# Market Vista™: Q1 2021

## Data and Analysis: October-December 2020: Select Findings

Everest Group®
MARKET VISTA™

# Our research offerings for global services

► **Market Vista™**
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

| | |
|---|---|
| ► Application Services | ► Enterprise Platform Services |
| ► BPS \| Banking & Financial Services | ► Finance & Accounting |
| ► BPS \| Healthcare | ► Human Resources |
| ► BPS \| Insurance | ► ITS \| Banking & Financial Services |
| ► BPS \| Life Sciences | ► ITS \| Healthcare |
| ► Catalyst™ | ► ITS \| Insurance |
| ► Cloud & Infrastructure | ► ITS \| Life Sciences |
| ► Customer Experience Management Services | ► IT Services Executive Insights™ |
| ► Contingent Workforce Management | ► Locations Insider™ |
| ► Data & Analytics | ► Procurement |
| ► Digital Services | ► Recruitment Process Outsourcing |
| ► Engineering Services | ► Service Optimization Technologies |

## Membership information

- This report is included in the following research program(s)
  – Market Vista™
- If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at **info@everestgrp.com**

### More about membership

In addition to a suite of published research, a membership may include
- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model® reports
- PriceBook
- 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

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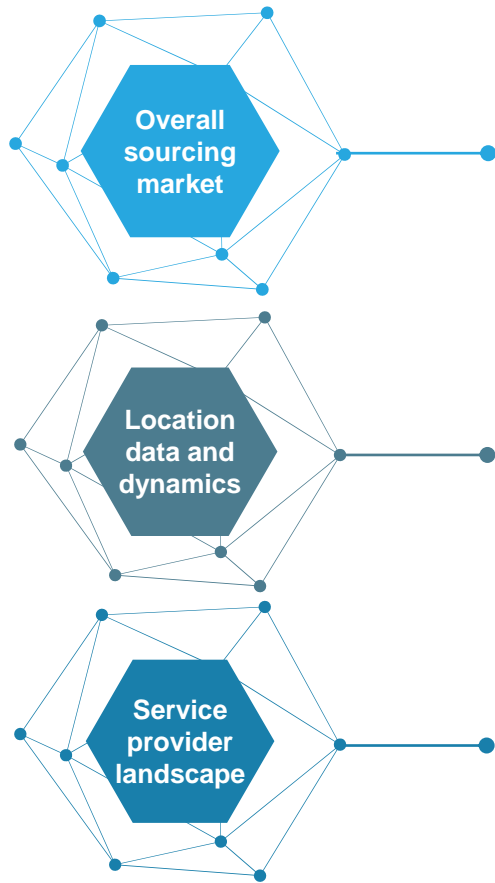
- Outsourcing transactions and GBS center set ups – detailed analysis by industry vertical and geography
- Distribution of transactions by traditional and digital services and split by digital components
- Report of transactions by deal size, volume, and geography
- GBS set ups and expansions by key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

**Location data and dynamics**

- 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

**Service provider landscape**

- 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 |

Everest Group® RESEARCH

# Global services | key market trends in Q4 2020

As enterprises are trying to rationalize and consolidate their IT portfolios, the market is witnessing an increase in the number of mega[1] deals, thereby, causing an increase in the overall TCV for deals.

M&A and alliances activity witnessed a significant rise in Q4 2020. Among M&As, advanced automation was the key digital focus area surpassing analytics in this quarter. Since analytics has become relatively mature, companies are now focusing more on advanced automation.

Contrary to the previous quarter, service providers reported improved financials as the impact of COVID-19 continues to diminish. Majority of the providers reported a sequential rise in their revenue as well as improved margins.

Nearshore and Eastern Europe witnessed growth in activity both in terms of new GBS center setups and surge in number of deals, primarily led by the BFSI vertical.

