

Market Vista[™]: Q3 2020

Data and Analysis – April-June 2020: Select Findings



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	▶ Finance & Accounting
▶ BPS Banking & Financial Services	▶ Human Resources
▶ BPS Healthcare & Life Sciences	▶ ITS Banking & Financial Services
▶ BPS Insurance	▶ ITS Healthcare
▶ Catalyst™	▶ ITS Insurance
▶ Cloud & Infrastructure	▶ IT Services Executive Insights™
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▶ Digital Services	▶ Procurement
▶ Engineering Services	▶ Recruitment Process Outsourcing
▶ Enterprise Platform 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

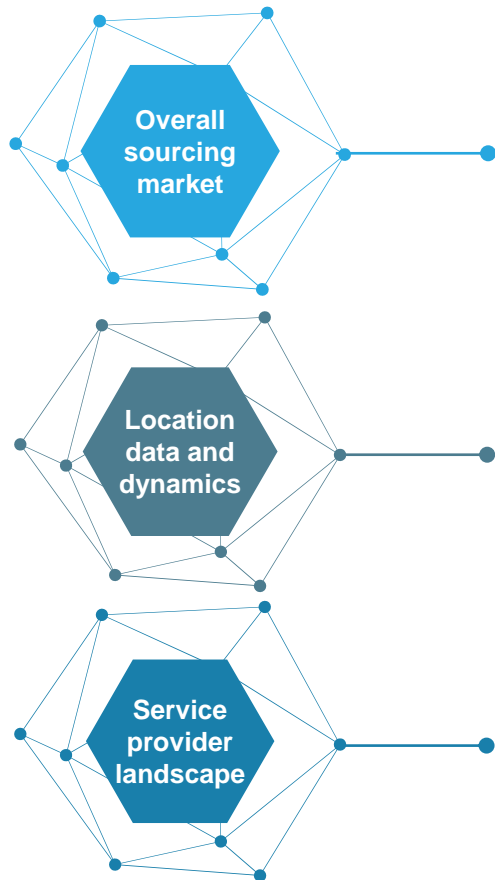
- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model® reports
- PriceBook
- Virtual Roundtables
- Workshops

Custom research capabilities

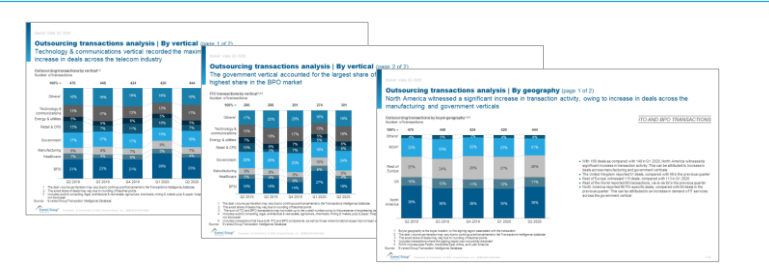
- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities,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

Market Vista | Overview

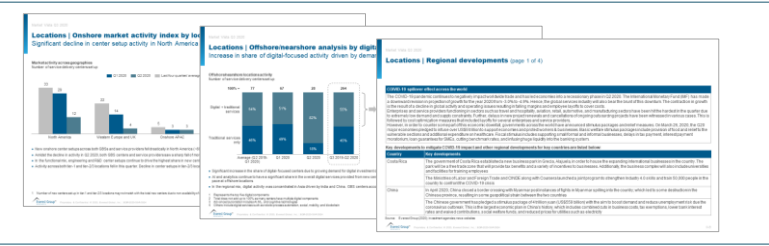
Covers global services market research, analysis, and insights to demystify the market and direct clear, impactful decisions



