Upcoming Contract Renewals – Infrastructure Services

Cloud & Infrastructure Services (CIS)
Market Report: March 2016 – Preview Deck

EGR-2016-4-PD-1714

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- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
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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:

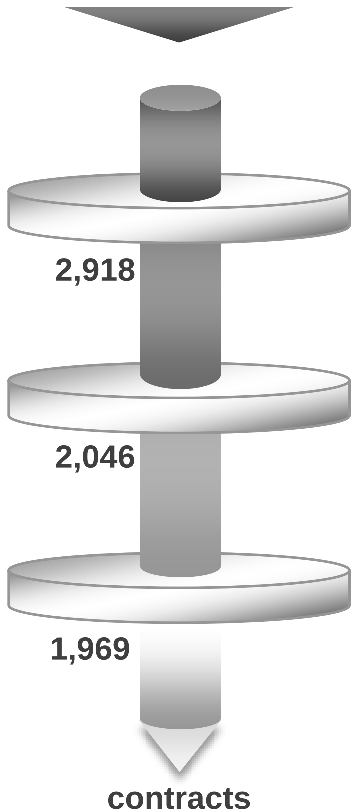
- Analysis of the ITS and BPS markets with deals in scope that are to be renewed in the future
- Key vertical, geographical, and scope-based analysis with a focus on Infrastructure Services (IS) and bundled contracts
- Analysis of IS and bundled contracts by scope (datacenter, network, helpdesk, and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

- Across nine industry buckets
- Four geographical regions
- Across four IS towers (datacenter, network, helpdesk, and desktop)



Filters

1 Removed deals that expired before Jan 1, 2016

- This research only focuses on deals that will renew in the future, specifically after January 1, 2016

2 Removed defense and government deals

- Usually such deals are different from the regular commercial outsourcing contracts with very different sales 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

The analysis was performed on 1,969 outsourcing deals that expire on or after April 1, 2014

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Everest Group
RESEARCH

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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 infrastructure 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 IS and bundled renewals

- 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

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Overview and abbreviated summary of key messages
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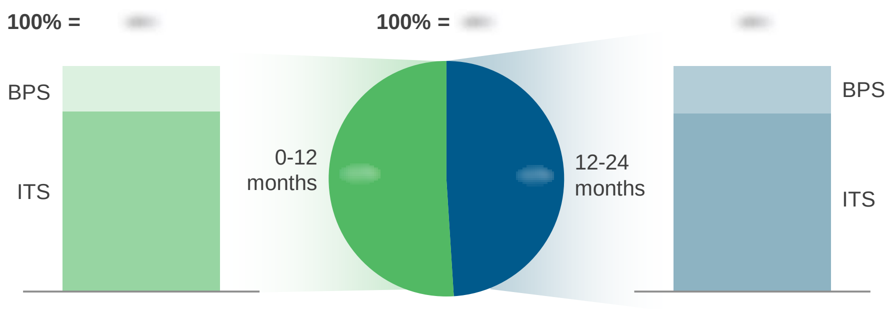
Analysis of infrastructure services contract renewals by scope across geographies

