Everest Group RESEARCH

Upcoming Contract Renewals – Infrastructure Services

Cloud & Infrastructure Services
Market Report: March 2015 – Preview Deck

EGR-2015-4-PD-1424

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1 Banking, financial services, and insurance

Background and methodology of the research

Background of the research:

- The sourced services is a large, US$400 billion market, with deals lasting for an average of two to three years. As a result, a large portion of the market scope comes back to the planning/negotiating table as contracts keep expiring. Most of these deals had originally been procured via a competitive process involving Request for Proposals (RFPs), capability assessment, and short-listing of service providers
- Renewals and recompetes provide an opportunity for non-incumbent players to expand their wallet shares amidst disruptive factors such as saturation, slowing growth rate, and newer and more agile competitors. It also allows buyers a chance to make course corrections based on lessons learned during the lifetime of the just-concluded engagement, and adjust sourcing strategy to suit the current business environment
- In particular, buyers of Infrastructure Services (IS) are increasingly dissatisfied with their existing service provider relationships, which they feel have made the infrastructure environment inflexible. They are keen to experiment with newer service providers by signing shortened contract durations
- This research analyzes upcoming renewals in the next two years with a focus on infrastructure services contracts

The scope of this report includes:

- Analysis of the ITS and BPS markets with deals in scope that are to be renewed in the future
- Key vertical, geographical, and scope-based analysis with a focus on Infrastructure Services (IS) and bundled contracts
- Analysis of IS and bundled contracts by scope (datacenter, network, helpdesk, and end user) across geographies

The analysis shared in this report is based on Everest Group's "Transaction Intelligence Database", the most comprehensive organized record of publicly-announced outsourcing deals

Accounts for more than 30% of the entire sourcing market

TI database

3,600 contracts

2,502 contracts

2,167 contracts

2,121 contracts

Across nine industry buckets

Four geographical regions

Across four infrastructure services (datacenter, network, helpdesk, and end-user services)

Filters

1. **Removed deals that expired before April 1, 2015**
   - This research only focuses on deals that will be renewed in the future, specifically after April 1, 2015
2. **Removed defense and government deals**
   - Usually, such deals are different from the regular commercial outsourcing contracts, with very different sales due diligence, contract scope, and set of providers specially targeting this segment of buyers
3. **Removed pure telecom and consulting deals**
   - Telecom deals differ in key characteristics. Typically, they are voice network and equipment maintenance deals
   - Consulting deals are usually one-time contracts
4. **Removed deals that cannot be categorized**
   - Certain deals cannot be categorized due to lack of sufficient information. This report ignores such deals

The analysis was performed on 2,121 outsourcing deals that expire on or after April 1, 2015

Table of contents (page 1 of 2)

Table of contents (page 2 of 2)

Overview and summary of key messages

This report investigates renewals coming up in the outsourcing market in the next 24 months starting April 2015. Analyses shared include average deal sizes, durations and numbers across industries, geographies, functions, and service provider categories. The report focuses on Infrastructure Services (IS) and bundled contracts that are up for renewal. The research also includes an IS service-level (viz. datacenter, network, helpdesk, and end-user services) analysis of upcoming IS and bundled renewals across geographies.

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

Overview of contracts nearing end of term

- The outsourcing renewals marketplace presents an opportunity of US$76 billion over the next two years
- In the next two years, Western Europe will contribute to almost half of all the IT renewals spend, while North America will account for similar levels in the BPS space over the same time period
- BFSI, energy & utilities, and healthcare will drive ITS renewals over the next 2 years

Infrastructure services and bundled renewal deals – Deep-dive

- BFSI accounts for the highest number of IS and bundled deal renewals coming up in the next 24 months. BFSI and energy & utilities will drive IS renewal spending over the next two years
- Globally, IS contracts will witness a sharp decline in the “12 to 24 month” period
- Germany will witness the expiry of multi-billion dollar contracts, which will drive IS renewal spending in Western Europe over the next one year
- Mega service providers will lead IS and bundled renewal spending over the next two years

Infrastructure services contract renewals by scope

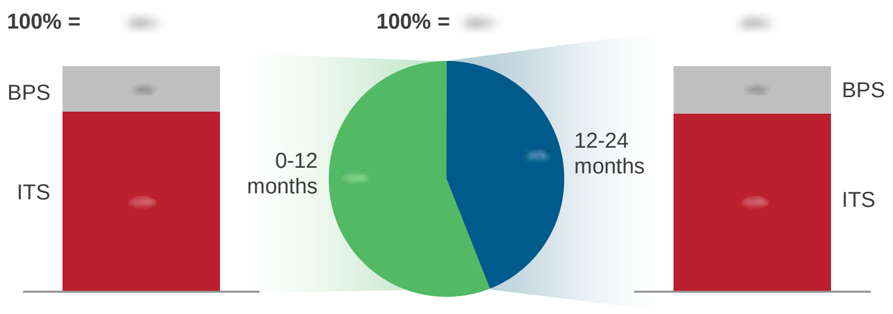
- Globally, active IT contracts have a healthy mix of IT functions in scope, this ensures an opportunity for almost every service provider to play a role
- Barring the helpdesk contracts, all other infrastructure contracts will witness a dip in the average ACV during the “12 to 24 month” period
- Across most towers in North America, higher contract durations in the “12 to 24 month” period will mitigate a portion of the TCV loss
- Unlike other geographies, Western Europe has a higher ACV for datacenter contracts in the “0 to 12 month” period

