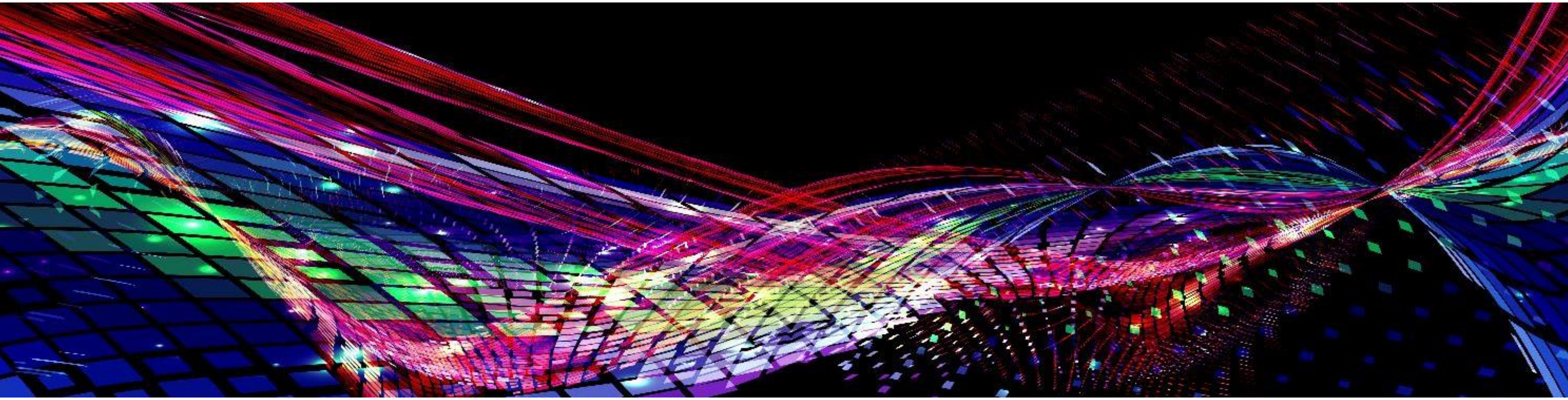

Application Services – Annual Report 2016: "No DevOps No Digital"

Application and Digital Services (ADS)
Annual Report: May 2016 – Preview Deck

EGR-2016-4-PD-1770

Our research offerings for global services

- **Market Vista™**
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available
- **BFSI[1] Information Technology**
- **BFSI[1] Business Process**
- **Healthcare & Life Sciences**
- **Application & Digital**
- **Cloud & Infrastructure**
- **Global Sourcing**
- **Locations Insider™**
- **Service Optimization Technologies**
- **PricePoint™**
- **Finance & Accounting**
- **Procurement**
- **Human Resources**
- **Recruitment & Talent Acquisition**
- **Contact Center**
- **Transaction Intelligence**

Custom research capabilities

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Others | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- The full report is included in the following subscription(s)
  – Application & Digital Services
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- **If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us**

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1 Banking, financial services, and insurance

EGR-2016-4-PD-1770

Background and methodology of the research

Background and scope

- Everest Group closely tracks the Application Services (AS) market. In this annual report we analyze the major trends in AS adoption, key factors shaping this market, and the outlook for 2016-2017
- 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 2016
- In the RFI 2016, we reached out to 30 IT service providers. They 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 IT services deals (by total contract value) for 2015. This data was augmented by Everest Group SMEs tracking the application 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
- 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 a continuous interaction with the buyer community, the research also analyzes the key trends shaping the application services market

Everest Group's application 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 2016)
- RFI participants were asked to report the 30 largest IT service deals (by total contract value) they signed in 2015
- We analyzed over 500 IT service deals reported in 2015
- We asked the respondents about their top 30 deals, so as to focus on the high-value market

2

- Everest Group's proprietary database of application services contracts (updated annually) of major IT service providers. The database tracks the following elements of application 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
  - Delivery locations and leverage of global delivery model

Service providers reached out to for the analysis

accenture
Atos
Capgemini IGATE
CGI
Cognizant
CompuCom
CSC
Dell Services
epam
Fujitsu
Genpact
HCL
Hexaware Technologies
hp
IBM
Infosys
L&T Infotech
Mindtree
Mphasis
Neusoft
NIIT technologies
NTT Data
Softtek
steria
Syntel
Tech Mahindra
Tata Consultancy Services
T-Systems
Unisys
Wipro
xerox

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

Table of contents (page 1 of 2)

Topic	Page no.

