

# IT & Business Services Industry Update

April 10, 2025

HOSTED BY



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**IIFL Capital**

**\*ISG** Index™

1Q 2025

# Market Level Set

## 1Q25 Recap

- Combined Market grew 18% Y/Y even as decision making slowed in some areas
- Managed Services up 2% Y/Y on broad-based growth in both Applications and Infrastructure
- Engineering generated best quarter ever, even with Manufacturing weighing on results
- BPO weakness across the board in 1Q25, but on TTM basis only slightly down
- BFSI vertical showed signs of green shoots over past six months
- Both IaaS and SaaS generated double-digit Y/Y growth

## Sector Outlook

- Tariffs have raised short-term uncertainty; will likely see a pullback in discretionary IT spend
- Negative impact on application-related work where  $\approx 40\%$  is variable
- Vulnerability in capital intensive programs like SAP S/4HANA migrations
- Manufacturing and Travel sectors most exposed; BFSI recovery at risk; monitoring Life Sciences
- EU digital services tax could impact XaaS market
- Continue to see strong demand for cloud and AI related transformation and cost optimization



# Global Broader Market

## Quarterly Trends

Combined Market ACV of \$28.9B; best-ever quarterly result

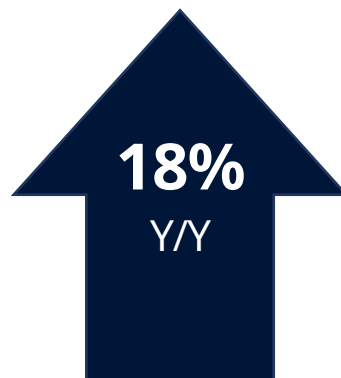
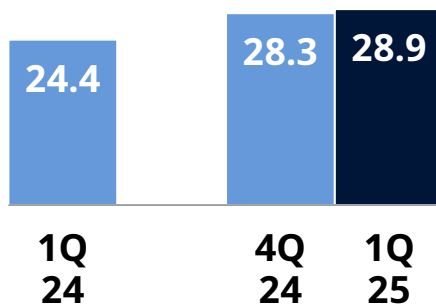
Managed Services remained above \$10B in ACV for 10th consecutive quarter

Six mega-deals awarded, up from four in 1Q24

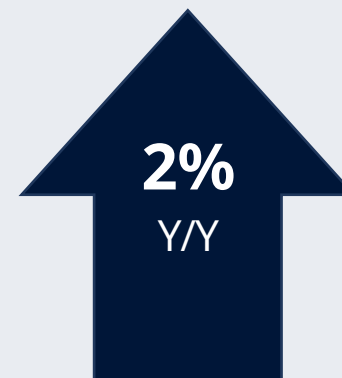
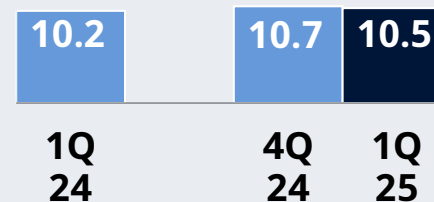
Pullback in smaller discretionary deals, down 6% Y/Y

XaaS ACV up 30% Y/Y, but growth decelerated from 32.5% in 4Q24

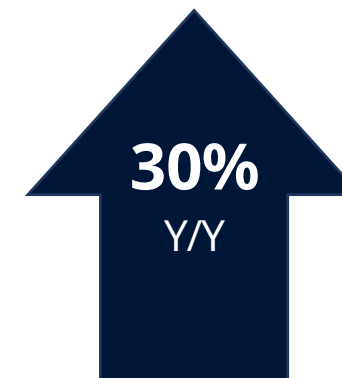
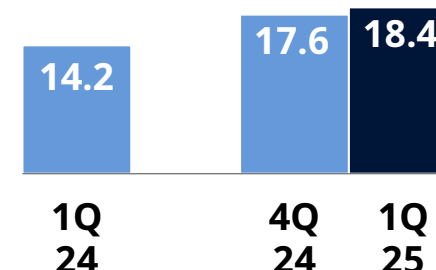
### ACV \$B