- 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

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

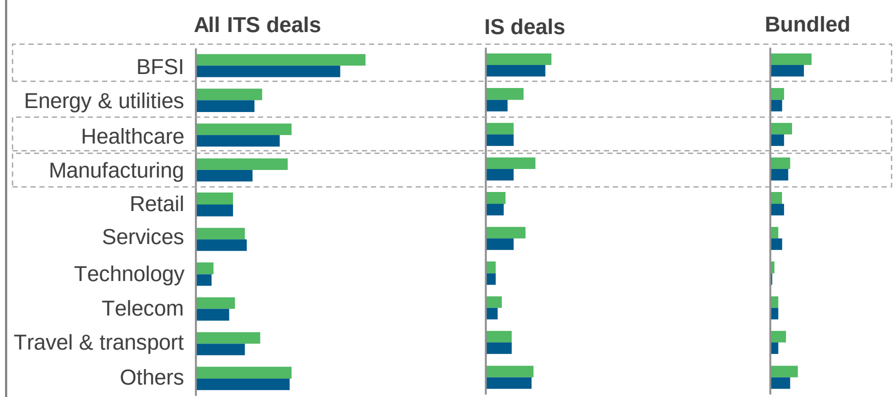
Overall IT and BPS renewal volumes

Sum of TCV of deals for renewal
US$ billion

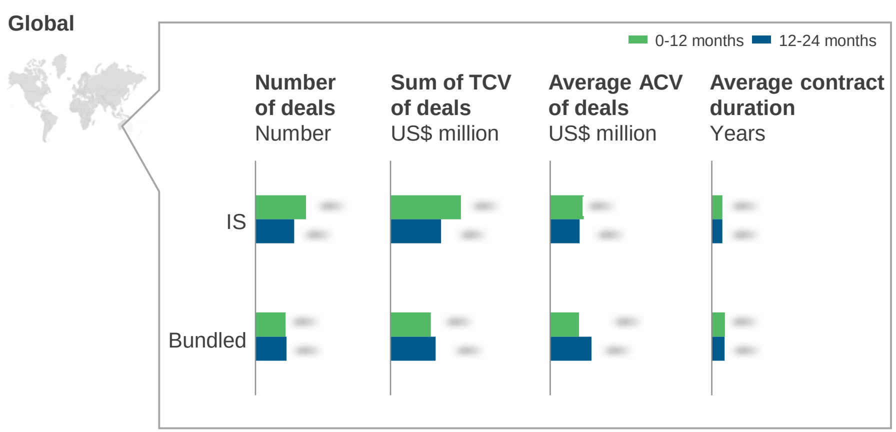


IS deal renewals by buyer industry

Number of deals for renewal across industries
Number of deals

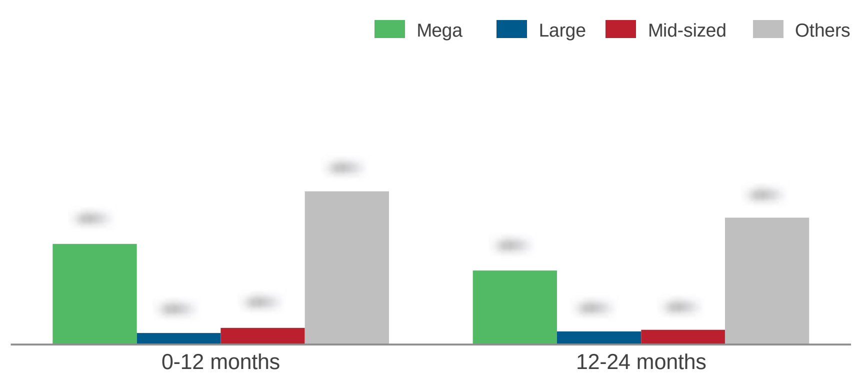


IS deal renewals by buyer geography



IS deal renewals by service provider category

Number of IS deals for renewal
Number of deals

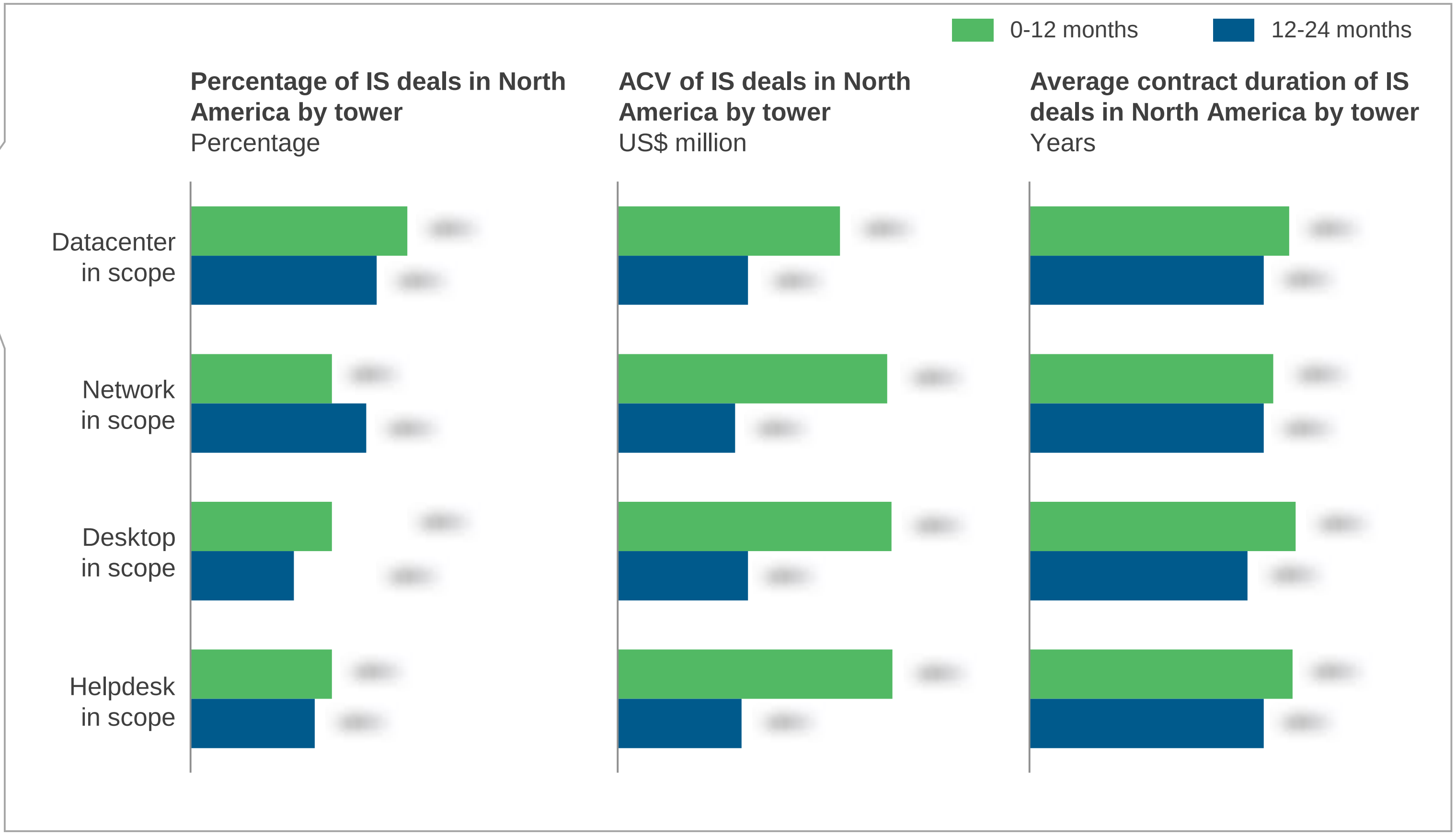


Source: Everest Group Transaction Intelligence Database

North America will witness a sharp fall in ACV as well as the average contract duration across all towers during the "12 to 24 month" period

North America

SCOPE: IS & BUNDLED



Note: The average ACV calculated includes contracts where TCV has been estimated

Source: Everest Group Transaction Intelligence Database

Cloud and Infrastructure Services research calendar

Published | Current

Topic	Release date
Workplace Services Market Update 2015 – Left is Right for the Service Desk!	July 2015
Workplace Services PEAK Matrix – Europe-focused – Assessment and Profiles Compendium	September 2015
Private Cloud Enablement Services – PEAK Matrix™ Assessment and Profiles Compendium	November 2015
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	December 2015
IT Security Services – Market Trends and PEAK Matrix™ Assessment & Profiles Compendium	January 2016
Upcoming Contract Renewals – Infrastructure Services	March 2016
Enterprise Cloud Services – Annual Report 2016	Q1 2016
