

# Technology Industry Update: Services & Software

October 9, 2025

HOSTED BY:



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**CLSA**

**\*ISG** Index™  
3Q 2025

# Market Level Set



- 1** Cloud and software-as-a-service demand remain strong.
- 2** Managed services growth continues to be sluggish.
- 3** Large-deal activity remains strong; small deals are rebounding.
- 4** H-1B policy changes are adding cost and complexity to the industry.
- 5** AI adoption is accelerating – and disrupting legacy BPO.



# Global Broader Market

## 3Q25 Results

Combined market surpassed \$32B for first time

Managed services declined 2% Y/Y; first decline in six quarters

XaaS best quarter ever, up 31% Y/Y

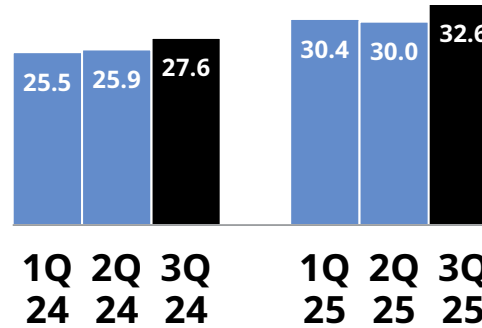
## 2025 YTD Results

Combined market ACV up \$14B versus 2024

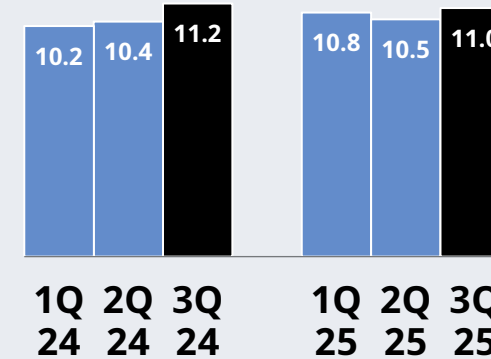
Managed services YTD growth rate is slowest since 2020

XaaS ACV growth of 29%, up versus 11% growth in 2024

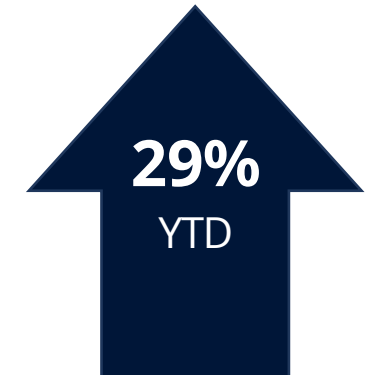
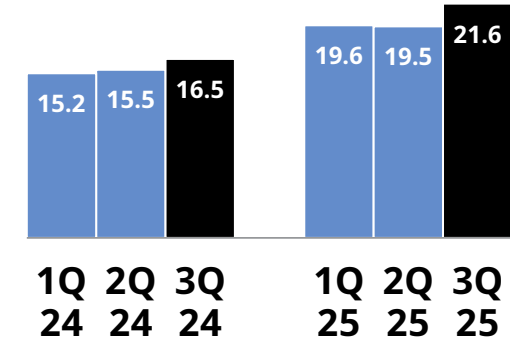
### ACV \$B



**Combined Market**



**Managed Services**



**As-a-Service**

Source: ISG, 2025;  
ACV = Annual Contract Value

# Implications of H-1B Changes



- 1** The \$100,000 H-1B fee sets a cost floor that erodes the visa labor advantage as firms must compete to retain transferable workers.
- 2** The fee favors higher-wage applicants, making visas more reliable for senior, proven roles and less for speculative or lower-level positions.
- 3** The uncertain national interest exemption, combined with the revised lottery system favouring exceptional talent, will reshape the talent pool.
- 4** As AI reshapes software and IT roles, the higher H-1B costs may accelerate companies' investments in automation to offset future hiring expenses.
- 5** New rules may push firms to reassess their mix of onshore, offshore and nearshore talent instead of defaulting to H-1B hires.



# Managed Services ITO Results

## 3Q25 Results

ACV down 2% Y/Y; growth declined for second consecutive quarter after two years of solid gains

## 2025 YTD Results

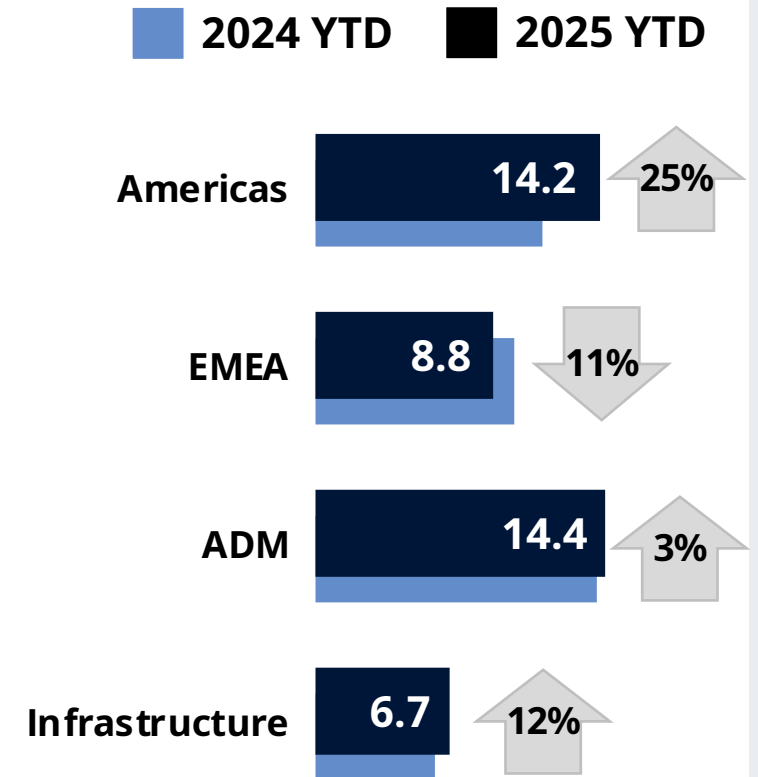
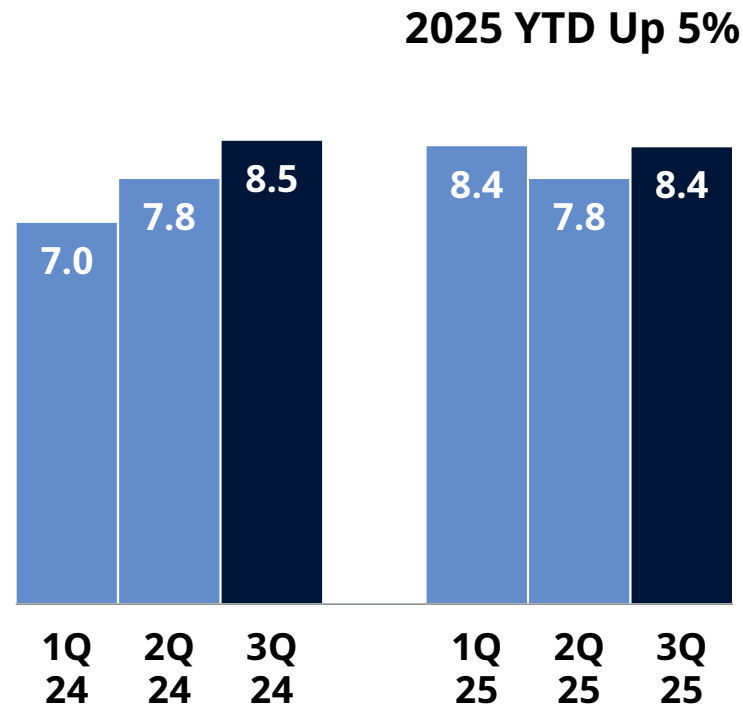
ACV up 5%; Number of awards up 4%

