



Upcoming Contract Renewals – Application Services

Application & Digital Services (ADS)
Market Report: February 2016 – Preview Deck

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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 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 application services with long-term multi-tower engagements are driving the productivity agenda hard, and are not averse to looking at alternative service providers to counter declining productivity levels
- This research analyzes renewals coming up in the next two years with a focus on application 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 AS and bundled contracts
- Analysis of AS and bundled contracts by scope (development, maintenance, ERP implementation, ERP maintenance, and system integration) 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

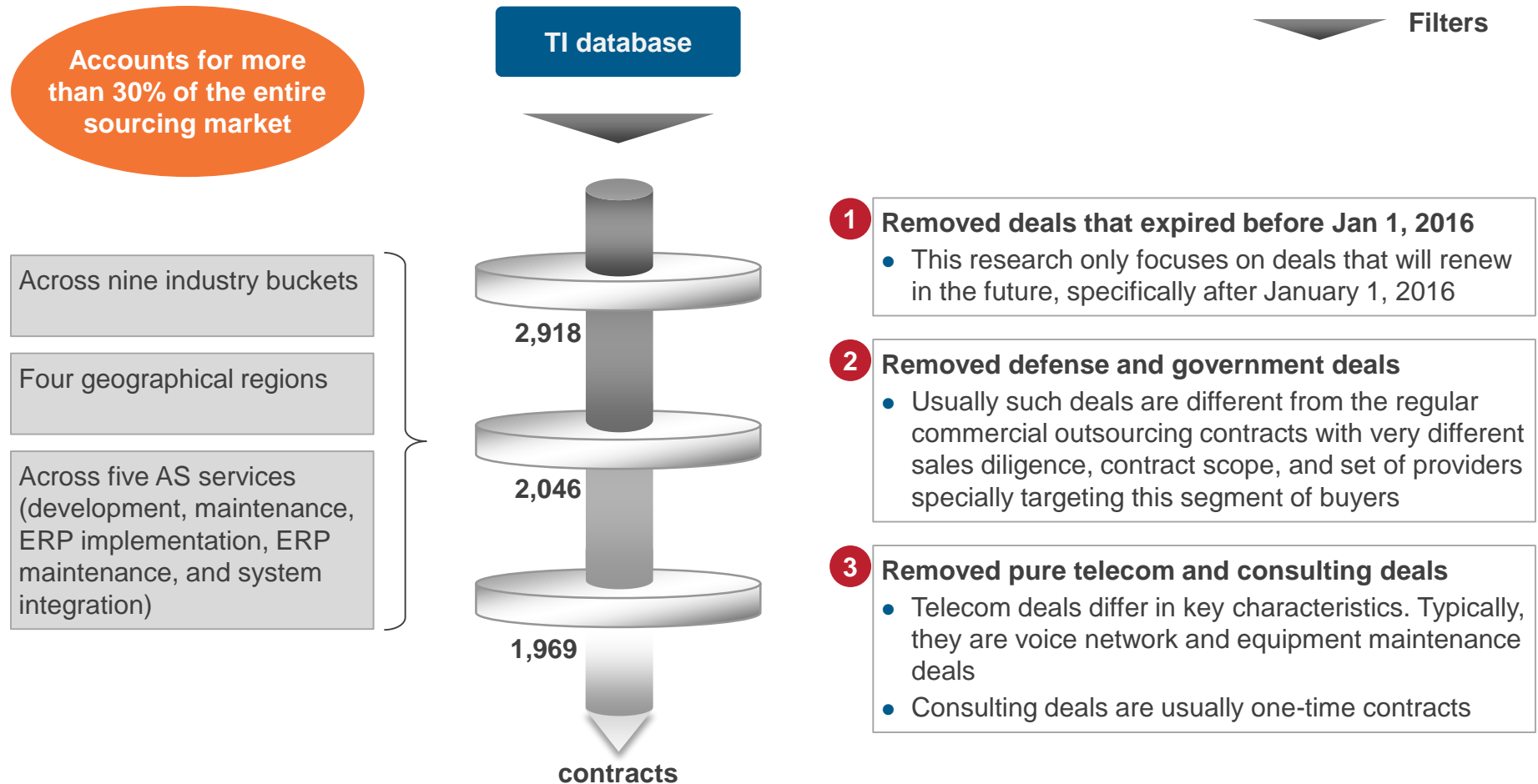


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Overview and abbreviated summary of key messages

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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. This research analyzes renewals coming up in the next two years with a focus on application services contracts.