### Combined Market



### Managed Services



### As-a-Service

ACV = Annual Contract Value



# Managed Services ITO Results

## Quarterly Trends

ITO ACV up 12%; highest growth acceleration since 4Q23

Six mega-deals awarded; 2x more than 1Q24

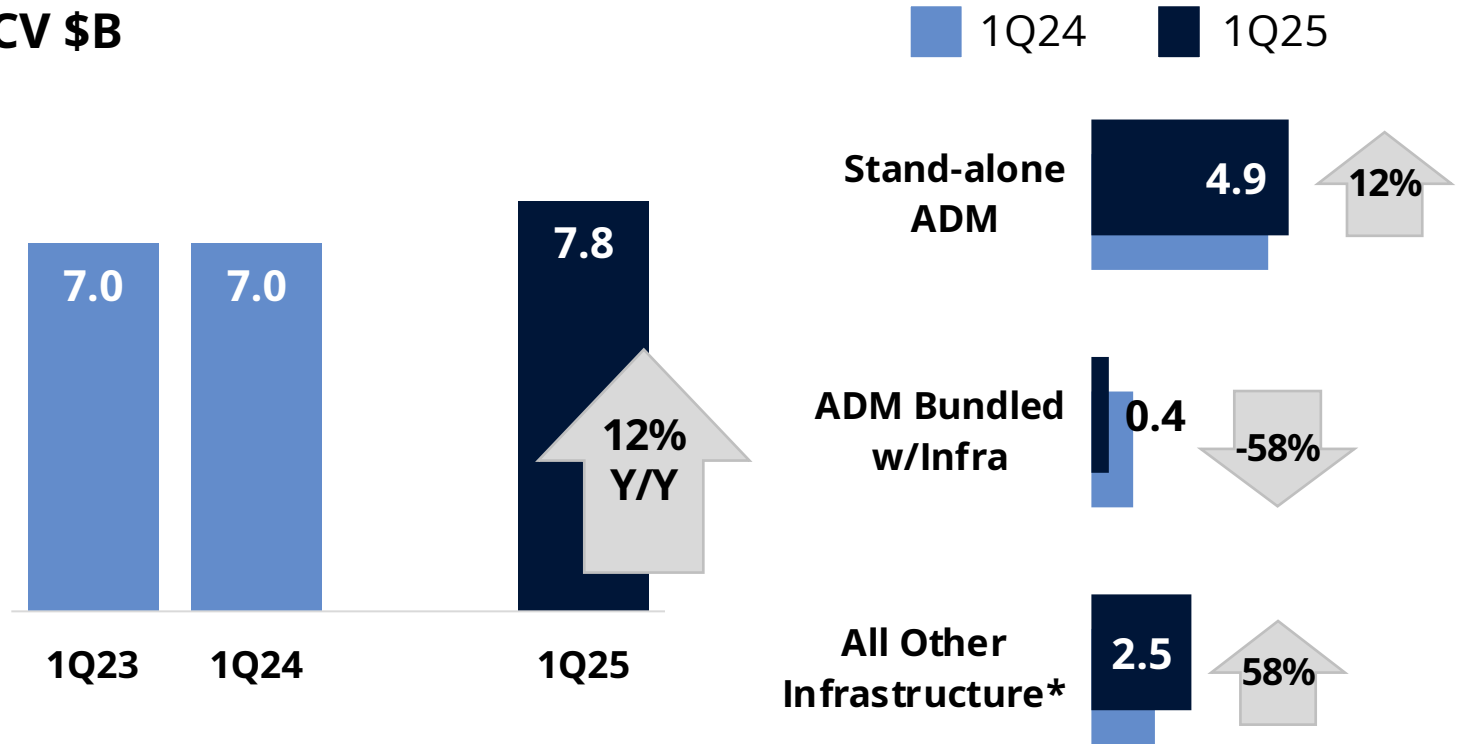
Smaller discretionary awards up 6% Y/Y

EMEA and Americas contributed to the upside, up 26% and 5%, respectively

ADM up 12% versus 1Q24 as tough comps have rolled over

Infrastructure ACV up 12% led by data center and network transactions

## ACV \$B



\*Includes Data Center, Workplace, Network, and Multi-scope



# Managed Services Engineering Results

## Quarterly Trends

Engineering ACV of \$1.15B; best-ever quarterly result

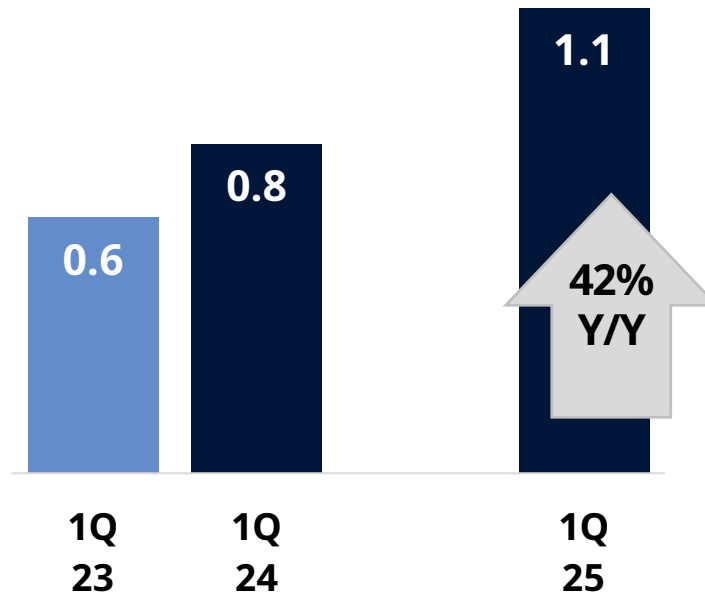
Fifth consecutive quarter of double-digit Y/Y growth

Americas and EMEA both up significantly Y/Y

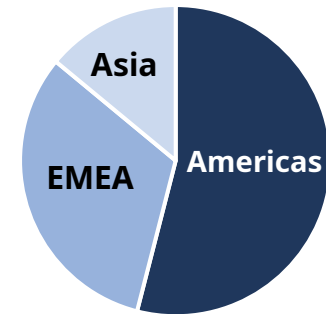
Gains across most verticals led by Telco/Media and BFSI

Largest vertical in Engineering, Manufacturing, declined 13% Y/Y

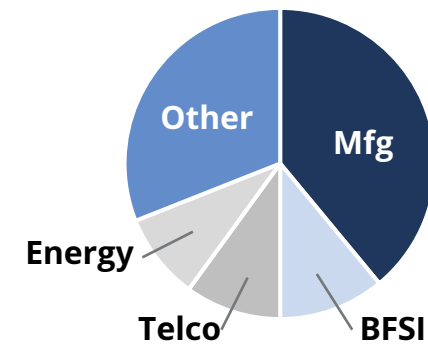
## ACV \$B



## Engineering ACV by Region



## Engineering ACV by Industry



ACV = Annual Contract Value



# Managed Services BPO Results

## Quarterly Trends

On a trailing 12-month basis, BPO segment is down 5%

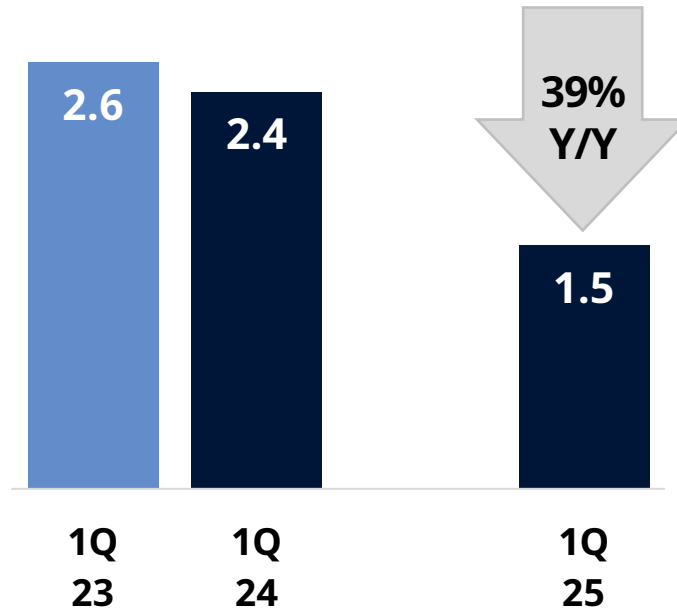
On a Y/Y basis, BPO is down 39%

Industry-specific BPO was down nearly 50%, although the number of awards increased by 4% Q/Q

