

# Managed Services & As-a-Service Market Insights

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HOSTED BY



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Research Analyst

**ICICI Securities**

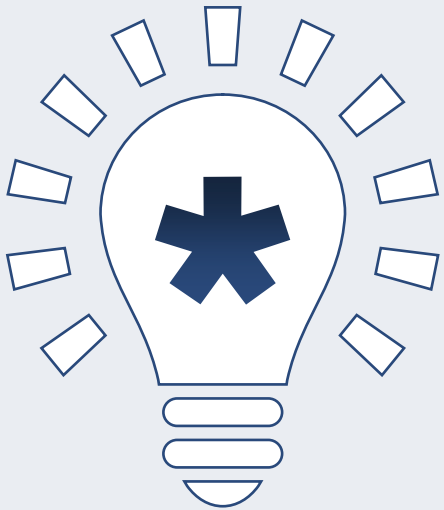
**\*ISG** Index™

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# Three Big Thoughts



1

Managed Services sets another quarterly record led by both mid-size and mega deals; cost optimization is key driver.

2

Global capability center activity at an all-time high as enterprises focus on building internal capabilities and talent while reducing costs.

3

Generative AI use cases are rapidly expanding; providers proposing dramatic productivity improvements across apps, ops & CX.



# Global Broader Market

## Quarterly Trends

Combined Market fell Y/Y for the fifth straight quarter

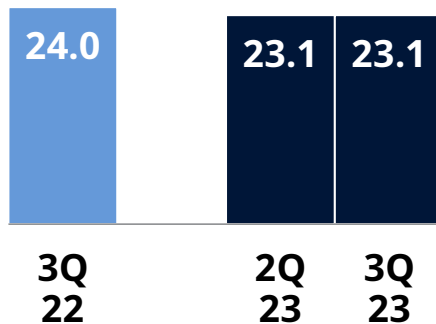
Managed Services set record high with \$10.4B in ACV

Nine mega-deals awarded; most mega-deal ACV awarded since 4Q15

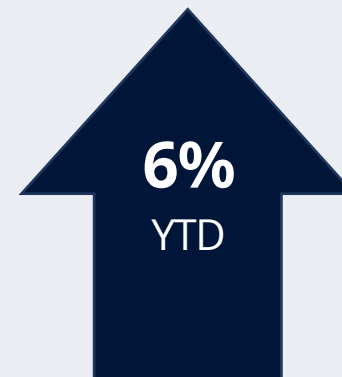
Number of awards in the \$30M to \$60M range surged this quarter

XaaS ACV had its fourth straight quarterly double-digit Y/Y decline

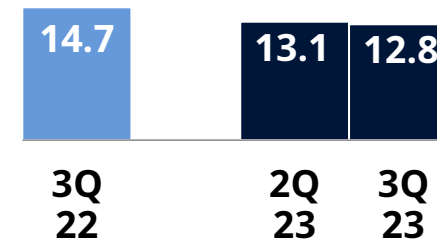
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service

# Global Capability Center Activity at All-Time High

## Reasons to build – and exit – a GCC are very similar

### Top 5 GCC Drivers and Inhibitors

Cost-Related Reasons Talent-Related Reasons

| Rank | Why are you expanding?         | What challenges are you facing? |
|------|--------------------------------|---------------------------------|
| 1    | Cost optimization program      | Employee attrition              |
| 2    | Local labor costs              | Operating costs                 |
| 3    | Staffing & automation strategy | Operational complexity          |
| 4    | Improved productivity          | Lack of talent & skills         |
| 5    | Availability of local talent   | Culture, language & time zone   |

Source: ISG, Global Capability Center Study, 2023, n=301; Executive-level responses only, n=115

The top reasons enterprises are establishing or growing GCCs are essentially the same reasons they are reducing or exiting a GCC – **talent** and **cost**.

