Global Sourcing and As-a-Service Market Insights

FOURTH QUARTER AND FULL YEAR 2017

Hosted by:
Joe Foresi, Cantor Fitzgerald
January 10, 2018

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Welcome to the 61st Quarterly ISG Index

Covering the state of the combined Traditional Sourcing and As-a-Service industry for the global commercial market.

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Transformation – Retail

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Research Director
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4Q17 Combined Market up 16% Y/Y;
Best-ever quarterly ACV in both IaaS and SaaS;
Traditional Sourcing up 8% Y/Y

For the full year, Combined Market up 15%, double from year ago

In 2017, Americas up 23% versus 2016 with Traditional Sourcing up moderately and As-a-Service ACV up significantly

EMEA up against 2016 with strong As-a-Service ACV growth but with the fourth successive yearly decline in Traditional Sourcing ACV

Asia Pacific up 19% over 2016 with As-a-Service growth slightly outpacing Traditional Sourcing

At a Glance

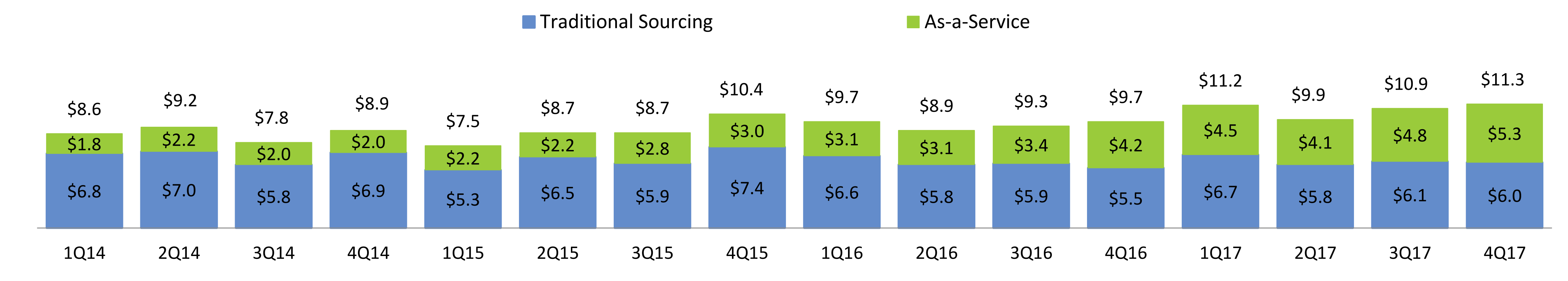
Scorecard		4Q17 ACV ($B)*	4Q Y/Y Change	Full Year ACV ($B)*	Full Year Change
Global Commercial Combined Market		$ 11.3	16%	$ 43.3	15%
By Type	Traditional Sourcing	$ 6.0	8%	$ 24.6	3%
	As-a-Service	$ 5.3	26%	$ 18.7	36%
By Region	Americas Combined	$ 6.3	28%	$ 23.1	23%
	EMEA Combined	$ 3.8	0%	$ 15.3	3%
	Asia-Pacific Combined	$ 1.2	16%	$ 4.9	19%

*Contracts with ACV ≥ $5M from the ISG Contracts Knowledgebase™

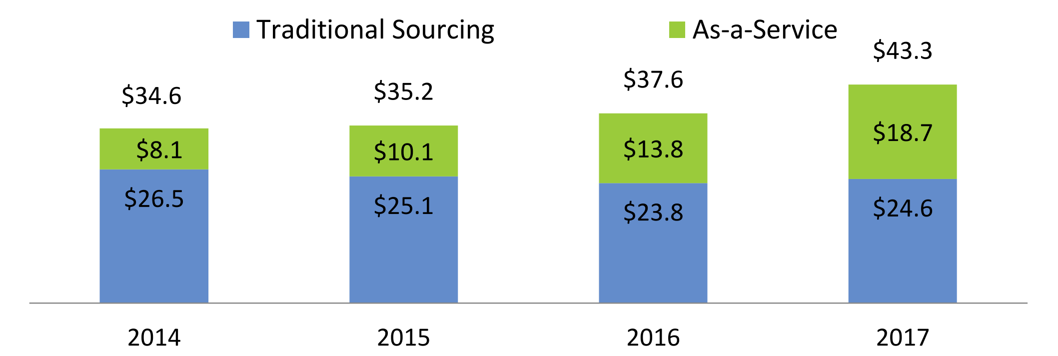
Global Commercial Sector Contracting Trends

4Q17 Combined Market ACV up 16% Y/Y as business spends more on technology to drive digital transformation;
for the full year, Traditional Sourcing remains in a very tight range as As-a-Service (specifically IaaS) continues to increase.

