Everest Group
RESEARCH

Infrastructure Services – Annual Report 2016: “Infrastructure As Code – It’s Not Automation!”

Cloud and Infrastructure Services (CIS)
Annual Report – July 2016 – Preview Deck

EGR-2016-4-PD-1832

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**
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- **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
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

Subscription information

- This full report is included in the following subscription(s)
  - **Cloud & Infrastructure 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

Background and methodology of the research

Background and scope

- Everest Group closely tracks the Infrastructure Services (IS) market. In this annual report we analyze the major trends in IS adoption, key factors shaping this market, and the outlook for 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, 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 2015. This data was augmented by Everest Group Subject Matter Experts (SMEs) tracking the IS 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 IS market

Everest Group's infrastructure services research is based on three 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 550 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

3

- Ongoing market interactions with buyers, service providers, and other entities
  - Drivers and challenges for adopting various IT infrastructure services
  - Emerging priorities of buyers
  - Lessons learnt and best practices

Service providers reached out to for the analysis

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

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)

Infrastructure As Code (IAC) has thrown DevOps a lifeline – its offers a comprehensive approach for automating the end-to-end provisioning and management of IT infrastructure through code, which is built and maintained based on software development principles. However, many enterprises still equate IAC with traditional IT infrastructure automation, failing to realize that IAC takes a more holistic approach to provisioning and management of hybrid IT infrastructure, and requires a careful revamp of tools, processes, and people.

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

- Despite adopting next-generation IT infrastructure concepts such as hybrid cloud, Software Defined Infrastructure (SDI), and automation:
  - About 70% enterprises lack the adequate processes to help developers self-provision IT infrastructure
  - More than 70% of the enterprises do not have an IT infrastructure designed to support Agile and DevOps methodologies

Overview

- More than 60% of the IS engagements signed by buyers with existing service providers were less than five years in duration – "familiarity" with service providers is not necessarily translating into long-term trust
- Output-based pricing has become the norm; as-a-service pricing models are gaining traction, although currently limited to specific functions

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Summary of key messages (page 2 of 2)

Buyer adoption

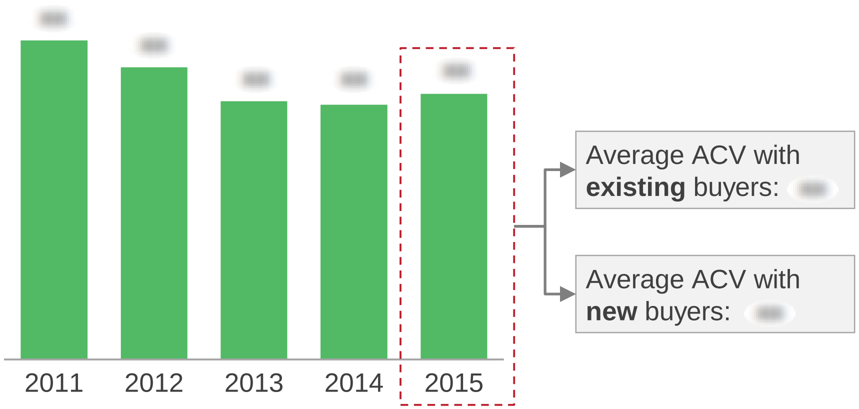
- BFSI continued to lead the global IS engagement landscape, followed by public sector and manufacturing
- Enterprises in North America showcased increased confidence in their service providers by signing IS deals with higher average ACV as compared to other global regions.
- While **"Brexit"** has created an environment of high uncertainty and apprehension, economic/regulatory uncertainties and budget cuts could enhance demand for outsourcing services in the mid- / long-term

Outlook for 2016-2017

- As detailed in our Enterprise Cloud Services Annual Report 2016, cloud has become the "bedrock" of digital services – enterprises will expect their service providers to function as business transformation partners
- Enterprises will continue to explore open systems as they look to minimize their historical vendor lock-in issues
- Traction for advanced security automation, threat intelligence, & security analytics solutions will continue to be robust as enterprises look to build a holistic approach to enterprise security and fend off business risks

IAC offer DevOps a lifeline – but the concept and its true benefits are still not well-understood by enterprises