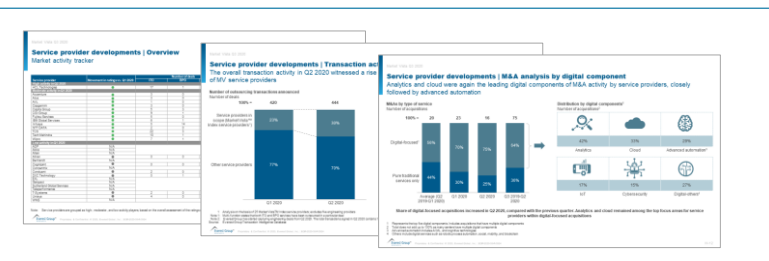
- Outsourcing transactions and GBS center set ups – detailed analysis by industry vertical and geography
- Distribution of transactions by traditional and digital services and split by digital components
- Report of transactions by deal size, volume, and geography
- GBS set ups and expansions by key 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 Q2 2020



Demand for desktop services is continuously gaining traction as firms across the globe adapt to a work-from-home model. There was also a surge in demand for mobility services as enterprises are leveraging on-demand applications to increase their online presence amid COVID-19 pandemic

Sharp decline in the overall center setup activity across all regions, with India witnessing an all-time low activity. However, share of digital-focused centers saw an uptick in the offshore/nearshore region as enterprises scaled up their digital investment to accommodate operations during the COVID period

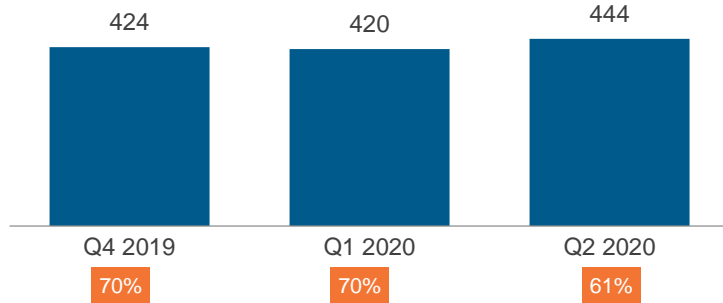
Majority of service providers (both global and offshore-heritage) witnessed a decline in their revenue as well as operating margin on a sequential basis owing to COVID-9 pandemic and the consequent slowdown in businesses

As the world faces increased risk of cyberattacks due to a shift in the working pattern, service providers are gearing up their investments in the cybersecurity space, with an increased the number of cybersecurity-focused acquisitions, deals, and new products

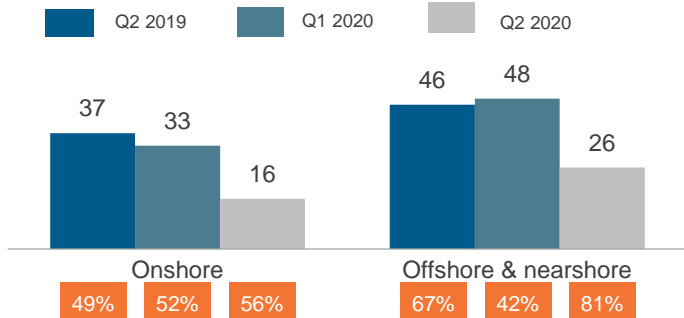
Global services dashboard | Q2 2020

Outsourcing/offshoring market overview

Outsourcing demand witnessed an increase, whereas share of digital deals declined compared to the previous quarter¹
 Number of outsourcing transactions

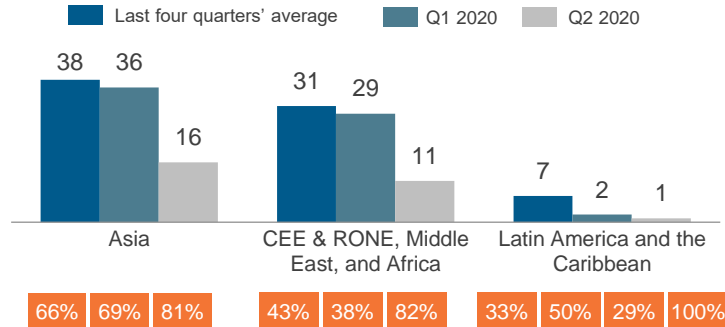


GBS activity decreased vis-a-vis Q1 2020
 Number of new GBS setups and expansions