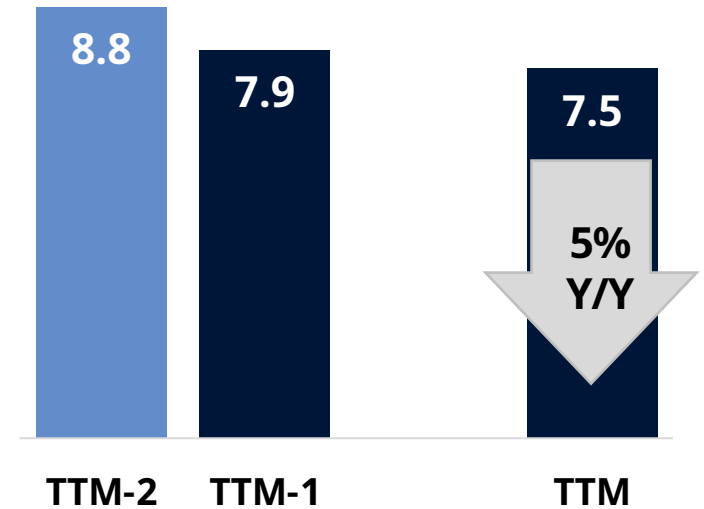
BPO award sizes continue to decrease as AI makes an impact on overall deal sizes

## ACV \$B

### BPO Quarterly Growth



### BPO TTM Growth



TTM = Trailing 12 Months  
ACV = Annual Contract Value



# Managed Services Regional Results

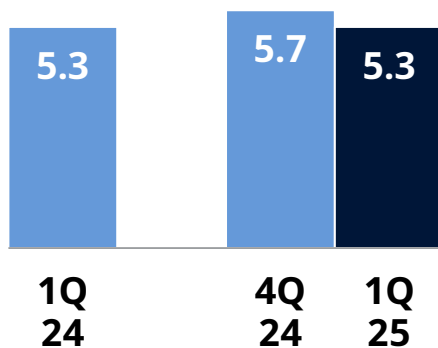
## Quarterly Trends

**Americas:** ACV growth remains choppy; pulled back Y/Y for third time in five quarters. BFSI and Telco up Y/Y, but defensive industries weighed on results

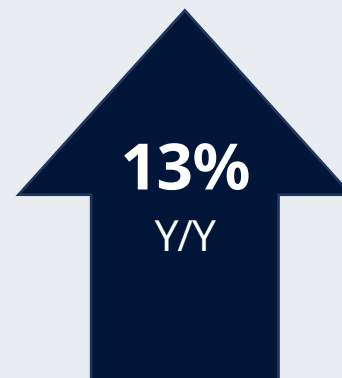
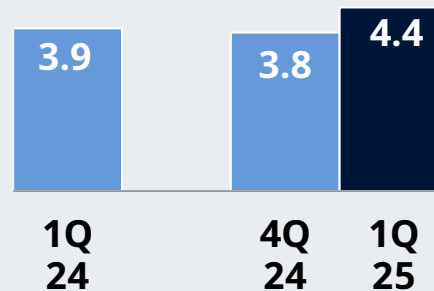
**EMEA:** ACV up 13% Y/Y with growth led by France and DACH

**Asia:** Managed Services ACV of \$780M, slowest quarterly result in two years; growth in India and Japan not enough to offset losses in ANZ

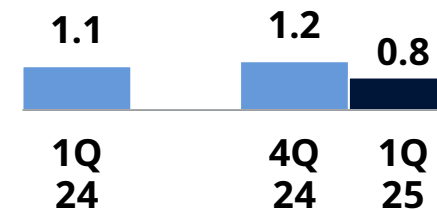
ACV \$B



**Americas**



**EMEA**



**Asia Pacific**

ACV = Annual Contract Value



# Industry Verticals

Y/Y Trends	Business Services	Consumer Packaged Goods & Retail	Energy	Financial Services	Healthcare & Pharma	Manufacturing	Telecom & Media	Travel, Transport Leisure
Combined Market	↑ 35%	↑ 23%	↑ 27%	↑ 8%	↑ 12%	↑ 17%	↑ 18%	↑ 21%
Managed Services	↓ -8%	↓ -7%	↑ 29%	↓ -2%	↓ -6%	↑ 2%	↑ 1%	↑ 20%
As-a-Service	↑ 49%	↑ 34%	↑ 25%	↑ 20%	↑ 27%	↑ 29%	↑ 27%	↑ 22%





