ISG Provider Lens™

Next-Gen Private/Hybrid Cloud – Data Center Services & Solutions

Managed Services for Large Accounts

Quadrant Report

A research report comparing provider strengths, challenges and competitive differentiators

Customized report courtesy of:

TCS TATA CONSULTANCY SERVICES

June 2021

About this Report

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The research and analysis presented in this report includes research from the ISG Provider Lens™ program, ongoing ISG Research programs, interviews with ISG advisors, briefings with services providers and analysis of publicly available market information from multiple sources. The data collected for this report represents information that ISG believes to be current as of April 2021, for providers who actively participated as well as for providers who did not. ISG recognizes that many mergers and acquisitions have taken place since that time, but those changes are not reflected in this report.

All revenue references are in U.S. dollars ($US) unless noted.

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ISG Provider Lens™

ISG Provider Lens™

ISG Provider Lens™ delivers leading-edge and actionable research studies, reports and consulting services focused on technology and service providers' strengths and weaknesses and how they are positioned relative to their peers in the market. These reports provide influential insights accessed by our large pool of advisors who are actively advising outsourcing deals as well as large numbers of ISG enterprise clients who are potential outsourcers.

For more information about our studies, please email ISGLens@isg-one.com, call +49 (0) 561-50697537, or visit ISG Provider Lens™ under ISG Provider Lens™.

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EXECUTIVE SUMMARY

General Trends

The adoption of private and hybrid cloud has been gaining significant traction during the last four quarters. Private and hybrid cloud have been a popular choice over public cloud. However, the infrastructure environments have become more complex and are becoming difficult to manage, with the growing demand for these hybrid solutions. ISG has observed that enterprises are ready to develop new applications on the cloud but are unwilling to move their existing workloads to the public cloud, as the apprehension persists around security and control of data and workloads. Enterprises have realized that outsourcing their IT infrastructure management is a great way to realign their IT with business objectives in the most cost-effective manner and gain other benefits, such as access to specific IT skills not found in standard IT departments; availability of shared resources such as facilities managers, security, engineers and other technical staff; and help predict costs that can facilitate better budget control.

In 2020, the crisis caused by the COVID-19 pandemic globally had a huge impact on IT outsourcing in terms of business decisions and technology investments planned for 2021. ISG has observed that the number of companies planning to increase their use of IT outsourcing has been rising since the last year, and this trend is expected to continue in the future. According to ISG's Index 4Q 2020 figures, it was observed that in 2020, the annual contract value (ACV) for IT outsourcing contracts globally was around US$21.4 billion; an increase of 2.1 percent when compared to 2019. In the beginning of the pandemic, enterprises scaled down some of their teams and froze IT outsourcing. A few months into the crisis, they introduced new ways of working in terms of delivering everything virtually, and scaled up their IT development teams. Many enterprises that never outsourced are planning to begin outsourcing for the first time in 2021. Although enterprises have embraced a virtual managed services model, their delivery expectations have not changed. Most managed services are now virtually and remotely delivered, including transition and migration of workloads, sales and due diligence, meetings, and more, as it is faster, better and cost effective. Managed hosting and colocation providers have also realized the importance of the cloud ecosystem and have adapted their business models to integrate themselves as key parts of the IT infrastructure lifecycle.

Some of the trends observed over the last year are as follows:

Increased maturity in moving to cloud: Enterprises have realized that managed services can be used to reduce the management burden, and the cloud will help reduce the physical infrastructure costs. The tools developed for the assessment, planning and automated migrations have reached the desired level of maturity and reliability that allow for predictive results. The same tools provide a better understanding of the benefits of moving to the cloud, including the architecture and financial impacts, providing better business cases. This will enable enterprises to make decisions regarding which workloads to move to the cloud and which ones to retain in the existing infrastructure. It will also help them decide regarding the modernization of their on-premises ecosystem to improve the operating efficiencies.

Enterprises want providers to be more flexible: Enterprises always prefer contracts with providers/vendors to be as flexible as possible. With the changing nature of IT outsourcing relationships, the expectations of clients are also changing. Providers should be able to ramp things up and down depending on client needs; hence, they need to be ready to restructure teams within the shortest time frame and be agile to deliver results faster. Enterprises also seek IT outsourcing partners that can accept their business ethics and adapt to them quickly. They will appreciate if offshore developers can easily integrate into their company and feel connected to the in-house team. Enterprises want providers to offer innovative solutions to enhance customer experience. They also expect their remote IT specialists to use these new technologies to improve customer satisfaction, leading to business growth.