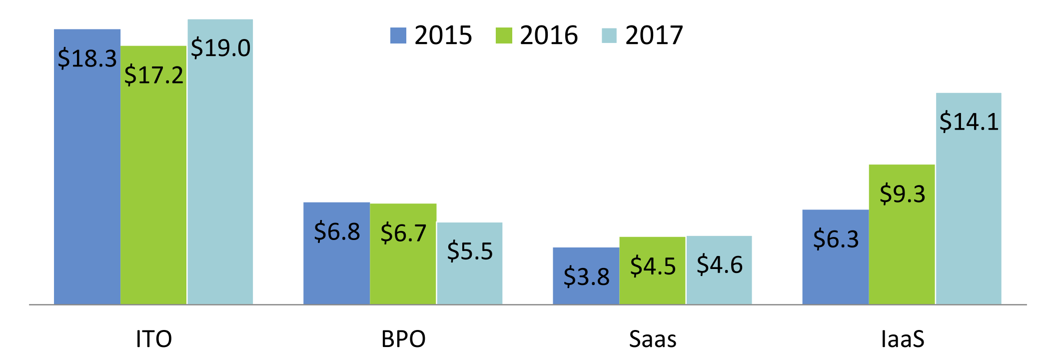
Global Commercial Sector Quarterly ACV ($B)



Global Commercial Sector Full Year ACV ($B)



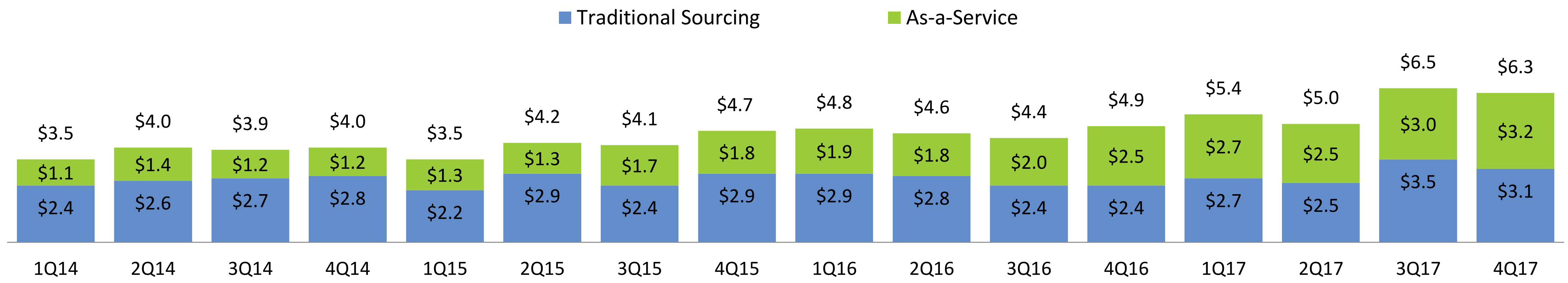
Global Commercial Sector Full Year ACV by Type ($B)



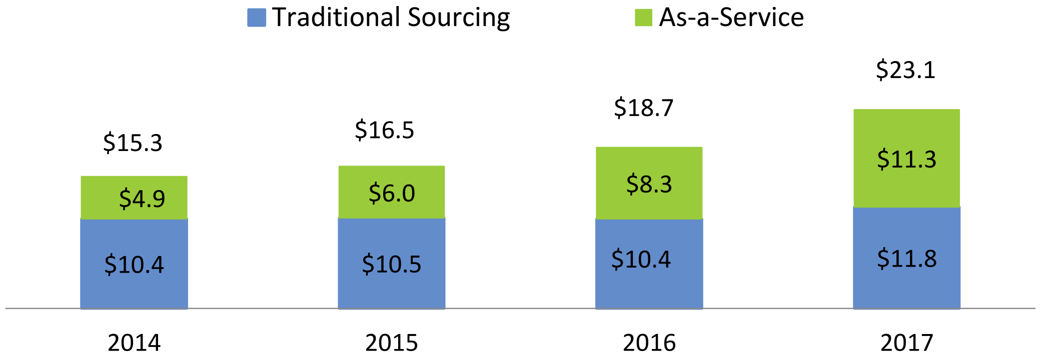
Americas Commercial Sector Contracting Trends

Americas 4Q17 ACV is up 28% Y/Y with As-a-Service seeing continued growth and Traditional Sourcing surging past $3B for the second consecutive quarter; for the full year, Combined Market is up 23% on record highs in both Traditional Sourcing and As-a-Service.

