



Topic: Impending Contract Renewals – “Back to the Future”

Information Technology Outsourcing (ITO)
Report: June 2012 – Preview Deck

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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/negotiation table as contracts keep expiring. Most of the deals had originally been procured via a competitive process involving 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 etc. 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 current business environment
- End-of-term assessments on the part of buyers also bring newer solutions within contention. For example, a traditional infrastructure deal being serviced by a full-service MNC provider may now be open for pitch by offshore service providers. There may also be scope for next generation IT technology paradigms, such as, cloud computing, to play a significant role. This research provides an analysis on the impending renewals in the coming “12-18 month” period, along with assessment of one large ITO engagement coming up for renewal

The scope of this report includes:

- Analysis of the ITO and BPO markets with deals in scope that are to renew in the future
- Key vertical, geographical, and scope-based trends
- Potential factors influencing future ITO renewals
- Observations on how future renewals might look
- The team analyzed 2,738 publicly announced contracts that expire on or after April 1, 2012

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Summary of key messages (page 1 of 2)

This report investigates the contracts that are going to come up for renewal during the next 18 months starting April 1, 2012. It provides analysis of IT and BPO deals along a number of silos e.g., industry, geography, and service provider category. Additionally the report outlines the factors impacting future renewals and offers a more detailed look into deeper level trends in ITO contracts reaching end of term.

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

Overview of contracts nearing end of term

- Over 2,700 deals from Everest Group contract database “Transaction Intelligence”, that will expire post April 1, 2012, were used to analyze the renewal scenario. **During next 18 months, over US\$85 billion worth of IT and BPO contracts will be up for renewal**
- Banking and manufacturing dominate both IT and BPO renewals respectively in terms of cumulative TCV. IT contracts dip slightly in size during the “12 to 18 month” period
- Banking, manufacturing, and healthcare will drive the bulk of the renewal activity in the coming months
- Western Europe will have greater proportion of renewals, however, of smaller average size as compared to North America

Deep-dive into upcoming renewals by scope – ITO

- Large and most frequent ADM renewals will occur in healthcare and technology verticals; while banking, manufacturing, and energy & utility verticals will be key for infrastructure renewals
- Bundled ADM and IO scopes constitute some of the largest deals in both North America and Western Europe
- Deals signed by large multinationals as well as offshore players with ADM in scope, dip in average ACV during the “12 to 18 month” period

Summary of key messages (page 2 of 2)

Deep-dive into upcoming renewals by scope – BPO

- Among the single-tower BPO deals, HRO and contact center contracts will drive renewals in the next 18 months
- Banking, manufacturing, and energy & utilities verticals will see most action on the BPO front
- Globally as well as in North America, average deal sizes go up in the “12 to 18 month” period, while in Western Europe the trend reverses
- BPO providers with regional focus have the deals with highest average ACV coming up for renewal in the “0 to 12 month” period

Factors and challenges influencing future ITO renewals

- Contracts coming up for renewal will be influenced by a plethora of changes that are internal to the buyer as well as those in the external environment. Some of the changes are driven by technology and operational innovations, such as cloud computing, while others can be led by buyer's strategy shift or external factors such as big data and mobility
- Among recent innovations, cloud computing and maturity of offshore infrastructure management are the most significant. Overall acceptance of offshore delivery model has also gone up, given increasing maturity of the key offshore providers
- Shift in buyer preferences indicate more affinity for multi-sourcing, decline in appetite for traditional lift and shift deals, attention to pricing, and importance of analytics

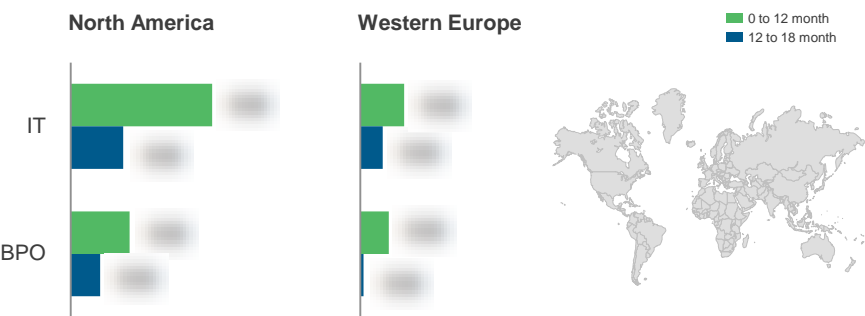
Future renewals – peek under the hood

- Among the upcoming infrastructure renewals, datacenter and network towers most frequently crop up in scope, especially in North America. This increases the chances of possible role of cloud in renewals
- In North America, maintenance contracts are larger than development deals in the “12 to 18 month” period, while in Western Europe the application deal sizes are smaller
- With the increasing importance of changing agents such as cloud, we investigated the US\$4.2 billion Shell contract, signed in 2008, which is up for renewal in 2013. Given the broad spectrum of scope outsourced, such as datacenter, network, and helpdesk etc., several key service providers could be in the contention if capability alone is taken as the criterion

