executing the strategy.

Key barriers to AI adoption (% of respondents)
Source: IBM global survey of 7,502 businesses (Apr-22)



External service providers will play a crucial role in guiding organisations through their AI journeys. Without their support, many organisations might deploy AI in a fragmented manner or in areas that fail to maximise return on investment. Consequently, service providers play a key role in:

- Assisting organisations in forming and shaping their data / AI strategy.
- Laying the groundwork through cloud migration and data analytics projects.
- Facilitating the deployment of value-add AI and managing its ongoing evolution.

Many existing IT service providers already have some of the capabilities to support organisations as they adopt and implement AI. Pivoting to become 'AI integrators' could allow them to be first movers in a vast, growing market opportunity.

LEVERAGING THE OPPORTUNITY

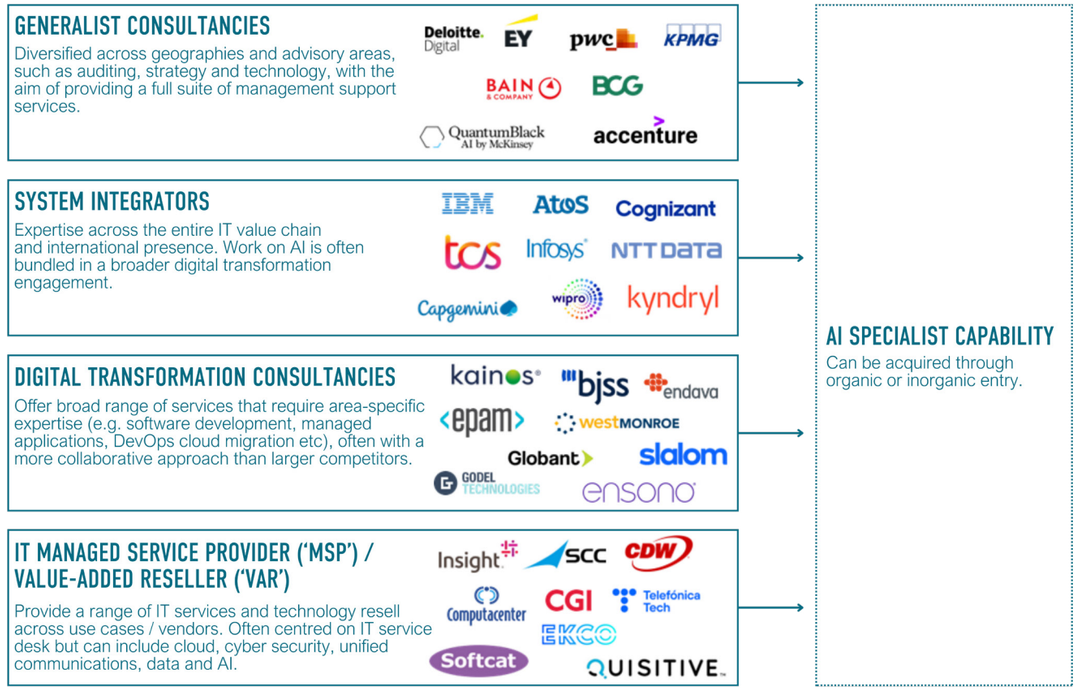
Given the restricted capacity of organisations to internally implement AI, there is an opportunity for incumbent IT service providers to transition into ‘AI integrators’ to address the increasing demand.

Various types of IT service providers that have traditionally offered cloud and data transformation services may be well-positioned to extend their capabilities to AI. To achieve this, they will need to develop specialist AI capabilities tailored to their target organisation size and sectors, either through organic development or strategic acquisitions.

As AI adoption is still in the early stages, IT service providers can achieve a first-mover advantage. While the volume of projects might be low initially, these providers can accumulate case studies, expertise, and vendor accreditations. This will prove advantageous as AI adoption grows, and services transition to become more commoditised, but much higher volume.