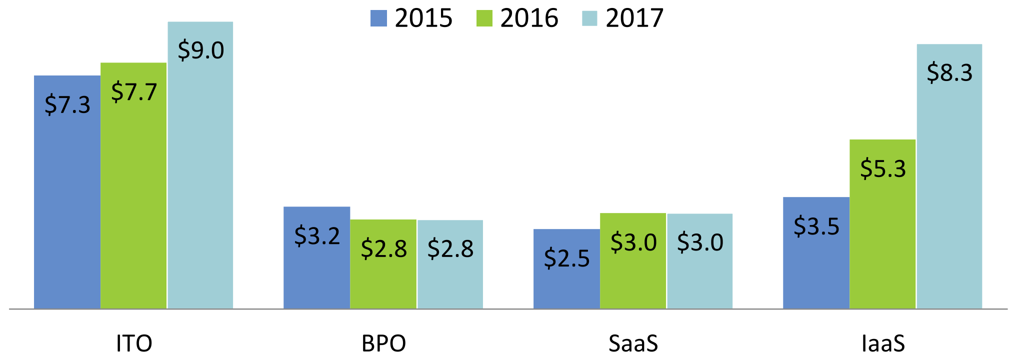
Americas Commercial Sector Quarterly ACV ($B)



Americas Commercial Sector Full Year ACV ($B)



Americas Commercial Sector Full Year ACV by Type ($B)



AMERICAS
Sourcing Standouts

the ISG 15

Our Contracts Knowledgebase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months.

The Big 15
Co. Revenues > $10 B

Traditional Sourcing Market
Atos
BT *
Capgemini
Cognizant
DXC Technology
IBM
Infosys
NTT DATA
TCS
T-Systems/Deutsche Telekom *

As-a-Service Market
Amazon Web Services
Google
Microsoft
Oracle
Salesforce

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market
Black Knight Inc.
Genpact
HCL
Sutherland Global
TeleTech
Total System Services *
Unisys
Wipro

As-a-Service Market
Adobe Systems
Digital Realty
Equinix
Iron Mountain
Rackspace
ServiceNow
Workday

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market
C3/CustomerContactChannels
CSG Systems *
Ensono
Hexaware
LTI
Luxoft
Mindtree
Syntel
Virtusa

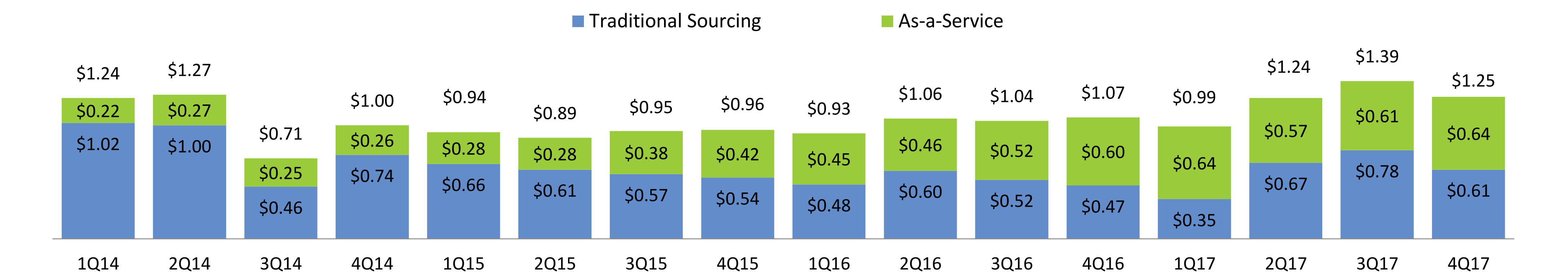
As-a-Service Market
Coresite
CyrusOne
Cyxtera *
LogMeIn
Mulesoft
Ultimate Software *

Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.
* New to leaderboard

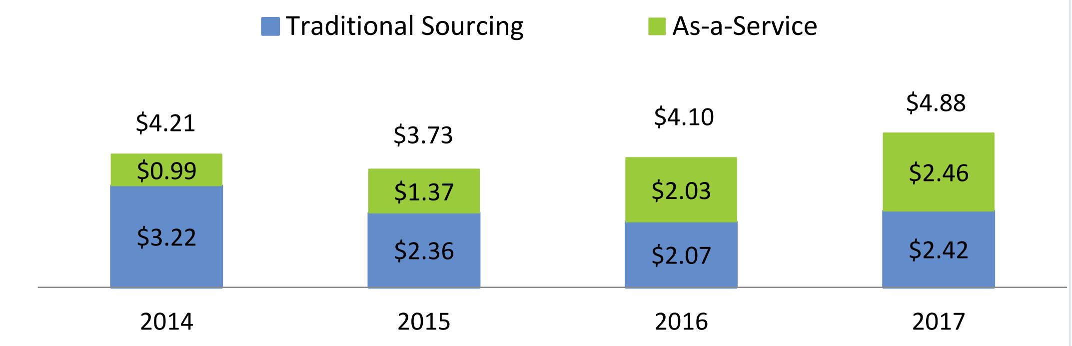
Asia Pacific Commercial Sector Contracting Trends

Combined Market 4Q17 ACV up 16% Y/Y on best quarter ever for As-a-Service awards and moderately good quarter for Traditional Sourcing; for the full year, Asia Pacific ACV increases 19% on continued growth in As-a-Service ACV and best Traditional Sourcing results since 2014.

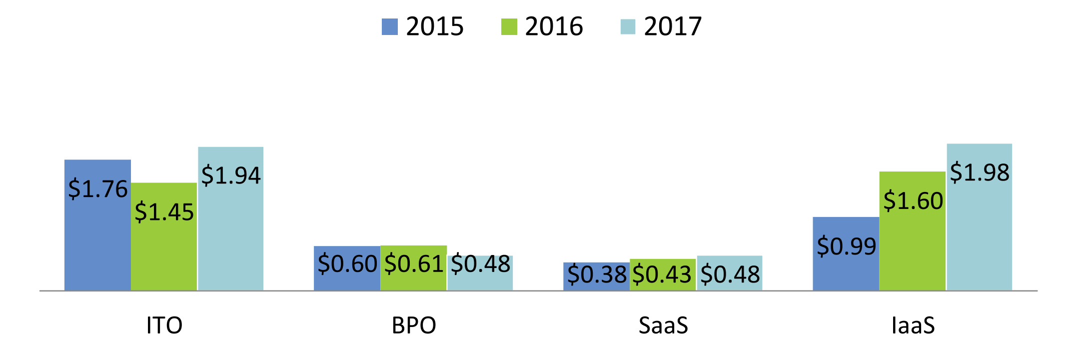
AP Commercial Sector Quarterly ACV ($B)



AP Commercial Sector Full Year ACV ($B)



AP Commercial Sector Full Year ACV by Type ($B)



Asia Pacific
Sourcing Standouts

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The Big 15
Co. Revenues > $10 B

Traditional Sourcing Market

Accenture
Atos *
Cognizant
DXC Technology
IBM
Infosys
Nokia *
TCS

As-a-Service Market

Alibaba
Amazon Web Services
Google
Microsoft
Oracle
Salesforce
SAP

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Amdocs *
Harman International
HCL
Samsung SDS
SingTel Optus
SK C&C Co.
Sutherland Global
Tech Mahindra
Telstra
Unisys
Wipro

As-a-Service Market

Adobe Systems
Equinix
Iron Mountain
PTC

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Firstsource Solutions
Hexaware
Luxoft
Ness Technologies
Posco ICT
SsangYong Information & Comm.
Virtusa
WNS