19 mega-deals awarded

Americas up 25% YTD; accounted for all growth thus far in the segment

Broad-based growth across ADM and Infrastructure

## ACV \$B





# Managed Services Engineering Results

## 3Q25 Results

ACV up 59% Y/Y; number of awards up 46% Y/Y

Fourth consecutive quarter of Y/Y ACV gains

## 2025 YTD Results

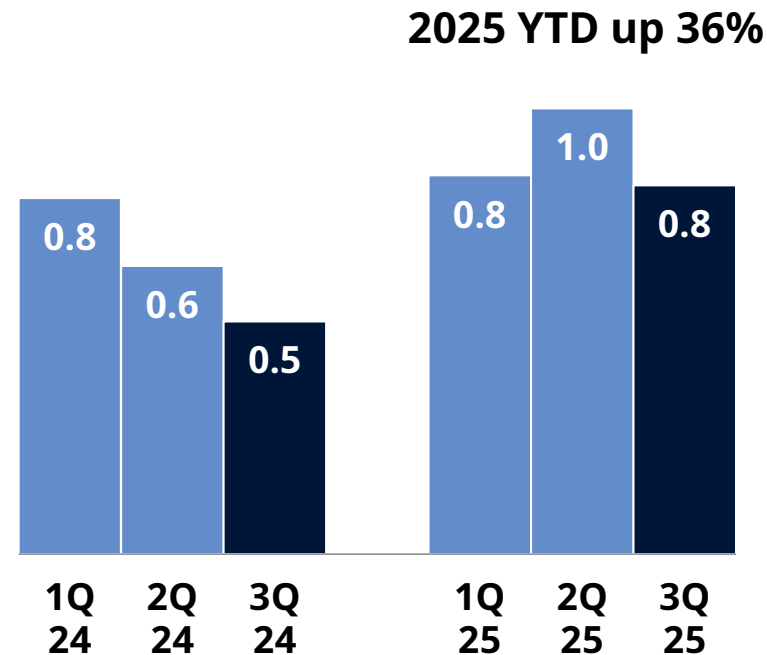
ACV up 36%; Number of awards up 8%

Large MNCs have won nearly half of ER&D awards YTD

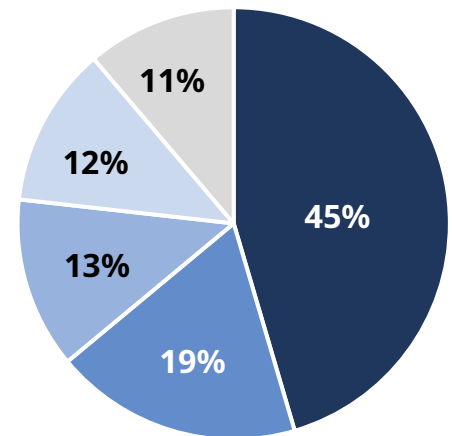
Average deal ACV up 26% YTD

ER&D awards starting to scale; deals with ACV \$10M-\$40M up 14%

## ACV \$B



## Engineering ACV by Engineering Type



- Software - 45%
- Embedded - 19%
- Mechanical - 13%
- Manufacturing - 12%
- Network - 11%

ACV = Annual Contract Value



# Managed Services BPO Results

## 3Q25 Results

ACV down 16% Y/Y

9 of the past 11 quarters have been down Y/Y

## 2025 YTD Results

ACV down 22% YTD

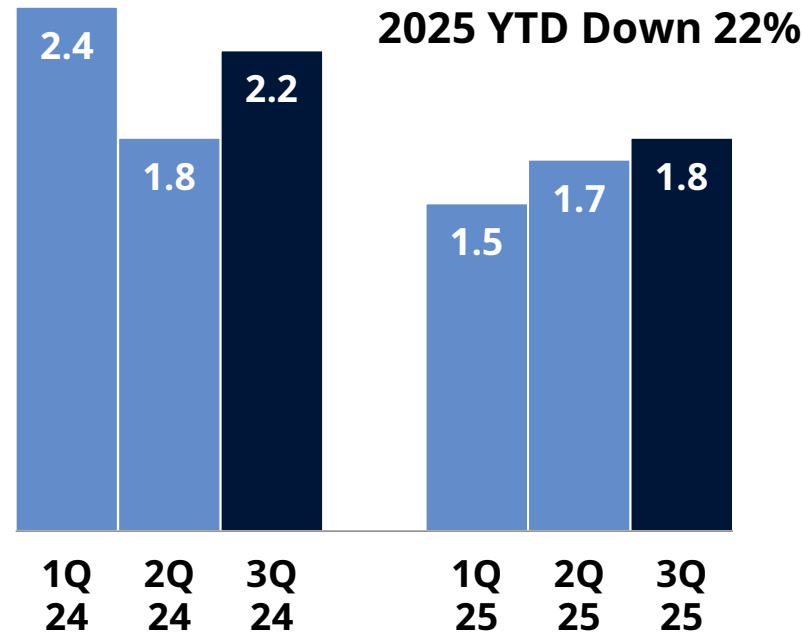
Broad-based weakness across functional areas

## Revenue Analysis

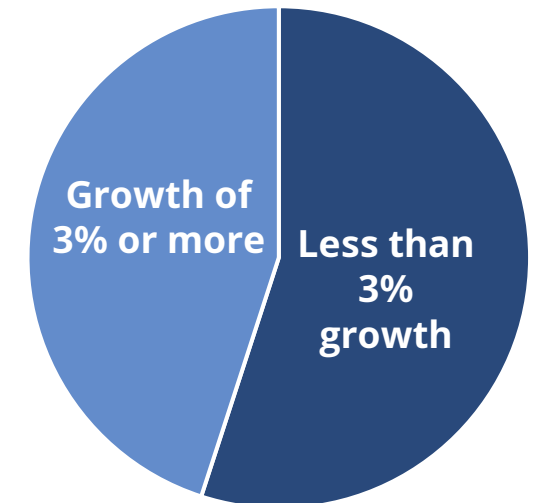
55% of the top 50 have had organic growth rate of less than 3%

Notable acquisitions in CX industry are driving growth

## ACV \$B



## Top 50 BPO Provider Annual Revenue Growth



# What's Happening with BPO



- 1** Marked shift toward technology-led solutions, including data, AI and engineering services, blurring the lines between BPO and IT services.
- 2** Significant shift toward hiring for specialized skills such as AI, data science and platform engineering.
- 3** AI is not only enabling new efficiencies but is also disrupting traditional revenue streams.
- 4** Some enterprises are hesitant to commit to large-scale BPO transformation, preferring FTE-based contracts as a bridge to assess the impact of AI.