Everest Group RESEARCH

Table of contents (page 2 of 2)

Summary of key messages (page 1 of 2)

Enterprises have begun adopting Agile and DevOps principles by themselves. However, they are struggling with scaling up their pilot projects to an enterprise-wide adoption. While in some cases enterprises lack the executive leadership commitment to institute cultural change, in some others, they overemphasize on technology without getting the pre-requisite peripherals in place.

Buyers of application services will benefit from this report to understand the evolving AS landscape, key trends, and outlook for 2016-2017. Service providers will be able to identify major hurdles in enterprise adoption of Agile & DevOps, in addition to buyer expectations, market trends, and demand drivers.

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

Major highlights and key trends

- Enterprises are leveraging digital technologies to speed up time-to-market and improve collaboration. However, as they endeavour to become a digital enterprise, they are having to confront challenges related to maturing their DevOps adoption
- They have already adopted Agile approaches in the application development and testing phases of the lifecycle. They are now experimenting ways to integrate the crucial Operations phase of the lifecycle to embark on a truly DevOps journey

Overview

- Application services market grew by ~5%, higher than the overall industry growth of ~3%
- Demand for consulting services spiked in the last year, driven primarily by enterprise adoption of digital technologies. Anti-incumbency is gaining traction among buyers as they are increasingly seeking newer engagement constructs

Summary of key messages (page 2 of 2)

Buyer adoption

- The BFSI segment led overall deal activity with 26% share. Healthcare & life sciences enterprises increased their spending proportion to 14% share
- Deal sizes dropped across all major industries, with manufacturing industry displaying the sharpest drop
- European buyers signed smaller deals than their global peers. However, they showed more willingness to adopt non-labor pricing models and displayed a sharp growth in demand for consulting services
- Enterprises in Asia Pacific displayed constrained demand overall and preferred to sign newer deals with a significant consulting component

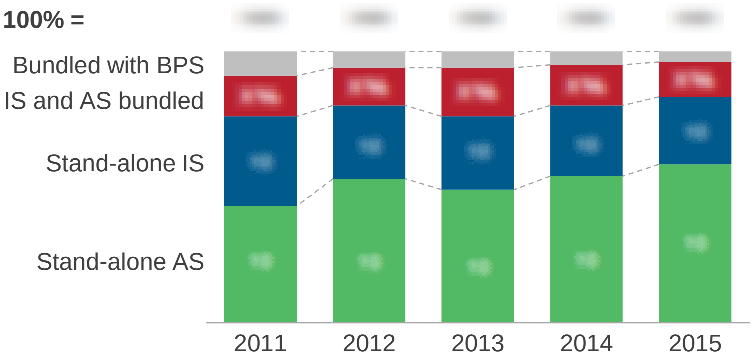
Outlook for 2016-2017

- While digital adoption will continue to witness increased traction, the bulk of enterprise spending will be on traditional application services that take up the majority of their legacy applications portfolio
- Application services will begin to take up a slightly larger share of the market as demand for digital technologies and connected systems will necessitate development of ecosystems across multiple channels
- Buyers' expectations from service providers will harden on delivering holistic customer experience while reimagining traditional business models
- Digital services engagements will witness increased competition from an interplay across system integrators, native consulting-led companies, and native marketing-led agencies

This study analyzes the application services market in terms of size, growth, deal characteristics, and key trends