### Three Emerging GCC Archetypes

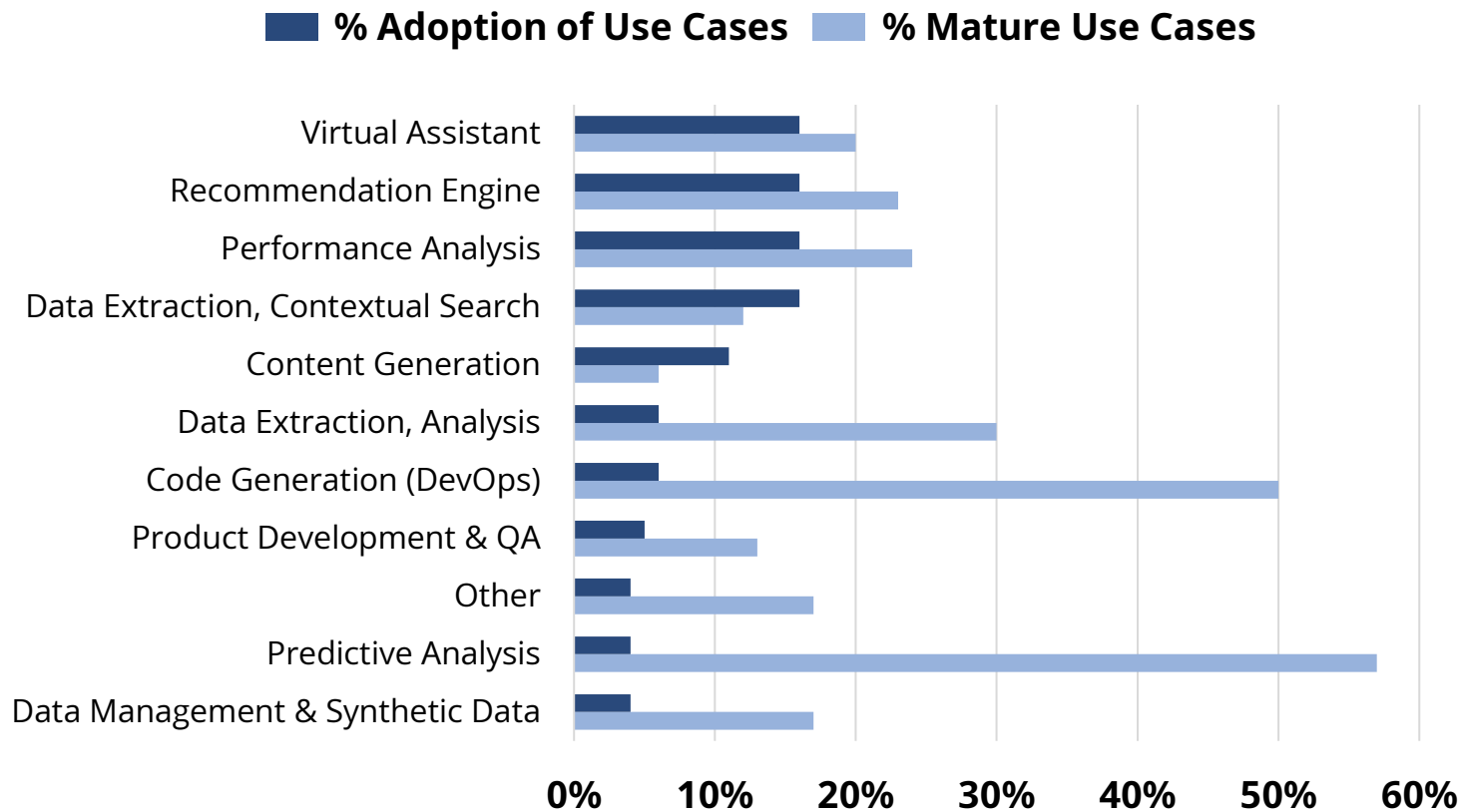
- 1 Achieved cost savings at the expense of quality**  
 This archetype realized objectives around cost reduction, but quality suffered.
- 2 Realized moderate results, now consolidating**  
 This archetype realized good results and will be optimizing and consolidating via automation.
- 3 Realized excellent results, now expanding**  
 This archetype saw scores up across every category and will be expanding staff.

Source: ISG; Global Capability Center Study, 2023; n=301 executives with responsibility for GCC operations

# State of Generative AI

Use cases maturing quickly as AI moves from learning to creating

## Top Functional Use Cases of Generative AI



## Top Enterprise Concerns

1. ROI viability
2. Legacy data quality
3. Hallucinations and model control
4. Ethical concerns
5. Security and legal concerns

## What's Next

An “adoption architecture” for AI will be needed to scale generative AI across the enterprise. This will include **strategy, data, AI controls, AI operations** and a new **cognitive infrastructure**.

# Demand Trends: Managed Services



# Managed Services ITO/BPO Results

## YTD Trends

Through nine months, most ever ITO ACV and number of contracts awarded

Americas and Asia ITO ACV up significantly; EMEA ITO up slightly

Applications ACV up 24% YTD with each quarter in 2023 setting records for most ACV

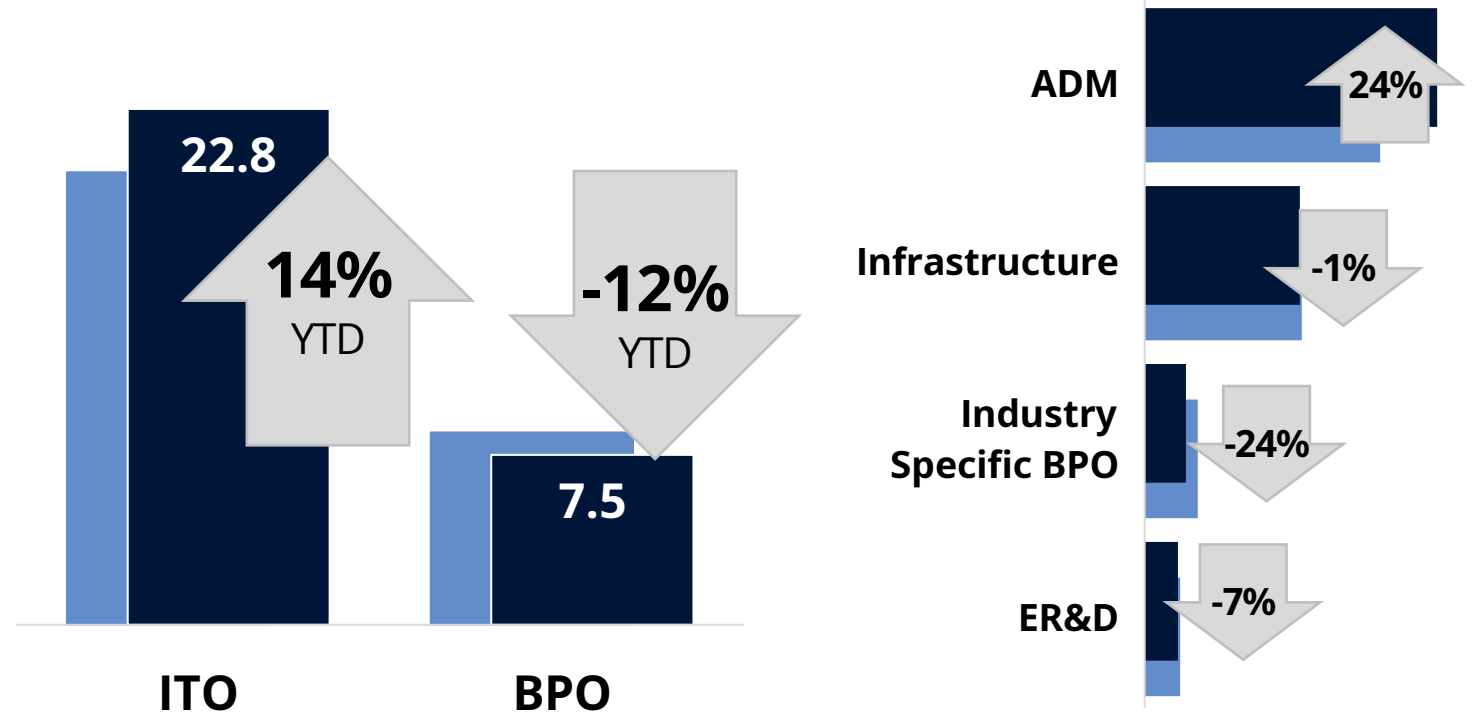
BPO ACV down 12% YTD driven by 21% pullback in Americas

