



Topic: Upcoming Contract Renewals – Infrastructure Services

Information Technology Outsourcing (ITO)
Market Report: March 2014 – Preview Deck

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Background and methodology of the research

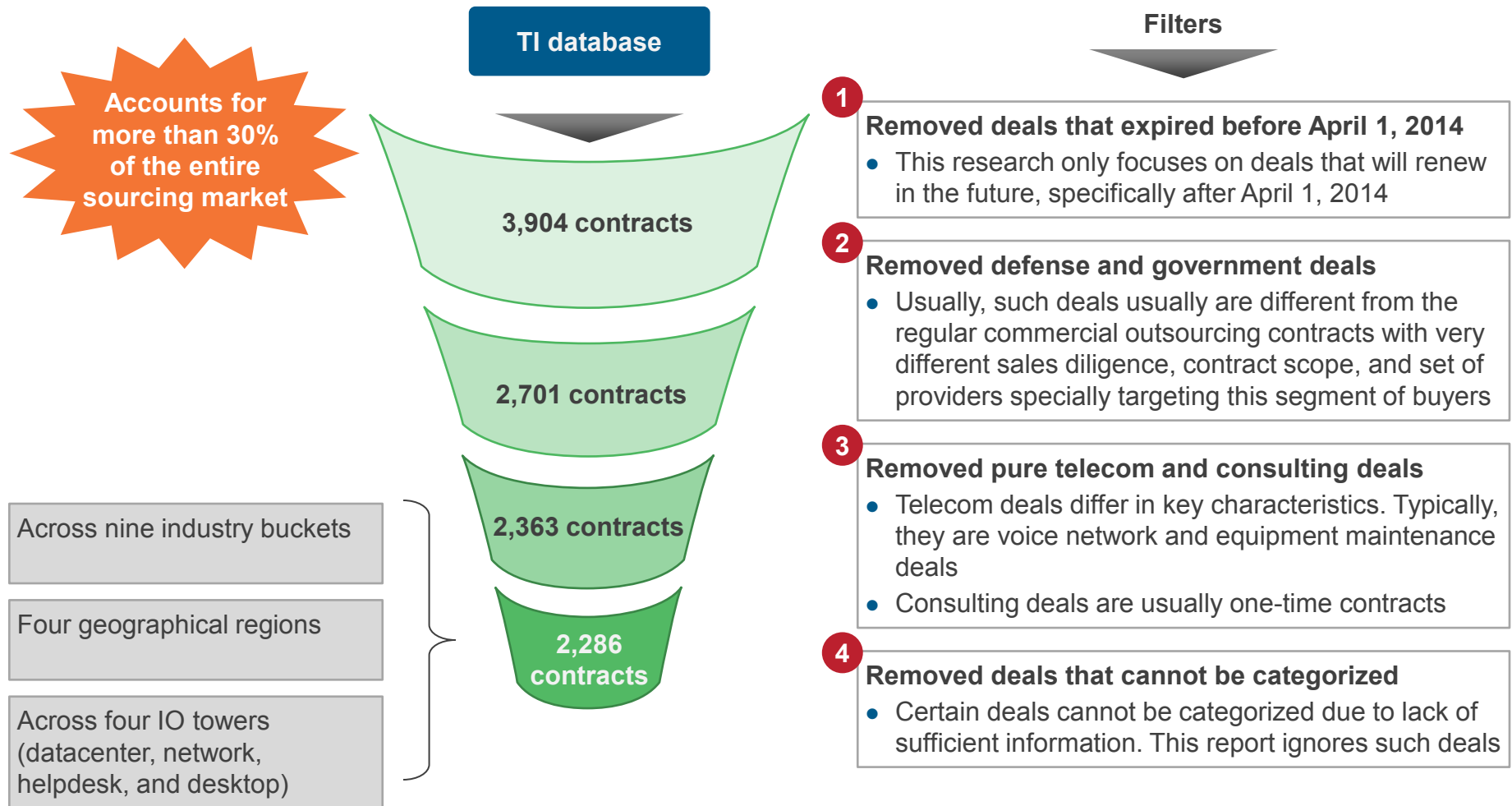
Background of the research

- 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 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 infrastructure services who entered long-term multi-tower engagements long back with traditional service providers, are the most frustrated. They believe that such long-term engagements have made their infrastructure environment lethargic and inflexible and are now reevaluating their service provider landscape
- 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 ITO and BPO markets with deals in scope that are to be renewed in the future
- Key vertical, geographical, and scope-based with a focus on IO and bundled contracts
- Analysis of IO and bundled contracts by scope (datacenter, network, helpdesk, and desktop) 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