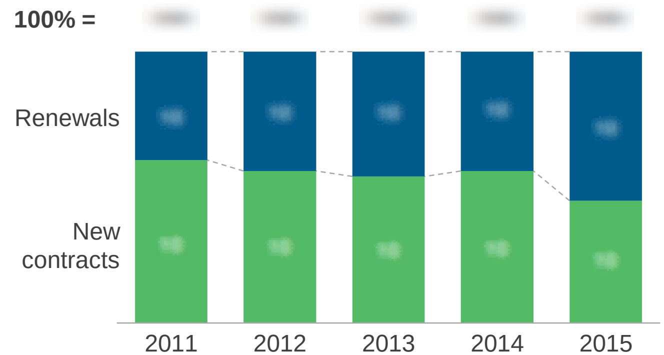
Stand-alone AS drives the market

Bundling trend in IT services deals
2011-2015; Number of deals



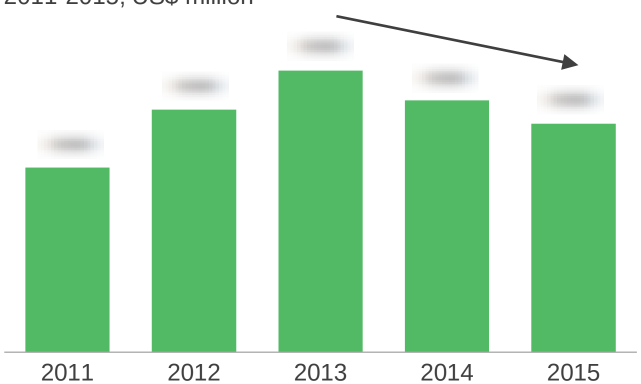
Application services deals – New & renewals

Trends in contract type in AS engagements
2011-2015; Number of deals



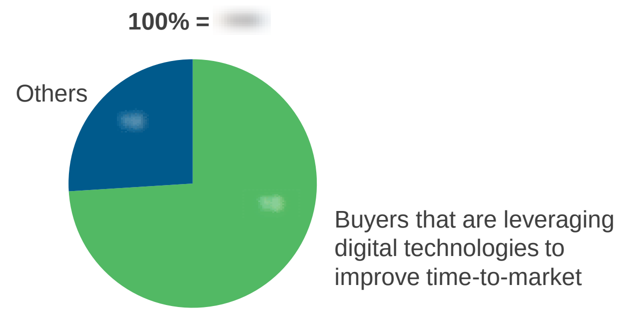
Deal value trend in application services

Average ACV trends in AS engagements
2011-2015; US$ million



Digital technologies improve time-to-market

Leveraging digital technologies to launch products and services
2015; Number of enterprises



Source: Everest Group (2016)

Application and digital services research calendar

Published | Current

Topic	Release date
The Agile Journey: Following Agile to Being Agile	May 2015
Application Services – Annual Report 2015: "Agile to DevOps? Not so Fast"	July 2015
North America Digital Adoption Survey – How Pervasive is your Digital strategy?	August 2015
Digital Services – PEAK Matrix™ Assessment and Profile Compendium 2015	November 2015
European Digital Adoption Survey – Is Your Digital Strategy Plateauing?	December 2015
BFSI Digital Adoption Trends – The Investment Enigma for BFSI Enterprises: Where to Invest?	March 2016
SaaS Implementation Services – Market Trends and PEAK Matrix™ Assessment & Profiles Compendium	March 2016
Healthcare & Life Sciences Digital Adoption Trends – Digital Adoption Driven by Consumerization of Healthcare	April 2016
Application Services – Annual Report 2016: "No DevOps No Digital"	May 2016
Independent Testing Services – Market update and PEAK Matrix™ Assessment & Profile Compendium 2016	Q2 2016
IoT Services – Market update and PEAK Matrix™ and Service Provider Landscape 2016	Q3 2016
Digital Services – Market update and PEAK Matrix™ Assessment & Profile Compendium 2016	Q3 2016

Additional 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. **SaaS Implementation Services – Market Trends and PEAK Matrix™ Assessment & Profiles Compendium** (EGR-2016-4-R-1730); 2016. This report provides an assessment of the IT service providers involved in delivering SaaS implementation services. The scope of the research is limited to the strategy, customization, and deployment spectrum of services and does not include post-deployment maintenance & support services. The IT service providers in the SaaS implementation services PEAK Matrix include: Accenture, Capgemini, Cognizant, Dell Services, Deloitte, HCL Technologies, Infosys, L&T Infotech, TCS, and Wipro

2. **Digital Services – PEAK Matrix™ Assessment and Profile Compendium 2015** (EGR-2015-4-R-1634); 2015. This report provides an assessment of IT service providers delivering digital services. The scope of the research is limited to the native system integrators and does not include strategy consulting firms with a digital service portfolio and marketing consultants that also operate in the digital services space. The IT service providers in the digital services PEAK Matrix report include: Accenture, Atos, Capgemini + IGATE, Cognizant, Dell Services, EPAM, HCL Technologies, IBM, L&T Infotech, Luxoft, Mindtree, Ness SES, Syntel, TCS, Tech Mahindra, Virtusa, Wipro, and Zensar

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Everest Group

From **insight** to ***action***.

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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