As-a-Service Market

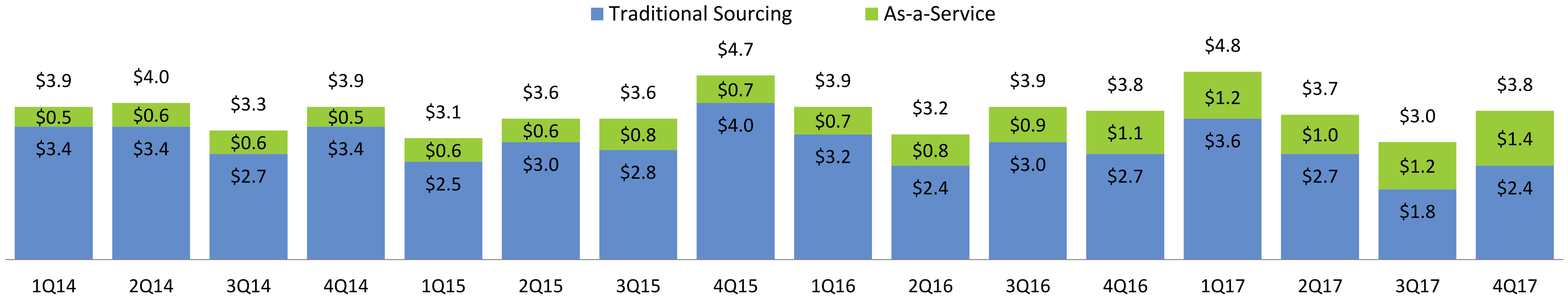
Atlassian
Kingdee
LogMeIn
Mulesoft *
Veeva Systems *
Xero
Zoho

Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.
* New to leaderboard

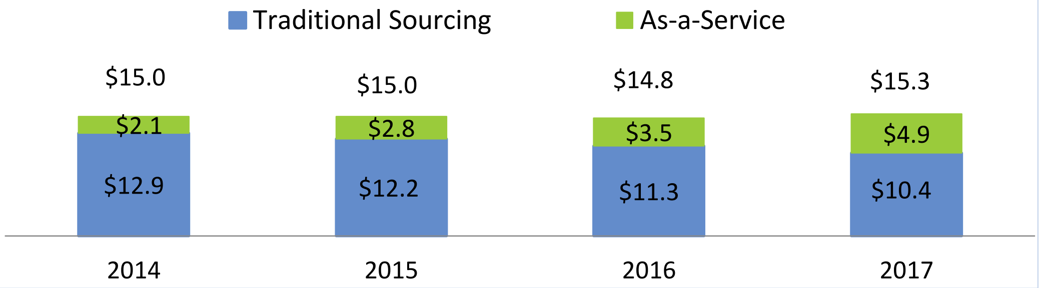
EMEA Commercial Sector Contracting Trends

4Q17 Combined Market in EMEA is up 27% Q/Q and flat Y/Y; for the full year, ACV results rise slightly compared to 2016 with As-a-Service highs offsetting declines in Traditional Sourcing.

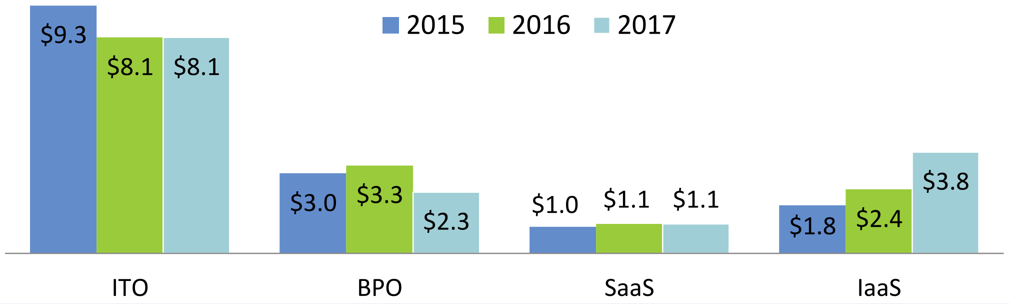
EMEA Commercial Sector Quarterly ACV ($B)



EMEA Commercial Sector Full Year ACV ($B)



EMEA Commercial Sector Full Year ACV by Type ($B)



EMEA Sourcing Standouts

the ISG15

Our Contracts Knowledgebase™ is used to determine placements based on the annual value of commercial contracts awarded in the past 12 months.

The Big 15
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Atos
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DXC Technology
IBM
Infosys
TCS
T-Systems

As-a-Service Market

Amazon Web Services
Google
Microsoft
Oracle

The Building 15
Co. Revenues $1 -10 B

Traditional Sourcing Market

Capita
Carillion
Diebold Nixdorf
Emcor *
EVRY
HCL
Interserve
Sopra Steria
Tech Mahindra
Tieto
Unisys
Wipro

As-a-Service Market

Adobe Systems
Equinix
United Internet

The Breakthrough 15
Co. Revenues < $1 B

Traditional Sourcing Market

Adare Group
Avaloq *
Coor Service Management
Firstsource Solutions
GFT Technologies *
Hexaware
Ibykus
KMD
LTI *
Luxoft
NNIT A/S
Virtusa