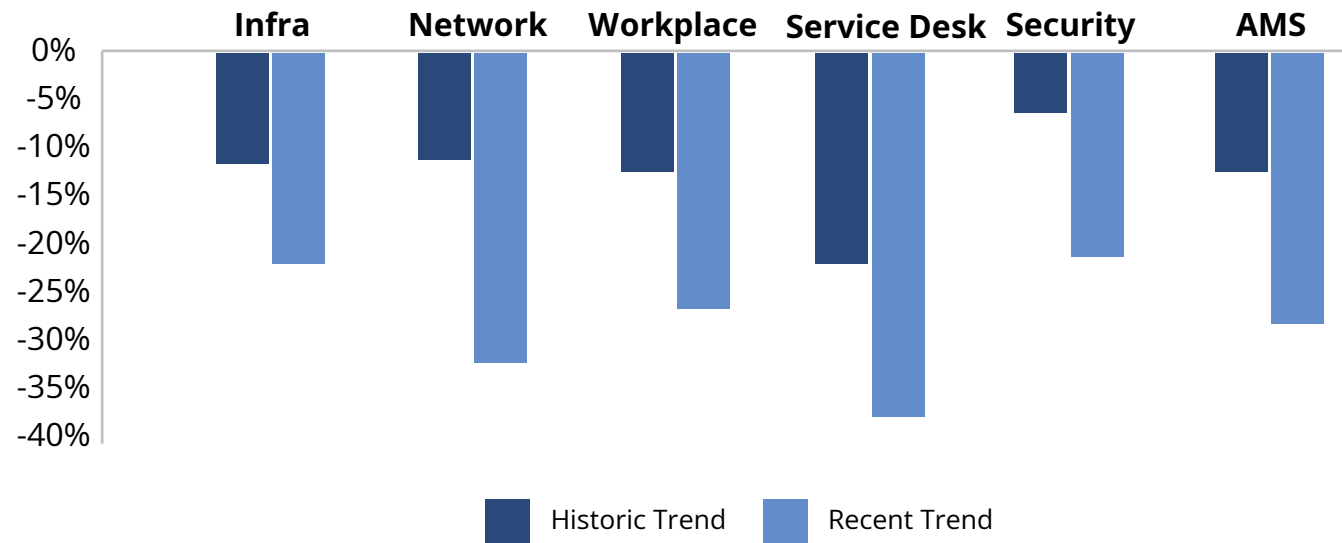
# Recent Price Performance in Managed Services

Price reductions at the end of two years for resource units (RU) across ITO are dropping significantly.

Due to intense competition during a time when discretionary and project-based work is under pressure.

And fact that AI is starting to have a material impact on pricing.

**Cumulative Two-Year Price Performance of IT and AMS Managed Services**



# What's Next? Autonomy-Level Pricing

The most promising solution for today's transaction-based services is **autonomy-level pricing** (ALP). ALP doesn't discard the resource units (RU) but augments it by tagging each unit with the autonomy level used to deliver it.

## Autonomy Levels Defined

Autonomy Level	Description
<b>AL0</b>	Fully manual execution; no AI involved
<b>AL1</b>	AI suggests; human executes
<b>AL2</b>	AI executes, human validates
<b>AL3</b>	AI executes, human audits exceptions
<b>AL4</b>	Fully autonomous execution; governed only by policies and audits

## Why ALP Works

1. **Fairness:** Buyers see cost reductions as autonomy increases; providers retain margin by not overcommitting up front.
2. **Variability:** Prices flex with real execution behavior, not assumptions.
3. **Consistency:** Contracts preserve the RU anchor, making deals comparable.
4. **Competitiveness:** ALP levels can be benchmarked across industry peers.
5. **Incentives.** Providers are rewarded for safely advancing autonomy; buyers capture savings w/o waiting for maturity.
6. **Risk Awareness:** Each ALP tier defines governance roles, making risk explicit.
7. **Proportionality:** Charges map to autonomy, SLA burden and error risk – not arbitrary token counts.

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# State of Enterprise AI Adoption





# Managed Services Regional Results

## Americas

**3Q:** Best quarter ever, up 22% Y/Y

**YTD:** ACV up 15%; BFSI sector up 30% with \$1.3B of additional ACV

## EMEA

**3Q:** ACV down 25% Y/Y; fell below \$4B for third time in four quarters

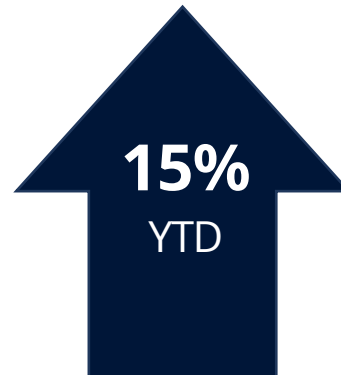
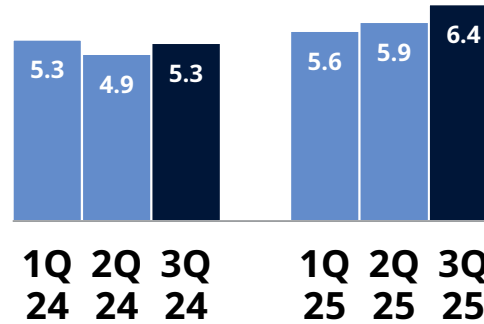
**YTD:** ACV down 8%; mega deals down 33% and BFSI down 12%

## Asia Pacific

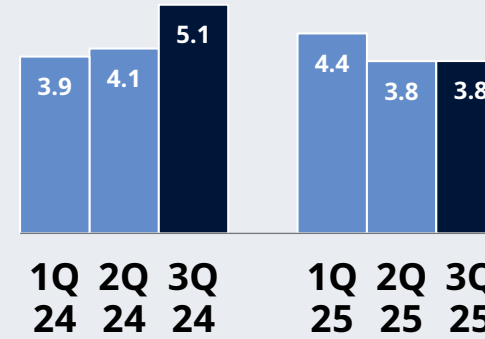
**3Q:** ACV down 9%; yet to have a \$1B+ quarter in 2025