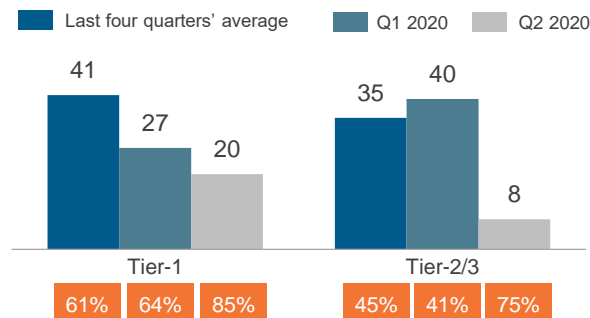


Offshore/nearshore location dynamics

Overall activity saw a decline in Q2 2020, centers set up in Asia, CEE & RONE, and Middle East and Africa saw a sharp fall
 Number of delivery center setups

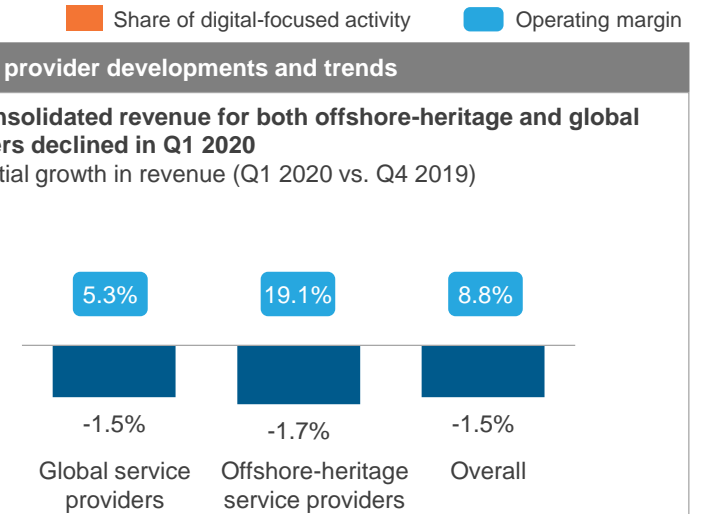


Activity across both tier-1 and tier-2/3 locations fell in Q2 2020 as compared to Q1 2020; decline was significant for tier-2/3 locations
 Number of delivery center setups

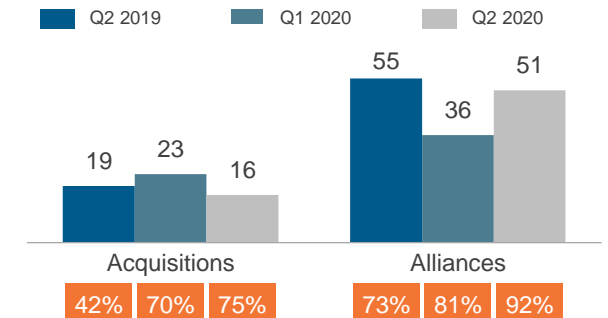


Service provider developments and trends

The consolidated revenue for both offshore-heritage and global providers declined in Q1 2020
 Sequential growth in revenue (Q1 2020 vs. Q4 2019)



Acquisition activity decreased, 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

