



Upcoming Contract Renewals – Infrastructure Services: “Over 40% Incumbents Replaced Annually; Providers Beware!”

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Market Report – February 2017 – Preview Deck

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Background and methodology of the research

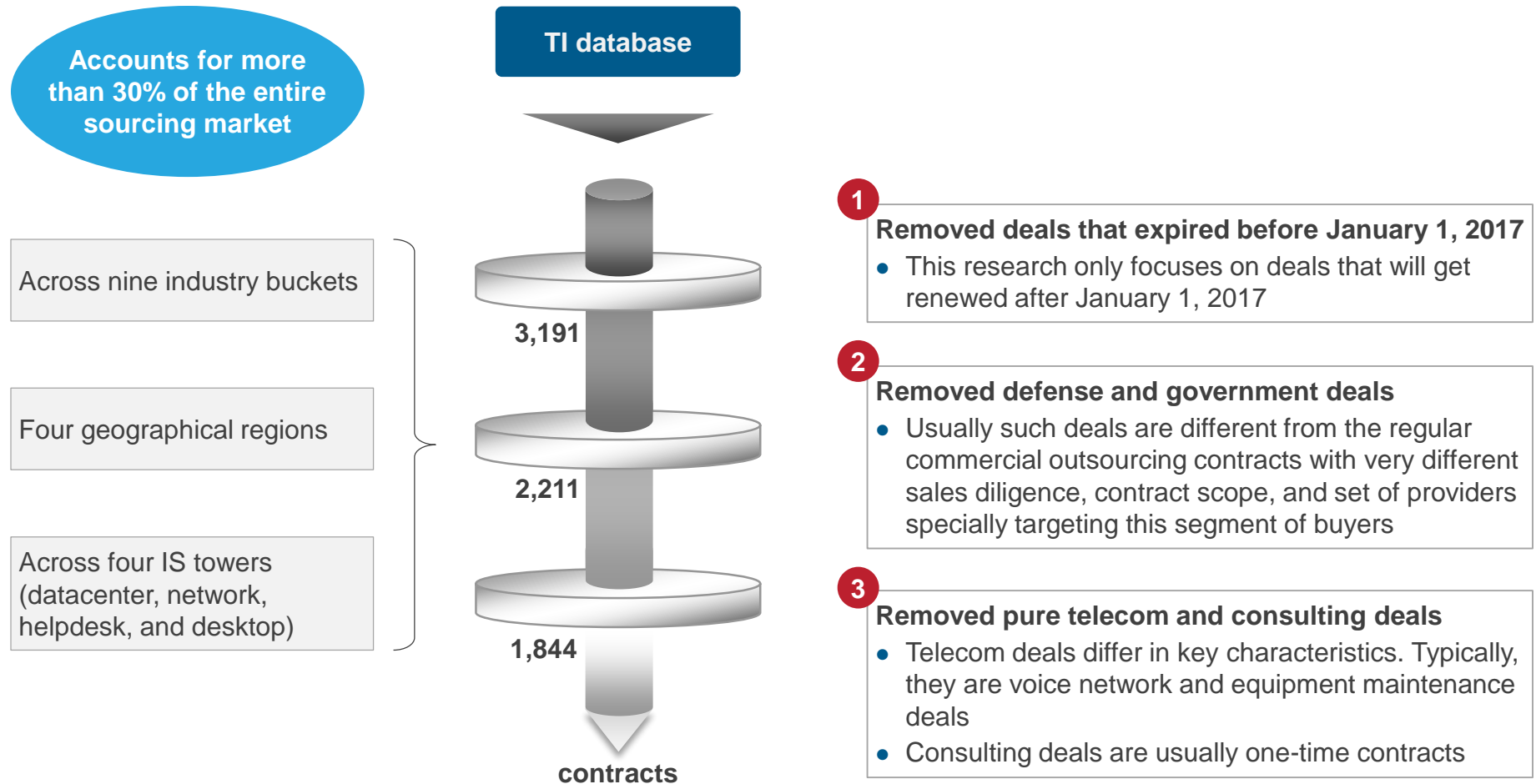
Background of the research:

- Customer dissatisfaction/frustration with service providers is at an all-time high – traditional issues (e.g., project management, execution, and pricing) as well as lack of meaningful innovation in services continue to be areas of significant discontent
- Everest Group's interviews with more than 130 enterprises over 2016 revealed that **nearly half of them are currently not satisfied** with their providers. Therefore, it is not surprising that more than 40% of the Infrastructure Services (IS) engagements signed over the last two years have seen the incumbent provider being replaced
- Renewals and recompetes provide an opportunity for non-incumbent players to expand their wallet shares amidst disruptive factors such as saturation, slowing growth rate, new and more agile competitors. It also allows buyers an opportunity to make course corrections based on lessons learned during the lifetime of the just-concluded engagement, and adjust sourcing strategy to suit the business environment
- This research analyzes renewals coming up 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 over the next two years, and beyond
- Key vertical, geographical, and scope-based analysis with a focus on IS and bundled contracts
- Deep dive analysis of IS and bundled contracts across geographies by scope
- Key considerations for service providers for improving deal renewal success rates

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



The analysis was performed on 1,844 outsourcing deals that expire on or after January 1, 2017.

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Overview and abbreviated summary of key messages

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Disruption is taking center stage as incumbents gear up to battle against factors such as saturation, slow growth rate, and new and more agile competitors. As a result a large portion of the market scope comes back to the planning/negotiating table as contracts expire. This research analyses renewals coming up in the next two years with a focus on infrastructure services.

Some of the findings in the report, among others include:

Service providers need to up their game

- Only 52% of the customers are currently satisfied with their incumbent service provider's performance
- It is a matter of concern that about 25% of the enterprises are "highly dissatisfied" with their service providers
- In today's dynamic IT services environment, offering high quality delivery/execution is a necessary, but not sufficient criterion for client satisfaction
- Service providers need to also work on building a broad set of organizational capabilities and solutioning best practices in order to increase deal renewal success

Overview of contracts nearing end term

- The outsourcing renewals market place presents an opportunity of US\$68 billion over the next two years
- BFSI, healthcare, and telecom verticals will witness the highest value of ITS renewals in the next two years
- BFSI, healthcare, and manufacturing will witness the highest value the BPS renewals in the next two years
- Defense and government renewals provide an opportunity of US\$65 billion over the next 24 months
- Western Europe will offer the largest ITS renewal opportunity (by value) over the next two years; North America will offer the largest opportunity (by value) in BPS

Overview and abbreviated summary of key messages

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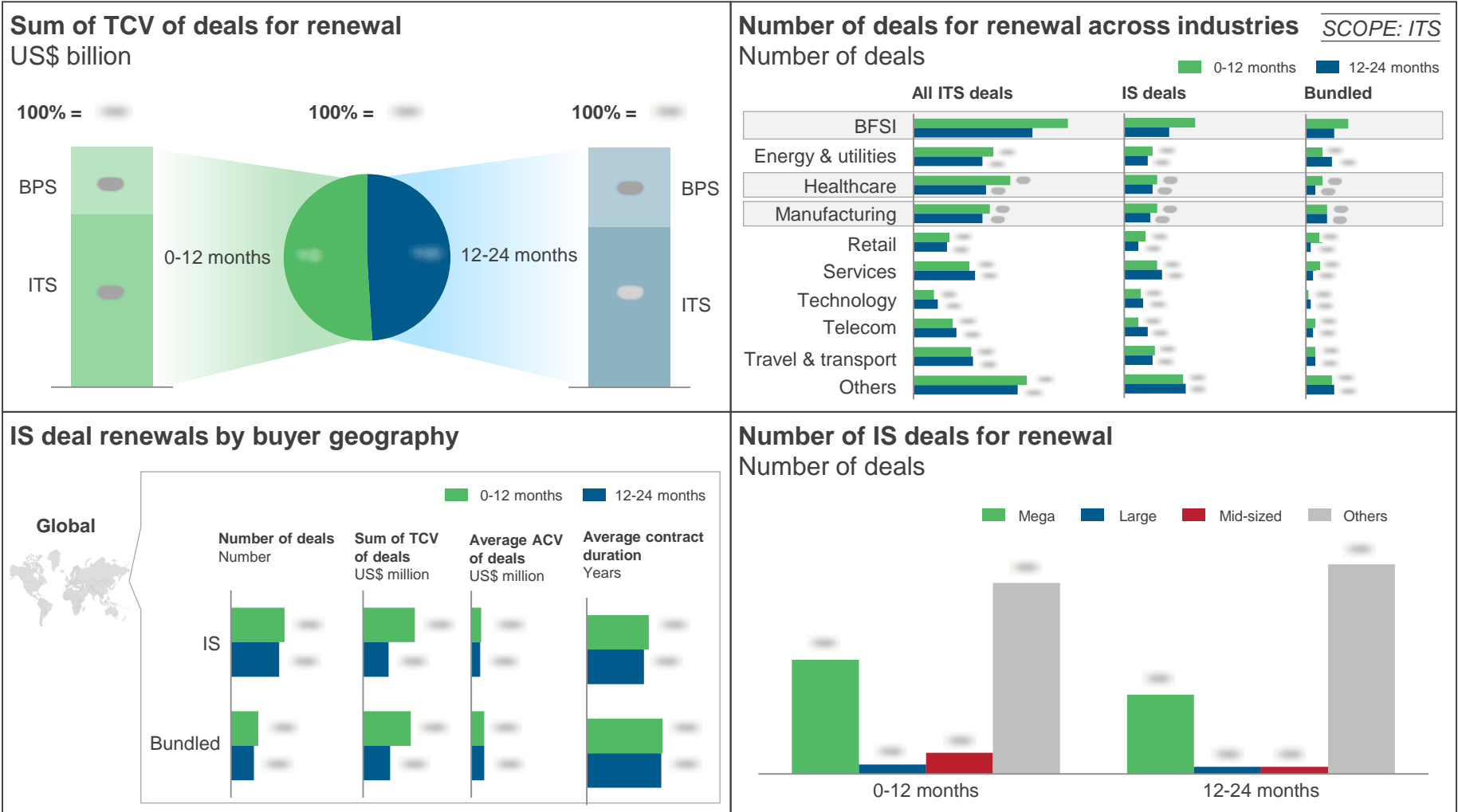
Deep dive into deal characteristics of upcoming IS and bundled renewals