**YTD:** ACV down 26%; most geographic markets down, except India

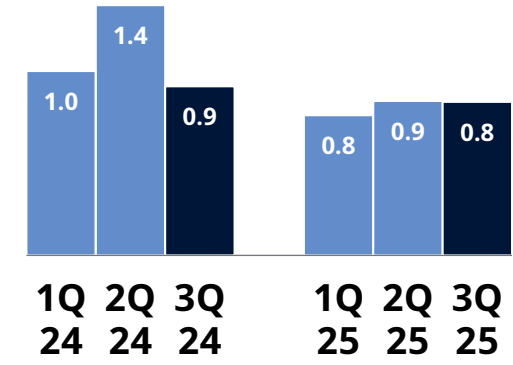
ACV \$B



Americas



EMEA



Asia Pacific

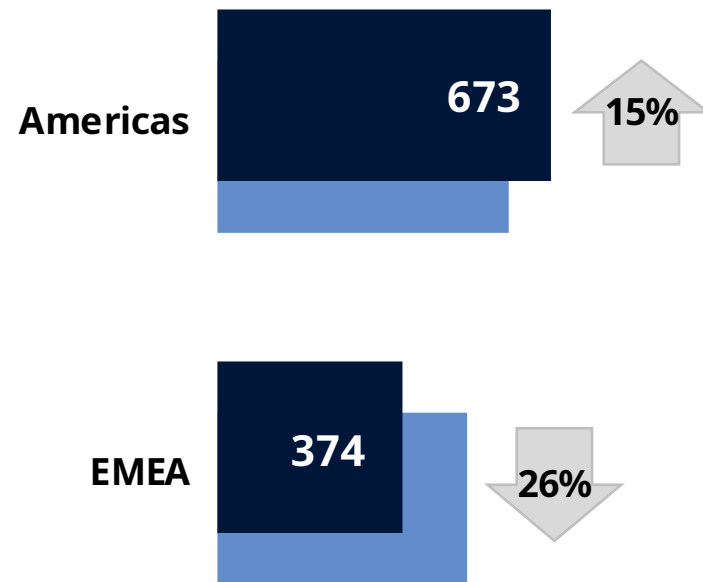
Source: ISG, 2025;  
ACV = Annual Contract Value

# Americas Large- and Small-Deal Activity Has Been Strong YTD



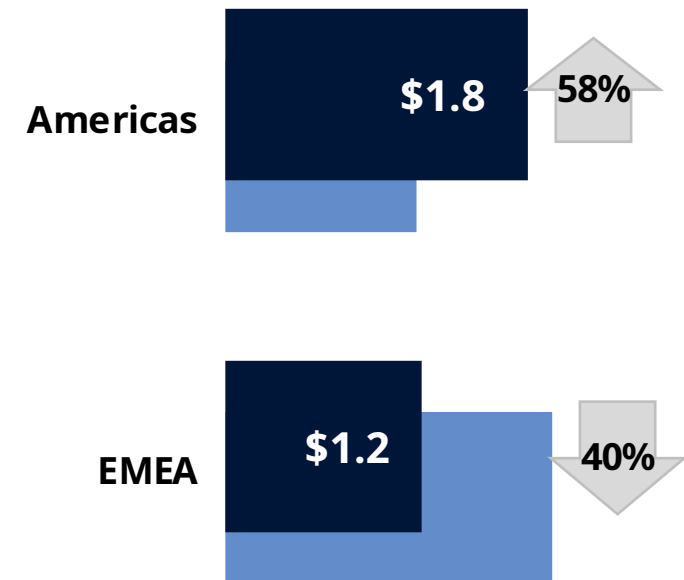
■ 2024 YTD ■ 2025 YTD

## Number of Small Awards



Small Award = ACV \$5M - \$9M

## Mega Award ACV (\$B)



Mega Award = ACV > \$100M



# Managed Services Selected Industry Results

## BFSI

**3Q:** ACV up 17%  
**YTD:** ACV up 8%; strength in Americas, weakness in EMEA

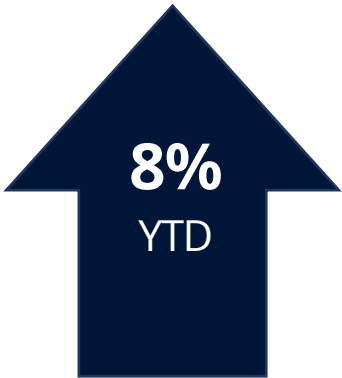
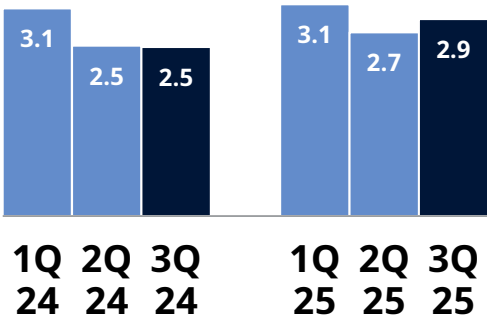
## Energy

**3Q:** ACV up 20%  
**YTD:** ACV up 23%; seeing strong demand around SAP S/4HANA and Rise

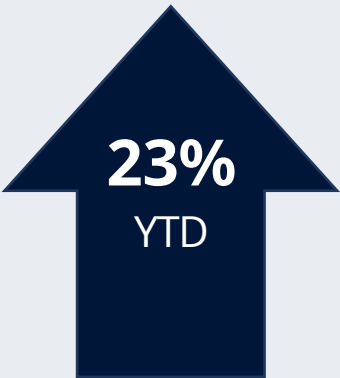
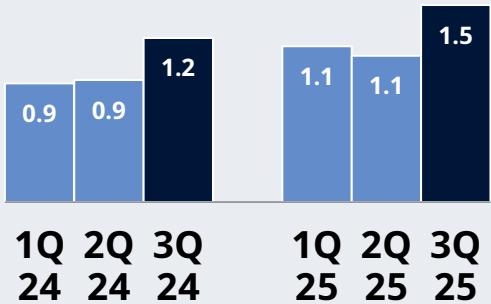
## Retail & CPG