EGR-2015-4-PD-1424

This study offers three distinct chapters providing a deep dive into key aspects of IT renewals with a focus on infrastructure services and bundled deals over the next 24 months

Overall ITS and BPS renewal volumes

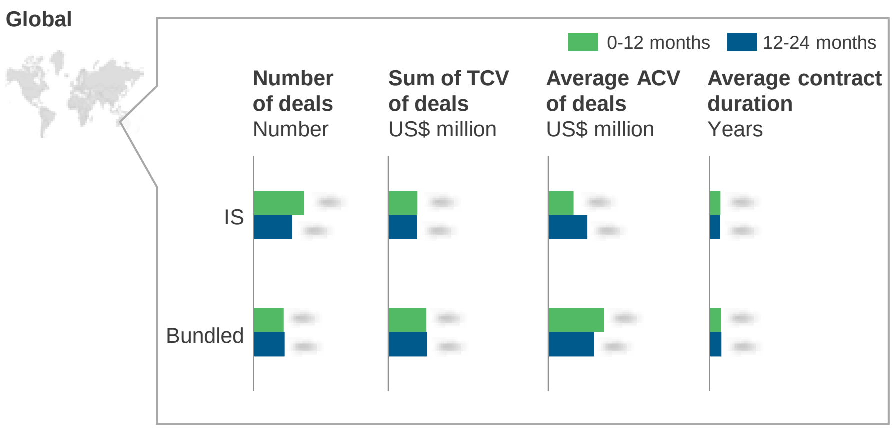
Sum of TCV of deals for renewal
US$ billion



IS deal renewals by buyer industry

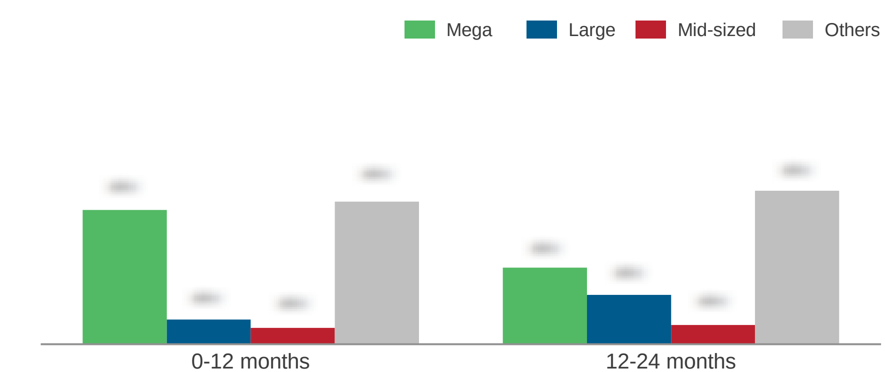
Number of deals for renewal across industries
Number of deals