# IaaS Results

## Quarterly Trends

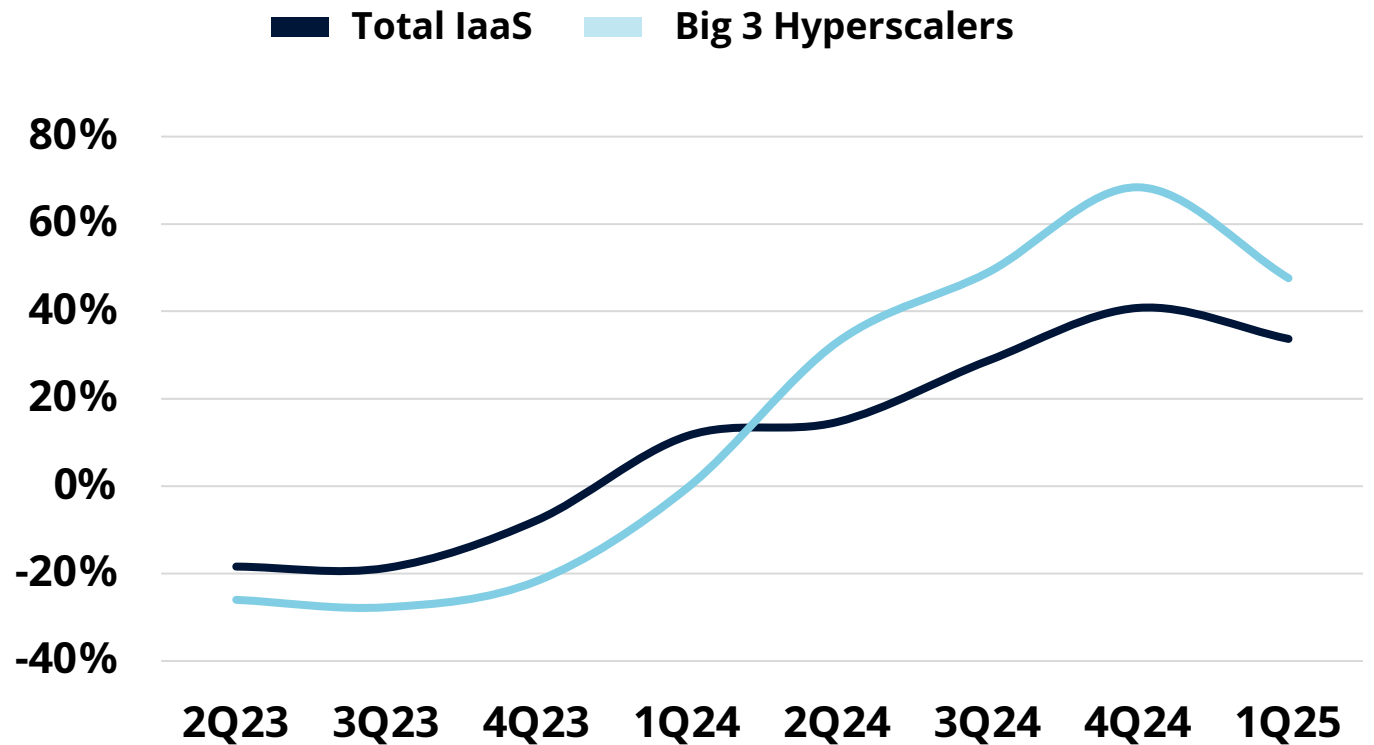
1Q25 ACV of \$13.9B was the best quarterly result ever

34% Y/Y gain represents a 710 basis point deceleration from 4Q24

Americas and EMEA IaaS both up 35%+, yet both decelerated from 4Q24 levels

Big 3 Hyperscalers outperforming the Broader Market Index by 1.4x during the quarter