Industry-Specific BPO and ER&D down YTD but with second best YTD results ever

## ACV \$B

2022 YTD

2023 YTD



ACV = Annual Contract Value

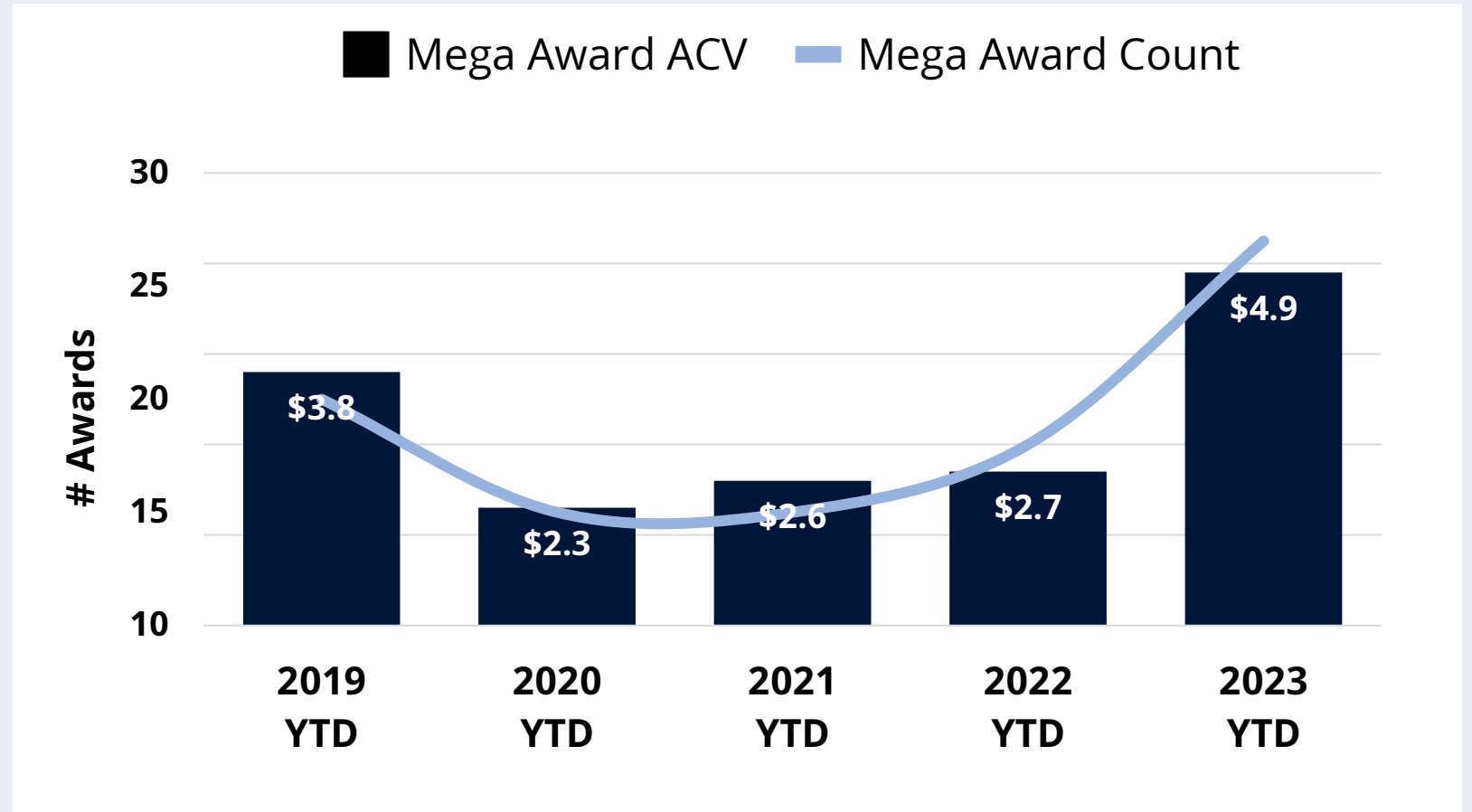
# Managed Services: Mega-Deals

## Mega-Deal Trends

YTD 27 mega awards generated nearly \$5B of ACV; most since 2014

Contributed approximately \$2B additional ACV versus 2022

Mega-deals continue to be shaped through incumbency, consolidation and spin-off of GCCs