IS deal renewals by buyer geography



IS deal renewals by service provider category

Number of IS deals for renewal
Number of deals

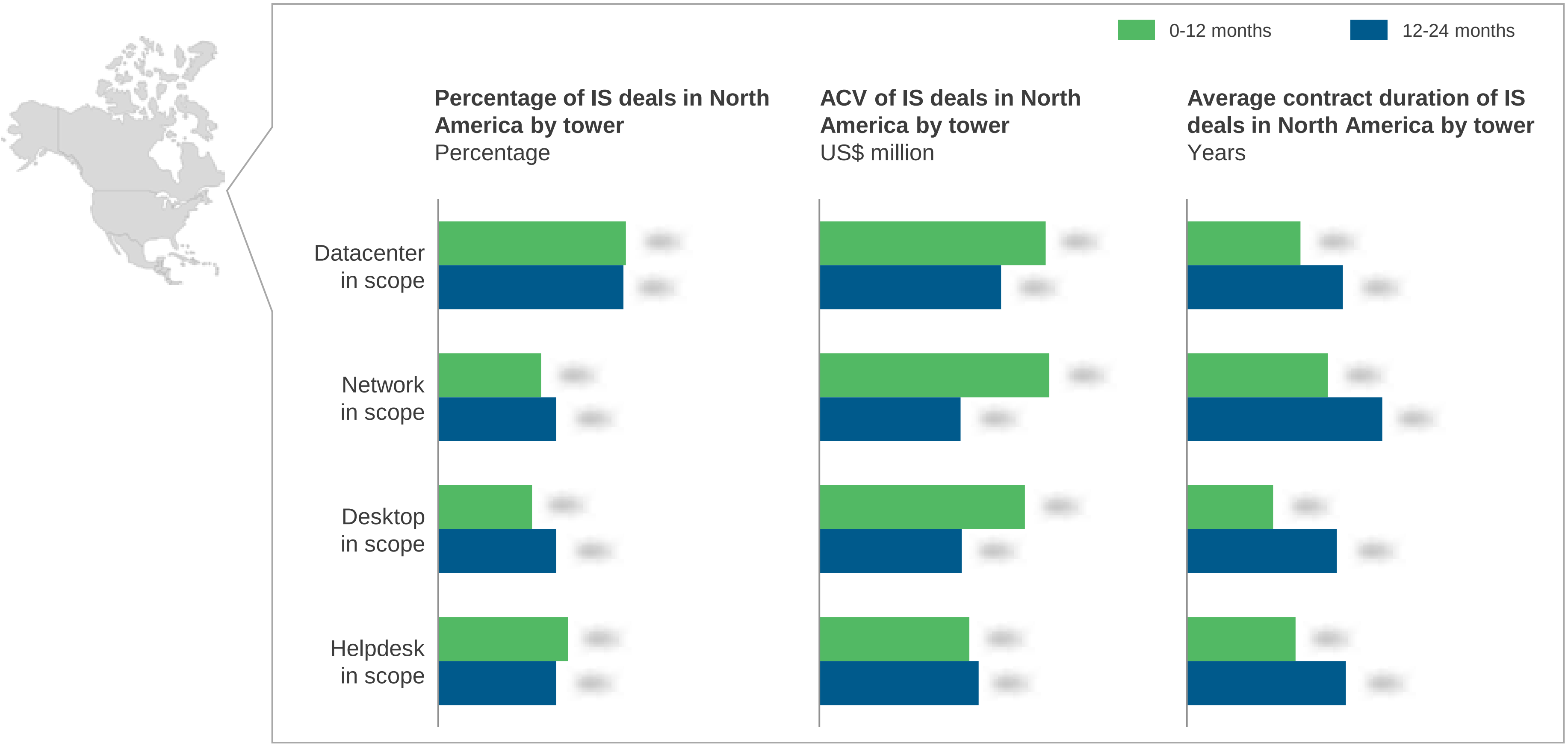


Source: Everest Group (2015)

Though North America will witness a sharp fall in ACV across most towers during the "12 to 24 month" period, the higher contract durations will mitigate a portion of the TCV loss

North America

SCOPE: IS & BUNDLED



Note: The average ACV calculated includes contracts where TCV has been estimated
Source: Everest Group Transaction Intelligence Database

Cloud & Infrastructure Services research calendar

Published | Current

Topic	Release date
Enterprise Cloud Infrastructure Services – PEAK Matrix Assessment and Profiles Compendium	November 2014
Infrastructure Services – PEAK Matrix Assessment and Profiles Compendium	December 2014
Optimizing IT Service Delivery: Technology is the Answer	February 2015
Enterprise Cloud Adoption – Solving the Pricing Conundrum	March 2015
Enterprise Cloud Services – Annual Report 2015: "Contracting Remains Cloudy"	March 2015
Upcoming Contract Renewals – Infrastructure Services	March 2015
Workplace Services – PEAK Matrix Assessment and Profiles Compendium	Q2 2015
Workplace Services – Market Update	Q2 2015
Workplace Services in Europe – PEAK Matrix Assessment and Profiles Compendium	Q2 2015
Contracting for Cloud	Q2 2015
Infrastructure Services – Annual Report 2015	Q2 2015
Private Cloud Services – PEAK Matrix Assessment and Profiles Compendium	Q3 2015
Private Cloud Services in Europe – PEAK Matrix Assessment and Profiles Compendium	Q3 2015
Infrastructure and cloud automation – managing tomorrow's IT	Q3 2015

Additional Cloud & Infrastructure Services research references

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. **Infrastructure Outsourcing – Annual Report 2014: "The Future is Software"** (EGR-2014-4-R-1137); 2014: This annual research deep dives into the infrastructure outsourcing landscape. It provides data-driven facts and perspectives on the overall market. The research covers IO adoption trends, demand drivers, and buyer expectations. The research analyses buyer challenges, trends shaping the market, and also provides an outlook for 2015 for the broader IT as well as IO market

2. **Upcoming Contract Renewals – Infrastructure Services** (EGR-2014-4-R-1067); 2014: This report investigates renewals coming up in the outsourcing market in the next 24 months, starting April 2014. Analyses shared include average deal sizes, durations and numbers across industries, geographies, functions, and service provider categories. The report focuses on Infrastructure Services (IS) and bundled contracts that are up for renewal

3. **Contract Renewals Database (April 2014 - March 2016)** (EGR-2014-4-D-1090); 2014: The database of Contract Renewals includes data specific to deals nearing end-of-term, and provides rich information designed to help audiences take advantage of a better informed sales planning

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

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