## IaaS ACV Growth Rates, 2Q23 – 1Q25





# SaaS Results

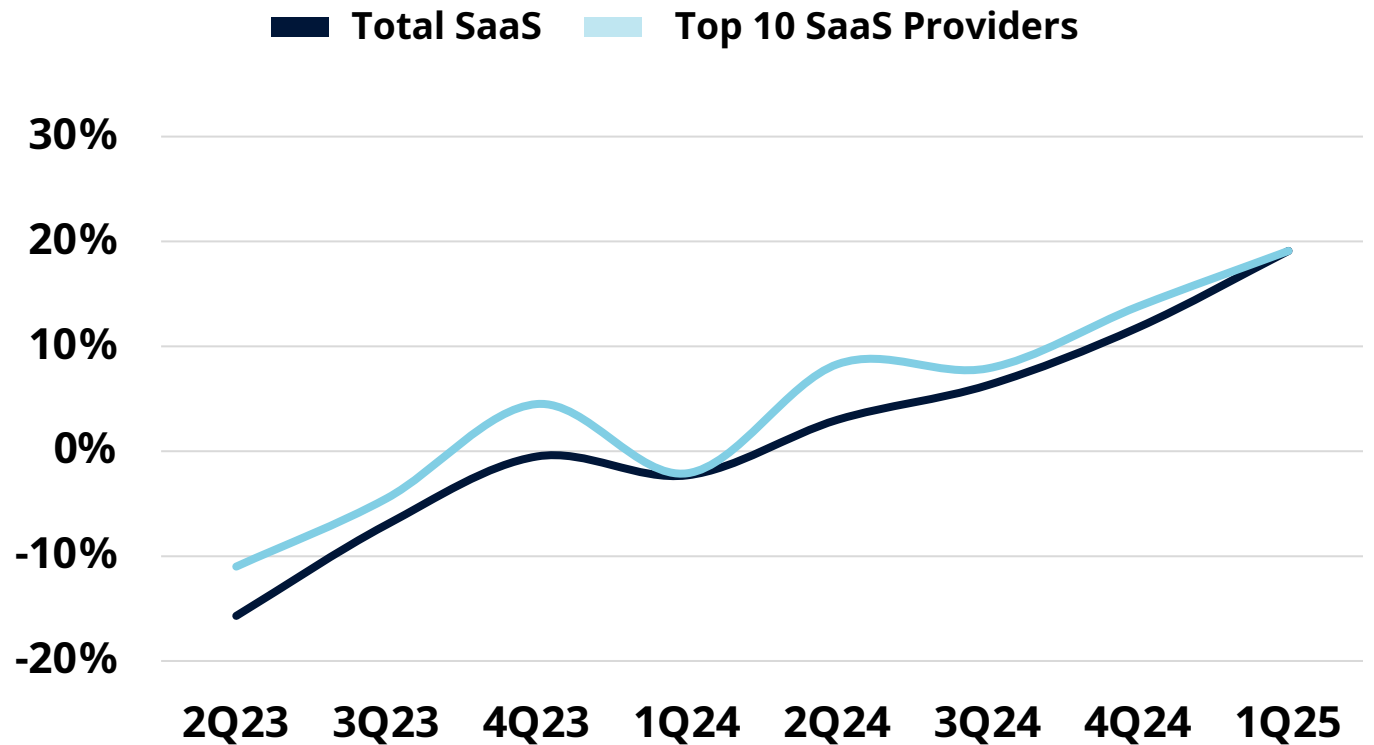
## Quarterly Trends

SaaS up 19% Y/Y led by growth in EMEA and Asia

Top 10 SaaS growth rate moved in tandem with the Broader Index; Y/Y growth accelerating from 4Q24

App categories such as ITSM and Collaboration are up significantly, while CRM and HCM have pulled back

## SaaS ACV Growth Rates, 2Q23-1Q25



# 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		Computacenter		Coforge		Birlasoft	
	Capgemini	Infosys	Concentrix	LTIMindtree	EXL	Mphasis	Confluent	KPIT Technologies*
	Deloitte	Kyndryl	Foundever	Sopra Steria*	Innova Solutions*	Neusoft	Etel Networks*	Mastek
	DXC Technology	TCS	Genpact	Tech Mahindra	L&T Technology	Persistent Systems	Ensono	Softtek
	HCLTech	Wipro	JLL	T-Systems		WNS	Firstsource Solutions	Tata Technologies
	IBM						Zensar	
As-a-Service Market	Amazon Web Services	Microsoft	Atlassian	Palo Alto Networks	Datadog		21Vianet*	
	Google Cloud	Oracle	CrowdStrike	ServiceNow	Hubspot	Shopify	DigitalOcean	OVH
		SAP*	Equinix	Workday	Nice Ltd.*	Veeva Systems	Nemetschek	Xero
					Sage	Visma		

\* New or returning to leaderboard in quarter

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



# GCCs and IT Services

## Key Trends

GCCs and IT services providers co-existing in this space

Services for GCCs focus on design and setup, as well as optimization and enhancement

Nearly 60% of GCCs plan on continuing to use or increasing their use of IT services

Hybrid GCCs models likely to grow in response to macro uncertainty

## ISG Provider Lens™ Global Capability Center (GCC) Services

**GCC Design & Setup**

**GCC Optimization & Enhancement**

**Strategic Advisory & Consulting**

**Operational Setup**

**Automation & Digital Transformation**

**Continuous Improvement & Innovation**

Source: ISG Provider Lens, 2024; view research report overview [here](#)



# GCCs and Talent

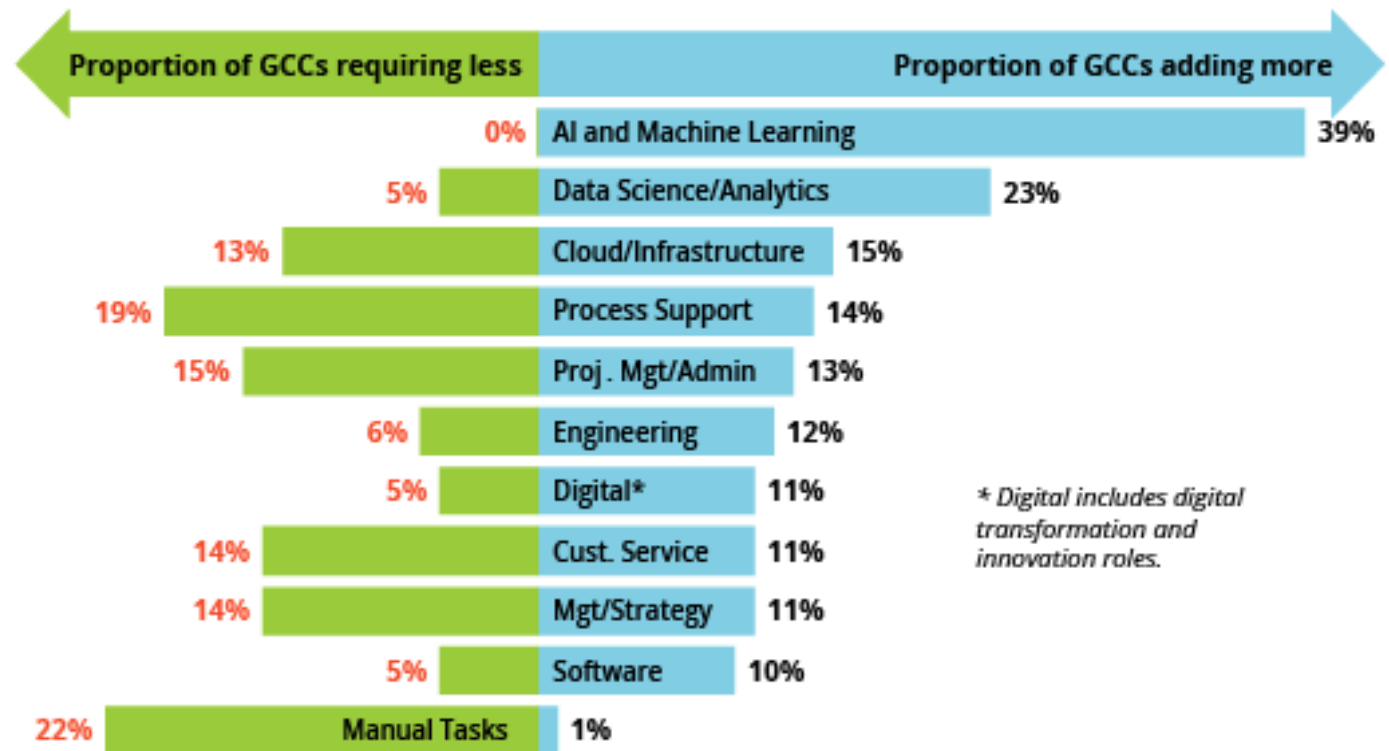
## Key Trends

Investments in AI expected to be a key productivity driver for GCCs

Talent mix for enterprises with GCCs expected to change over next two years with more focus on AI, data science and engineering roles

GCCs will be forced to compete with Managed Services providers in a highly competitive labor market

## How the GCC Talent Mix Will Change in 2025-2026



\* Digital includes digital transformation and innovation roles.