**3Q:** ACV down 33% Y/Y  
**YTD:** ACV down 18%; weakness in EMEA

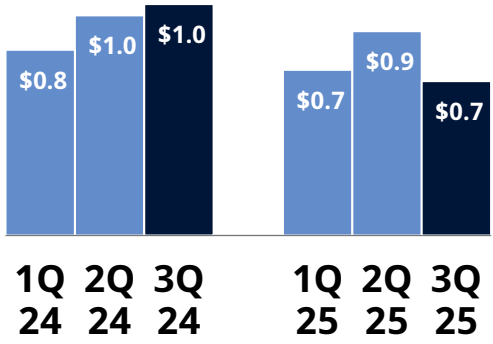
ACV \$B



BFSI



Energy



Retail & CPG



# SaaS Results

## 3Q25 Results

ACV up 18% Y/Y

Sixth consecutive quarter of Y/Y growth averaging 12%

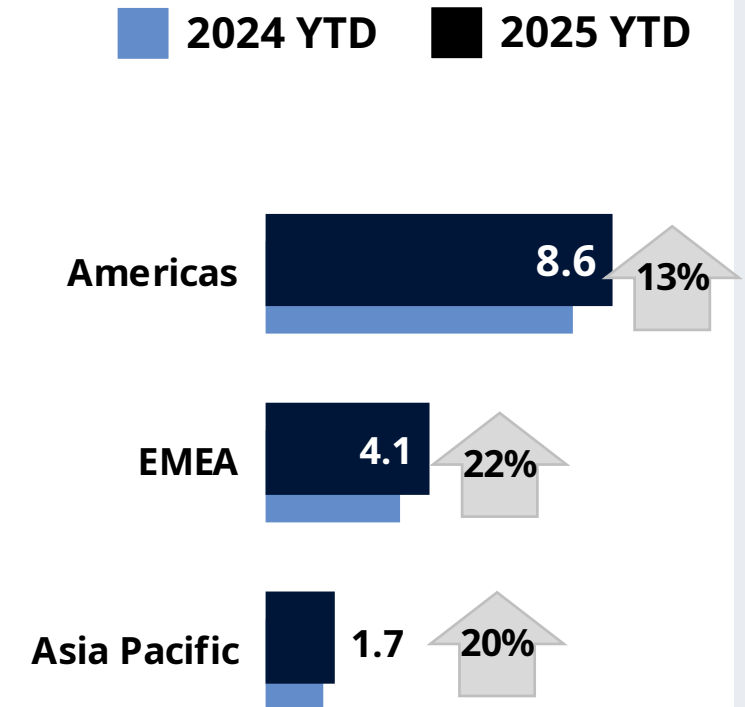
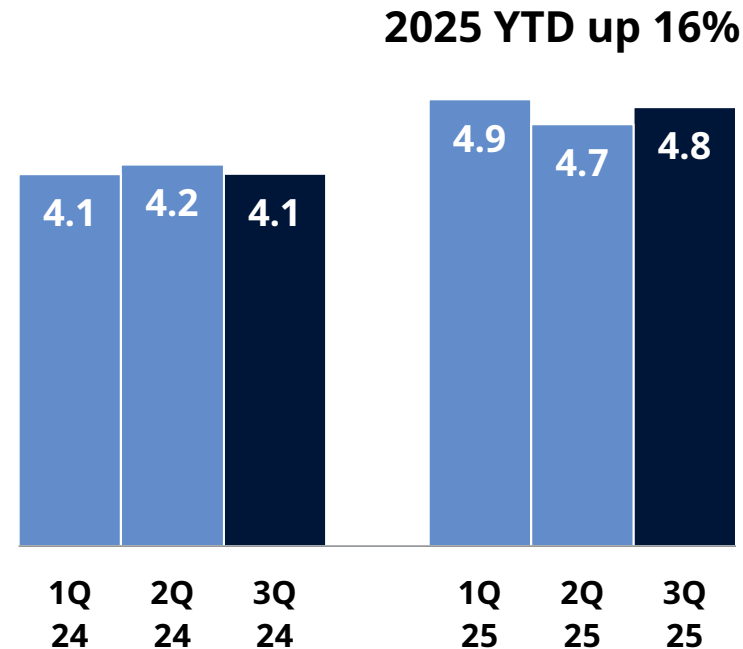
## 2025 YTD Results

ACV up 16% YTD

Growth across all three regions

Top 10 SaaS providers outperformed the Broader Index

## ACV \$B



# Key Trends in Applications (SaaS)



- 1** AI - including data, analytics and platforms - saw 24% ACV growth YTD with continuous evolution of data software with infused GenAI & agentic AI.
- 2** Front-office apps and CRM grew 1% ACV growth YTD, with ServiceNow expanding further into CRM market with recent acquisition.
- 3** Middle-office apps like collaboration saw 23% ACV growth YTD; back-office ERP saw 6% ACV growth YTD; HCM saw -18% ACV decline YTD.
- 4** IT platforms grew ACV by 55% ACV YTD with Salesforce's expansion into this well-established software category, currently led by ServiceNow.
- 5** Collaborative suites (i.e., Google, Microsoft) saw 50% ACV growth YTD, driven by conversational AI and GenAI tools.





# IaaS Results

## 3Q25 Results

ACV up 35% Y/Y; surpassed \$16B for first time ever

Fourth consecutive quarter of 30%+ Y/Y growth

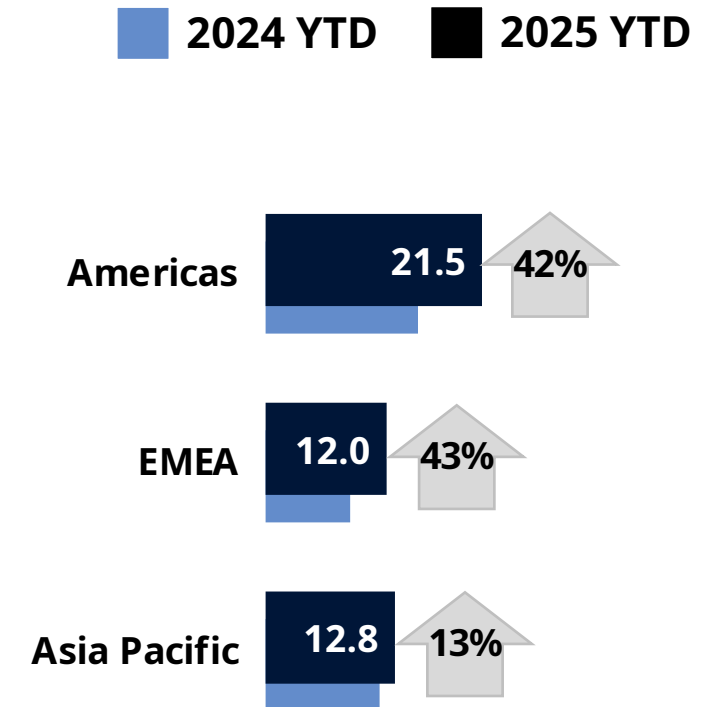
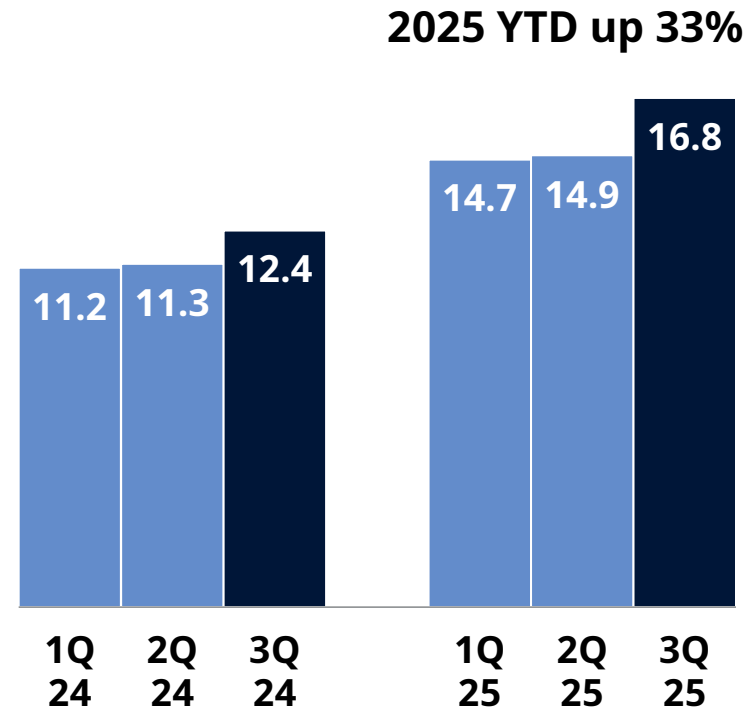
## 2025 YTD Results

ACV up 33% YTD

Growth across all three regions

Big 3 hyperscalers (AWS, Azure, GCP) outperformed broader Index

## ACV \$B



# Key Trends in Infrastructure (IaaS)



- 1** Expansion of IaaS with 33% YTD ACV growth with Americas (42%) & EMEA (50%) from continued demand for compute needs.
- 2** Big 3 hyperscalers (i.e., AWS, MSFT, Google) had significant growth including 42% ACV YTD with global and sovereign expansion.
- 3** Enterprise appetite for digital sovereignty with continued investment from hyperscalers and more regional efforts like SAP news on Delos Cloud.
- 4** U.S. data centers' growth and investments (i.e., Nvidia, OpenAI & Oracle: Stargate) are substantial to address AI needs globally and in Americas.
- 5** Cybersecurity continues to grow in double digits with CrowdStrike, Palo Alto Networks and SentinelOne.