As-a-Service Market

Interxion
LogMeIn
OVH

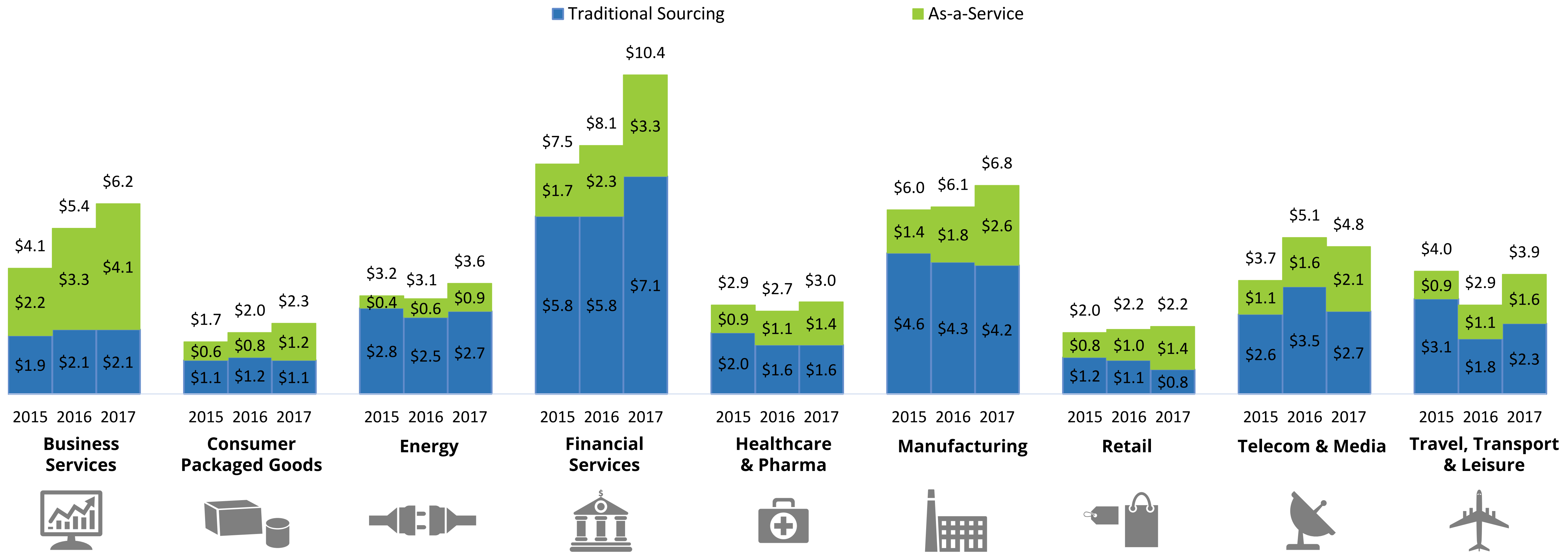
Providers in alphabetical order; no rankings implied. Revenues sourced from Hoovers and individual company financial fillings.

* New to leaderboard

Global Commercial Sector Industry Award Trends

Financial Services leads among several industry verticals (along with Business Services, Healthcare and Transportation) that generated ACV growth in both Traditional Sourcing and As-a-Service segments.

Global Commercial Industries Full Year ACV ($B)



4Q17 Index Inside Track from

ISG Insights™

Retail Industry: Trends

Michael Witty

Director, Digital Transformation – Retail

ISG Index™

GLOBAL 4Q17

Retail Industry Embraces Automation, Robotics & Cloud to Be Truly Digital

Retail industry has been an early adopter of emerging technologies primarily due to digital-savvy customers driving change.

Historically, retail industry under margin pressure

Top 15 Retailers in the last 5 Years

Profit Margin

Stagnant

- **Optimization of supply chain**
- **Increasing share in online retail**
- **Boosting customer data**

However, retailers are responding by

Integrated omni-channel presence, personalized in-store experience, robots, intelligent online order handling, real-time product tracking in supply-chain

Embracing cloud for flexible cost structure & collaboration across global locations

Improving logistics time & cost in e-commerce by offering nearby pick up options

Using robots to go in-store for customer support and in distribution points to move product

Key Retail Observations

Industry Trends

Omni-Channel for Seamless Experience

Integrated channels in “bricks, clicks, rings, knocks” enhancing user experience of **“offering whatever, wherever, whenever they want.**

Personalization & Engagement

Retailers are creating a more personalized consumer engagement model via **advanced analytics and BI tools**.