Source: ISG Market Lens Offshore Delivery Center Study (February 2025) N=200. Open-ended responses coded into themes (10%+ shown on chart).



# GCCs and AI

## Key Trends

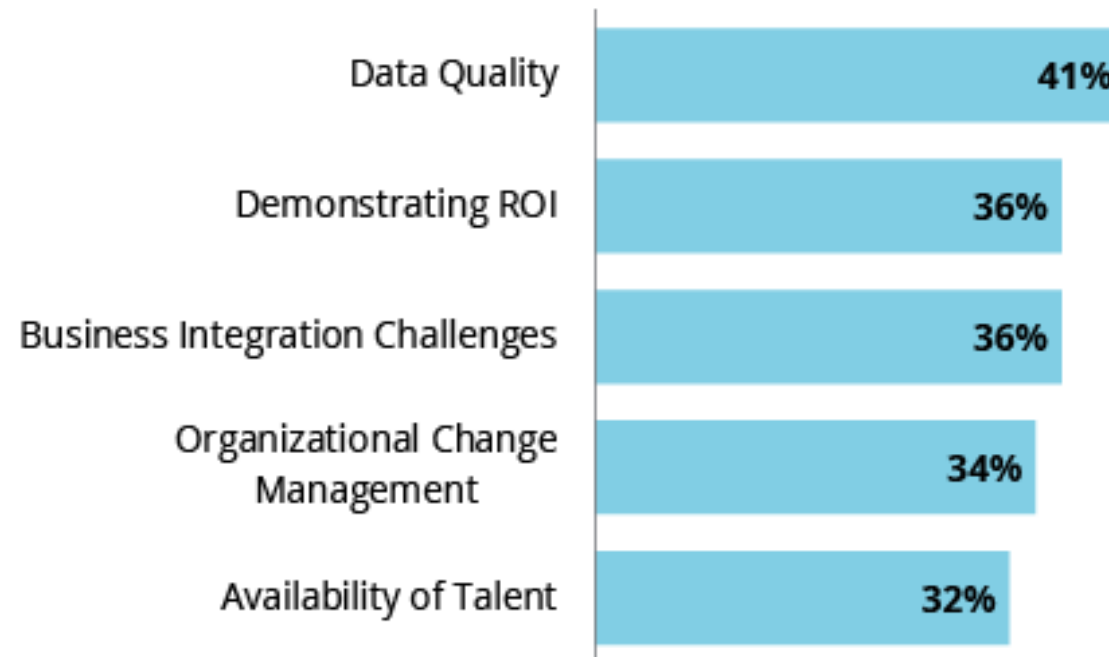
Over half of enterprises expect GCC productivity gains this year to come from leveraging AI

However, AI adoption has been slow to leave the pilot phase

Average timelines for having use-cases in production have slipped by 6 to 9 months

Data quality and inability to demonstrate ROI are primary drivers

## Top 5 Challenges Adopting GenAI in GCCs



Source: ISG GCC Study, Feb 2025. N=200. Multiple responses allowed.

# Summary and Outlook

## Summary

### Managed Services

- 1Q25 ACV up 2%, led by growth in EMEA while Americas remained flat
- ITO posted solid broad-based in both Applications and Infrastructure
- ER&D generated best quarter ever, even with its largest vertical, Manufacturing, weighing on results
- BPO weakness across the board
- BFSI vertical showing signs of green shoots during past six months

### XaaS

- Both IaaS and SaaS generated double-digit Y/Y growth
- SaaS accelerated growth rate from 4Q24, while IaaS decelerated
- AI is driving significant transformation in business models for both SaaS and IaaS

## Market Outlook

### Sector Outlook

- Heightened uncertainty from trade policy, geopolitical tensions, and evolving regulations is beginning to weigh on second-quarter forecasts
- Enterprises are lengthening decision cycles, holding discretionary budgets, and re-evaluating capital-intensive projects
- Manufacturing, Retail, Automotive, and Travel most at risk

### Revenue Forecast

- **Transitory tariff environment** is likely to lead to a rebound in discretionary spending in 2H25
- **A prolonged tariff environment** could see a more protracted impact to the sector

Market Segment	Transitory Tariffs	Prolonged Tariffs
Managed Services	1.3%	-2.4%
As-a-Service	18%	15%



Thank you!

The 90<sup>th</sup> Quarterly  
\* **ISG** Index™





# Index Insider Weekly Briefing



Stanton Jones



Alex Bakker

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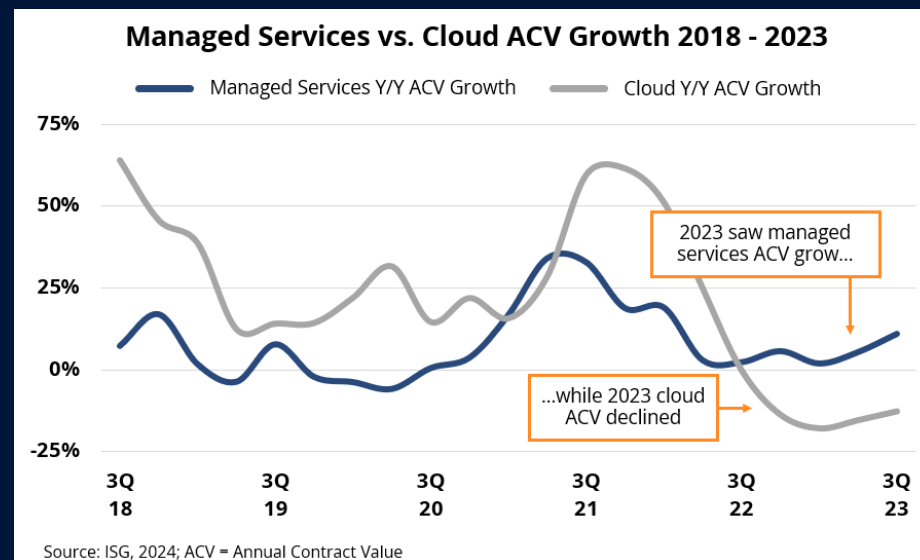


Michael Dornan



Sunder Sarangan

Delivered to your inbox every Friday from the ISG Market Lens Team.