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

Overview of contracts ending near of term

- Over US\$68 billion worth of ITS and BPS contracts are up for renewal in the next 24 months
- BFSI, healthcare, and energy & utilities account for 45% of ITS renewal spending over the next 24 months
- BFSI and healthcare dominate BPS renewal spending, accounting for 51% of the total spend over the next 24 months
- Defense and government contract renewals provide an opportunity of US\$82 billion over the next 24 months

Deep-dive into deal characteristics of upcoming AS and bundled renewals

- While BFSI accounts for the highest AS renewal spending, healthcare accounts for the highest bundled renewal spending over the next 24 months
- Western Europe will account for the highest AS renewal activity over the next 24 months; the APAC region presents a sizable opportunity for AS spending over the “0 to 12 month” period
- Large multinational providers will dominate renewal spending among AS and bundled contracts over the next two years

Overview and abbreviated summary of key messages

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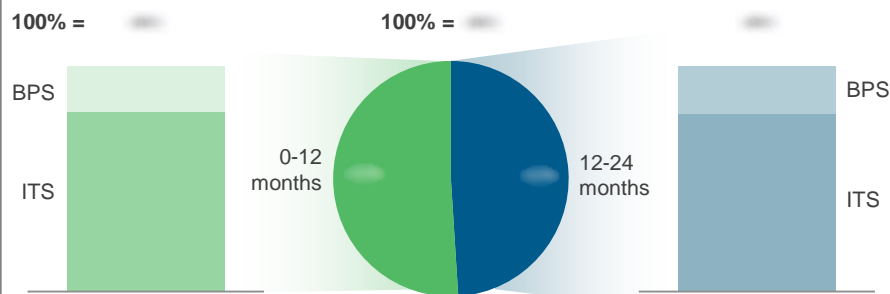
Analysis of application services contract renewals by scope across geographies

- Contracts nearing end of term have a healthy mix of ITS functions in scope, thereby presenting opportunities for all types of service providers
- Application development and maintenance account for a large portion of the scope within application service contract renewals over the next 24 months
- North America will witness an increased Average Contract Value (ACV) across all application service lines in the "12 to 24 month" period, except for system integration
- In Western Europe, average value (ACV) of application development and maintenance contract renewals will witness an increase over the "12 to 24 month" period

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

Overall IT and BPS renewal volumes

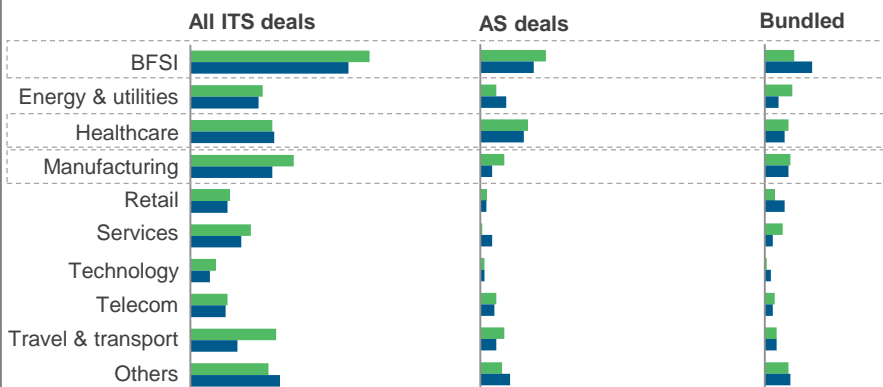
Sum of TCV of deals for renewal
US\$ billion