# As-a-Service Selected Industry Results

## Healthcare

**3Q:** ACV up 34% Y/Y

**YTD:** ACV up 29%; with IaaS up 34%, along with new SaaS offerings

## Retail & CPG

**3Q:** ACV up 32% Y/Y

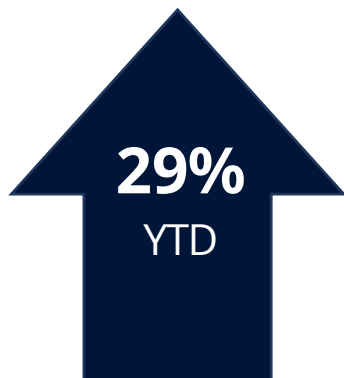
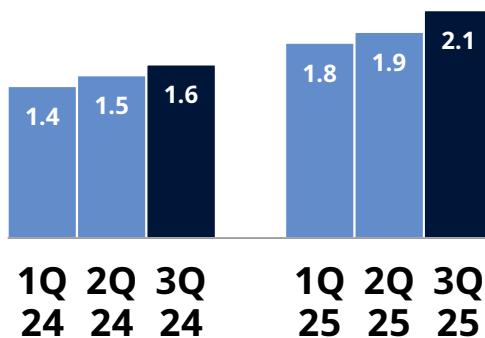
**YTD:** ACV up 32%; with SaaS up 18% and industry application offerings

## Business Services

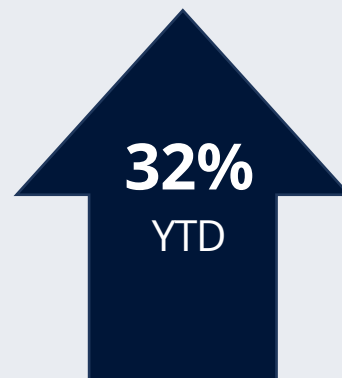
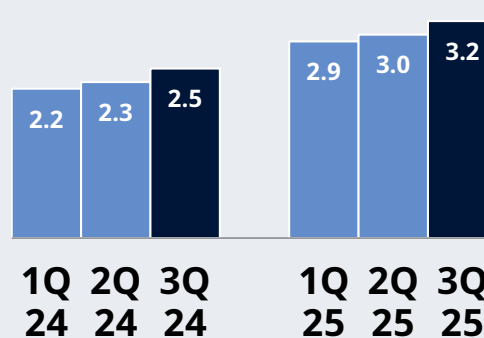
**3Q:** ACV up 33% Y/Y

**YTD:** ACV up 36%; with IaaS up 40%, more use of cloud and compute

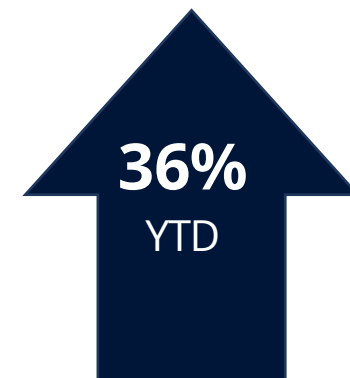
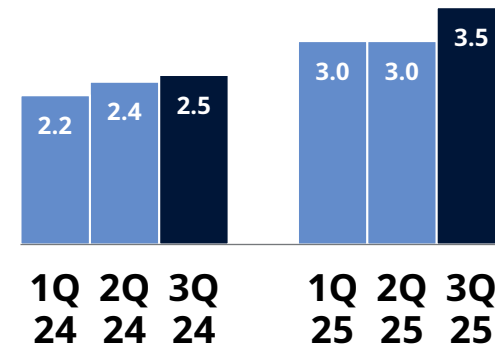
ACV \$B



Healthcare



Retail &  
CPG



Business  
Services

ACV = Annual Contract Value

# Global Service & Software Provider Standouts

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



THE  
**ISG 15**

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



# Service & Software Provider Standouts – Global



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

**Managed  
Services  
Market**

The Big 15		The Building 15		The Breakthrough 15		The Booming 15	
Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
Accenture Capgemini Deloitte DXC Technology HCLTech IBM Consulting	Infosys Kyndryl NTT Data TCS Wipro	Concentrix Foundever Genpact LTIMindtree	Sopra Steria Tech Mahindra T-Systems	Coforge EXL Globant L&T Technology Mphasis	Neusoft* Persistent Systems Sage WNS	Birlasoft Eltel Networks Ensono Firstsource Solutions KPIT Technologies	Mastek Softtek TATA Elxsi Tata Technologies* Transcom Worldwide*
Amazon Web Services Google Cloud	Microsoft Oracle	Applovin* Atlassian Autodesk* CrowdStrike	Equinix Palo Alto Networks Snowflake Workday	21Vianet* Databricks Hubspot	OVH* Palantir Zscaler	Cyberark* DigitalOcean Kingsoft Cloud	Nemetschek Vantage Data Centers

\* New or returning to leaderboard in quarter

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

# Summary and Outlook

## Summary

### Managed Services

- ACV up 1.5% YTD, yet growth is not broad-based
- Americas ACV up 15% YTD driven by gains in ITO, ER&D and BFSI
- Americas has seen stepped-up activity in mega deals and smaller, discretionary work
- EMEA and Asia each down YTD as few geographic markets are showing growth
- Outside U.S., ITO/BPO and BFSI have yet to show signs of recovery

### XaaS

- IaaS results surpass heightened expectations
- Main concerns are capacity constraints and ROI associated with elevated CapEx
- SaaS growing at a healthy pace, but sentiment is subdued
- Will AI serve as a strategic enhancement or lead to disruptive displacement?

## Market Outlook

### Macro Recap

- Uncertainty continues to affect segments of the tech stack
- U.S. economy showing mixed signals, with some sectors struggling while others are growing
- Concerns around energy costs, tariffs and geopolitical risks continue in Europe
- AI has sparked a new tech cycle, becoming a major driver of growth

### Revenue Forecast

Market Segment	2025 Forecast	Change from Q2
Managed Services	1.3%	No change
As-a-Service	25%	Raised 400 bps

Thank you!