<https://isg-one.com/research/isg-index-insider/isg-index-insider>

# Appendix





# Americas Broader Market Results

## Quarterly Trends

Combined Market ACV surpassed \$14B for second consecutive quarter

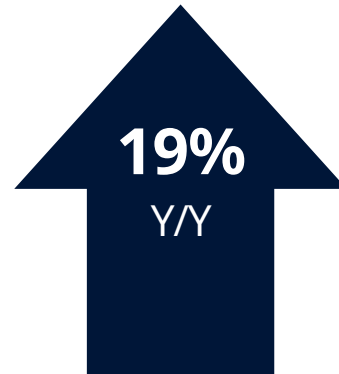
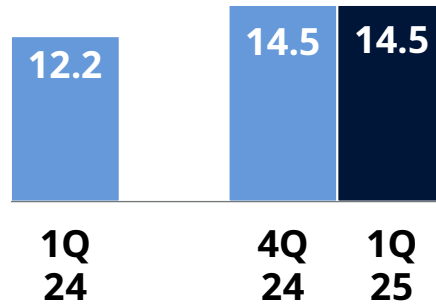
Managed Services remains choppy; pulled back Y/Y for third time in five quarters

BFSI and Telco up Y/Y, but defensive industries (Energy, Healthcare and Retail) weighed on results

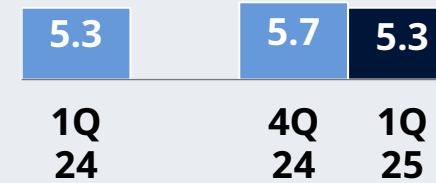
Smaller discretionary awards down 5%

XaaS ACV up 33% Y/Y surpassing \$9B for the first time ever

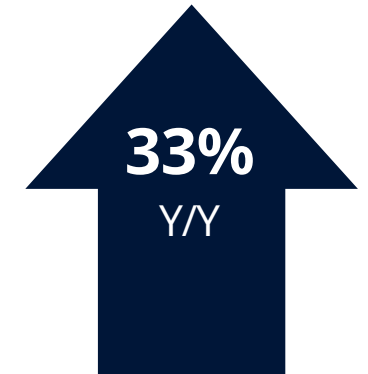
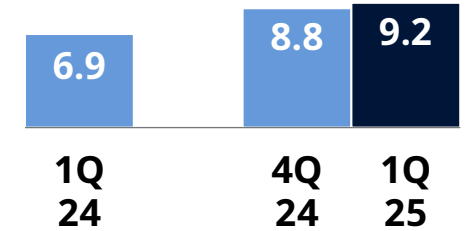
ACV \$B



**Combined Market**



**Managed Services**



**As-a-Service**

ACV = Annual Contract Value



# 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.

	<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>	
<b>Managed Services Market</b>	Accenture	Infosys	Concentrix	JLL	Coforge	Mphasis	Birlasoft	Mastek
	Capgemini	Kyndryl	EPAM Systems	LTIMindtree	CSG Systems	Persistent Systems	Confluent	Pomeroy
<b>As-a-Service Market</b>	Cognizant	NTT Data	Foundever	Tech Mahindra	EXL	TELUS Digital	Ensono	Softtek
	Deloitte	TCS	Genpact	T-Systems	Globant	TTEC	Firstsource Solutions	Sonata Software
	DXC Technology	Wipro			Innova Solutions	WNS	Tata Technologies	Zensar
	HCLTech		Atlassian	ServiceNow	L&T Technology Services			
	Amazon Web Services	Microsoft	CrowdStrike	Snowflake	Datadog	Nice Ltd.	Appfolio	Guidewire
	Google Cloud	Oracle	Digital Realty	Workday	HubSpot	Shopify	DigitalOcean	Workiva
		Palo Alto Networks						

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



# EMEA Broader Market Results

## Quarterly Trends

Combined Market ACV of \$9.1B, up double-digit Y/Y for third consecutive quarter

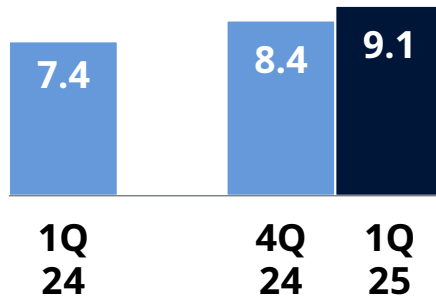
Managed Services ACV of \$4.4B, up 13% Y/Y