Strategic partnerships are the new norm: When it comes to providers, it is no longer which one has the highest tiered partnership with technology vendors that clients seek; rather, enterprises are looking for providers that have strategic relationships with these technology vendors and can jointly innovate solutions, as well as have a joint go-to-market strategy to cater to new-age customers. As provider-client relationships become more reliable, the difference between outsourcing core and non-core tasks becomes less significant. Offshore teams are becoming part of the clients' organizations and covering any type of tasks necessary for the success of the client. Finding a reliable provider and establishing productive relationships are difficult. Previously, the trend was to outsource services within one project to multiple vendors; however, this trend has changed, and enterprises now need only one or two vendors that can offer a comprehensive managed services solution that can address all their IT infrastructure requirements. This will lead to lower risks associated with managing multiple vendors and ensure better pricing from one single provider/vendor for all their IT requirements.

ISG Provider Lens™

Tackling cybercrimes through robust security measures: Securing proprietary data/workloads has been one of the top priorities for enterprises currently, as sophisticated cyberattacks are being carried out frequently. This, in turn, has led them to adopt a security-first thinking. Due to the COVID-19 pandemic, organizations are practically forced to work remotely, and without proper cybersecurity expertise, they become potential targets for cyberattacks. Managed service providers offer security solutions in the same managed services contracts in a bundled deal and strive to secure the service infrastructure of enterprise clients. This is important not only to have security solutions in place, but also to defend and recover against any attack. Also, enterprises do not have to deal with additional vendors for security solutions and can be assured that their data is safe. Another observation by ISG is that while cybercrime is causing immense damage to the business sector, cyberattacks are more frequently targeted at governments. This makes government organizations the major investors in cybersecurity. Some of the trending security features that are leveraged for securing IT environments include zero-trust, micro-segmentation, software-defined wide area network (SD-WAN) and artificial intelligence (AI) for threat identification and response.

Managed services for large accounts: In 2020, the large enterprise market saw several changes in outsourcing strategy and selection factors for managed service providers. Some of the key selection criteria included automation, a good track record with business continuity plans (BCP) and a robust infrastructure management platform. Automation is required to handle complexity and monitor or manage costs. Providers with large-scale operations have the ability to offer skilled practitioners; however, it cannot compensate for lower levels of automation as it cannibalizes their business. Considering long-term relationships and continued business, providers must be able offer cost savings and better customer experience by automating IT infrastructure managed services. Enterprises are

getting prepared for the adoption of AI solutions and seeking new metrics and indicators such as cost optimization, utilization levels, response time and automation levels. Of the 34 companies assessed in this study, 22 have met the criteria to be included in this quadrant. Nine providers are leaders (Accenture, Capgemini, Cognizant, DXC Technology, HCL, IBM, Infosys, TCS and Wipro) and one is identified as a Rising Star (Rackspace Technology).