The analysis was performed on 2,286 outsourcing deals that expire on or after April 1, 2014

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Overview and summary of key messages

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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 Outsourcing (IO) and bundled contracts that are up for renewal. The research also includes a tower-level (viz. datacenter, network, desktop, and helpdesk) analysis of upcoming IO and bundled renewals across geographies.

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

Overview of contracts nearing end of term

- Nearly US\$84 billion worth of IT and BPO contracts are up for renewal in the next two years
- Though Western Europe leads the market place in terms of number of contracts for renewal, North America has a higher average net run rate of deals coming up for renewal
- Manufacturing and BFSI will dominate IT spending in the next year, while energy & utilities will be an important sector along with BFSI for BPO renewals over the same period

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

- Manufacturing leads IO and bundled renewal activity over the next year while BFSI leads renewals in the “12 to 24 month” period
- Though manufacturing will witness renewal of large IO contracts across both time periods, BFSI will witness big-ticket renewals only in the “12 to 24 month” period. In the next year, travel & transportation will be a significant contributor to IO renewal spending
- Though Western Europe accounts for the highest IO renewal activity, North America will witness expiry of several large IO contracts over the next year
- Large multinational providers will dominate renewal spending among IO and bundled contracts over the next two years

Overview and summary of key messages

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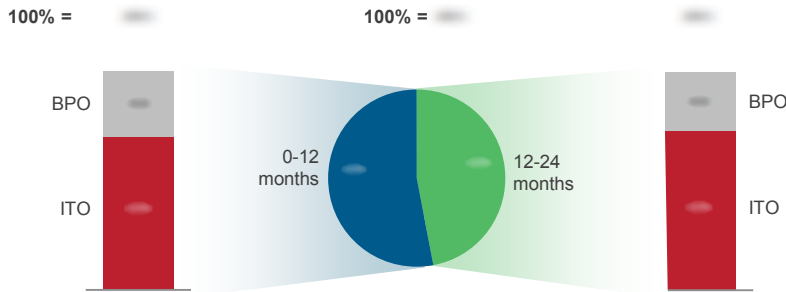
Analysis of infrastructure services contract renewals by scope across geographies

- Contracts that are nearing end of term have a healthy mix of IT functions in scope, thereby presenting opportunities for all types of service providers
- Datacenter and helpdesk contracts in North America will witness an increased incidence of renewals in the "12 to 24 month" period. The average run rates across all towers in the region will fall in the "12 to 24 month" period. However, increasing contract durations will mitigate portions of TCV losses
- Unlike the North American region, Western Europe will witness increased average net run rates across all IO towers in the "12 to 24 month" period
- Desktop contracts and network contracts will receive a boost in the "12 to 24 month" period in the APAC region

