

Market Vista[™]: Q4 2020

Data and Analysis: July-September 2020: Select Findings



Our research offerings for global services

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- This report is included in the following research program(s)
 - [Market Vista™](#)
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In addition to a suite of published research, a membership may include

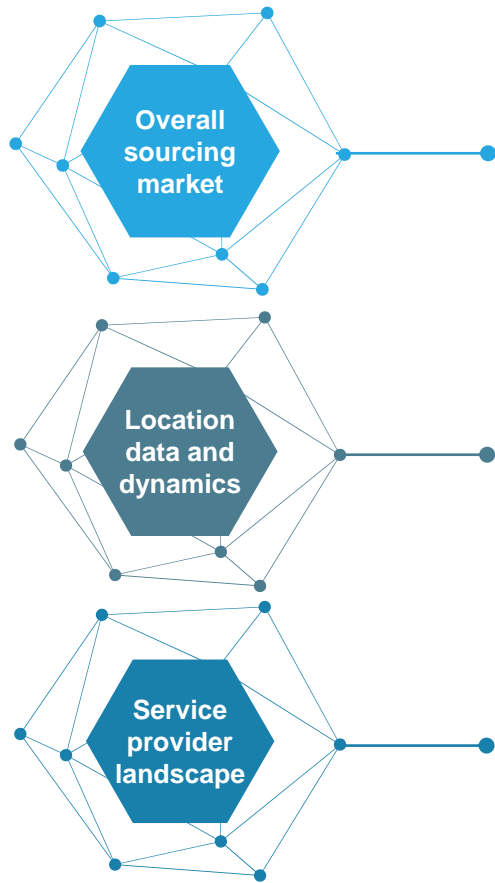
- Accelerators™
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- Data cuts
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- Virtual Roundtables
- Workshops

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

Market Vista | Overview

Covers global services market research, analysis, and insights to demystify the market and direct clear, impactful decisions



- Outsourcing transactions and GBS center set ups – detailed analysis by industry vertical and geography
- Distribution of transactions by traditional and digital services and split by digital components
- Report of transactions by deal size, volume, and geography
- GBS set ups and expansions by key functions delivered

- Data on center set up market activity in both offshore and onshore geographies
 - Center set up (overall and by city tier–1/2/3)
 - Distribution by traditional and digital services
 - Distribution of set ups by digital components
- Regional developments across locations

- Updates on service provider market activity (number of deals, M&As, alliances, new center set ups)
- Service provider developments, including financial performance (revenue, operating margins), transactions, location footprint, M&A activity, and digital-focused alliances

- Quarterly reports and annual report
- Global sourcing adoption report
- Location database
- Blogs/ viewpoints
- Webinars / market briefings
- Global services market pressing issues report
- Analyst consultation

Global services | Key market trends in Q3 2020



Overall there has been growth on the outsourcing front. Medium-term deals are witnessing an increasing traction since the start of the year, owing to enterprises' resistance to invest in large scale transformation. Also, demand for systems integration services is rising as enterprises are going for applications and vendor portfolio consolidation

Re-opening of businesses and reduction in restrictions led to recovery in the overall location activity, primarily driven by the CEE and RONE region. Also, activity in onshore locations increased significantly for enterprises driven by technology & communication firms establishing ER&D centers in the US and UK

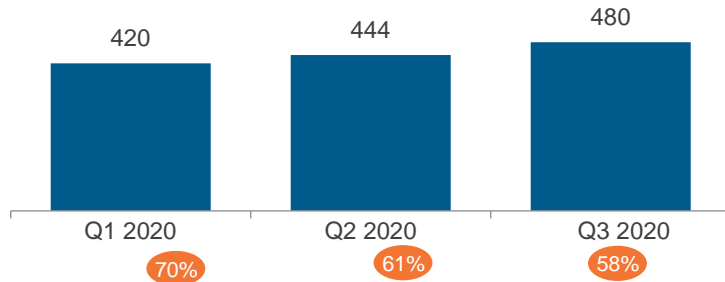
In Q2 2020, owing to COVID-9 pandemic and the consequent slowdown in businesses, majority of service providers (both global and offshore-heritage) continued to witness a decline in their revenue on a sequential basis. However, service providers are coming back on track with improved deals pipeline

Service providers are planning to consider work from home as a permanent model. In long term, companies are looking to save cost by closing some centers and allowing a part of the workforce to work from home permanently