This study offers 5 distinct chapters providing a deep dive into key aspects of the global sourcing market; below are four charts to illustrate the depth of the report

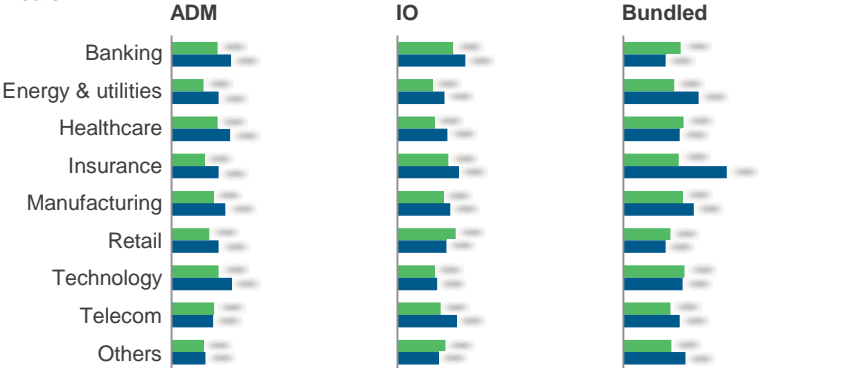
Renewal opportunity by geography

Sum of TCV of deals by signing geography
US\$ million

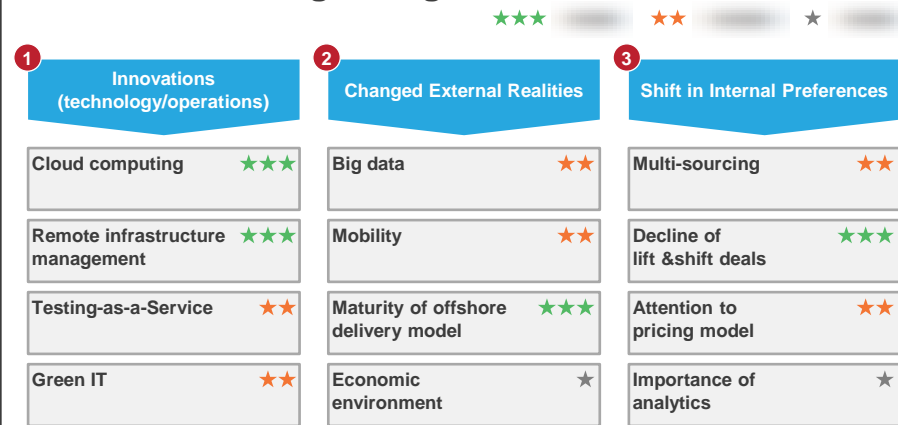


Trend by industry

Average contract duration of deals for renewal across industries
Years



Factors influencing change



Deep dive into impending ITO renewals

Deals currently running with said tower in scope as per Everest Group TI database
Number of deals





Source: Everest Group (year)

ITO research agenda (page 1 of 4)

 Published  Current  Upcoming



Topic	Goals of the research	Release date
Value Creation in Cloud Infrastructure: It Varies, but mostly from Good to Excellent	Virtualization technology paved the way for improved economics in datacenters of today and tomorrow, thanks to cloud computing. Cloud infrastructure presents a compelling business case from a total cost of ownership perspective, enabled by higher asset utilization and dynamic provisioning. Everest Group developed an economic model that compares a buyer's legacy datacenter environment to multiple potential cloud adoption scenarios. This viewpoint helps firmly establish the case for each IT shop to ensure they have evaluated the option of cloud computing along their transitional journey	January-2012
Webinar Deck: 2012 Global Services Market Predictions: Context, Growth, Disruption	A panel of Everest Group Analysts will discuss market predictions for the following areas: Service Provider Intelligence, Global Sourcing, Information Technology Outsourcing, Finance and Accounting Outsourcing, Procurement Outsourcing, Human Resources Outsourcing, and Banking, Financial Services, Insurance Outsourcing. Key themes across all areas that will be discussed are context, growth, and disruption	January-2012
Mergers and Acquisitions (M&A): “Doing Good in Bad Times”	To analyze the trends in mergers and acquisitions over the last 5 years in terms of strategic intent, industry, buyer type, and M&A landscape going ahead	February-2012