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

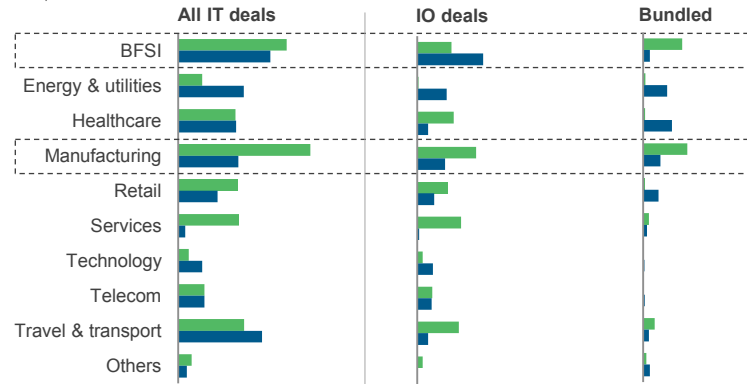
Overall IT and BPO renewal volumes

Sum of TCV of deals for renewal
US\$ billion



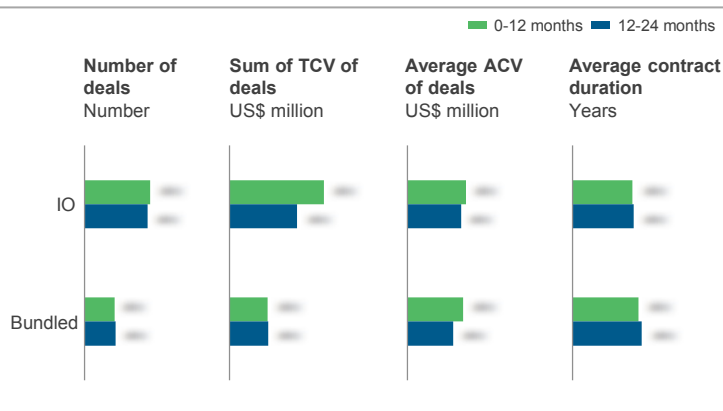
IO deal renewals by buyer industry

Sum of TCV of deals for renewal across industries
US\$ million



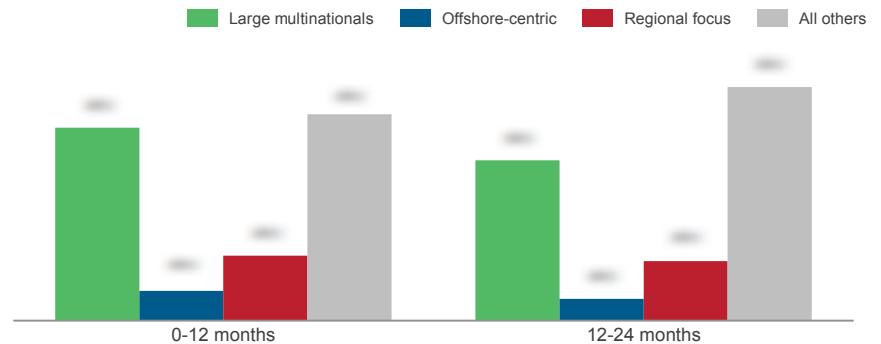
IO deal renewals by buyer geography

Global



IO deal renewals by service provider category

Number of IO deals for renewal
Number of deals

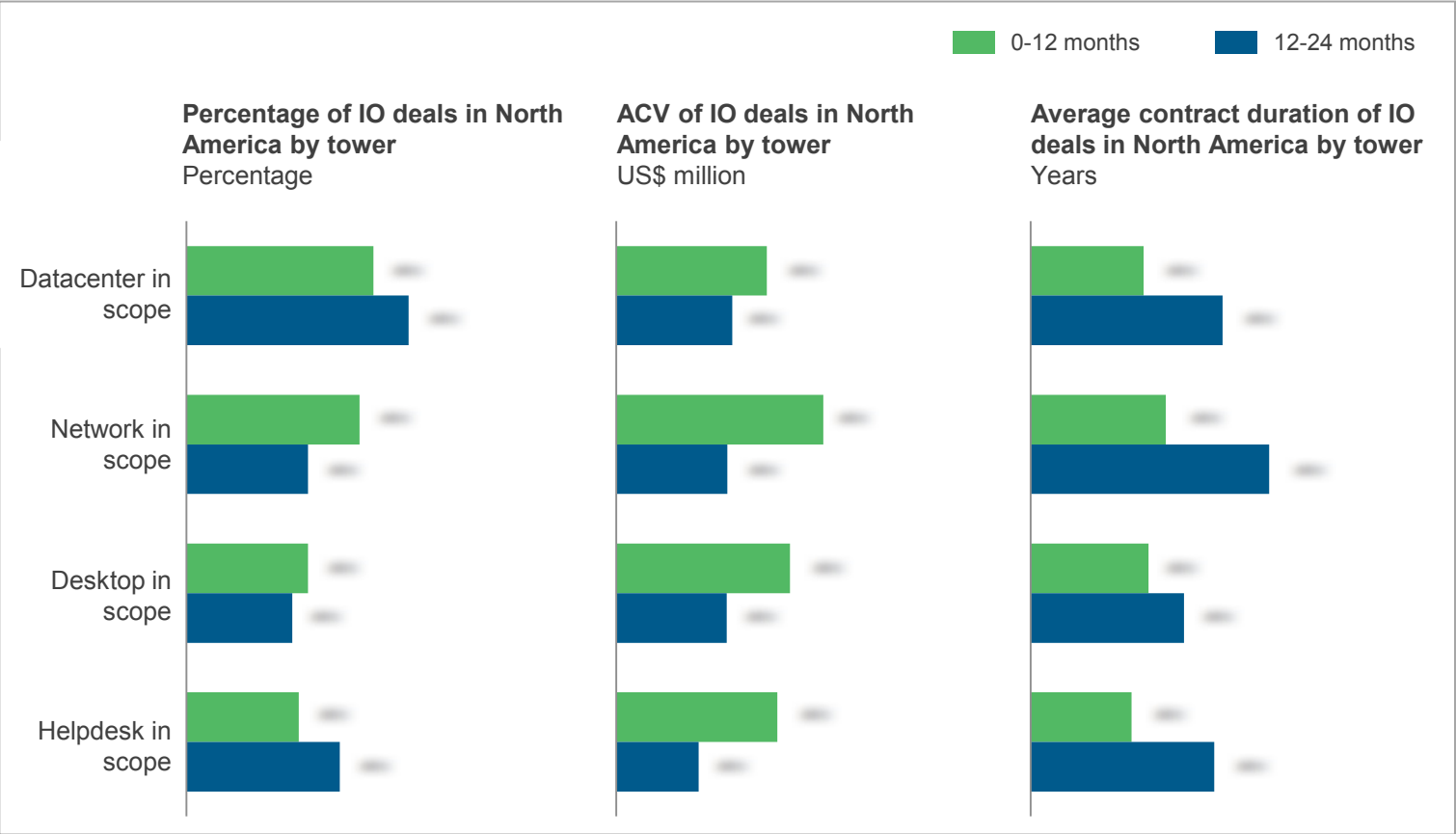


Source: Everest Group (2014)

Across all towers, North America will witness sharp falls in average run rates in the “12 to 24 month” period; however, the increased contract durations are expected to mitigate a portion of TCV loss

North America

SCOPE: IO & 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

ITO research calendar

■ Published ■ Current

| Topic | Release date |
|---|----------------|
| Application Outsourcing (AO) – Annual Report: "Declining Productivity Rising Anti-incumbency" | September-2013 |
| Infrastructure Outsourcing (IO) – Annual Report 2013: "Automating the Next Horizon" | November-2013 |
| Infrastructure Services – PEAK Matrix™ Assessment and Profile Compendium 2013 | December-2013 |
| Remote Infrastructure Management – "RIMO is Dead, Long Live RIMO" | December-2013 |
| Infrastructure Services in Europe – Market Update and PEAK Matrix™ Assessment | January 2014 |
| Upcoming Contract Renewals – Infrastructure Services | March-2014 |
| Renewal Intelligence – ADM contracts | Q1-2014 |
