



Application Outsourcing Assessment and Forecast

Market Analysis
Abstract

January 2015
research.nelson-hall.com





Who Is This Report For?

NelsonHall's "Application Outsourcing Assessment and Forecast" report is a comprehensive market assessment report designed for:

- Sourcing managers investigating sourcing developments within application outsourcing i.e. multi-year contracts that include application management services and software development and systems integration services
- Vendor marketing, sales and business managers developing strategies to target application outsourcing service opportunities
- Financial analysts and investors specializing in the IT services sector, including IT outsourcing and application outsourcing.

Scope of the Report

The report analyzes the worldwide market for application outsourcing services. It addresses the following questions:

- What is the current and future market for application outsourcing services?
- What are the client segments for application outsourcing services and their characteristics? What are the drivers, benefits, and inhibitors for each segment?
- What is the size and growth of the application outsourcing services markets by client segment, geography, service line, activity and sector?
- How did spending grow in 2013 and 2014 and how will it increase in 2015 and onwards?
- What are the offerings in the market?
- How is the market organized? Who are the main vendors? How can they be assessed and compared? What are vendor challenges and critical success factors by market segment?



Key Findings & Highlights

NelsonHall's market analysis of the application outsourcing (AO) services market consists of 88 pages. The report focuses on multi-year application services contracts, as opposed to application services provided as part of short term systems integration and application development activities.

AO spending is to accelerate in 2014 and 2015, to +3.6% and 3.8% respectively. Growth remains fueled by the secular shift from short term project services towards multi-year contracts. In the short term, the improving macro economic conditions are to impact favorably on AO spending.

Application outsourcing is often described as a mature market driven by offshoring and productivity gains with little innovation. The reality differs notably; Indian offshoring is and will remain an essential ingredient of any application outsourcing service contract. Vendors are also driving productivity gains in several areas including knowledge management, internal communications and a higher level of software tools to automate further service delivery. In addition, at the service desk level, the creation of Level 1.5 is one of the recent developments in productivity related initiatives.

Innovation is present in AO, however; this materializes in several forms, including a gradual shift towards proactive maintenance, more emphasis on code quality, and a recent move towards improving customer experience:

- Vendors are progressing on their journey towards proactive maintenance, initially focusing on volume data collected from their service desk to analyze in more detail which applications are triggering the most an incoming calls and events
- Code quality analysis complements this approach by not analyzing the symptoms (events and ticket), but looking at the structural quality of code in terms of architecture and programming style
- Finally, demand for an improved customer experience is only nascent but is provided as part of less phone-centric service desk services, in the form of concierge services and self service portals.

A recent development has been a business process based AO service where a vendor and its client identify key processes; the IT services vendor will monitor and manage these processes to make sure key transactions occur, across applications and data integration points. This approach is a major change in the way AO has been provided in the past.

There is more than this to innovation in application outsourcing; other initiatives are emerging across delivery and productivity, customer experience, and bundled IT infrastructure and application management services.

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Report Length

88 slides, consisting of 10 chapters

Vendors Researched

Accenture, Amdocs, Atos, Capgemini, CGI, Cognizant, HCL Technologies, HP Enterprise Services, Infosys, Tech Mahindra, Unisys, Steria and Wipro.

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