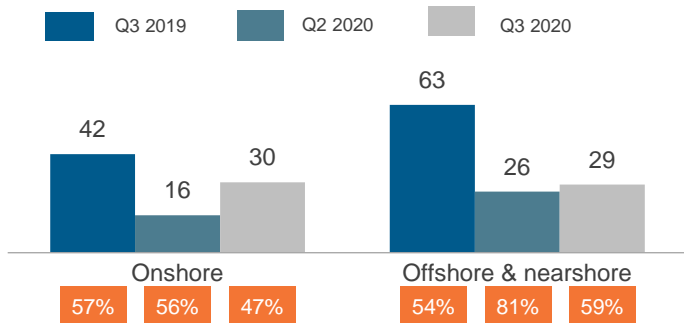
Global services dashboard | Q3 2020

Outsourcing/offshoring market overview

Outsourcing demand witnessed an increase, whereas the digital share witnessed a decline as compared to the previous quarter
 Number of outsourcing transactions

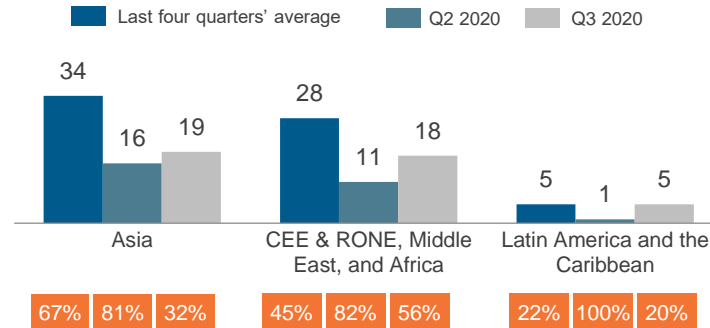


GBS activity increased vis-a-vis Q2 2020
 Number of new GBS setups and expansions

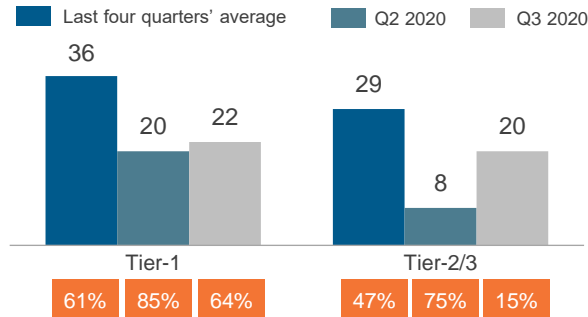


Offshore/nearshore location dynamics

Overall activity saw a growth in Q3 2020 compared to last quarter driven by CEE & RONE
 Number of delivery center setups



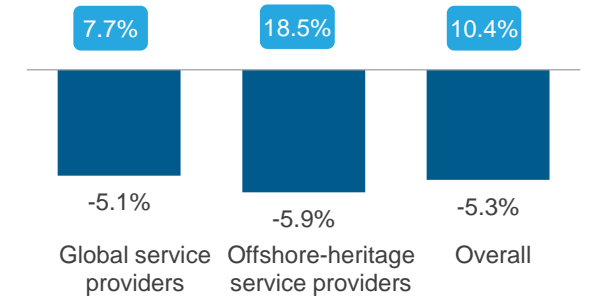
Activity across both tier-1 and tier-2/3 remained similar in Q3 2020; while a significant recovery in tier-2/3 as compared to Q2 2020
 Number of delivery center setups



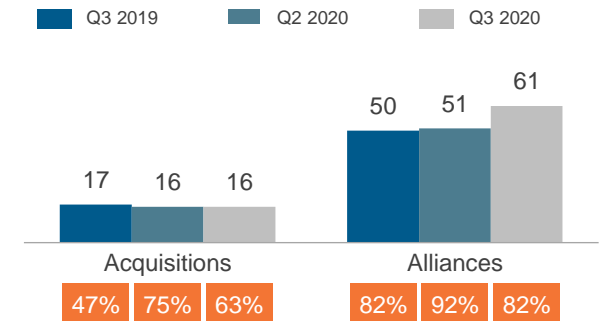
Share of digital-focused activity (orange) Operating margin (blue)

Service provider developments and trends

The consolidated revenue for both offshore-heritage and global providers declined in Q2 2020
 Sequential growth in revenue (Q2 2020 vs. Q1 2020)



Acquisition activity remained the same, whereas alliance activity increased significantly, compared with the previous quarter
 Number of acquisitions and alliances



Note: Digital details around each parameter are added in respective sections
 Note: Q1: January-March, Q2: April-June, Q3: July-September, and Q4: October-December

