



Topic: Infrastructure Outsourcing (IO) – Annual Report 2013: “Automating the Next Horizon”

Information Technology Outsourcing (ITO)
Annual Report: November 2013 – Preview Deck

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Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com

European Headquarters

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¹ Banking, financial services, and insurance

Everest Group's IO research is based on two key sources of proprietary information

1

- Everest Group's annual RFI process with leading IT service providers (conducted in Q2 2013)
- RFI participants were asked to report their 30 largest ITO deals (by total contract value) signed in 2012
- We analysed a total of 432 ITO deals reported for 2012
- We asked the respondents about only their top 30 deals, so as to focus on the high-value ITO market

2

- Everest Group's proprietary database of IO contracts (updated annually) of major IT service providers. The database tracks the following elements of IO relationships:
 - Buyer details including industry, size, and signing region
 - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
 - Scope includes coverage of buyer's geography as well as functional activities
 - Global sourcing including delivery locations and level of offshoring

Service providers reached out for the analysis



Note: We continuously monitor market developments and track additional service providers beyond those as stated above

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

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Summary of key messages (page 1 of 2)

Buyers are containing spend on traditional infrastructure services and investing more on next generation transformation. The increasing adoption of cloud computing and Remote Infrastructure Management (RIM) is impacting the traditional market. Further, buyers are investing in the automation of infrastructure and hence providers and IT organizations will need to understand the impact that automation will have on their business model (resource needs, hiring policies, organizational structure, etc.)

Buyers of infrastructure services will benefit from this report to understand the evolving IO landscape, key trends to watch out for, and outlook for 2014. Service providers will gain by understanding the major factors shaping the IO market, buyer expectations, and overall market trends.

Some of the findings in this report, among others, are:

Major highlights

- There is an increasing frustration amongst the buyers of infrastructure services thereby leading to significant anti-incumbency levels
- Buyers are investing more on cloud computing and Remote Infrastructure Management (RIM) and this is impacting the traditional market
- With increasing demand for automation, both, buyers and service providers need to understand the impact of automation on their business models

Overview

- A majority of the buyers prefer unbundled services
- Buyers are more willing to invest in next-generation services such as cloud and RIM and this is impacting preferred pricing models

Summary of key messages (page 2 of 2)

Buyer adoption

- Though North American buyers lead IO activity, European buyers are more aggressive when it comes to spending
- Post the downturn, buyers from BFSI have shown an optimistic recovery towards spending. European manufacturers have also contributed significantly to IO spending

Key trends

- **Automation:** Buyers are investing in automating the running and maintenance of application infrastructure
- **Competition:** With increased dissatisfaction levels amongst the buyer community, there is a significant anti-incumbency level in the market place
- **Real-time analysis:** There is an increased demand for real-time access and analysis of data

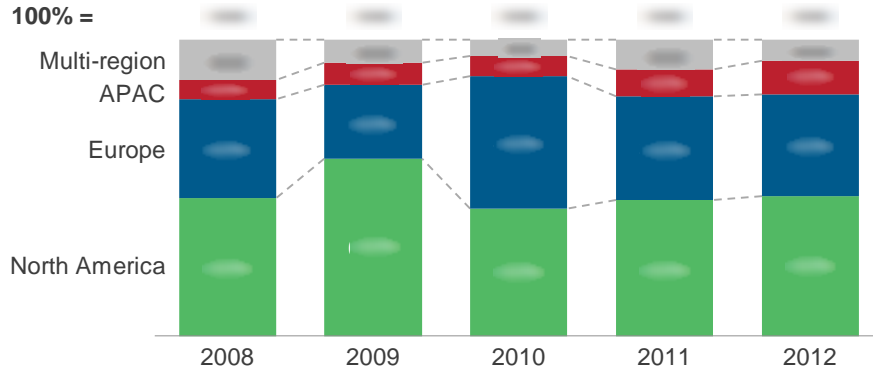
Outlook for 2014

- The overall IT service industry will witness a fillip due to the improvement in the North American market (especially U.S.A)
- Buyers will regain more control of their infrastructure landscape. This may include in-sourcing of earlier outsourced scope of services and buyers' willingness to invest in their datacenters

Multiple factors are transforming the traditional IO market where earlier capabilities will not guarantee future success