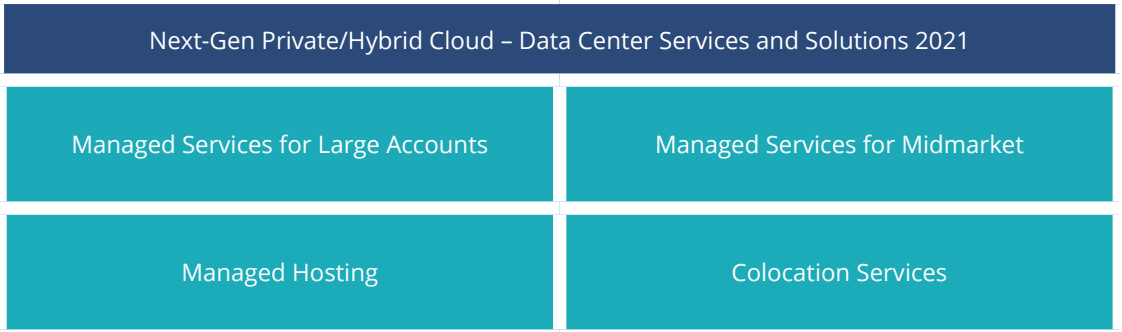
Managed services for midmarket trends: When compared to the large enterprise market, the midmarket continues to grow faster. Service providers are successful in bringing in new clients that had in-house data centers and are willing to experiment with the cloud. However, this market segment is witnessing intense competition, which will eventually erode service margins. Service providers in this space have gone above and beyond to satisfy their customers. To achieve this, they are also bidding the RFPs at a lower price. Midmarket enterprise clients that are concerned with costs should evaluate hybrid cloud services by considering the exit clause, as these clients mainly opt for short-term contracts. These clients provide opportunity to the midmarket providers and determine how they can leverage them better in terms of cost efficiencies and offering enhanced customer experience. Based on this, they will decide to engage with these providers even further and offer them additional contracts. In this quadrant, we had 22 eligible participants; of which, we have identified six leaders (Ensono, Hexaware, Mphasis, Rackspace Technology, Unisys and Zensar) and one Rising Star (Mindtree).

Managed hosting trends: A few years ago, the managed hosting market was losing its relevance. It has bounced back since the last year. Enterprises have shown growing interest in managed hosting providers, as many of them want to outsource their workload hosting to an external provider. This can help them concentrate more on their customers and not on the aging assets, following compliance regulations, security, costs, infrastructure management, etc. The managed hosting providers also have invested in next-generation technologies, and have updated their traditional infrastructure. They offer high-quality hosting services involving mainframes, bare metal services and support for all operating systems, databases and more, along with excellent connectivity to the cloud environments. Several providers have also certified themselves to cater to specific highly regulated industries, which require certifications such as HIPAA, FISMA, PCI DSS and ISO, and are constantly updating their certifications. Several large providers have exited the managed hosting market because of intense competition and lower margins. In this quadrant, we had 17 eligible participants; of which, we have identified five leaders (Ensono, IBM, Lumen, NTT and Rackspace Technology).

Colocation services trends: The colocation market has emerged as one of the faster growing segments in IT infrastructure space. Colocation providers are capitalizing on economies of scale by building out tens of megawatts at a time. The total capital expenses are spread over a larger number of megawatts, thereby lowering the effective cost per megawatt built. Some providers claim they can develop operational capacity near or below US$10 million per megawatt, which is far below what an enterprise would encounter if it had to build its own data center. ISG has observed that the U.S.-based colocation providers have diverted their focus from reducing their carbon footprint to expanding their data center footprint and building units in a traditional manner. Only few providers are committed to leveraging renewable energy to power their data centers and following their green initiatives. In this quadrant, we had 23 eligible participants; of which, we have identified six leaders (CoreSite, CyrusOne, Cyxtera, DataBank, Digital Realty and Equinix) and one Rising Star (QTS Realty).

Introduction

Simplified illustration



Source: ISG 2021

Definition

Data center outsourcing is the practice of contracting the responsibility of managing end-to-end data center assets to a third-party provider. It includes orchestration provisioning; integrated monitoring; and management of computing, storage, database, middleware resources and other components of the infrastructure; the data center may be owned by the enterprise, service provider or a third-party colocation provider. Integrated monitoring and management services are usually delivered from the provider's location through an offshore/onshore/nearshore shared service center or dedicated delivery center model, classified as remote infrastructure management (RIM) services.

Definition (cont.)

A private cloud is an extension of the existing computing environment of an enterprise and leverages the investments made in virtual infrastructure and applications. Enterprises with stringent security and governance requirements, large data volumes and tight integration (with other enterprise applications and workflows) needs may prefer on-premises or a private cloud environment characterized by hardware hosted locally at a client facility. IT service providers can also create private clouds with scalable virtual compute, networking and storage resources running in their data centers or over a shared infrastructure and configure them to isolate a private cloud.

A hybrid cloud combines the best of on-premises, private and public cloud. It connects the existing on-premises infrastructure services with a private or public cloud, or both. The goal, while combining services and data from a variety of cloud models, is to create a unified, automated and well-managed computing environment. One of the fundamental advantages of hybrid cloud deployment is the high degree of control offered to the organization; hybrid clouds allow businesses to leverage the capabilities of public cloud platform providers, but without the need to offload their entire data to a third-party data center. This provides greater flexibility while keeping the vital components within the company's firewall.