Increased IT Outsourcing

Retail companies have been looking to **outsource their IT needs to be agile to changing consumer needs, to reduce IT costs, scalability and gain innovation capabilities**.

Efficient Supply Chains and Automated Warehouses

With the evolving needs from consumers, **retailers are** aligning themselves by **optimizing their supply chains**.

Emerging Technology Trends

User Experience - UX

Retailers are re-aligning their Digital Strategy with the touchpoints of the **customer journey**. Emerging technologies are being piloted, but have **yet to be adopted in large scale**.

Augmented Reality & Wearables

A/R and Wearables allow consumers to unlock **exclusive content and track individual health data**, to promote healthcare and lifestyle products based on user behavior.

Robotics

The retail market is expected to make **increased use of Robots** for activities such as; customer interactions in the local language and personalized engagements.

Blockchain

As consumers and retailers opt for omni-channel solutions, they will require insights into **product** and **purchase lifecycle developments**.

4Q17 Index Inside Track from

ISG Insights™

Intelligent Automation Software Market

Stanton Jones

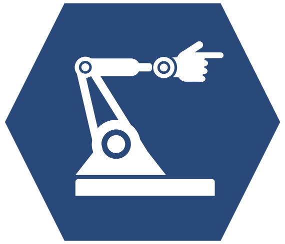
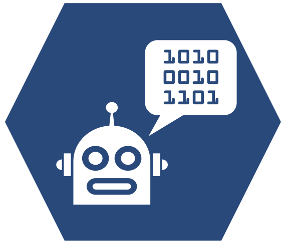
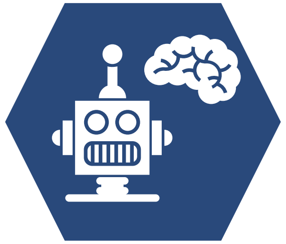
Research Director

and Principal Analyst

ISG Index™

GLOBAL 4Q17

Intelligent Automation Taxonomy

	Robotic Technologies	Cognitive Technologies	Autonomic Technologies
	Executes actions as if it were a human, based on pre-configured instructions.	Analyzes unstructured input (e.g., voice, text) and answers questions, provides recommendations and/or makes decisions.	Analyzes semi-structured input (events, tickets) and orchestrates entire processes or environments.
			
Example Firms	AUTOMATION ANYWHERE Go be great. blueprism UiPath	ABBYY CognitiveScale IBM Watson	arago ignio IPSOFT

RPA – A Growth Story

Market Leaders In RPA Software

Automation Anywhere, Pega, blueprism, UiPath, KOFAX, WorkFusion, NICE

Annual licensing between $75K and $100K

RPA Journey

Project high growth in coming years

Positives

100% +
2018 Projected Growth

Opportunity to sell to new clients and to expand with existing clients is significant

