



Infrastructure Services – Annual Report 2015: “Digital Businesses: Mind Your Security”

Cloud and Infrastructure Services (CIS)
Annual Report: July 2015 – Preview Deck

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¹ Banking, financial services, and insurance

Background and methodology of the research

Background and scope

- Everest Group closely tracks the Infrastructure Service (IS) market. In this annual report we analyze the major trends in IS adoption, key factors shaping this market, and the outlook for 2016
- This research also provides the market share of leading service providers across different IT services such as applications, infrastructure, and consulting
- The key input to this report was the Information Technology Services (ITS) Request For Information (RFI) exercise conducted in Q1 2015
- In the RFI 2015, we reached out to 30 IT service providers, which included large multinational (MNC) providers with headquarters in Europe, North America, India, Asia Pacific, and other regions

Methodology

- We asked RFI participants to report their 30 largest ITS deals (by total contract value) for 2014. This data was augmented by Everest Group Subject Matter Experts (SMEs) tracking the infrastructure services market
- We also estimated the overall market size for IT services split across multiple dimensions such as type of service (applications, consulting, infrastructure), geographic region, and industry verticals
- The analysis herein is an aggregated summary of the responses by category (i.e., buyer geography, buyer revenue, and industry group)
- Based on the perspectives from Everest Group SMEs and continuous interaction with the buyer community, the research also analyzes the key trends shaping the infrastructure services market

Everest Group's infrastructure services research is based on two key sources of proprietary information

1

- Everest Group's annual RFI process with leading IT service providers (conducted in Q1 2015)
- RFI participants were asked to report the 30 largest IT service deals (by total contract value) they signed in 2014
- We analyzed a total of 714 ITS deals reported in 2014
- We asked the respondents about their top 30 deals only, so as to focus on the high-value ITS market

2

- Everest Group's proprietary database of infrastructure services contracts (updated annually) of major IT service providers. The database tracks the following elements of infrastructure services relationships:
 - Buyer details including industry, size, and signing region
 - Contract details including TCV, ACV, term, start date, service provider FTEs, and pricing structure
 - Scope includes coverage of buyer's geography as well as functional activities
 - Global sourcing including delivery locations and level of offshoring

Service providers reached out for the analysis



Note: We continuously monitor market developments and track additional service providers beyond those stated above

Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any information, that is contract-specific, will be presented back to the industry only in an aggregated fashion

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Summary of key messages (page 1 of 2)

The increasing adoption of next-generation technologies/services, such as big data / analytics, mobility, and social, is pushing enterprises to have a complete relook at their existing infrastructure. Enterprises are concerned that digital initiatives will leave them vulnerable to security threats and therefore, security is cited as a major hurdle in digital adoption. Service providers should leverage this opportunity in partnering with clients and ensuring that digital adoption is accompanied by robust security strategy.

This research provides fact-based trends impacting the infrastructure services market. It analyzes multiple aspects such as overall infrastructure service market size, leading players, deal sizes, deal durations, and pricing. 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.

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

Major highlights and key trends

- Over 70% of the enterprises believe that security is a major concern while adopting digital technologies, and yet , over 40% of them are not sufficiently invested in the requisite level of security in their IT infrastructure ecosystem
- Enterprises believe most providers continue to be task-takers, with limited security-related value-addition in design and development of digital estate

Overview

- Buyers continue to prefer stand-alone infrastructure services engagements. The deal sizes have witnessed a steady decline over the last four years
- Output-based pricing is becoming a norm in the infrastructure services market as enterprises look to make their service providers accountable for driving productivity and cost effectiveness

Summary of key messages (page 2 of 2)

Buyer adoption

- Manufacturing, Energy & Utilities (E&U), and Healthcare & Life Sciences (HLS) witnessed increased infrastructure services activity. Large buyers increased infrastructure services appetite
- Average contract value in North America continued to witness an uptick. European buyers signed deals with higher value as compared to their global peers
- Infrastructure services adoption in Asia Pacific was primarily driven by the BFSI and manufacturing sectors. Buyers in the region also showcased more willingness to experiment with pricing models

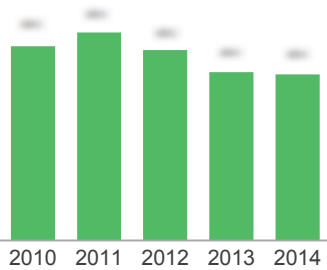
Outlook for 2015-2016

- Enterprises will demand “application-centric” infrastructure services that incorporate DevOps, APIs, and container-driven applications that seamlessly work with infrastructure operations
- The hybrid environment arising out of cloud adoption across various pockets within the enterprise will push CIOs to have a closer look at the infrastructure orchestration and management capabilities (IP, toolsets, etc.) while evaluating service providers

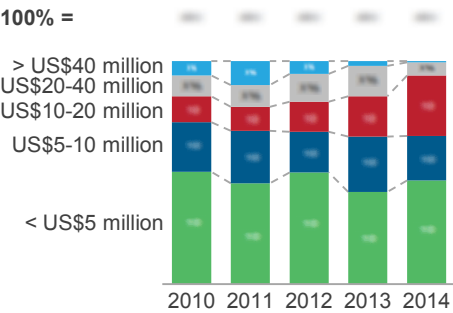
Security is a major concern for enterprises while adopting digital technologies