AS deal renewals by buyer industry

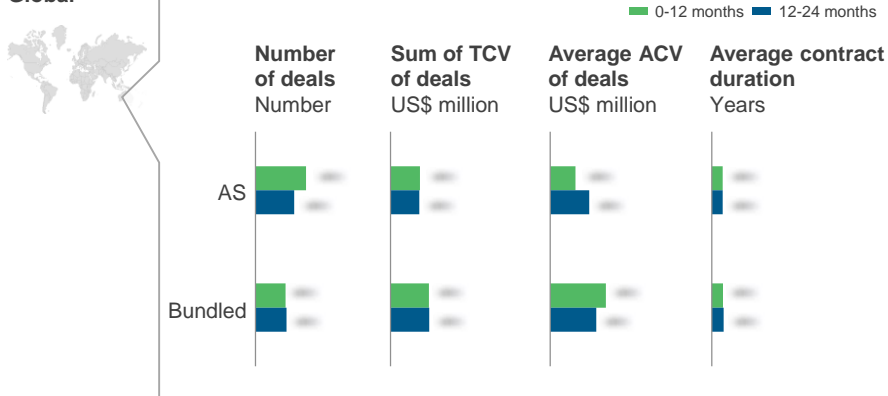
Number of deals for renewal across industries
Number of deals