ITO research agenda (page 2 of 4)

 Published  Current  Upcoming



Topic	Goals of the research	Release date
Social Networks for Global Delivery – Get that ITCH	Analysis of the strategies service providers needs to develop to leverage social media in their global delivery model	March-2012
Renewal Intelligence: Impending Contract Renewals – “Back to the Future”	Analysis of major deal renewals coming in the next 6-12 months. What was outsourced, who were the key players, what is expected going ahead, how the industry has changed over the period of the deal	June-2012
Enterprise cloud Analysis	Second viewpoint on series of viewpoints and reports on Enterprise cloud	Q2-2012
Market trends: Infrastructure services	Trends in high valued infrastructure outsourcing market segmented along buyer size, geography, industry, service provider type, infrastructure towers, deal size etc.	Q2-2012
Market trends: ADM services	Trends in high valued ADM market segmented along buyer size, geography, industry, service provider type, infrastructure towers, deal size etc.	Q2-2012

ITO research agenda (page 3 of 4)

 Published  Current  Upcoming

Topic	Goals of the research	Release date
ITO Landscape	Report on the emerging trends in IT outsourcing (e.g., social media, consumerization, cloud etc.) and their impact. Insights from major buyers and the way they are seeing the changes	Q3-2012
Consumerization of IT	Analysis of consumerization of IT from provider's and buyer's perspective, current trends, future expectations etc.	Q3-2012
Market trends: Offshore infrastructure services	Analysis of infrastructure service market from an offshore perspective, includes deal analysis, market trends, acceptance trends, changes/challenges, and the future roadmap	Q3-2012
Testing as a service	Perspectives on testing in a cloud or on-demand model	Q4-2012
Crowdsourcing in ADM services	Analysis of the impact of crowdsourcing on typical ADM services	Q4-2012

ITO research agenda (page 4 of 4)

 Published  Current  Upcoming

Topic	Goals of the research	Release date
Mergers and Acquisitions (M&A): "Doing Good in Bad Times"	Analysis of major mergers and acquisition in the global service industry, valuations, strategic driver, future direction, acquisition themes, etc.	Q1-2013
Renewal Intelligence	Analysis of major global service deals coming up for renewals in the coming in the next 6-24 months and beyond. Opportunity sizing, deal scope, who were the key players, what is expected going ahead, how the industry has changed over the period of the deal	Q1-2013
Enterprise mobility	Analysis on mobility within an enterprise from infrastructure an application perspective	Q1-2013

Additional ITO research recommendations

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

1. **Enterprise Cloud Adoption: Role of Cloud in Global Services** ([EGR-2012-4-R-0682a](#)); 2012: This research presents a fact-based analysis of cloud adoption, cutting through the confusion. It also provides insights into industry trends, cloud deal size and duration, bundling of towers, why cloud is getting adopted, role of the providers, and analysis of key global service engagements with cloud delivery in scope
2. **Finance and Accounting Outsourcing (FAO) Annual Report 2012: The FAO Market – Signaling Towards Maturity** ([EGR-2012-1-R-0680a](#)); 2012: This report provides an overview of the FAO market in 2011 with size & growth of market, contract characteristics, value proposition, service provider rating, and market outlook for 2012
3. **Transaction Renewal Analysis – January 2013 to December 2013** ([ERI-2011-6-O-0512](#)); 2012: The analysis is aimed at providing a list of outsourcing transactions that are coming up for renewal. The database contains key deal parameters such as names of the buyer and service provider, buyer industry, functional and geographic scope of the contract, contract value, start and end dates, and contract description. The analysis is useful for pursuit teams to strategize entry into or expansion of existing relationships in buyer organizations

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

Ross Tisnovsky, SVP Research:
Sivaram Sundaramurthy, Analyst:
Soumit Banerjee, Senior Analyst:
ITO team:

ross.tisnovsky@everestgrp.com
sivaram.s@everestgrp.com
soumit.banerjee@everestgrp.com
ITOresearch@everestgrp.com

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

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

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Everest Group locations



Dallas (Headquarters):	info@everestgrp.com +1-214-451-3000
New York:	info@everestgrp.com +1-646-805-4000
Toronto:	canada@everestgrp.com +1-416-865-2033
London:	unitedkingdom@everestgrp.com +44-207-887-1483
Delhi:	india@everestgrp.com +91-124-496-1000

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