The 92<sup>nd</sup> Quarterly  
**\*ISG** Index™

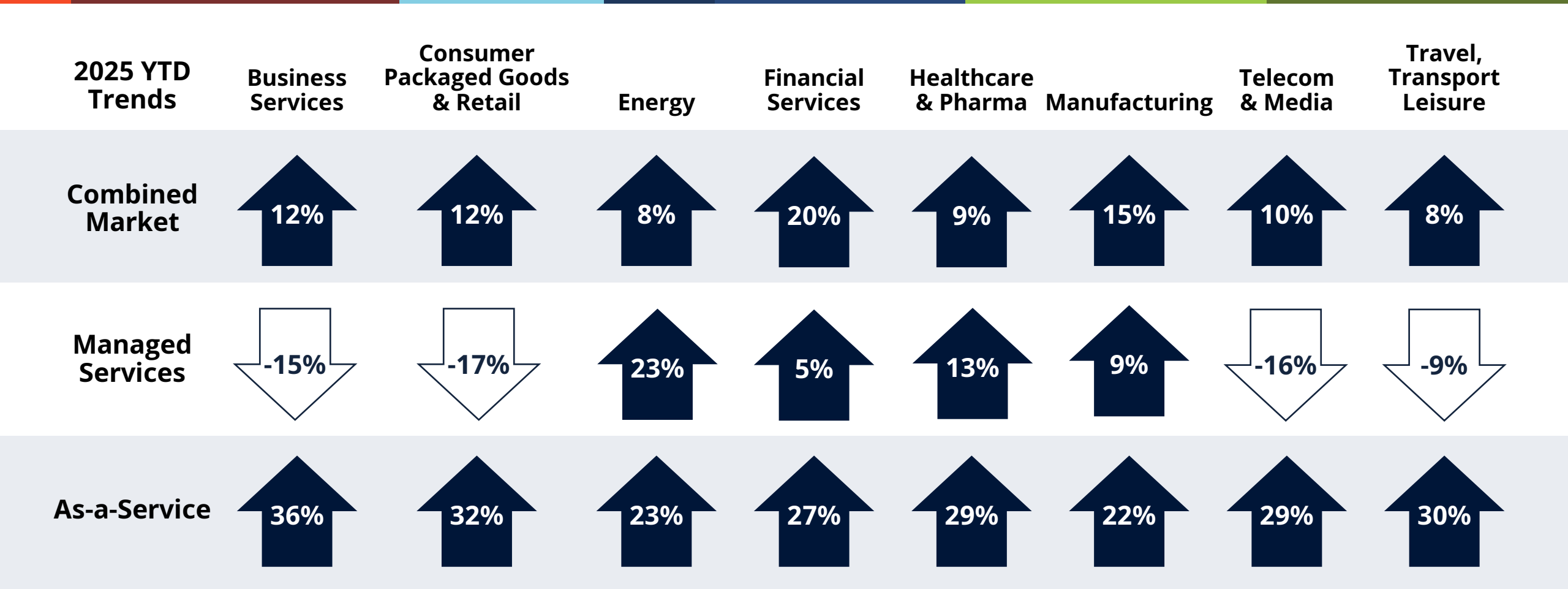


# Appendix





# Industry Verticals





# Americas Broader Market Results

## 3Q25 Results

Combined market ACV up 30% Y/Y

Managed services ACV up 22% Y/Y

XaaS ACV up 35% Y/Y

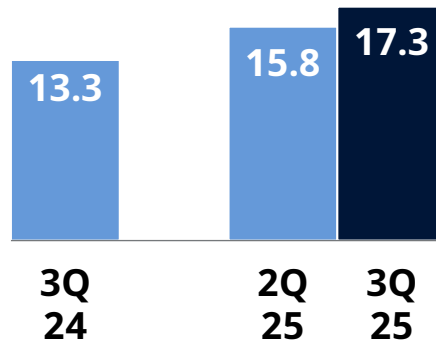
## 2025 YTD Results

Combined market ACV up \$10B  
versus 2024

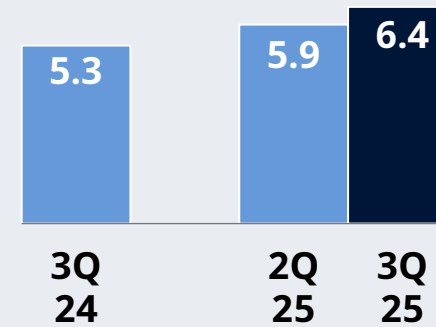
Managed services ACV most ever at  
the nine-month mark

XaaS ACV growth of 32%, up versus  
13% growth in 2024

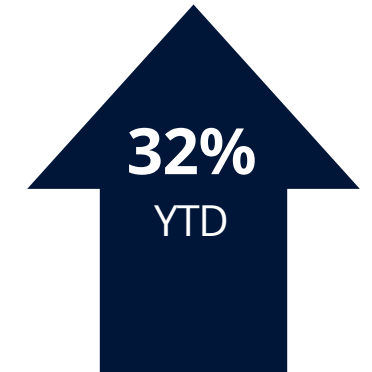
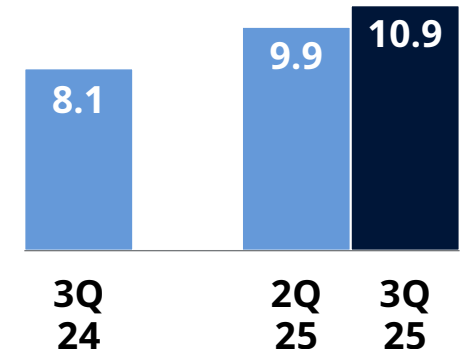
ACV \$B



**Combined Market**



**Managed Services**



**As-a-Service**

Source: ISG, 2025;  
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# Service & Technology Provider Standouts – Americas



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	Revenues > \$10B		Revenues \$3B-\$10B		Revenues \$1B-\$3B		Revenues <\$1B	
Managed Services Market	Accenture	Infosys	ABM Industries	Genpact	Coforge	Mphasis	Birlasoft	Mastek
	Capgemini	Kyndryl	Concentrix	LTIMindtree	EXL	Persistent Systems	Ensono	Pomeroy
As-a-Service Market	Cognizant	NTT Data	EPAM Systems	Tech Mahindra	Globant	Unisys	Firstsource Solutions	Softtek
	Deloitte	TCS	Foundever		Innova Solutions	WNS	HGS	Sonata Software
	DXC Technology	Wipro			L&T Technology Services		HTC	Tata Elxsi
	HCLTech							
	Amazon Web Services	Microsoft	Applovin	Datadog	Databricks	Palantir	Cyberark	ServiceTitan
	Google Cloud	Oracle	Atlassian	Palo Alto Networks	HubSpot	Shopify	DigitalOcean	Vantage Data Centers
			Autodesk	Snowflake	Iron Mountain	Zscaler	Guidewire	
			CrowdStrike	Workday				

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



# EMEA Broader Market Results

## 3Q25 Results

Combined Market up 5% Y/Y

Managed Services fell below \$4B

XaaS ACV up 41%

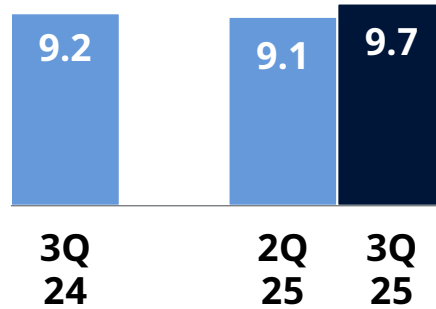
## 2025 YTD Results

Combined Market ACV up 14% YTD;  
inline with 12% growth in 2024

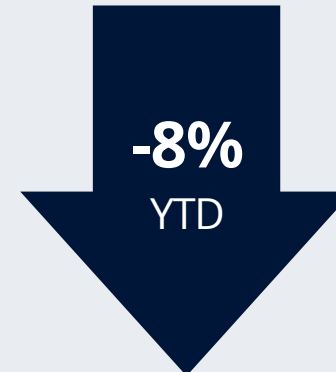
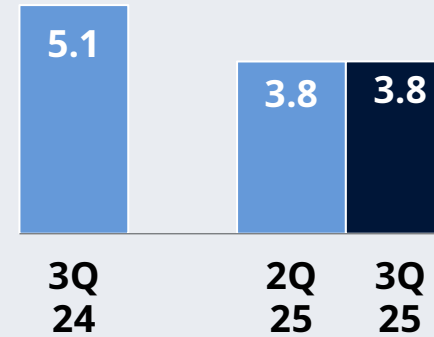
Managed Services ACV down 8%;  
Number of Contracts down 15% YTD