- BFSI, energy & utilities, and manufacturing will present the largest renewal opportunity (by value) over the next two years
- Bundled deal renewal opportunity will be led by BFSI, energy & utilities, and healthcare sectors
- Western Europe presents a significant opportunity for bundled deal renewals over the next two years
- Both IS and bundled renewal contracts with mega service providers (revenue > US\$10 billion) present a lucrative opportunity over the next two years

Analysis of infrastructure services contract renewals by scope across geographies

- IT contracts nearing end-term have a healthy mix of functions in scope, ensuring opportunities for all types of service providers
- Datacenter and network represent a significant proportion of the scope within IS contract renewals over the next two years
- North America will witness higher annual contract value (ACV) across all towers in the “12 to 24 month” period
- Western Europe will witness a decline in number of contract renewals across all the towers in the “12 to 24 month” period

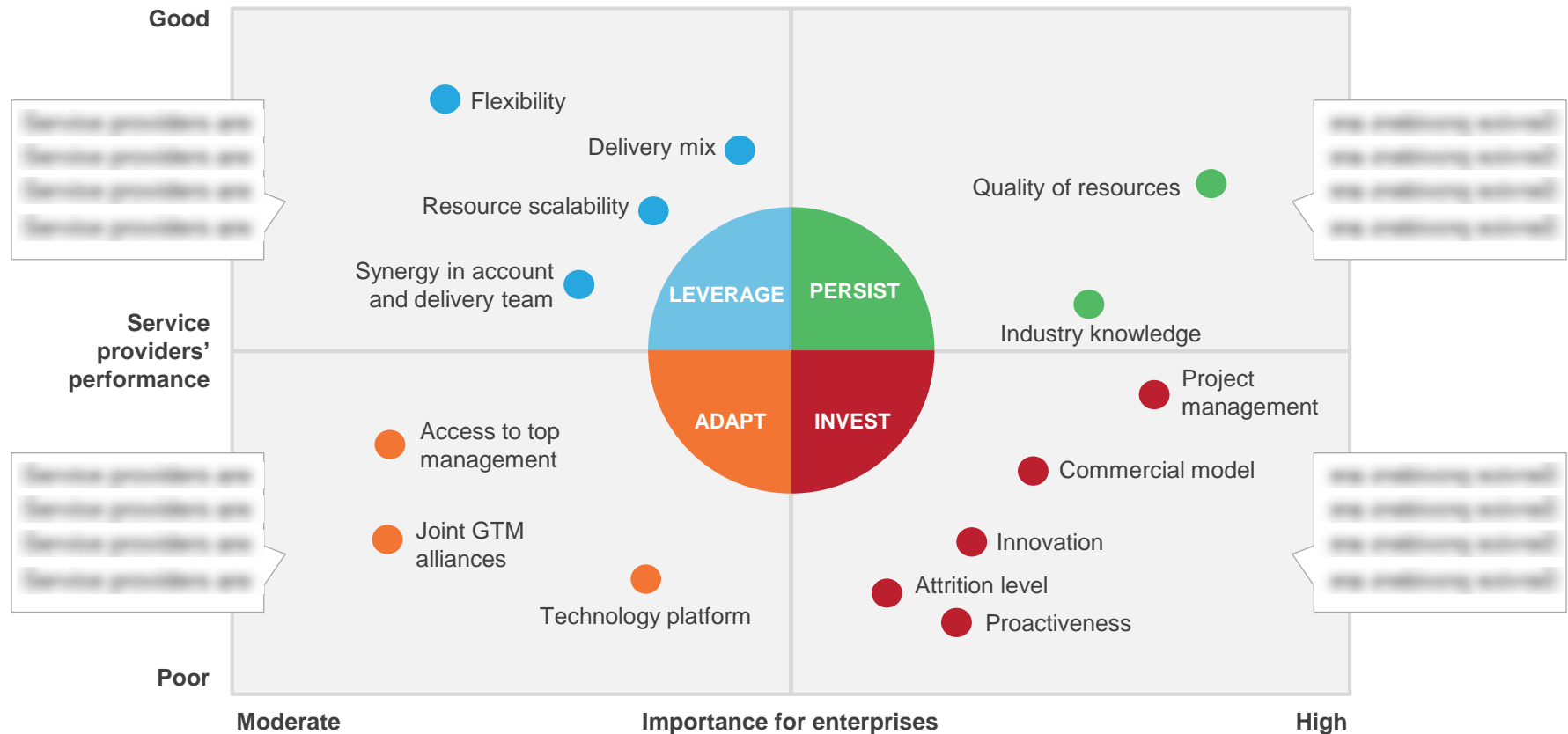
This study offers four distinct chapters providing a deep dive into key aspects of IT renewals including key considerations for service providers with a focus on infrastructure and bundled deals over the next 24 months



Source: Everest Group (2016)

Traditional issues, such as project management and pricing, continue to be an area of significant discontent among enterprises, along with expectations around innovation

IT service provider performance as perceived by enterprises across multiple dimensions