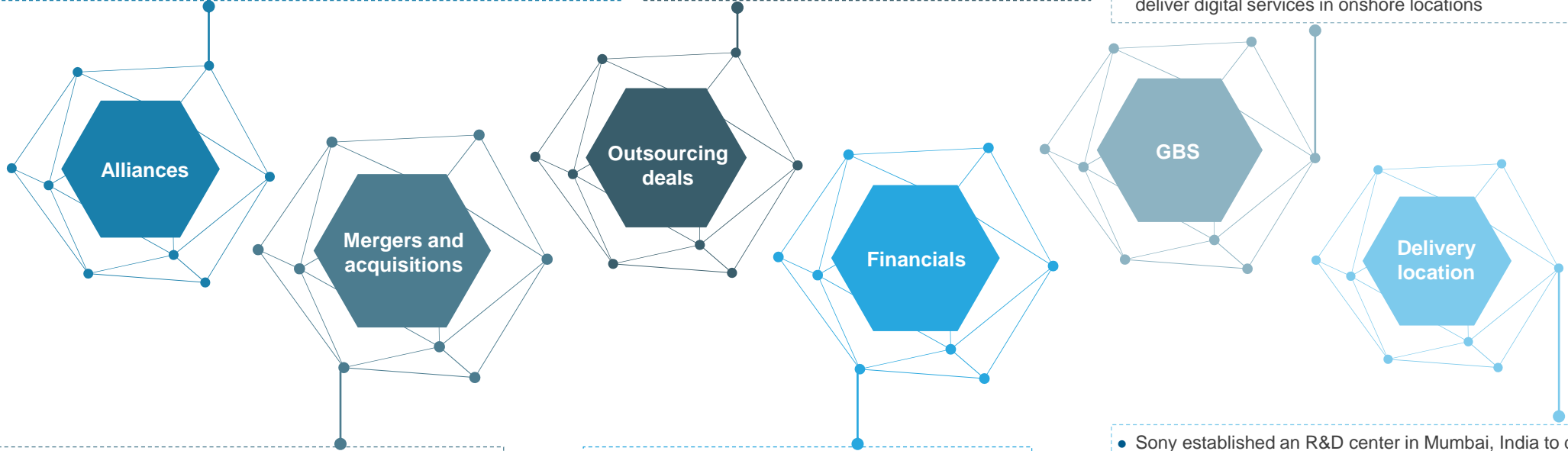
Key developments in the digital space | Q2 2020

Digital-focused activity

- IBM and Tech Mahindra formed a partnership to help businesses transform operations and accelerate their hybrid cloud strategies. Tech Mahindra will help clients migrate core business applications to the IBM public cloud using IBM Cloud Paks. The firms also plan to open an innovation center in Bangalore by the end of 2020 as part of the partnership
- Atos partnered with Siemens to develop Process Digital Twin – an innovative solution based on a digital replica of the pharma production process. This will help pharmaceutical companies improve production by leveraging IoT, AI, and advanced analytics

- Department of Commerce (US) selected Accenture for cloud services
- Swiss Federal Railways selected T-Systems for cloud and mobility services
- Bombardier selected Fraport for RPA services
- Teachers' Pension Scheme (UK) selected Capita Group for analytics services

- Enterprises such as AAC Technologies, Baidu, Deloitte, Foxconn, Hyundai Motor, Microsoft, Qualcomm, Sony, Vivo, and Walmart opened GBS centers to provide digital services in offshore and nearshore locations
- Enterprises such as Audi, Clean Energy Smart Manufacturing Innovation Institute, HMD Global, Kaleyra, LINXIS Group, OPTIMA, Transport for West Midlands, and Vingroup opened GBS centers to deliver digital services in onshore locations



- Leading service providers including Accenture, Atos, Cognizant, HCL, and IBM continued to expand their digital capability through acquisitions
- During the quarter, HCL acquired Broadcom's SED consulting services, part of Broadcom's enterprise security solutions for US\$10.7 billion, to enhance its capabilities in end-point security, web security services, cloud security, and data loss prevention

- Infosys' digital revenue accounted for 44.5% (~US\$1,389 million), a sequential increase of 3.6% and a YoY CC growth of 25.5%
- IBM's cloud & cognitive software revenue accounted for 77.1% (~US\$5.7 billion), a YoY growth of 3.3% and a sequential increase of 9.7%

- Sony established an R&D center in Mumbai, India to develop data analytics and AI-based solutions
- HCL established a delivery center in Colombo, Sri Lanka to offer applications & system integration services, infrastructure services, and digital process operations to its global customers
- Outplex opened a new center in Bogota, Colombia to serve growing demand for digital transformation in omnichannel support

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-6](#) in main report.

- 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™ Q3 2020 – Appendix**



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