Business Transformation: A Confluence of New and Legacy Applications – Annual Report 2019

Application Services

Annual Report – June 2019: Complimentary Abstract / Table of Contents

EGR-2019-32-CA-3193

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	Human Resources
BPS | Banking & Financial Services	ITS | Banking & Financial Services
BPS | Healthcare & Life Sciences	ITS | Healthcare
BPS | Insurance	ITS | Insurance
Catalyst™	IT Services Executive Insights™
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Customer Experience Management Services	Locations Insider™
Data & Analytics	PricePoint™
Digital Services	Procurement
Engineering Services	Recruitment & Talent Acquisition
Finance & Accounting	Service Optimization Technologies

Membership information

- This report is included in the following research program(s)
  – Application Services
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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

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This report is based on three key sources of proprietary information

- Proprietary database of application services contracts of major IT service providers (updated annually)
- The database tracks the following elements of each contract:
  - Buyer details including size and signing region
  - Contract details including service provider, contract type, TCV & ACV, start & end dates, duration, pricing structure, and delivery locations
  - Scope details including coverage of functional activities, processes, and application service towers

- Everest Group survey with 194 CXOs from enterprises with over US$1 billion in revenue
- The survey was designed to capture:
  - Priorities and investments for application services
  - Assessment of application services providers
  - Key technology investments and preferred vendors

- Proprietary database of **market developments across 100+ technology and IT service providers** (updated annually)
- The database tracks the following events for each company:
  - Major deals/solutions implementation
  - New product/solution launches
  - Financial metrics (revenue, margin, and valuations)
  - Mergers and acquisitions
  - Alliances and partnerships
  - Investments in research & development

Illustrative list of service providers whose deals are included in this study

accenture, Atos, birlasoft, Capgemini, CGI, Cognizant, DXC.technology, epam, Fujitsu, genpact, HCL, Hexaware, IBM, Infosys, LTI, Mindtree, Mphasis, NEC, NIIT technologies, NTT Data, Atos Syntel, Softtek, Tata Consultancy Services, Tech Mahindra, T-Systems, Unisys, Virtusa, wipro, Zensar Technologies

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

This report provides an insight into the current trends and future outlook for the AS market in the global ITS industry

Focus of research

Services industry

IT Infrastructure Services (IS)

- Datacenter services (servers, storage, networks, etc.)
- End-user compute
- Database/middleware
- Helpdesk
- IT consulting:
  - IT infrastructure consulting
  - IT strategy
- Next-generation services (as-a-service models, analytics, etc.)

IT Application Services (AS)

- Application development
- Application maintenance
- Independent testing
- IT consulting:
  - Package implementation
  - Systems integration
  - IT strategy
- Next-generation services (as-a-service models, mobility, etc.)

Business Process Services (BPS)

- BFSI-specific BPS
- Contact center
- Finance & accounting
- Human resources
- Knowledge services
- Procurement
- Recruitment process

- The report provides insights across a comprehensive application services landscape. This includes analysis across buyers from different industries, geographies, and revenue segments
- The research also covers the global ITS market size and its distribution by service type, geography, and industry
- Apart from typical application services, the research also analyzes key trends in consulting services that are bundled with the broader engagements