IT infrastructure automation market update	Q2 2016
Workplace Services – PEAK Matrix™ Assessment and Profiles Compendium	Q2 2016
Infrastructure Services – Annual Report 2016	Q3 2016
Private Cloud Enablement Services – PEAK Matrix™ Assessment and Profiles Compendium	Q3 2016
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	Q3 2016

Additional research recommendations

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

1. **Infrastructure Services – Annual Report 2015: "Digital Businesses: Mind Your Security"** (EGR-2015-4-R-1502); 2015. Enterprises cite security as a major concern in digital adoption. Despite that a significant proportion of them have not sufficiently invested in attaining the requisite level of security in their IT infrastructure ecosystem. This annual research analyses these key trends and provides data-driven facts and perspectives on the overall IS services market. The research covers IS adoption trends, demand drivers, key buyer initiatives, and pricing trends, amongst others

2. **Enterprise Cloud Services – Annual Report 2015: "Contracting Remains Cloudy"** (EGR-2015-4-R-1434); 2015. This research provides fact-based trends impacting the cloud services market. It analyzes multiple aspects such as overall cloud service market size and growth estimates, deal size, cloud deployment trends, buyer adoption trends, and outlook for 2015-2016. Buyers will gain by understanding these trends and evolving their sourcing portfolio accordingly. Service providers will benefit by aligning their strategy to cater to these trends

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

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