XaaS ACV growth of 37%, up versus  
15% growth in 2024

ACV \$B

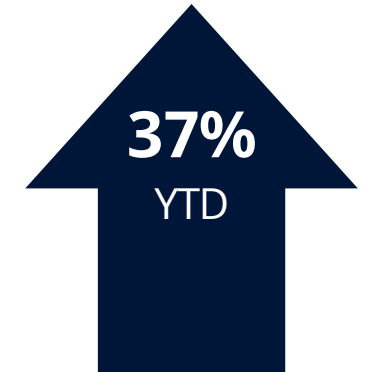
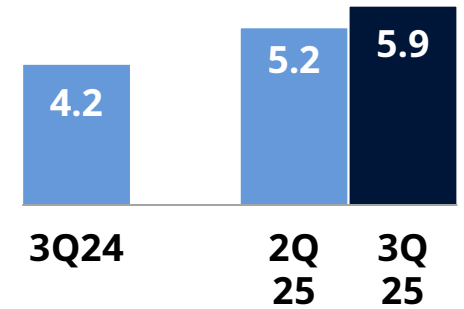


**Combined Market**



**Managed Services**

Source: ISG, 2025;  
ACV = Annual Contract Value



**As-a-Service**



# Service & Technology Provider Standouts – EMEA



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Managed Services Market	Accenture	IBM Consulting	Capita	LTIMindtree	adesso	L&T Technology Services	Datagroup SE	Mastek
	BT	Infosys	Computacenter	SoftwareONE	AFRY	Persistent Systems	EDAG	Tata Elxsi
As-a-Service Market	Capgemini	Kyndryl	Concentrix	Sopra Steria	Cancom	Reply SpA	Eltel Networks	Tata Technologies
	DXC Technology	TCS	Foundever	Sweco	Coforge	Softcat Limited	Firstsource Solutions	Transcom Worldwide
	HCLTech	Wipro	Genpact	Tech Mahindra	EXL	Telefonica Tech	GFT Technologies	Zensar
			Indra Sistemas	T-Systems			KPIT Technologies	
	Amazon Web Services	Microsoft	Atlassian	Equinix	Databricks	Visma	Cyberark	Nermetschek
	Google Cloud	Oracle	Autodesk		OVH	Zscaler	DigitalOcean	TechnologyOne
		SAP			Sage			

\* New or returning to leaderboard in quarter

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# Asia-Pacific Broader Market Results

## 3Q25 Results

Combined market up 10% Y/Y

Managed services declined 9% Y/Y

XaaS ACV up 14% Y/Y

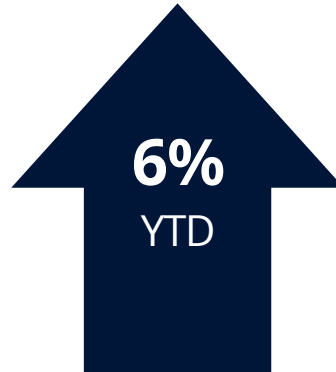
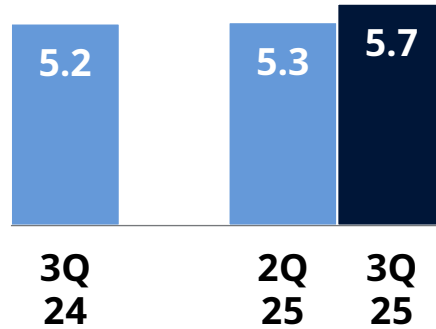
## 2025 YTD Results

Combined market ACV up 6%;  
slowest growth of the three regions

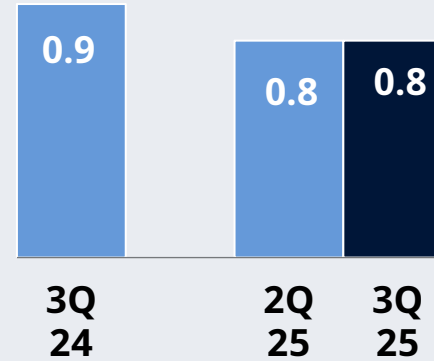
Managed services ACV down 26%  
with most geographic markets down

XaaS ACV growth of 14% YTD, up  
versus 6% growth in 2024

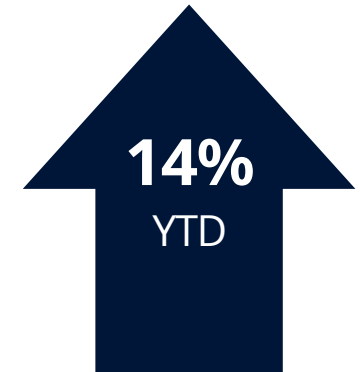
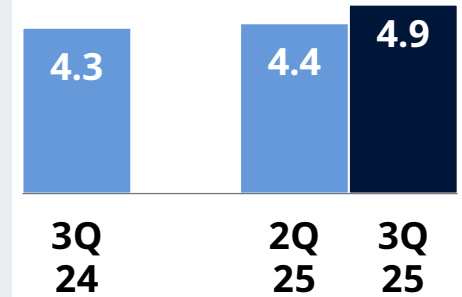
ACV \$B



**Combined Market**



**Managed Services**



**As-a-Service**

Source: ISG, 2025;  
ACV = Annual Contract Value



# Service & Technology Provider Standouts – Asia Pacific



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	Infosys	Foundever	Sumitomo SCSK	Biprogy	Neusoft	BayCurrent Consulting	KPIT Technologies
	Capgemini	TCS	Genpact	Sodexo	ChinaSoft	NS Solutions	BeyondSoft	Sonata Software
	HCLTech	Wipro	IT Holdings (TIS)	Tech Mahindra	Coforge	Persistent Systems	Birlasoft	Tata Elxsi
	IBM Consulting		ITOCHU Techno-Solutions	Transcosmos	FPT Software	SK C&C	Data #3	Tata Technologies
			LG CNS		NCS	WNS	Firstsource Solutions	
			Nomura Research					
As-a-Service Market	Alibaba	Google Cloud	Applovin	Dassault Systèmes	21Vianet	Veeva Systems	AirTrunk	Kingdee
	Amazon Web Services	Huawei Cloud	Atlassian	Equinix	CloudFlare	Xero	CtrlS Datacenters	Kingsoft Cloud
	Baidu	Microsoft	Autodesk		MongoDB		Global Switch	NextDC
	China Telecom	Oracle						

\*New or returning to leaderboard in quarter

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



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