1    TCV greater than US$50 million

# Global services dashboard | Q4 2020

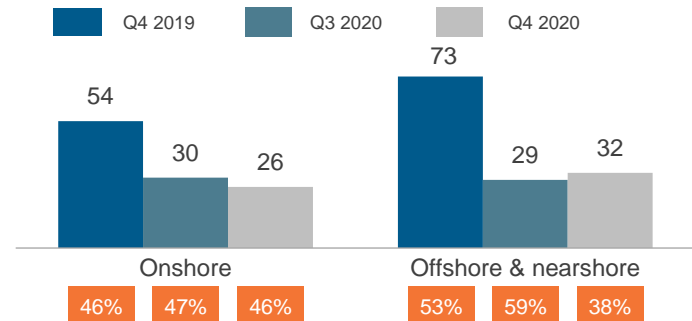■ Share of digital-focused activity   ■ Operating margin

## Outsourcing/offshoring market overview

**Outsourcing demand witnessed a marginal decline, whereas the digital share remained similar as compared to the previous quarter**
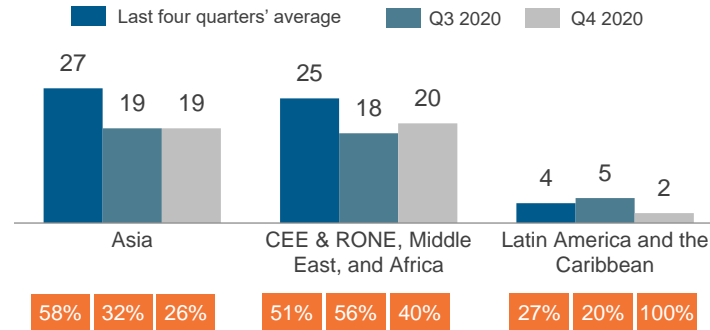Number of outsourcing transactions

- Q2 2020: 394 — 56%
- Q3 2020: 438 — 53%
- Q4 2020: 422 — 54%
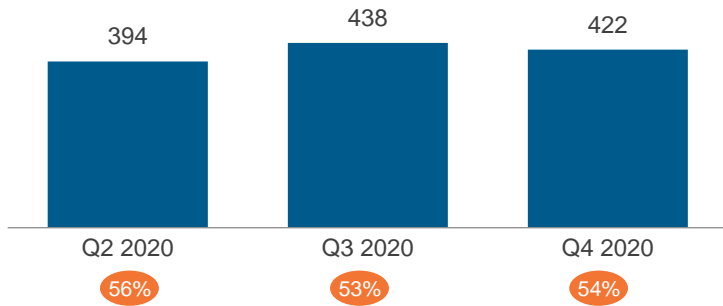
**GBS activity remained in line with Q3 2020**
Number of new GBS setups and expansions

■ Q4 2019   ■ Q3 2020   ■ Q4 2020

Onshore: 54, 30, 26 — 46% | 47% | 46%
Offshore & nearshore: 73, 29, 32 — 53% | 59% | 38%

## Offshore/nearshore location dynamics

**Overall activity remained similar to last quarter driven by CEE & RONE**
Number of delivery center setups

■ Last four quarters' average   ■ Q3 2020   ■ Q4 2020

Asia: 27, 19, 19 — 58% | 32% | 26%
CEE & RONE, Middle East, and Africa: 25, 18, 20 — 51% | 56% | 40%
Latin America and the Caribbean: 4, 5, 2 — 27% | 20% | 100%

**Activity in tier-1 locations increased, whereas there was a fall in tier-2/3 activity compared to Q3 2020**
Number of delivery center setups

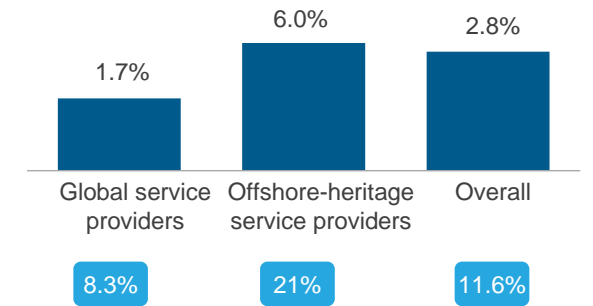■ Last four quarters' average   ■ Q3 2020   ■ Q4 2020