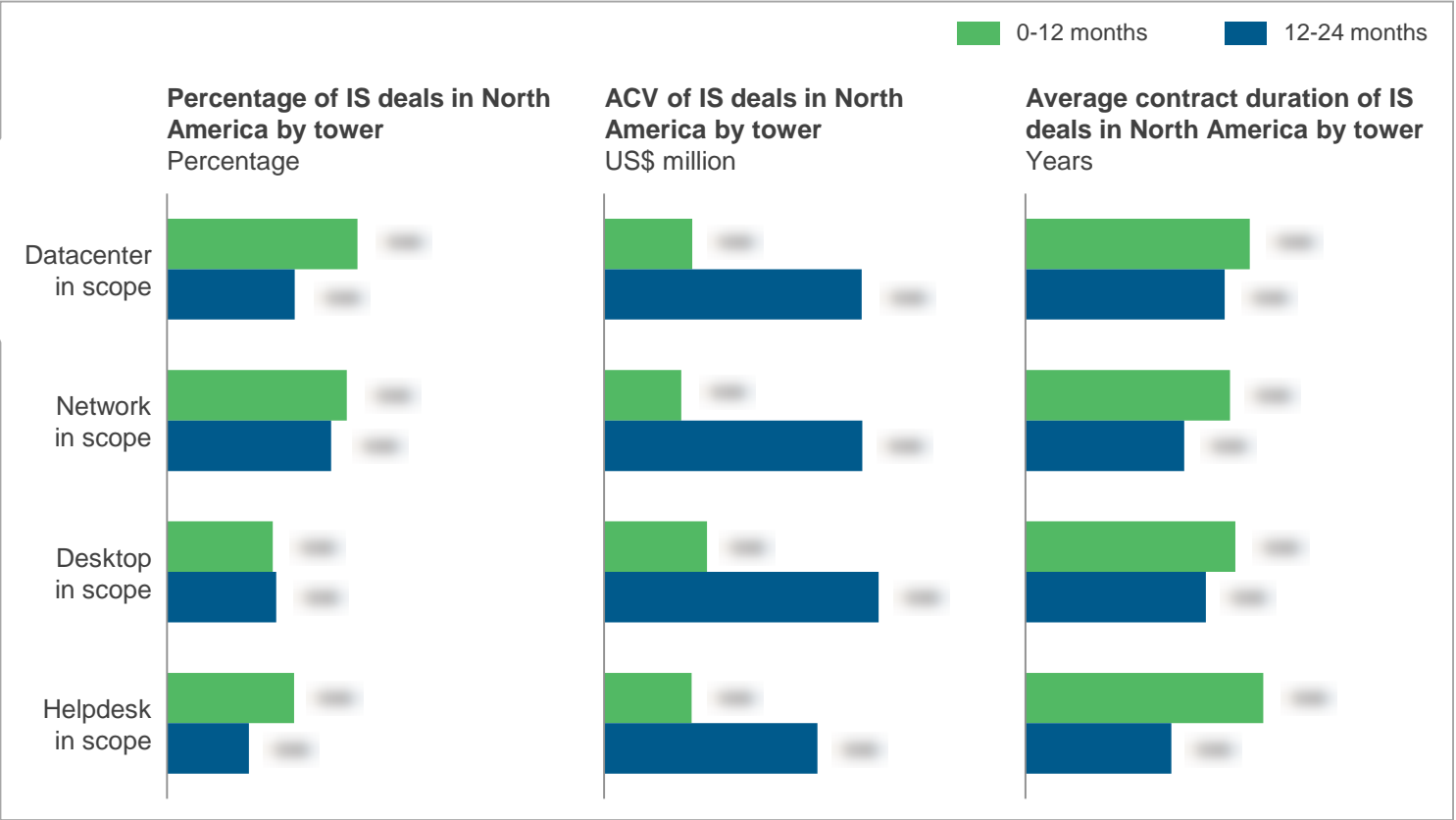


Source: Everest Group (2017)

North America will witness a sharp increase in average ACV of the renewal contracts during the “12 to 24 month” period, irrespective of functions included in scope

SCOPE: IS & BUNDLED

North America



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

Cloud and Infrastructure Services research calendar

Topic	Release date
Infrastructure Services – Annual Report 2016	July 2016
Private Cloud Enablement Services – PEAK Matrix™ Assessment and Profiles Compendium	September 2016
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	December 2016
Upcoming Contract Renewals – Infrastructure Services: “Over 40% Incumbents Replaced Annually; Providers Beware!”	February 2017
IT Infrastructure Services Automation – Market Trends, PEAK Matrix™ Assessment for Solutions & Profiles Compendium	Q1 2017
IT Operations Automation – Market Trends, PEAK Matrix™ Assessment for Products & Profiles Compendium	Q2 2017
Workplace Services – Market Trends, PEAK Matrix™ Assessment & Profiles Compendium	Q2 2017
Enterprise Cloud Services – Annual Report 2017	Q2 2017
Infrastructure Services – Annual Report 2017	Q3 2017
IT Security Services – Market Trends, PEAK Matrix™ Assessment & Profiles Compendium	Q3 2017
IoT Services – PEAK Matrix™ Assessment & Profiles Compendium	Q3 2017
Hybrid Cloud Enablement Services – Market Trends and PEAK Matrix™ Assessment & Profiles Compendium	Q4 2017

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 that may be of interest

- 1. Enterprise Pulse Study 2016 – “Customer (Dis)Satisfaction: Why Are Enterprises Unhappy With Their Service Providers”** ([EGR-2017-4-R-2077](#)); 2016. Despite large scale investments by service providers, customers are largely dissatisfied. This report presents insights into the unstated expectations in an engagement and reviews the enterprises’ current satisfaction level with their service providers. The report also details the technology investment priorities of enterprises and opportunity areas for service providers. The objective of the report is to aid service providers strategize their engagement approach and prioritize investments to meet mounting customer expectations.
- 2. Infrastructure Services– Annual Report 2016: “Infrastructure As Code – It’s Not Automation”** ([EGR-2016-4-R-1832](#)); 2016. Infrastructure As Code (IAC) has thrown DevOps a lifeline - however, many enterprises still equate IAC with traditional IT infrastructure automation leading to an underwhelming experience vis-à-vis their expectations. This annual research analyses this theme and provides data-driven facts and perspectives on the overall IS services market. The research covers IS adoption trends, demand drivers, key buyer initiatives, pricing trends, amongst others.

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