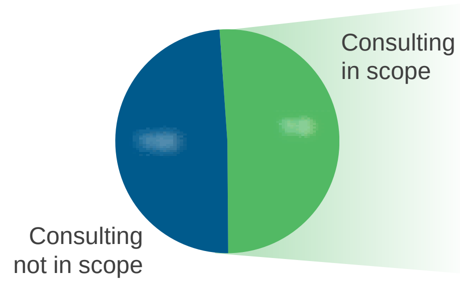
New buyers are starting small

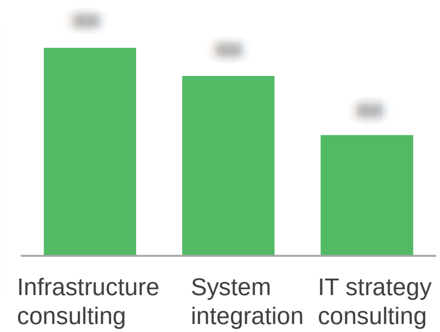


Infrastructure transformation is high on buyer agenda

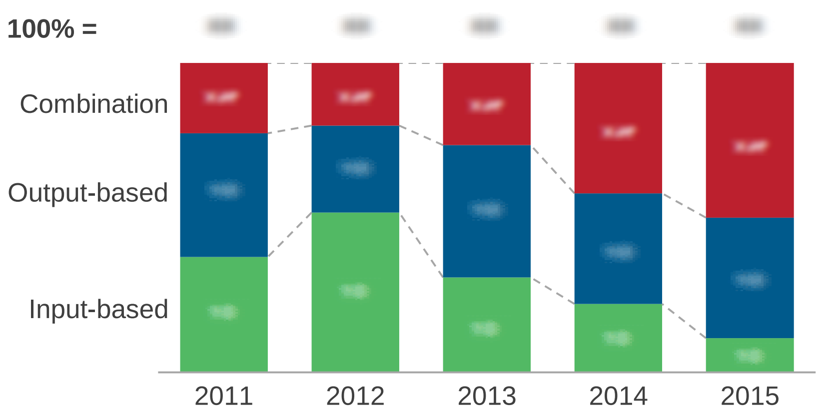
Scope of service trends in IS engagements – consulting
2015; Number of deals

Scope of consulting services
2015; Number of deals





Output-based pricing has become a norm



IAC is not just automation

Misconception	Reality
IAC is an interchangeable term for traditional IT infrastructure automation	IAC is a comprehensive approach to enable adaptive infrastructure provisioning and management
IAC is all about writing better and smarter scripts	IAC involves versatile coding with underlying principles similar to that of traditional software development
IAC primarily entails automated provisioning of cloud servers	IAC involves automated provisioning and ongoing management of hybrid IT infrastructure
Implementation of IAC is primarily dependent on choosing the right Configuration Management (CM) tool	An effective IAC implementation combines infrastructure provisioning, CM, and testing tools

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Cloud and Infrastructure Services research calendar

Published | Current

Topic	Release date
Private Cloud Enablement Services – PEAK Matrix™ Assessment and Profiles Compendium	September 2015
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	December 2015
IT Security Services: Market Update and PEAK Matrix Assessment	January 2016
Upcoming Contract Renewals – Infrastructure Services	March 2016
Enterprise Cloud Services – Annual Report 2016: "Cloud the Bedrock of Digital Business"	March 2016
Workplace Services – Market Update and PEAK Matrix Assessment and Profiles Compendium	June 2016
Infrastructure Services – Annual Report 2016: "Infrastructure As Code – It's Not Automation!"	July 2016
Private Cloud Services – Market Update and PEAK Matrix Assessment and Profiles Compendium	Q3 2016
IT Infrastructure Automation Market Update	Q3 2016
FIT Matrix for IT Infrastructure Automation	Q3 2016
Hosted Private Cloud Services – PEAK Matrix™ Assessment and Profiles Compendium	Q3 2016
Internet of Things (IoT) : Market Update and PEAK Matrix Assessment and Profiles Compendium	Q3 2016

Additional Cloud and Infrastructure Services research references

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

1. **Workplace Services – Market Update and PEAK Matrix™ Assessment and Profiles Compendium** (EGR-2016-4-R-1798); 2016. User experience has taken center-stage in the workplace – today's enterprises are tasked with building a digital workplace that can mirror the personal digital lives of employees and help create a brand and environment that is aligned to the expectations of the millennial generation. This Everest Group research discusses the latest workplace services market trends and presents the assessment and detailed profiles of 21 IT service providers featured on the workplace services PEAK Matrix

2. **Enterprise Cloud Services – Annual Report 2016: "Cloud the Bedrock of Digital Business"** (EGR-2016-4-R-1728); 2016. This Everest Group research analyses the key trends in cloud services market, how cloud fits into the broader digital agenda of enterprises, which industries lead cloud adoption, and what are the major cloud services deal trends

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

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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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