Pullback in smaller discretionary deals, down 1.5% Y/Y and 15% Q/Q

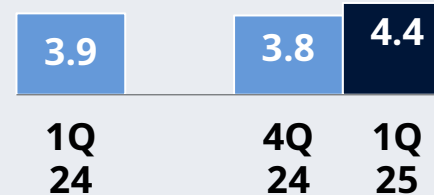
Growth led by France and DACH

XaaS ACV up 34% Y/Y; however, growth decelerated from 41% in 4Q24

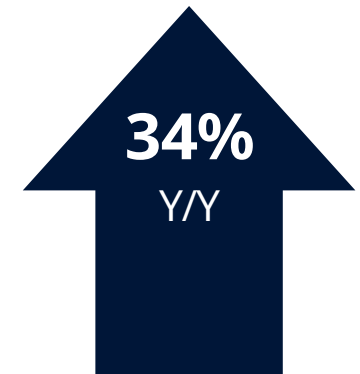
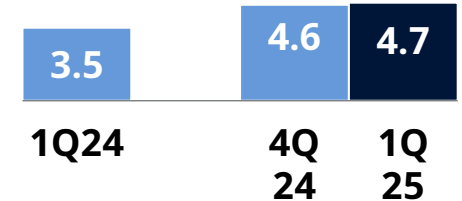
ACV \$B



**Combined Market**



**Managed Services**



**As-a-Service**

ACV = Annual Contract Value



# Service & Technology Provider Standouts – EMEA



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**Managed Services Market**

**As-a-Service Market**

	<b>The Big 15</b>		<b>The Building 15</b>		<b>The Breakthrough 15</b>		<b>The Booming 15</b>	
	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
	Accenture	IBM Consulting	Capita	LTIMindtree	AFRY	L&T Technology Services	adesso SE	KPIT Technologies
	BT	Infosys	Computacenter	Orange Business	Alten	Persistent Systems	Atea ASA	Mastek
	Capgemini	Kyndryl	Concentrix	Sopra Steria	Cancom	Reply SpA	Cegeka	Netcompany
	DXC Technology	TCS	Foundever	Tech Mahindra	EXL	Softcat Limited	Eltel	Tata Elxsi
	HCLTech	Wipro	Genpact	Teleperformance	Fastweb	Sweco	eWork	Tata Technologies
			Hays	T-Systems				Zensar
			Indra Sistemas					
	Amazon Web Services	Microsoft			Nice Ltd.	Veeva Systems	DigitalOcean	Nermetschek
	Google Cloud	Oracle	Equinix	ServiceNow	Okta	Visma	IFS AB	OVH
		SAP			Sage			

\* New or returning to leaderboard in quarter

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# Asia Pacific Broader Market Results

## Quarterly Trends

Combined Market ACV of \$5.3B; up Y/Y for fifth consecutive quarter

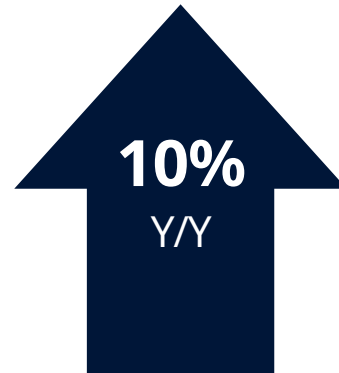
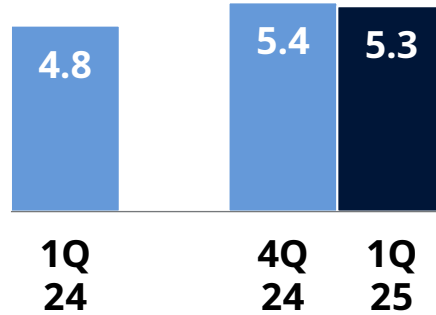
Managed Services ACV of \$780M, slowest quarterly result in two years

Telco/Media and Manufacturing were positive in the quarter

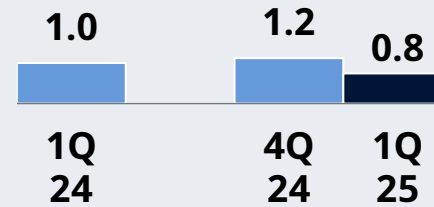
Growth in India and Japan not enough to offset losses in ANZ

XaaS ACV up 19% Y/Y; best quarter since 1Q22

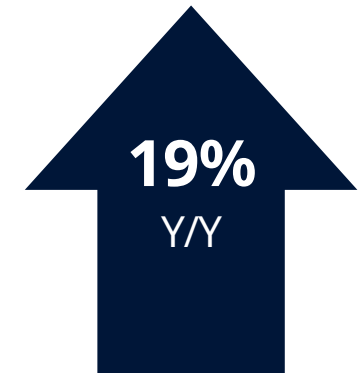
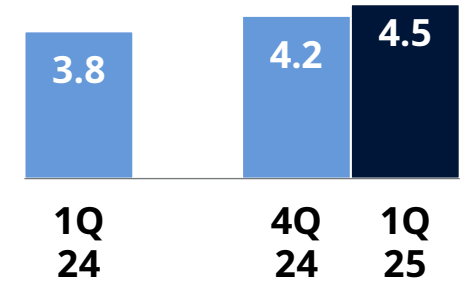
ACV \$B



**Combined Market**



**Managed Services**



**As-a-Service**

ACV = Annual Contract Value





# Service & Technology Provider Standouts – Asia Pacific



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Managed Services Market	Accenture	IBM	Foundever	Sumitomo SCSK	Coforge	NS Solutions	BayCurrent	Sonata Software
	Capgemini	Infosys	Genpact	Tech Mahindra	Digital China	Persistent	Consulting	Tata Elxsi
As-a-Service Market	DXC Technology	NTT Data	ITOCHU	Transcosmos	L&T Technology Services	Unisys	Birlasoft	Tata Technologies
	Hitachi	Wipro	Nomura Research Institute	T-Systems	NCS	WNS	KPIT Technologies	
As-a-Service Market	Alibaba	China Telecom	Atlassian	Equinix	CloudFlare	Sage	21Vianet	Kingdee
	Amazon Web Services	China Unicom	Autodesk	Palo Alto Networks	Datadog	Veeva Systems	Digital Ocean	Kingsoft Cloud
As-a-Service Market	China Mobile	Google Cloud	CrowdStrike	ServiceNow	MongoDB	Zoho Corp.	Firstsource Solutions	NEXTDC
		Microsoft	Dassault Systèmes				Keppel DC	Xero
								Youyou

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