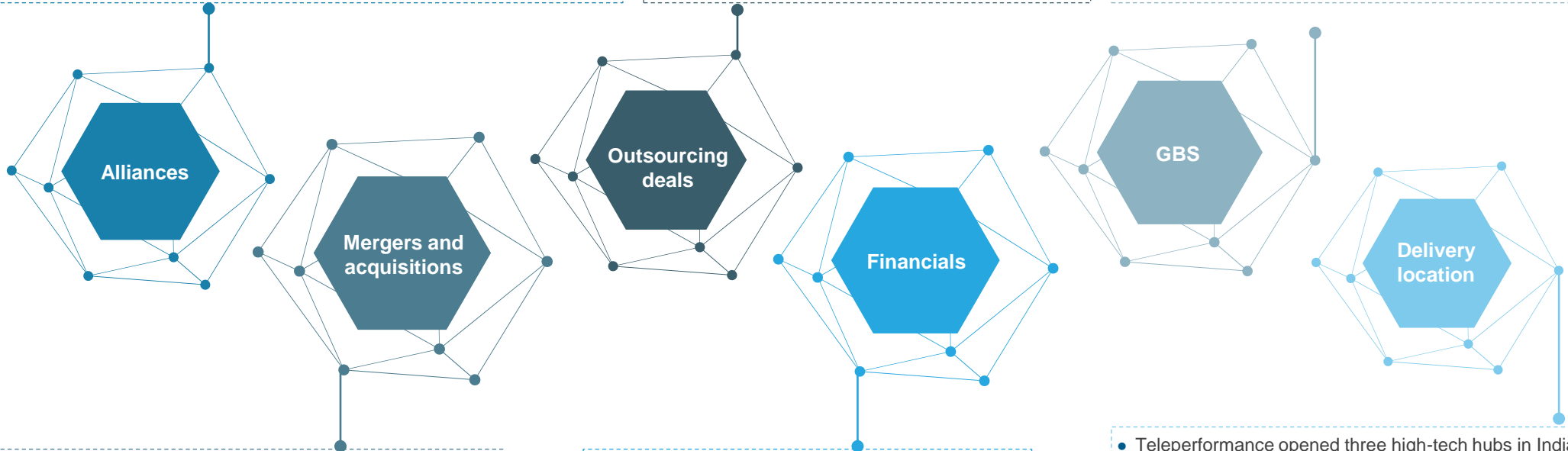
Key developments in the digital space | Q3 2020

Digital-focused activity

- IBM and Wipro formed a partnership to develop hybrid cloud offerings to help businesses migrate, manage, and transform critical workloads and applications with security across public or private cloud and on-premises IT environments
- Accenture partnered with Vodafone to deliver managed security services to small to medium enterprises and national corporate customers in Europe. As part of the collaboration, the firms will provide cybersecurity services and invest in security innovation to help organizations stay safe in these times of increasing cyber threats

- General Services Administration selected Northrop Grumman for Artificial Intelligence (AI) services
- US Air Force selected Science Applications International Corporation (SAIC) for cloud services
- Turkcell selected Odine Solutions for RPA services
- Naval Sea Systems Command (US) selected Mantech International for AI and RPA services

- Enterprises such as ABB Group, Gigamon, Huawei, Insurance Office of America (IOA), Microsoft Corporation, Robert Bosch, Siemens, Trustpilot, and Unilever opened GBS centers to provide digital services in offshore and nearshore locations
- Enterprises such as Amazon, BMW, Denso, Gigamon, Nvidia, Sphere, and The Aerospace Corporation opened GBS centers to deliver digital services in onshore locations



- Leading service providers including Accenture, Atos, Cognizant, HCL, IBM, and Infosys continued to expand their digital capability through acquisitions
- During the quarter, Atos acquired digital.security, a subsidiary of Econocom Group, to enhance its cybersecurity services in France and its footprint in the European market. As part of the deal, digital.security's 250 cybersecurity consultants with IoT knowledge will join Atos

- Infosys' digital revenue accounted for 47.3% (~US\$1,568 million), a sequential increase of ~13% and a YoY CC growth of 25.4%
- IBM's cloud & cognitive software revenue accounted for 77.1% (~US\$5.6 billion), a YoY growth of ~7% and a sequential decrease of ~3%

- Teleperformance opened three high-tech hubs in India (Vishakhapatnam, Gurgaon, and Kolkata) as a part of its cloud campus strategy to effectively manage the home workforce model. The cloud-based centers will monitor employee operations remotely for clients
- Capgemini opened an applied innovation exchange center that will provide business in Singapore greater access to knowledge sharing and collaboration with China

Service provider developments | Market Vista™ Index service providers

Global service providers



Offshore-heritage service providers



This section focuses on trend analysis for the above-mentioned service providers across various dimensions indicated on page [III-4](#).

- 1 Pure-play engineering service providers
- 2 Xerox spun off its business services division to create Conduent
- 3 Convergys was acquired by Concentrix
- 4 DXC Technology was created through the merger of CSC and the enterprise services business of Hewlett Packard Enterprise (HPE)
- 5 Report covers only the services division of Fujitsu that is referred to as Fujitsu Services
- 6 Report covers the services division of IBM that is referred to as IBM Global Services (IBM GS)
- 7 NTT DATA acquired Dell Services and the acquired entity is now called NTT DATA Services

For detailed information, please refer to “SP analysis – Standard” and “SP analysis – Interactive” tabs of **Everest Group – Market Vista™ Q4 2020 – Appendix**



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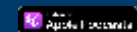
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