Summary of key messages

Application Services market – key trends

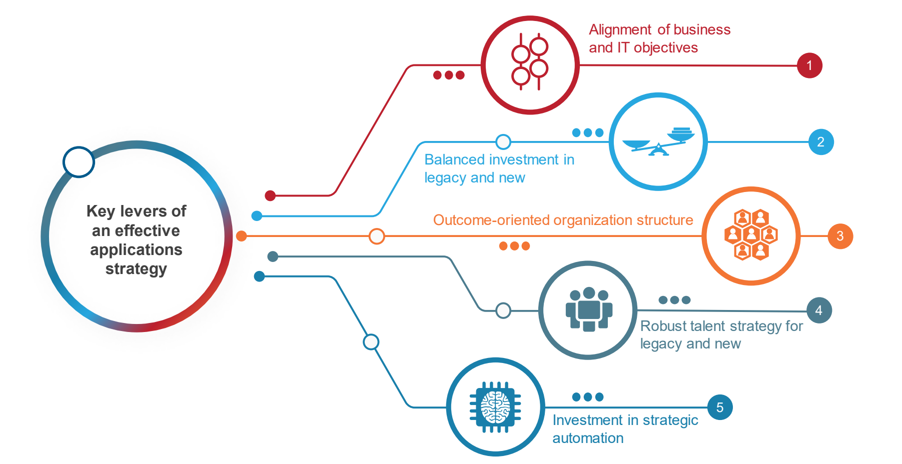
- This section provides insights into key enterprise adoption trends
- As enterprises transcend their capability maturity curve, very few achieve improvement on speed, efficiency, and quality as expected
- Leading enterprises are able to differentiate themselves through a balanced view of legacy and new application investments
- New application investments are primarily driven by investment in microservices, DevOps, and open source solutions
- UI-focused modernization, lift and shift, and package-based extensions drive legacy application investments

Application Services market – overview and buyer adoption

- Stand-alone Application Services deals have been growing consistently and contribute the largest share to the IT services market
- Deals with longer duration (>three years) have seen an increase at the expense of deals with shorter duration (<five years)
- Average deal sizes in most verticals plummeted except for healthcare & life sciences, which saw a marginal increase in deal sizes
- Multi-region deal signings decreased sharply from 11% in 2017 to 2% in 2018

This study offers four distinct chapters providing a deep dive into key aspects of application services market; below are four charts to illustrate the depth of the report

Building blocks of application strategy



Advanced automation transforming application landscape

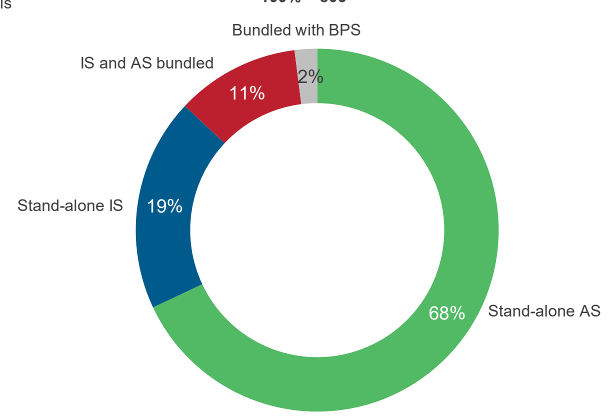
Automation adoption

	OPPORTUNISTIC	SILOED	STRATEGIC
Vision & strategy	Automation is adopted to fix any loophole and eliminate highly redundant tasks or achieve beaten down SLAs	Business Unit (BU)adopts automation to drive efficiencies and improve stakeholder experience	Automation is viewed as a strategic initiative to gain and sustain competitive advantage
Implementation	• SME drives the initiative with minimal investment • Changes do not impact the overall system/process architecture	• Functional team funded by BU • Disconnect between BU and security delays process	• Cross-functional team with budget allocation from the top • Enterprise-wide mandate with automation-oriented policies
Organization	Fragmented teams working across business units with focused KPIs	Business and functional implications divide teams, which function in silos in spite of similar end-objectives	Collaboration among BUs, adoption of automation CoEs, and efficient utilization and grooming of talent
Technology	• Each automation is new automation • Basic, open source, and easy to use technology	• Reusability in pockets, results in overall redundancy • Contemporary technology usage to drive automation	• Focus on reusability with shared libraries • Adoption of next-generation automation technologies
Metrics	• SLAs • Cost	• TAT reduction • Ticket volume	• GTM time • CSAT