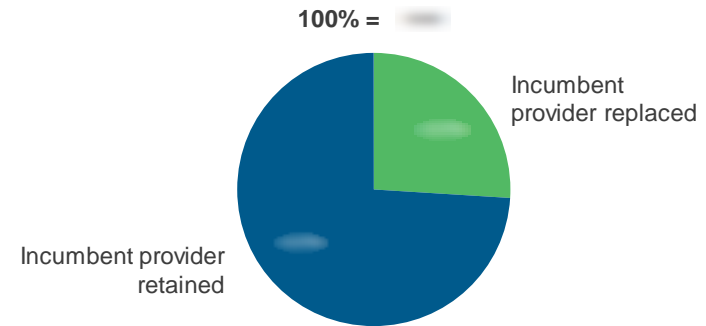
Increased IO activity in Europe and North America

Buyer adoption trends in IO engagements – by geography
2008-2012; Number of deals



Rising ant-incumbency in IO

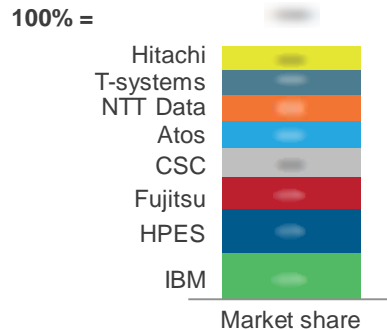
Impact of anti-incumbency in IO engagements
2012; Number of deals



Market share of leading service providers

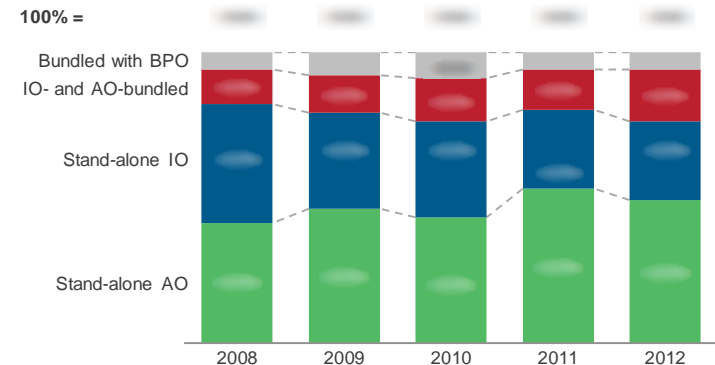
Market share of leading service providers by type of service
2012; Percentage

Application outsourcing



Bundling trends in IO

Buyer adoption trends in IO engagements – by geography
2008-2012; Number of deals



Source: Everest Group (2012)

ITO research calendar

■ Published ■ Current

Topic	Release date
Application Services – Past, Present, and Future	January-2013
How to Overcome Roadblocks while Shifting to Output-based Pricing?	March-2013
Impending Contract Renewals: “A Futuristic View of the Renewals Market Place”	May-2013
Service Integration and Management: An Idea Whose Time Has Come	July-2013
Application Outsourcing (AO) – Annual Report 2013: “Declining Productivity Rising Anti-incumbency”	September-2013
Infrastructure Outsourcing (IO) – Annual Report 2013:”Automating the Next Horizon”	November-2013
Remote Infrastructure Management Market report	Q4-2013
Infrastructure Outsourcing PEAK Matrix Assessment and Profile Compendium	Q4-2013

Additional research recommendations

The following documents are recommended for additional insight into the topic covered in this research. The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **Application Outsourcing (AO) – Annual Report 2013: “Declining Productivity Rising Anti-incumbency”** ([EGR-2013-4-R-0957a](#)); 2013: This annual research deep dives into the application outsourcing landscape. It provides data-driven facts and perspectives on the overall market. The research covers AO adoption trends, demand drivers, next-generation services such as mobility, analytics, and cloud. The research analyzes buyer challenges, trends shaping the market, and also provides an outlook for 2014 for the broader IT as well as AO market
2. **Infrastructure Outsourcing Market Update 2012** ([EGR-2012-4-R-07013](#)); 2012: Everest Group conducted an outreach effort with major IT outsourcing providers, including the global MNCs and large and medium Indian providers, to analyze their 30 largest deals across Application and Infrastructure outsourcing. This report is an aggregated summary of the responses by category, such as buyer geography, buyer revenue, and industry group. The report provides analysis of the trends and the various levers of the IO industry

For more information on this and other research published by the Everest Group, please contact us:

Jimit Arora, Vice President:
Chirajeet Sengupta, Practice Director:
Yugal Joshi, Practice Director:
Ashwin Venkatesan, Senior Analyst:
Sivaram S, Senior Analyst:

jimit.arora@everestgrp.com
chirajeet.sengupta@everestgrp.com
yugal.joshi@everestgrp.com
ashwin.venkatesan@everestgrp.com
sivaram.s@everestgrp.com

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240

Phone: +1-214-451-3110
Email: info@everestgrp.com



At a glance

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Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-647-557-3475

London

unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi

india@everestgrp.com
+91-124-284-1000

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