Mega Award = ACV > \$100M





# Managed Services Regional Results

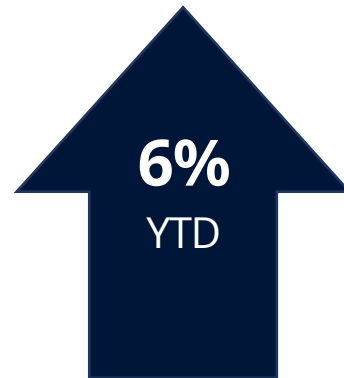
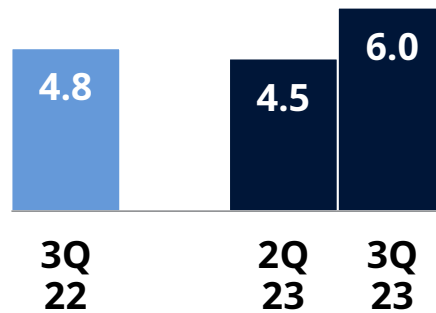
## Managed Services Trends

**Americas:** 3Q23 best quarter ever as ACV reached \$6B; YTD, ACV gains driven by defensive sectors (Energy & Healthcare)

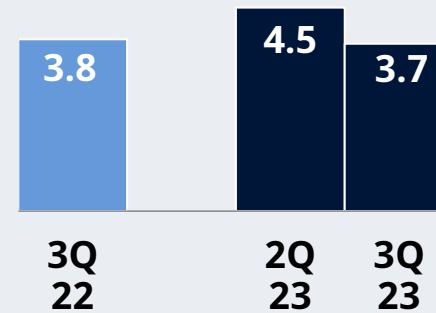
**EMEA:** YTD, ACV activity led by Financial Services and Energy; UK strongest regional market with three straight \$1B+ quarters

**Asia Pacific:** YTD, ACV up 25% driven by largest two markets (ANZ, India) and Manufacturing and Telco industries.

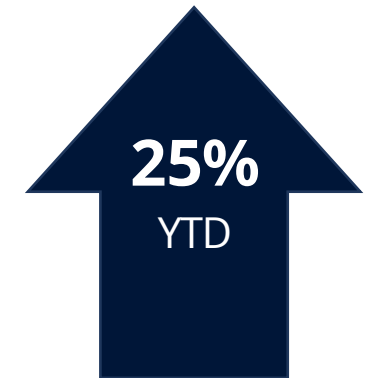
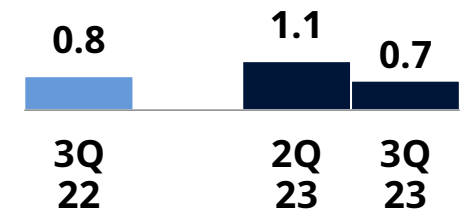
ACV \$B



Americas



EMEA



Asia Pacific

ACV = Annual Contract Value



# Managed Services Industry Results

| 2023 ACV YTD Change | Business Services | Retail & Consumer Packaged Goods | Energy | Financial Services | Healthcare & Pharma | Manufacturing | Telecom & Media | Travel, Transport Leisure |
|---------------------|-------------------|----------------------------------|--------|--------------------|---------------------|---------------|-----------------|---------------------------|
| Combined Market     | -25%              | -7%                              | 16%    | -8%                | 9%                  | -6%           | -7%             | -10%                      |
| Managed Services    | -13%              | 3%                               | 40%    | -3%                | 75%                 | 1%            | 17%             | -22%                      |
| As-a-Service        | -29%              | -11%                             | -5%    | -12%               | -16%                | -11%          | -24%            | -4%                       |

# Demand Trends: Cloud



# IaaS Results

## YTD Trends

IaaS ACV declined 19% YTD; first time ever through nine months that award profile turned negative

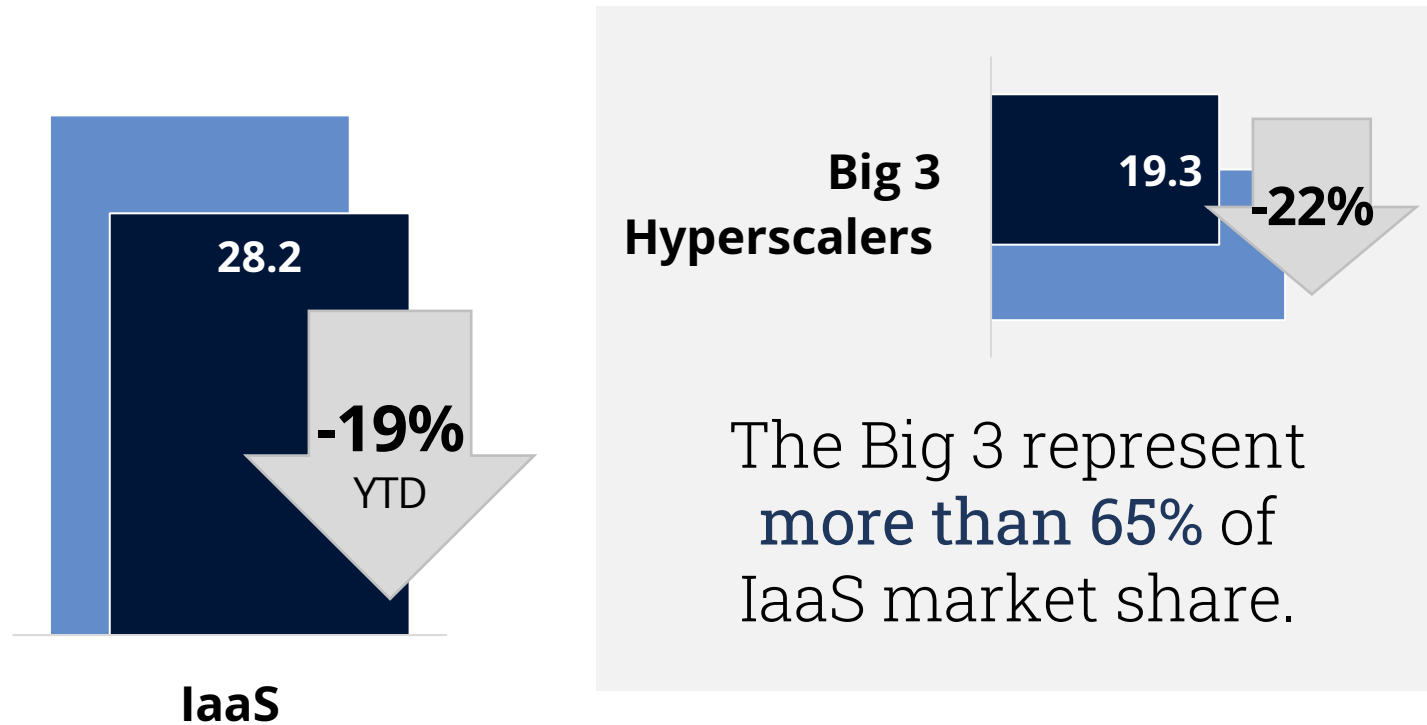
Declines are broad-based across regions, falling between 15%-20%