Tier-1: 27, 22, 29 — 62% | 64% | 34%
Tier-2/3: 28, 20, 12 — 43% | 15% | 42%

## Service provider developments and trends

**The consolidated revenue for both offshore-heritage and global providers increased in Q3 2020**
Sequential growth in revenue (Q3 2020 vs. Q2 2020)

- Global service providers: 1.7% — 8.3%
- Offshore-heritage service providers: 6.0% — 21%
- Overall: 2.8% — 11.6%

**Both acquisition and alliance activity increased significantly, compared with the previous quarter**
Number of acquisitions and alliances

■ Q4 2019   ■ Q3 2020   ■ Q4 2020

Acquisitions: 19, 16, 33 — 63% | 63% | 88%
Alliances: 54, 61, 90 — 89% | 82% | 77%
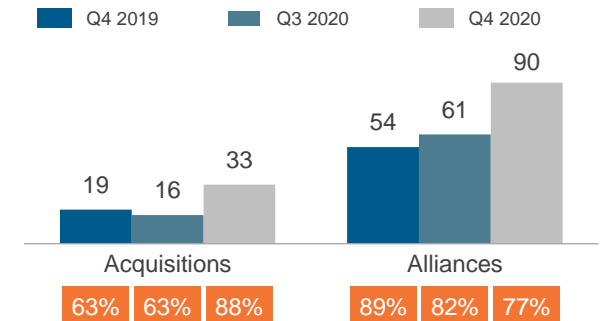
Note 1:  Digital details around each parameter are added in respective sections
Note 2:  Q1: January-March, Q2: April-June, Q3: July-September, and Q4: October-December
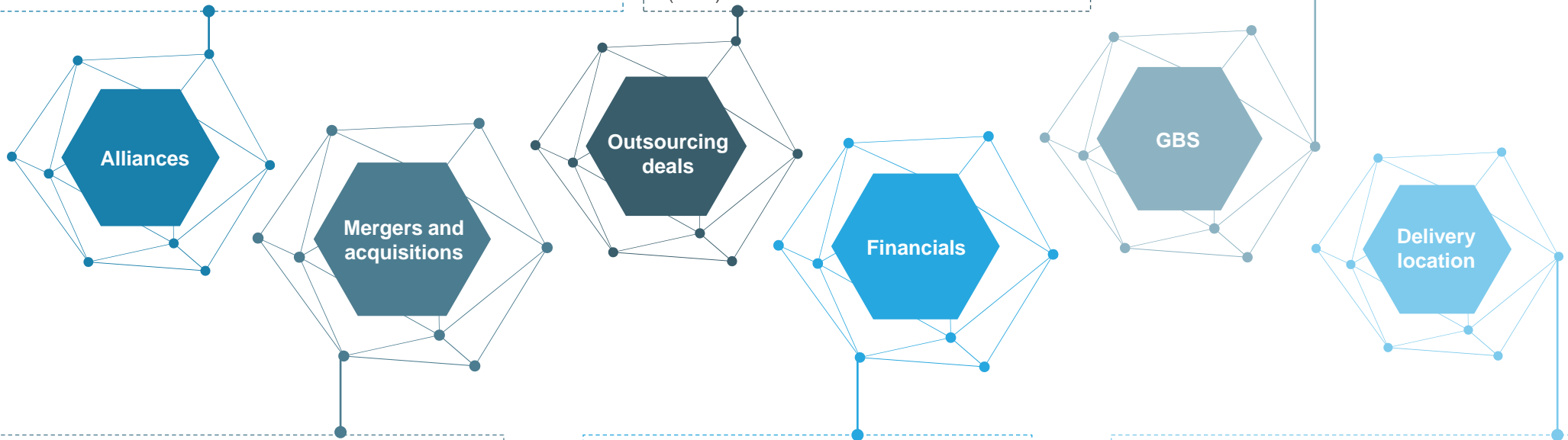
# Key developments in the digital space | Q4 2020
## Digital-focused activity

