



Upcoming Contract Renewals – Application Services

Application & Digital Services
Market Report: March 2015 – Preview Deck

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Background and methodology of the research

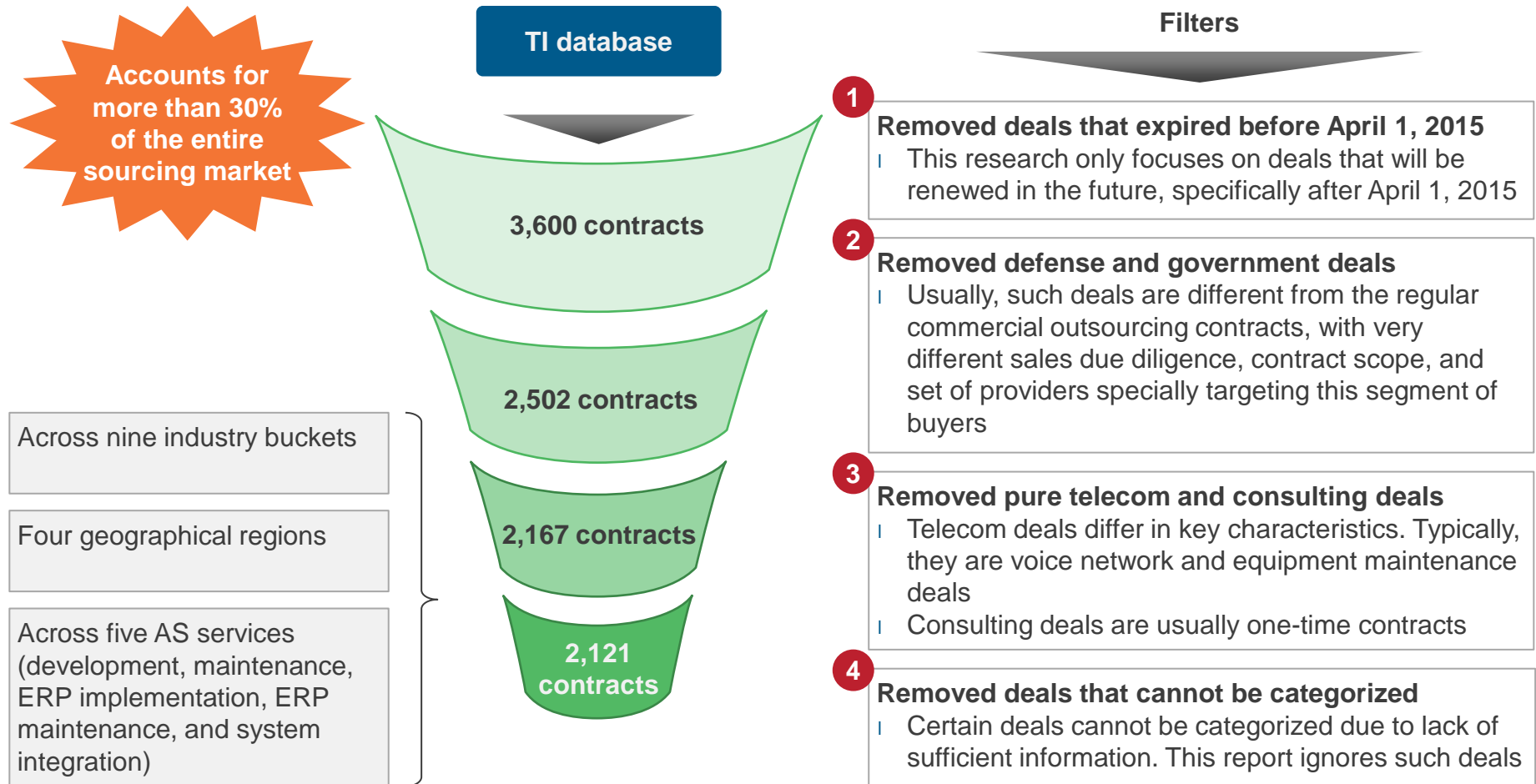
Background of the research

- | The sourced services vertical 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 expire. 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 Application Services (AS) with long-term multi-tower engagements are driving the productivity agenda hard and are not averse to looking at alternative service providers to counter the declining productivity levels
- | This research analyzes upcoming renewals 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



The analysis was performed on 2,121 outsourcing deals that expire on or after April 1, 2015

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Overview and summary of key messages

This report investigates renewals coming up in the outsourcing market in the next 24 months starting April 2015. Analyses shared include average deal sizes, durations and numbers across industries, geographies, functions, and service provider categories. The report focuses on Application Services (AS) and bundled contracts that are up for renewal. The research also includes an AO service-level (viz. development, maintenance, ERP implementation, ERP maintenance, and system integration) analysis of upcoming AO and bundled renewals across geographies.