Big 3 Hyperscalers (AWS, Azure and GCP) ACV declined 22% YTD; 3Q23 decline was 28% Y/Y

Big 3 market share of IaaS remains above 65%, even with Y/Y declines

## ACV \$B

2022 YTD 2023 YTD





# SaaS Results

## YTD Trends

SaaS ACV down 6% YTD; however, 3Q23 ACV moved in opposite direction, up 8% Y/Y

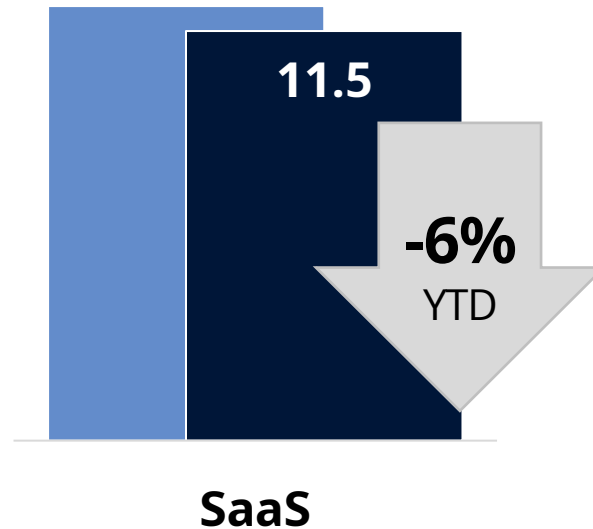
EMEA ACV up YTD while Americas and Asia remained in negative territory

Top 10 SaaS providers have outperformed Broader Market, up 6.5% YTD

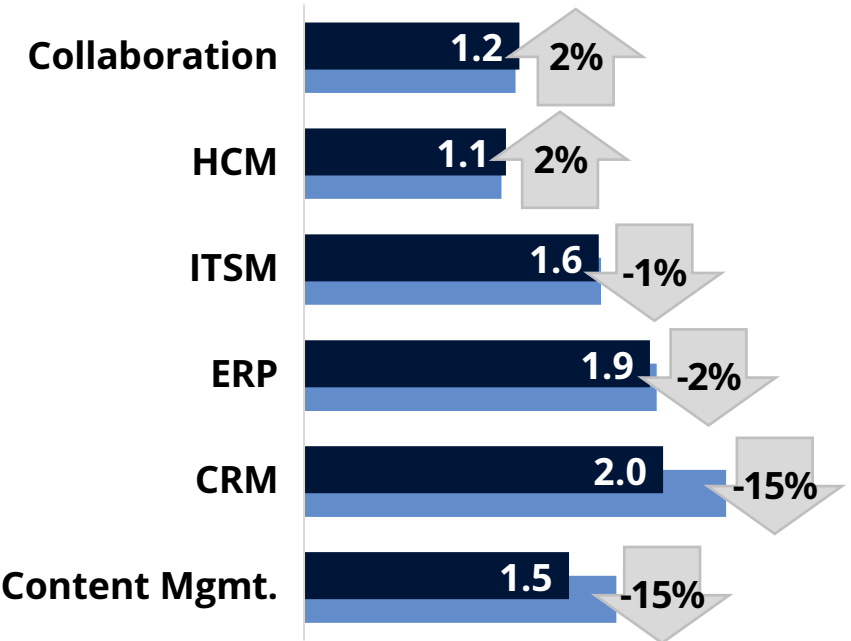
Various SaaS app categories (e.g., Collaboration, ERP, Content Management) have rolled over with recent 3Q23 Y/Y results outpacing their YTD metrics

## ACV \$B

2022 YTD 2023 YTD



## App Category ACV Growth



ACV = Annual Contract Value

# Global Service & Technology Provider Standouts

## THE ISG 15

Our ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months

The Big 15  
The Building 15  
The Breakthrough 15  
The Booming 15



# Service & Technology Provider Standouts – Global



The ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months.