- Wipro and AWS partnered to launch a new business venture, Wipro AWS Business Group (WABG), dedicated to help customers fast-track their cloud transformation journey on AWS
- Accenture expanded its joint initiative announced in 2020, supporting start-ups that focus on solving critical business challenges related to sustainability and skilling. Microsoft Research India and Accenture Labs will help social enterprise start-ups test and validate proof-of-concepts, and conduct design thinking sessions to help entrepreneurs re-envision the impact of their solutions

- General Services Administration selected General Dynamics Information Technology for cloud and cyber security services
- PWC selected Atos for cloud, RPA, and AI services
- Food and Drug Administration (US) selected Palantir for analytics services
- Administrador de Infraestructuras Ferroviarias (ADIF) selected Indra for blockchain services

- Enterprises such as Bitpanda, Exida, ING Group, LG, Nulia, Qualcomm, Swisscom, Vodaphone, and Volkswagen opened GBS centers to provide digital services in offshore and nearshore locations
- Enterprises such as ABB Group, Audi, Bank of Italy, Lordstown Motors, Sharechat, Silicon Labs, Toyota Motor, and Voodoo opened GBS centers to deliver digital services in onshore locations

**Alliances**

**Mergers and acquisitions**

**Outsourcing deals**

**Financials**

**GBS**

**Delivery location**

- Leading service providers including Accenture, Cognizant, IBM, TCS, Tech Mahindra, and Wipro continued to expand their digital capability through acquisitions
- During the quarter, Wipro acquired three IT firms, Encore Theme Technologies, Eximius Design, and Precision Automation and Robotics India (PARI), to strengthen its cloud and advanced automation capabilities

- 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%

- Daimler established a shared services center in Chennai, India to focus on R&D, IT, engineering, HR, and customer support services
- EPAM Opens a European software and platform engineering hub in Vilnius, Lithuania
- Swisscom established an DevOps center in Riga, Latvia to offer IT, software development, and digital services

# Service provider developments | Market Vista™ Index service providers

### Global service providers

accenture    ADP    AKKA [1]    ALTEN [1]    ALTRAN [1]    Atos    AVL [1]    bertrandt [1]

CAPITA    Capgemini    CGI    CONDUENT [2]    CONCENTRIX CONVERGYS [3]    DXC.technology [4]

FUJITSU [5]    IBM [6]    NTT DATA [7]    Teleperformance each interaction matters    T··Systems·    UNISYS

### Offshore-heritage service providers

Cognizant    EXL    genpact    HCL    Infosys

SUTHERLAND    Tech Mahindra    TATA CONSULTANCY SERVICES    wipro    WNS Extending Your Enterprise

**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 the "SP analysis – Standard" and "SP analysis – Interactive" tabs of **Everest Group – Market Vista™ Q1 2020 – Appendix**

# Everest Group®

With you on the journey

Everest Group is a consulting and research firm focused on strategic IT, business services, engineering services, and sourcing. Our clients include leading global enterprises, service providers, and investors. Through our research-informed insights and deep experience, we guide clients in their journeys to achieve heightened operational and financial performance, accelerated value delivery, and high-impact business outcomes. Details and in-depth content are available at **everestgrp.com**.

## Stay connected

**Website**
everestgrp.com

**Social Media**

 @EverestGroup

 @Everest Group

 @Everest Group

 @Everest Group

**Blog**
everestgrp.com/blog

**Podcast**
Digital**Real**ITy
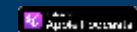
**Dallas (Headquarters)**
info@everestgrp.com
+1-214-451-3000

**Bangalore**
india@everestgrp.com
+91-80-61463500

**Delhi**
india@everestgrp.com
+91-124-496-1000

**London**
unitedkingdom@everestgrp.com
+44-207-129-1318

**New York**
info@everestgrp.com
+1-646-805-4000

**Toronto**
canada@everestgrp.com
+1-647-557-3475