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

Overview of contracts nearing end of term

- | The outsourcing renewals marketplace presents an opportunity of US\$76 billion over the next two years
- | In the next two years, Western Europe will contribute to almost half of all the IT renewals spend, while North America will account for similar levels in the BPS space over the same time period
- | BFSI, energy & utilities, and healthcare will drive ITS renewals over the next 2 years

Application services and bundled renewal deals – Deep-dive

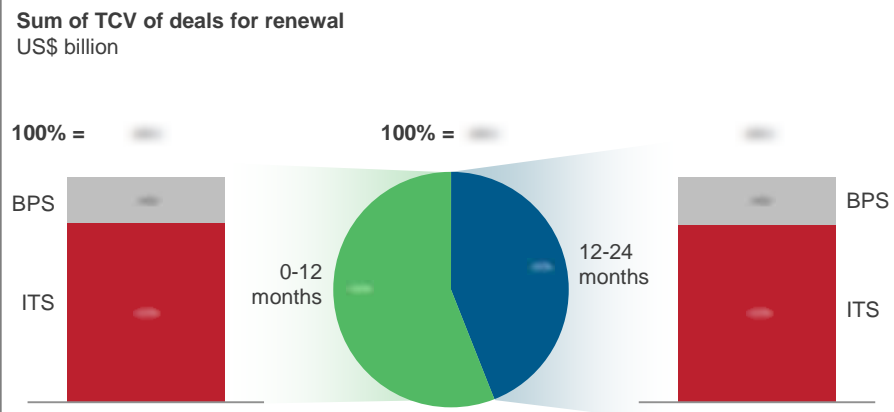
- | BFSI accounts for the highest number of AS and bundled deal renewals in the next 24 months
- | In the next year, travel & transport will lead AS spend driven by the expiry of big-ticket contracts with buyers in France
- | Mega service providers will witness a dip in AS renewal spend from their buyers in the "12 to 24 month" period, however, during the same period large service providers will witness an increase in spend by almost US\$1 billion

Application services contract renewals by scope

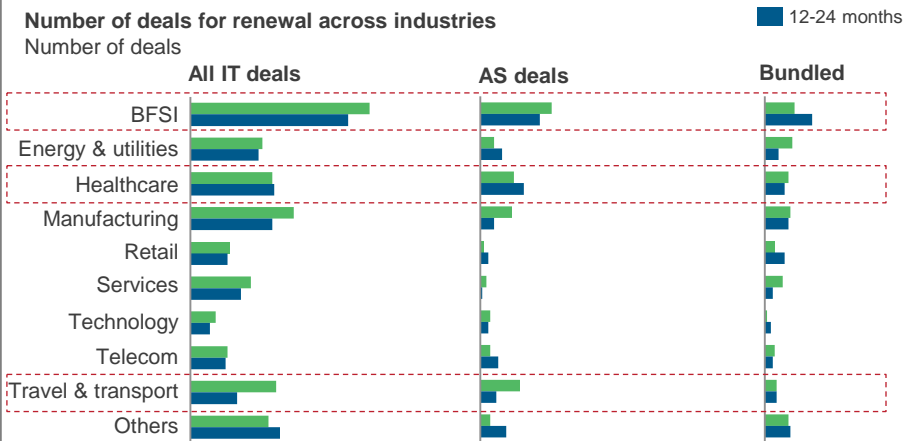
- | Globally, active IT contracts have a healthy mix of IT functions in scope, thereby ensuring an opportunity for almost every service provider to play a role
- | Application maintenance accounts for the bulk of application service contracts that will be up for renewal over the next 24 months
- | The global average run rate of contracts across all application service lines will witness a dip in the "12 to 24 month" period
- | Globally, the incidence of application development in contracts will go down in 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