Desire to replace BPO with Automation will continue to expand

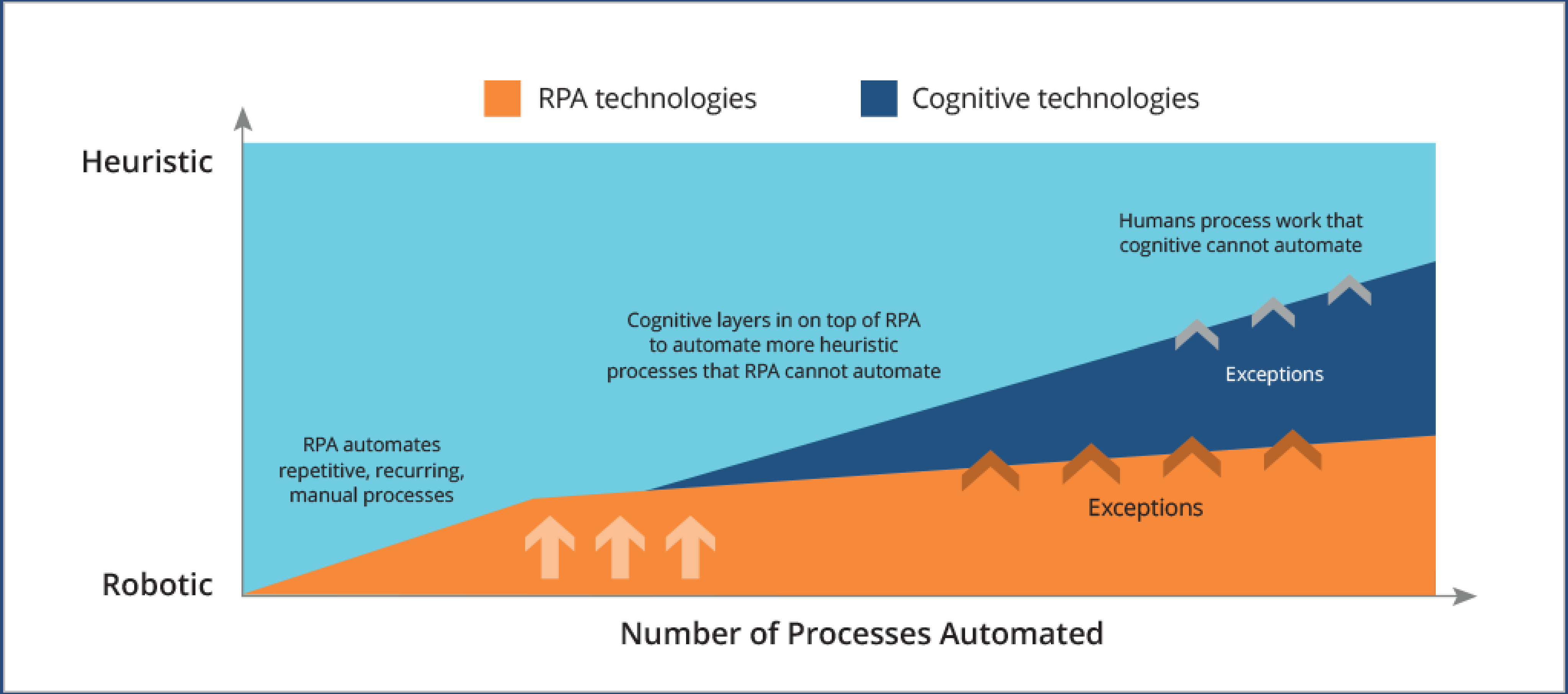
What could slow growth?”

After initial fast start, growth will eventually slow to 60%+ over the next 3–5 years

Some companies getting stalled on implementations

Sales and marketing costs are likely to be high to accommodate hyper-growth as deal sizes are already smaller in

RPA Vendors Will Attempt to Move Up the Enterprise Value Chain



Full Year 2017 ISG Index - Global Summary and Outlook

Summary

- Combined Market saw double-digit Y/Y growth for the quarter led by the Americas and Asia-Pacific
- For 2017, As-a-Service segment continued to surge ahead with Public Cloud leading the market; SaaS and Traditional Sourcing segments still showed slow but positive growth
- Financial Services grew both its Traditional Sourcing and As-a-Service profile; other industries such as Business Services, Travel and Healthcare also featured similar gains

Outlook

- Changes in U.S. tax laws should free up money to be invested in projects and digital transformation, ensuring that both IaaS and SaaS will flourish
- Expect to see As-a-Service growth of 20%+ in 2018 with 4% growth in Traditional Sourcing

Ask a Question

Your Webcast Screen

1 Click the "Listen by phone“ button.

2 The phone number and passcode will appear, and the web streaming to your computer will be automatically muted.

3 After you dial in, the operator will ask your name and company.

4 Now press *1 to be added to the queue.

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Appendix: Score Card for TCV

FOURTH QUARTER 2017

4Q 2017 TCV Scorecard

The ISG Index has moved to ACV as the primary measure of the Broader Market.
We will continue to provide a high-level TCV view of the market via a Scorecard analysis.

Scorecard		4Q17 TCV ($B)*	4Q Y/Y Change	Full Year TCV ($B)*	Y/Y Change
Global Commercial Combined Market		$ 31.1	30%	$ 116.8	12%
By Type	Traditional Sourcing	$ 23.4	33%	$ 88.9	9%
	As-a-Service	$ 7.7	21%	$ 27.9	23%
	ITO	$ 16.0	38%	$ 64.3	13%
	BPO	$ 7.4	22%	$ 24.6	1%
	IaaS	$ 4.0	30%	$ 14.1	51%
	SaaS	$ 3.7	12%	$ 13.8	3%
By Region	Americas Commercial	$ 15.0	46%	$ 55.6	17%
	EMEA Commercial	$ 12.7	16%	$ 47.8	8%
	Asia Pacific Commercial	$ 3.5	24%	$ 13.4	12%

*Contracts with TCV ≥ $25M from the ISG Contracts Knowledgebase™

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