| Contract Renewal Database (April 2014 to April 2016) | Q1-2014 |
| Next-gen application service | Q1-2014 |
| Buyer Next Generation Technology Adoption | Q1-2014 |
| Automating IT services | Q2-2014 |
| Application Outsourcing Annual Report 2014 | Q3-2014 |
| Infrastructure Outsourcing Market Update 2014 | Q3-2014 |

Additional ITO 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 2013** ([EGR-2013-4-R-0994](#)); 2013: 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, in addition to buyer challenges, trends shaping the market, and also provides an outlook for 2014 for the broader IT as well as the IO market.
- 2. Infrastructure Services – PEAK Matrix™ Assessment and Profile Compendium 2013** ([EGR-2013-4-R-1024](#)): This research provides a comprehensive assessment of leading IT service providers featured on Everest Group's PEAK Matrix for enterprise infrastructure services. The report includes individual profiles that provide insight into their scale of operations, scope of coverage across the infrastructure services spectrum, domain investments, delivery footprint, and market success.
- 3. Enterprise Cloud Adoption – Cloud Deal Insights 2013** ([EGR-2014-4-R-1062](#)); 2013: This research, focusing on the cloud adoption in 2013, is a part of the periodic Everest Group Cloud Vista enterprise cloud adoption report. It analyzes various deals signed by service providers in terms of buyer adoption trends by industry, geography, size, cloud opportunity, roles of the providers, insights on key deals, etc.

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