RISE OF THE AI INTEGRATOR

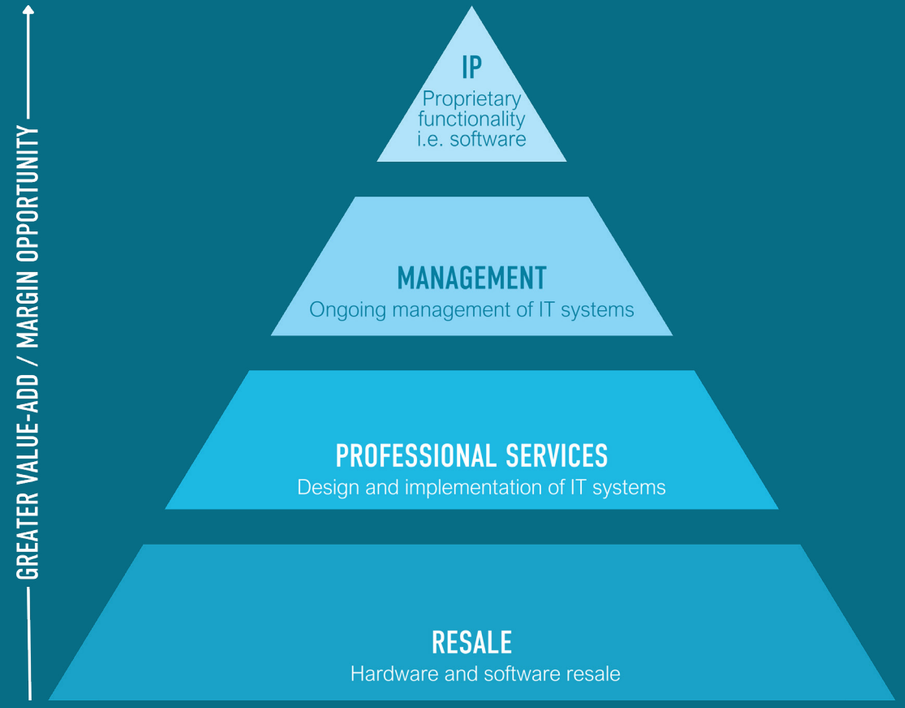
Different types of IT service providers with the potential to become AI integrators



Characteristics for success

We believe there are five characteristics that could prime AI integrators for success in the market, and investors should look out for.

1 **Multiple steps on the IT services value chain**
IT service providers that serve customers across multiple / higher value areas of the IT services chain are better placed to deploy and manage AI within their customers.



2 **AI-focused go-to-market approach**
Interest in AI deployment is high. Service providers should seek to embrace their AI capabilities when acquiring new business, positioning them well to support the full three step journey to AI even where customers are not yet ready to deploy AI.

3 **Seek first-mover advantage**
With adoption currently low, there are benefits to investing early to achieve case studies, expertise and vendor accreditations that will position service providers for future growth, and pique investor interest.

4 **AI strategic support**
Most organisations do not have a clearly defined strategy of how to deploy AI internally. There is a role for service providers to provide initial strategic support to define the problems that could be solved with AI, then develop and implement AI tools recommendations thereafter.

5 **Technology vendor alignment**
AI integrators may seek to focus on deploying AI solutions from a large technology vendor (e.g. Microsoft AI Copilot, Salesforce Einstein). While such products are still being developed, they will likely have mass-market appeal and can be a basis for building a proposition.

Deep expertise / accreditations with one or more large technology vendor could support new customer acquisition by capitalising on interest in such tools.

OUR EXPERIENCE

AllCloud

AllCloud is an international cloud migration services provider with capabilities around data, analytics and AI, focused on AWS, Salesforce and Snowflake technologies.

Cybit

Cybit provides end-to-end IT solutions including the design, development and delivery of flexible managed IT services, cloud migration and data & analytics.

dsp

DSP is a data management and cloud platform MSP that delivers enterprise-grade support and consulting services for Oracle, Microsoft and multi-cloud technologies.

eclipsys BEYOND THE CLOUD

Eclipsys is a North American Oracle focused provider delivering a comprehensive suite of engineered systems and digital transformation solutions across on premise, hybrid and cloud.

EKCO

Ekco is a pan-European provider of hybrid cloud and cyber security services.

ensono DIGITAL

Ensono Digital offers cloud migration and integration, as well as data engineering and management services.

EPHICACY

Ephicacy is a US-based data management and analytics services provider focusing on healthcare.

JMAN GROUP

JMAN Group is a technology-enabled consultancy with a particular focus on private equity, offering data engineering and data analytics services.

kicksaw

Kicksaw is a specialist provider serving intelligent cloud, security and digital workspace solutions and services.

MINDERA

Mindera is a digital design and software developing company with capabilities in digital transformation, data analytics and AI.

Ultima

Ultima is an AI powered technology services provider serving intelligent cloud, security and digital workspace solutions and services.

VERSION 1

Version 1 is a cloud migration and data management / engineering service provider.

GET IN TOUCH

CIL brings clarity to complexity. We have extensive experience advising investors and management teams throughout the investment process, identifying opportunities for growth and providing value creation support.

Tom Fletcher
Partner, Europe
tfletcher@cil.com

Anthony Crutchett
Director, Europe
acrutchett@cil.com

Charlotte Lamnea
Associate Prinicpal, N. America
clamnea@cil.com

Mike Hallett
Associate Director, Europe
mhallett@cil.com

Florian Wohlfart
Principal, DACH
fwohlfart@cil.com

Nahel Rachet
Principal, France
nrachet@cil.com

www.cil.com