Deal sizes continue to decline

Average ACV trends in IS engagements
2010-2014; US\$ million

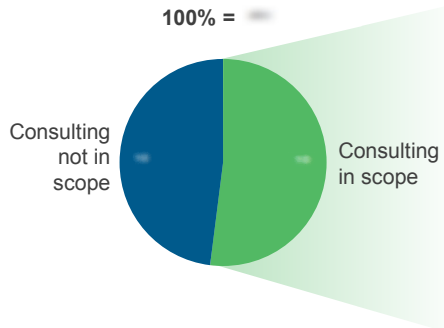


Average ACV range trends of IS engagements
2010-2014; Number of deals

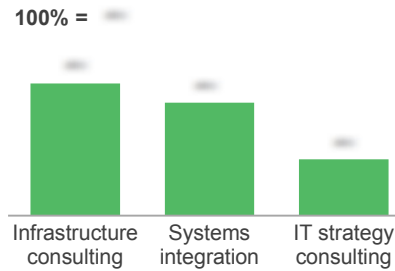


Demand for infrastructure consulting remains steady

Scope of service trends in IS engagements – consulting
2014; Number of deals

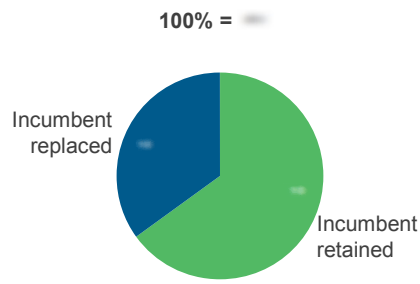


Scope of consulting services
2014; Number of deals

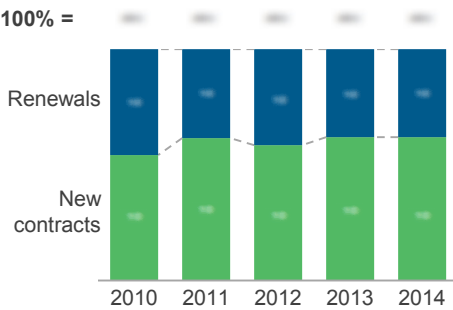


High anti-incumbency continues

Impact of anti-incumbency in IS engagements
2014; Number of deals

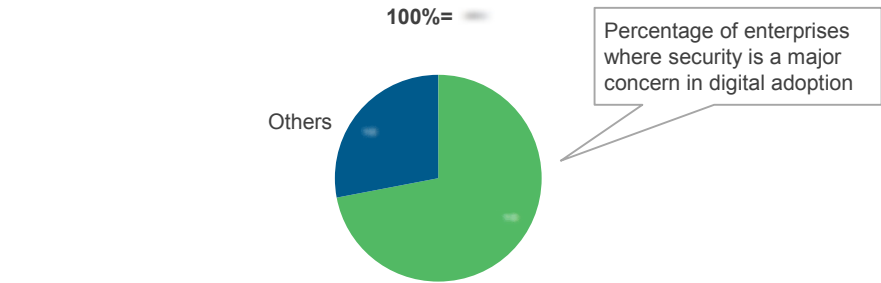


Trends in contract type in IS engagements
2010-2014; Number of deals



Security concern is a key inhibitor to digital adoption

Security as an inhibitor in digital adoption
2015; Percentage of enterprise responses



Source: Everest Group (2015)

Cloud and Infrastructure Services research calendar

Topic	<div> <div></div> Published <div></div> Current </div> Release date
Enterprise Cloud Infrastructure Services – PEAK Matrix Assessment and Profiles Compendium	November 2014
Infrastructure Services – PEAK Matrix Assessment and Profiles Compendium	December 2014
Optimizing IT Service Delivery: Technology is the Answer	February 2015
Enterprise Cloud Adoption – Solving the Pricing Conundrum	March 2015
Upcoming Contract Renewals – Infrastructure Services	March 2015
Enterprise Cloud Services – Annual Report 2015: “Contracting Remains Cloudy”	March 2015
Workplace Services – PEAK Matrix™ Assessment and Profiles Compendium	June 2015
Infrastructure Services – Annual Report 2015: “Digital Businesses: Mind Your Security”	July 2015
Workplace Services – Market Update 2015	Q3 2015
Workplace Services in Europe – PEAK Matrix Assessment and Profiles Compendium	Q3 2015
Private Cloud IT Services – PEAK Matrix Assessment and Profiles Compendium	Q3 2015
Hosted Private Cloud Services – PEAK Matrix Assessment and Profiles Compendium	Q3 2015
Infrastructure and cloud automation – managing tomorrow’s IT	Q3 2015

Additional research references

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. **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
2. **Upcoming Contract Renewals – Infrastructure Services** ([EGR-2015-4-R-1424](#)); 2015. Over US\$76 billion worth of ITS and BPS contracts are up for renewal in the 24 month period starting April 1, 2015. This report explores trends in such upcoming renewals, with a focus on IS and bundled contracts

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About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

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