|                         | The Big 15          |           | The Building 15     |                    | The Breakthrough 15 |                     | The Booming 15 |                   |
|-------------------------|---------------------|-----------|---------------------|--------------------|---------------------|---------------------|----------------|-------------------|
|                         | Revenues > \$10B    |           | Revenues \$3B-\$10B |                    | Revenues \$1B-\$3B  |                     | Revenues <\$1B |                   |
| Managed Services Market | Accenture           | HCLTech   | ABM Industries      | Genpact            | Alten               | Persistent          | adesso         | KPIT Technologies |
|                         | Capgemini           | IBM       | Capita*             | LTIMindtree        | Atento              | Sonda*              | Birlasoft      | LTTS              |
| As-a-Service Market     | Cognizant           | Infosys   | Computacenter*      | Tech Mahindra      | Coforge*            | TELUS International | CSG Systems*   | Mastek            |
|                         | Deloitte            | Kyndryl*  | Foundever           | T-Systems          | EXL                 | Unisys              | Eltel          | Posco ICT         |
|                         | DXC Technology      | TCS       |                     |                    | Globant             | WNS                 | Ensono         | Softtek           |
|                         |                     | Wipro     |                     |                    | Mphasis*            |                     | HGS*           | Sonata Software   |
|                         | Amazon Web Services | Microsoft | Dassault Systemes*  | Palo Alto Networks | Atlassian           | Datadog             | Cloudflare     | OVH*              |
|                         | Google Cloud        | Oracle    | Digital Realty*     | ServiceNow         | CrowdStrike         | Snowflake           | DigitalOcean   |                   |
|                         |                     |           | Equinix             | Workday            |                     |                     |                |                   |
|                         |                     |           | Iron Mountain*      |                    |                     |                     |                |                   |

\* New or returning to leaderboard in 3Q23

Providers in alphabetical order; no rankings implied. Revenues sourced from D&B and individual company financial fillings.

# Summary and Outlook



# Summary and Outlook

## Summary

### Managed Services

- Managed Services has broken out of range-bound market with consecutive \$10B+ quarters
- Record-breaking quarter in the Americas driven Healthcare and Energy
- Applications award ACV continues to be very strong (65% of ITO market)

### XaaS

- XaaS Market down 15.5% YTD but certain segments are returning to growth
- Top 10 SaaS providers outperform broader market while increasing quarterly ACV share to nearly 50%.
- Growth rate for Big 3 hyperscalers (AWS, Azure, GCP) continues to decelerate as they struggle with the slowdown in enterprise consumption of cloud services.

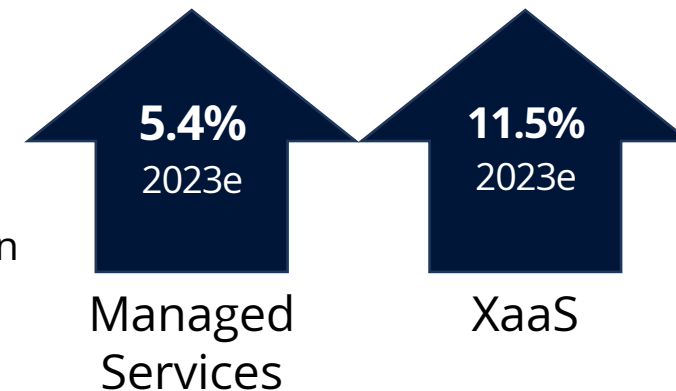
## Market Outlook

### Macro Recap

- Wall of Worry: "higher for longer" rate environment; higher energy prices, the strong dollar, geopolitical uncertainty, etc.
- Cost optimization continues to dominate sourcing decisions with pullback on discretionary spend continuing

### Revenue Forecast

- Managed Services continues to show strong growth
- SaaS market recovering, but cloud providers remain challenged with top line growth



Thank you!