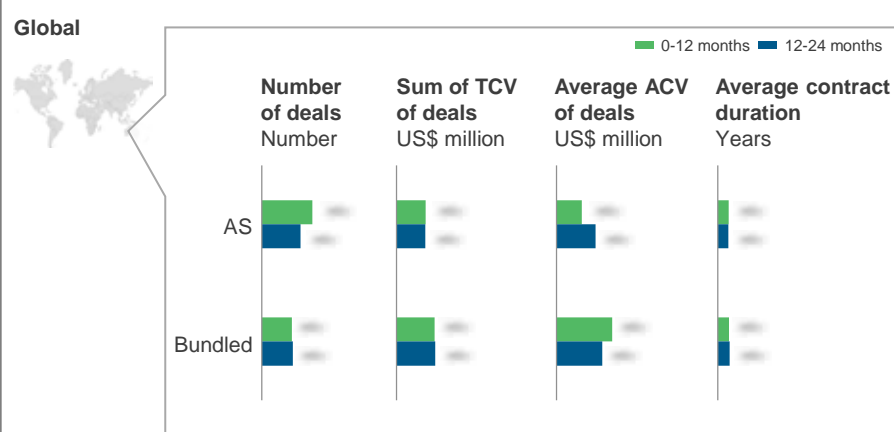
Overall IT and BPO renewal volumes



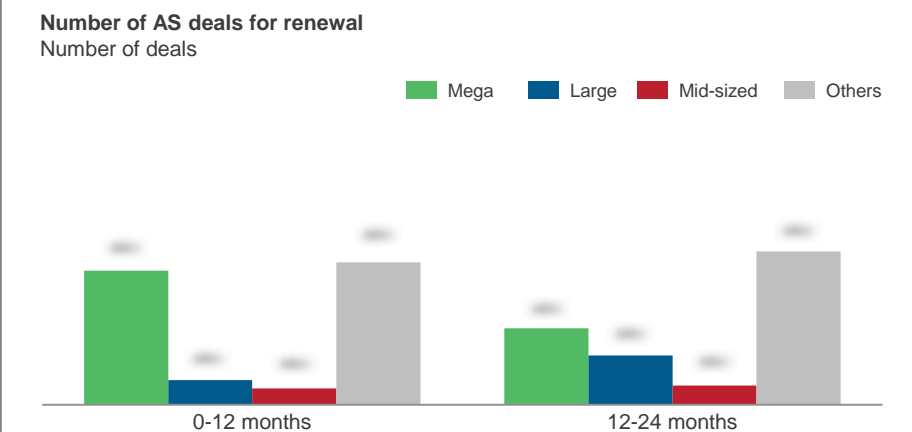
AS deal renewals by buyer industry



AS deal renewals by buyer geography



AS deal renewals by service provider category

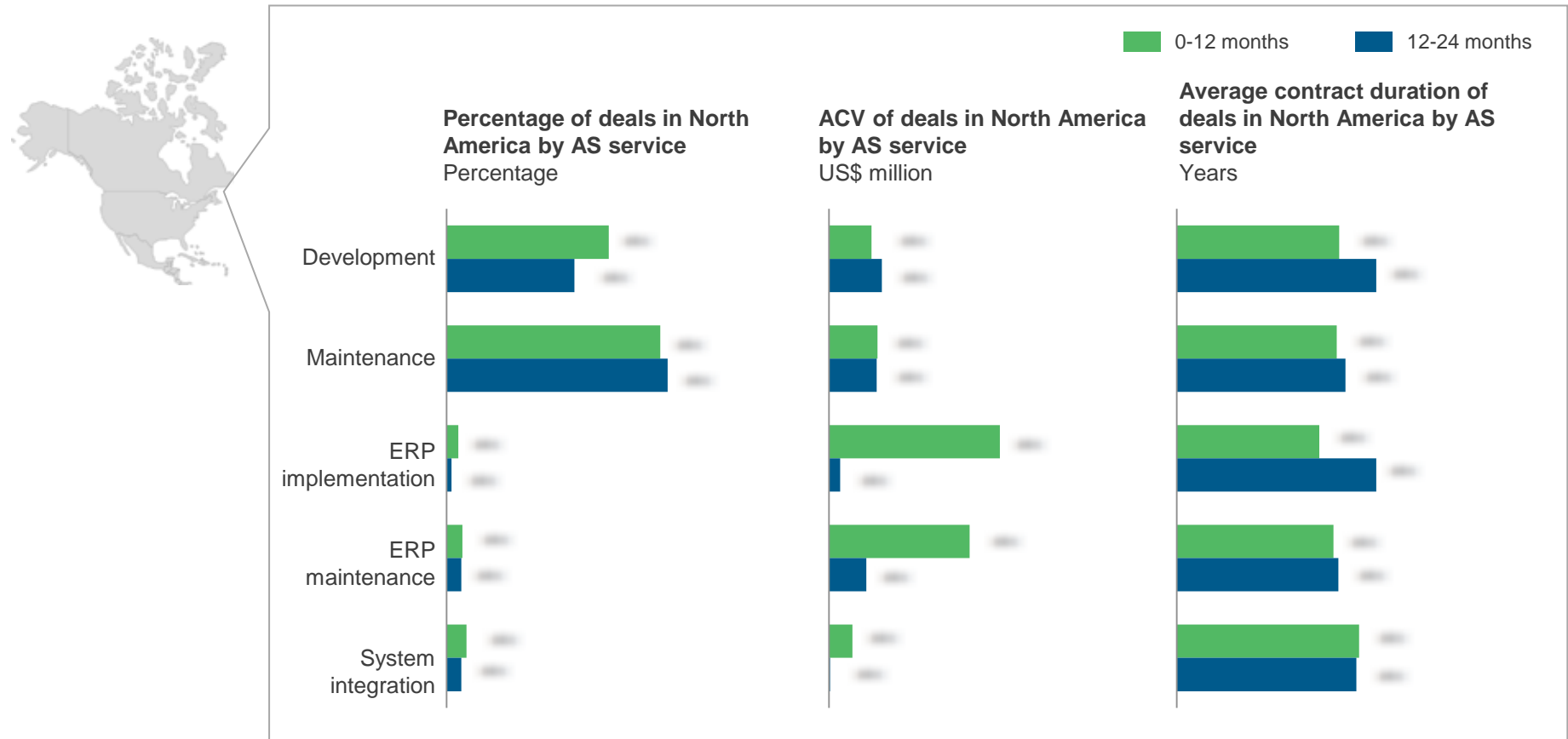


Source: Everest Group (2015)

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 & Digital Services research calendar

Topic	<div> <div></div> Published <div></div> Current </div> Release date
Rising Anti-Incumbency in Outsourcing: Breaking Up Is Not Hard to Do	October 2014
Enterprise Cloud Application Services – PEAK Matrix™ Assessment and Profiles Compendium	November 2014
Practitioner Perspectives - Alan Nance Interview	December 2014
Enterprise Cloud Quarterly Review: Q3 2014	December 2014
Optimizing IT Service Delivery: Technology is the Answer	February 2015
Practitioner Perspectives - Wayne Butterfield Interview	March 2015
Upcoming Contract Renewals – Application Services	March 2015
AO Annual report	Q2 2015
Devops and Agile methodologies in the enterprise	Q2 2015
Enterprise Cloud Quarterly Review: Q1 2014	Q2 2015
Independent testing services market update	Q2 2015
PEAK Matrix – Independent testing services	Q2 2015
PEAK Matrix – Independent testing services- Europe focused	Q2 2015
Digital adoption market update	Q3 2015
Digital adoption market update-Europe focused	Q3 2015
PEAK Matrix – Digital Services	Q3 2015
PEAK Matrix – SaaS implementation	Q3 2015

Additional Application & Digital Services 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 Outsourcing – Annual Report 2014: “Rationalization Goes Hyper”**([EGR-2014-4-R-1120](#)); 2014. This annual research deep dives into the application outsourcing landscape. It provides data-driven facts and perspectives on the overall market. The research covers AS adoption trends, demand drivers, and buyer expectations. The research analyzes buyer challenges, trends shaping the market, and also provides an outlook for 2015 for the broader IT as well as AS market
2. **Upcoming Contract Renewals – Application Services** ([EGR-2014-4-R-1089](#)); 2014. 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 Application outsourcing (AS) and bundled contracts that are up for renewal
3. **Contract Renewals Database (April 2014 - March 2016)** ([EGR-2014-4-D-1090](#)); 2014. 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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