Approach adopted by leading enterprises for applications automation

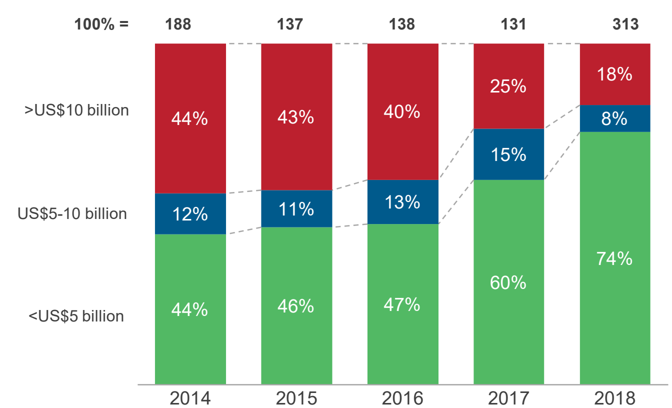
Application Services engagements dominate the market

Bundling characteristics in IT services deals
2018; Number of deals



Large enterprises witnessed a reduction in third-party spend

Adoption of buyer AS engagements by buyer size
2014-2018; Number of deals



Research calendar – Application Services

Published | Planned | Current release

Flagship Application Services reports	Release date
Annual Report 2018 – The Future of Architecture is Intelligent	June 2018
GDPR Services: Gross Disconnect in Perception and Reality – Services PEAK Matrix™ Assessment 2018	June 2018
Application Automation Services PEAK Matrix™ Assessment and Market Trends 2019: AI Alone Won't Help – Align Strategy to Realize Benefits	February 2019
Business Transformation: A Confluence of New and Legacy Applications – Annual Report 2019	**June 2019**
DevOps Services PEAK Matrix™ Assessment and Market Trends 2019	Q2 2019
Workday Services PEAK Matrix™ Assessment and Market Trends 2019	Q2 2019
Cloud ERP Services PEAK Matrix™ Assessment and Market Trends 2019	Q2 2019

Thematic Application Services reports	
The Great Digital Divide: Is Customer Dissatisfaction the New Normal?	March 2018
Closing the Gap - The Future of IT Skills in the United States	April 2018
Reimagining Enterprise IT Services Sourcing	May 2018
Upcoming Contract Renewals - Application Services 2019	January 2019
Assuring Trust in a Converging Life Sciences Ecosystem: The Emerging Role of Quality Assurance	February 2019
Application Modernization: Pinnacle Model™ Analysis 2019	Q2 2019
Application Maintenance 2019: Pinnacle Model™ Analysis 2019	Q3 2019

Note: For a list of all of our published Application Services reports, please refer to our website page

Additional Application Services research references

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

1. **Application Automation Services PEAK Matrix™ Assessment and Market Trends 2019: AI Alone Won't Help – Align Strategy to Realize Benefits** (EGR-2019-32-R-3080); 2019. This research focuses on application automation services and includes a market study of application automation services. In this research, we present an assessment and detailed profiles of 19 application automation service providers featured on the application automation services PEAK Matrix™

2. **Application Services – Annual Report 2018: The Future of Architecture is Intelligent** (EGR-2018-32-R-2658); 2018. The digital future will require a sentient architecture that can be adjusted dynamically, managed easily using discrete components, and is developed using design principles. Next-generation technologies are laying the foundation of the sentient architecture. However, enterprises need to address the disconnect between legacy and next-generation systems. In this report, we have assessed the entire IT services landscape, followed by a deep dive into the application services landscape and the trends prevailing in the market

3. **Application Modernization Services – PEAK Matrix™ Assessment and Market Trends 2017: "Think Digital, Rethink Modernization"** (EGR-2017-4-R-2399); 2017. The research focuses on application modernization services and includes a market study of application modernization services, PEAK Matrix assessment of 15 leading application modernization service providers, and detailed profiles of 15 IT service providers featured on Everest Group's PEAK Matrix

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

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Everest Group®

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 empower 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.

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