The 84<sup>th</sup> Quarterly  
\* **ISG** Index™



# Index Insider™



Stanton Jones



Alex Bakker



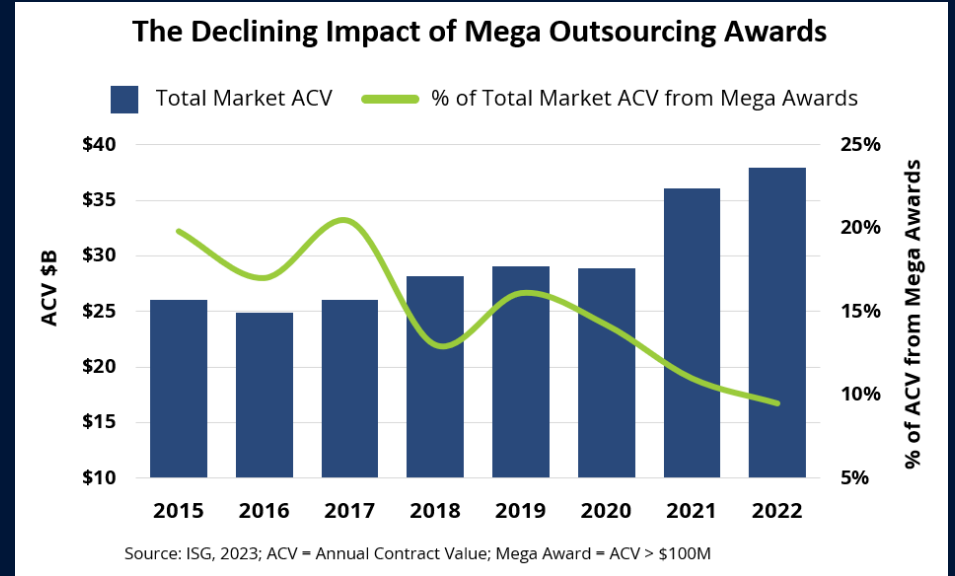
Amanda Lytle



Sunder Sarangan

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# Appendix



# Americas Broader Market Results

## Quarterly Trends

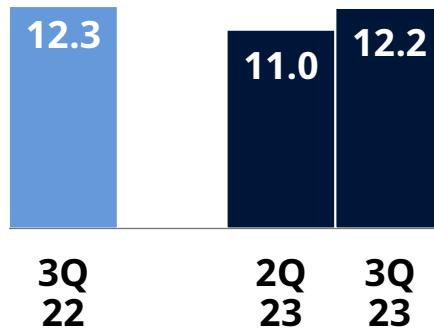
Combined Market ACV surged back above \$12B, down slightly at 0.4% Y/Y

Managed Services has best quarter ever with \$6B in ACV, up 25% Y/Y

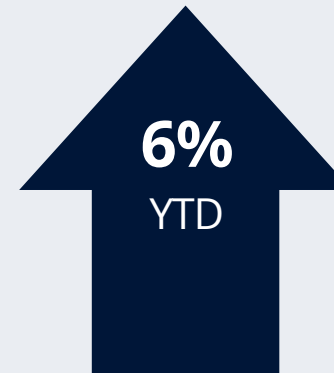
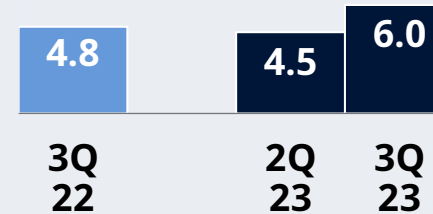
New Scope ACV of \$3.8B, up 31% Y/Y; best quarter ever

XaaS ACV encroaches \$6B level, down 17% Y/Y; third straight quarter with double-digit Y/Y declines

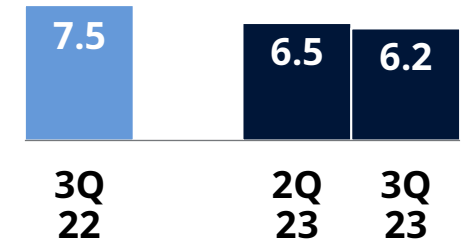
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service



# Service & Technology Provider Standouts – Americas



The ISG Contract KnowledgeBase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months.

|                                | The Big 15          |           | The Building 15     |                    | The Breakthrough 15 |                     | The Booming 15 |                   |
|--------------------------------|---------------------|-----------|---------------------|--------------------|---------------------|---------------------|----------------|-------------------|
|                                | Revenues > \$10B    |           | Revenues \$3B-\$10B |                    | Revenues \$1B-\$3B  |                     | Revenues <\$1B |                   |
| <b>Managed Services Market</b> | Accenture           | Infosys   | ABM Industries      | Genpact            | Coforge*            | TELUS International | Birlasoft      | KPIT Technologies |
|                                | Capgemini           | Kyndryl*  | Alight              | LTIMindtree        | EXL                 | TTEC                | CSG Systems*   | LTTS              |
| <b>As-a-Service Market</b>     | Cognizant           | NTT Data  | Amadeus*            | Rackspace          | Globant             | Unisys              | Endava*        | Resource Group*   |
|                                | Deloitte            | TCS       | Concentrix          | Tech Mahindra      | JLL*                | WNS                 | Ensono         | Softtek           |
|                                | DXC Technology      | Wipro     | Foundever           |                    | Mphasis             |                     | GEP            | Sonata Software   |
|                                | HCLTech             |           |                     |                    | Persistent          |                     | HGS            |                   |
|                                | Amazon Web Services | Microsoft | Digital Realty      | Palo Alto Networks | Atlassian           | HubSpot             | Alteryx        | Cloudflare        |
|                                | Google              | Oracle    | Equinix             | ServiceNow         | CrowdStrike         | Snowflake           | Bill.com       | DigitalOcean      |
|                                |                     |           | Iron Mountain       | Workday            | Datadog             |                     |                |                   |

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# EMEA Broader Market Results

## Quarterly Trends

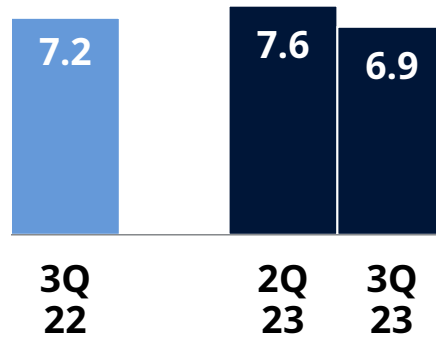
Combined Market fell Y/Y; ACV landed below \$7B for first time since 3Q21

Managed Services ACV fell from record highs in 2Q23, down 2% Y/Y

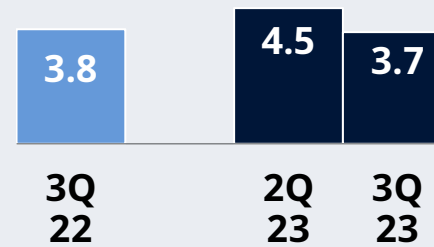
UK had its third straight \$1B+ quarter; DACH and France Markets each declined by more than 50% Y/Y

XaaS segment down 8% Y/Y; not as precipitous as the double digit declines we observed in 1Q23/2Q23