0-12 months
12-24 months



AS deal renewals by buyer geography

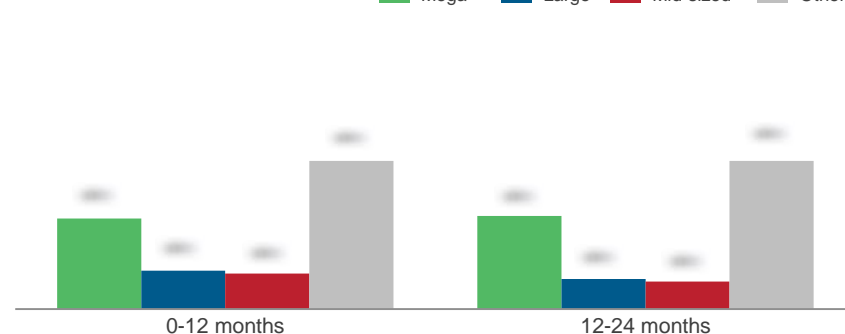
Global



AS deal renewals by service provider category

Number of AS deals for renewal
Number of deals

Mega Large Mid-sized Others

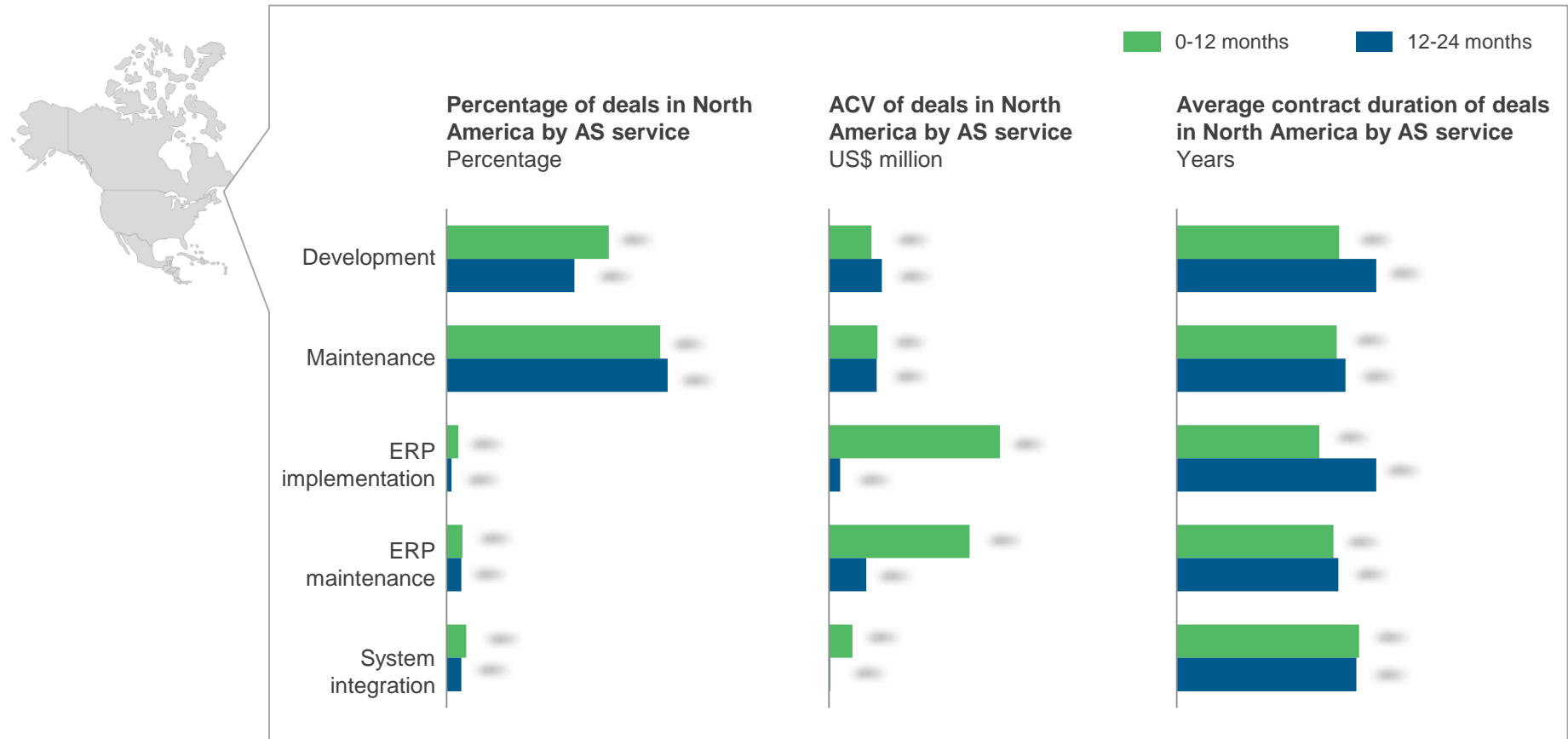


Source: Everest Group Transaction Intelligence Database

Though the incidence of contracts with development in scope is lesser in the “12 to 24 month” period in North America, they are relatively larger as compared to deals in the one year period

North America

SCOPE: AS & BUNDLED



Note: The average ACV calculated does not include contracts where TCV is unknown/estimated, and also factors in anomalies
Source: Everest Group Transaction Intelligence Database

Application and Digital services research calendar

| Topic | <div> <div>Published</div> <div>Current</div> </div> Release date |
|--|---|
| Upcoming Contract Renewals – Application Services | March 2015 |
| The Agile Journey: Following Agile to Being Agile | May 2015 |
| Application Services – Annual Report 2015: “Agile to DevOps? Not so Fast” | July 2015 |
| Enterprise Digital Adoption: High Returns, Will They Sustain? | July 2015 |
| Independent Testing Services – PEAK Matrix™ Assessment and Profile Compendium 2015 | July 2015 |
| North America Digital Adoption Survey – How Pervasive is your Digital strategy? | August 2015 |
| Independent Testing Services PEAK Matrix™ – Europe-focused – Assessment and Profile Compendium 2015 .. | September 2015 |
| Testing Services Market Update 2015 – Digital Testing, Buyers Beware! | September 2015 |
| Digital Services – PEAK Matrix™ Assessment and Profile Compendium 2015 | November 2015 |
| Europe Digital Adoption Survey – Is your Digital Strategy Plateauing? | December 2015 |
| Upcoming Contract Renewals – Application Services | February 2016 |
| SaaS implementation services – PEAK Matrix™ assessment and Profile Compendium 2016 | Q1 2016 |

Additional ITS 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. **Application Services – Annual Report 2015: “Agile to DeVops? Not So Fast”** ([ID: EGR-2015-4-R-1503](#)): 2015: This annual research deep dives into the application services landscape. It provides data-driven facts and perspectives on the overall market. The research covers AS adoption trends, demand drivers, next-generation services such as, Agile and DevOps. The research analyzes buyer challenges, trends shaping the market, and also provides an outlook for 2015-2016 for the broader IT services as well as application services market
2. **Upcoming Contract Renewals – Application Services** ([ID: EGR-2015-4-R-1424](#)): The report ‘Upcoming Contract Renewals – Infrastructure Services’ includes data and insights, specific to deals nearing end of term, expanding on analysis of IT and BPS deals nearing end of term by buyer geography and buyer industry, Trends in IS and bundled deal renewals by buyer industry, buyer geography, and service provider category, and analysis of infrastructure services contract renewals by scope across geographies
3. **Contract Renewal Database** ([ID: EGR-2014-4-D-1090](#)): 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:

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