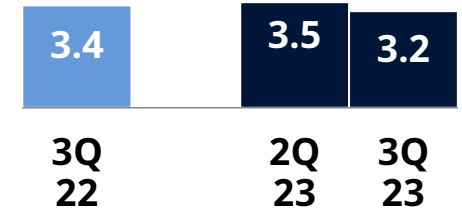
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service



# Service & Technology Provider Standouts – EMEA



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**Managed Services Market**

|                            | <b>The Big 15</b>          |                           | <b>The Building 15</b>     |                           | <b>The Breakthrough 15</b>             |                        | <b>The Booming 15</b>      |                   |
|----------------------------|----------------------------|---------------------------|----------------------------|---------------------------|--|------------------------|----------------------------|-------------------|
|                            | <b>Revenues &gt; \$10B</b> |                           | <b>Revenues \$3B-\$10B</b> |                           | <b>Revenues \$1B-\$3B</b>              |                        | <b>Revenues &lt;\$1B</b>   |                   |
|                            | Accenture                  | HCLTech                   | Arvato*                    | MITIE*                    | AFRY                                   | Reply SpA              | Adesso                     | Endava            |
|                            | Atos                       | IBM                       | Capita*                    | Orange Business Services* | Alten                                  | Sweco                  | Atea ASA*                  | GFT Technologies  |
|                            | BT*                        | Infosys                   | Computacenter              | Sodexo                    | Asseco                                 | Unisys                 | Autocont                   | HGS*              |
|                            | Capgemini                  | Kyndryl                   | Econocom                   | Sopra Steria              | Atento                                 | WNS                    | CI&T                       | KPIT Technologies |
|                            | Cognizant*                 | TCS                       | Foundever                  | Tech Mahindra             | Mphasis*                               |                        | Cyient*                    | Mastek            |
|                            | DXC Technology             | Wipro                     | Indra Sistemas*            | T-Systems                 |  |                        | Eltel                      |                   |
|                            |                            |                           | LTIMindtree*               |                           |  |                        |                            |                   |
| <b>As-a-Service Market</b> | Amazon Web Services        | Google Cloud<br>Microsoft | Equinix                    | United Internet           | Atlassian<br>CrowdStrike*<br>DocuSign* | Nice*<br>Okta<br>Visma | CloudFlare<br>DigitalOcean | IFS<br>OVH        |

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# Asia Pacific Broader Market Results

## Quarterly Trends

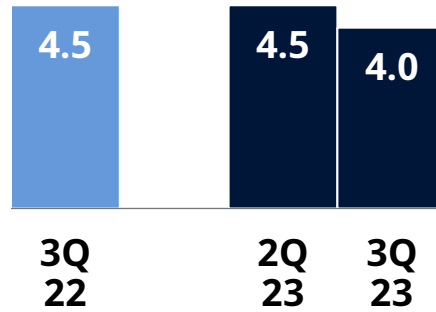
Combined Market ACV declined 10% Y/Y; remaining around \$4B level over the past 18 months

Managed Services ACV down 13%; region had been running hot with two of the past three quarters generating \$1B+ in ACV

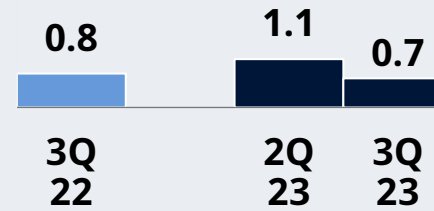
New Scope ACV, up 28% Y/Y

XaaS down 9% Y/Y; previous four quarters had averaged -25% Y/Y declines

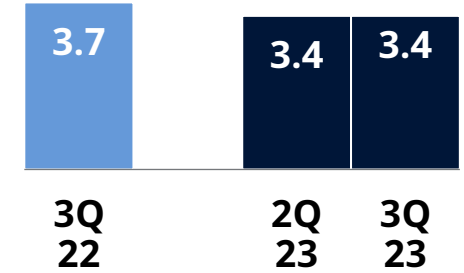
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service



# Service & Technology Provider Standouts – Asia Pacific



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|-------------------------|---------------------|--------------|---------------------|----------------------------|---------------------|----------------|-------------------|-----------------|
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| Managed Services Market | Accenture           | IBM          | Amdocs              | Nomura Research Institute* | Coforge             | Persistent     | Beyondsoft        | Sonata Software |
|                         | Cognizant*          | Infosys      | Foundever           | Sodexo                     | Konica Minolta      | SK C&C         | Cyient*           | SsangYong I&C   |
|                         | DXC Technology      | Kyndryl*     | ITOCHU*             | Tech Mahindra              | Neusoft             | TTEC           | KPIT Technologies | StarTek*        |
|                         | Fujitsu*            | TCS          | LG CNS              | T-Systems                  | NS Systems*         |                | LTTS*             | Tata Elxsi      |
|                         |                     | Wipro        | LTIMindtree         |                            |                     |                | Posco             |                 |
|                         |                     |              |                     |                            |                     |                | Shinsegae         |                 |
| As-a-Service Market     | Amazon Web Services | China Unicom | Autodesk            | Palo Alto Networks         | Atlassian           | Nice           | Cloudflare        | VNET*           |
|                         | China Mobile Cloud  | Google Cloud | Dassault Systèmes   | ServiceNow                 | CrowdStrike         | Okta           | Kingdee           | Xero            |
|                         | China Telecom       | Microsoft    | Equinix             | Splunk                     | Datadog             | PTC*           | NEXTDC            |                 |
|                         |                     |              |                     |                            | MongoDB             | Veeva Systems* |                   |                 |

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