The ISG Provider Lens™ study offers the following to IT decision-makers:

- A differentiated positioning of providers based on competitive strengths and portfolio attractiveness
- A perspective on different markets, including the U.S., Germany, Switzerland, the U.K., Nordics and Brazil

ISG studies serve as an important decision-making basis for positioning, key relationships and go-to-market considerations. ISG advisors and enterprise clients also use information from these reports to evaluate current vendor relationships and potential engagements.

Scope of the Report

In this ISG Provider Lens™ quadrant study, ISG includes the following four quadrants on next-gen private/hybrid cloud – data center services and solutions:

Managed Services for Large Accounts: This market covers the provider's ability to deliver ongoing management services for data center infrastructures in the client's data center or the service provider facilities or even co-located in a third-party facility. Large enterprise clients are subject to strict regulations that add complexities. They typically have more than 5,000 employees and generate revenues of more than US$1 billion.

Managed Services for the Midmarket: This quadrant assesses a service provider's ability to offer ongoing management services on data center infrastructure for medium-sized businesses. The enterprise client typically has less than 5,000 employees or generates less than US$1 billion in revenue.

Managed Hosting: This quadrant assesses service providers that offer standalone enterprise-grade hosting solutions using their assets. They take responsibility for the day-to-day management and maintenance of data center assets such as servers, storage and operating systems.

Colocation Services: This quadrant assesses service providers that offer professional and standardized data center colocation. These providers typically supply network connectivity, the access point for various hosting providers, system houses, independent software vendors, and carriers or telecommunication providers.

Provider Classifications

The provider position reflects the suitability of IT providers for a defined market segment (quadrant). Without further additions, the position always applies to all company sizes classes and industries. In case the IT service requirements from enterprise customers differ and the spectrum of IT providers operating in the local market is sufficiently wide, a further differentiation of the IT providers by performance is made according to the target group for products and services. In doing so, ISG either considers the industry requirements or the number of employees, as well as the corporate structures of customers and positions IT providers according to their focus area. As a result, ISG differentiates them, if necessary, into two client target groups that are defined as follows:

- **Midmarket**: Companies with 100 to 4,999 employees or revenues between US$20 million and US$999 million with central headquarters in the respective country, usually privately owned.
- **Large Accounts**: Multinational companies with more than 5,000 employees or revenue above US$1 billion, with activities worldwide and globally distributed decision-making structures.

Provider Classifications

The ISG Provider Lens™ quadrants are created using an evaluation matrix containing four segments (Leader, Product & Market Challenger and Contender), and the providers are positioned accordingly.

Leader

The Leaders among the vendors/providers have a highly attractive product and service offering and a very strong market and competitive position; they fulfill all requirements for successful market cultivation. They can be regarded as opinion leaders, providing strategic impulses to the market. They also ensure innovative strength and stability.

Product Challenger

The Product Challengers offer a product and service portfolio that provides an above-average coverage of corporate requirements, but are not able to provide the same resources and strengths as the Leaders regarding the individual market cultivation categories. Often, this is due to the respective vendor's size or weak footprint within the respective target segment.

Market Challenger

Market Challengers are also very competitive, but there is still significant portfolio potential and they clearly fall behind the Leaders. Often, the Market Challengers are established vendors that are somewhat slow to address new trends due to their size and company structure, and therefore have some potential to optimize their portfolio and increase their attractiveness.

Contender

Contenders still lack mature products and services or sufficient depth and breadth in their offering, but also show some strengths and improvement potential in their market cultivation efforts. These vendors are often generalists or niche players.

Provider Classifications (cont.)

Each ISG Provider Lens™ quadrant may include a service provider(s) which ISG believes has strong potential to move into the Leader quadrant. This type of provider can be classified as a Rising Star. Number of providers in each quadrant: ISG rates and positions the most relevant providers according to the scope of the report for each quadrant and limits the maximum of providers per quadrant to 25 (exceptions are possible).

Rising Star

Companies that receive the Rising Star award have a promising portfolio or the market experience to become a leader, including the required roadmap and adequate focus on key market trends and customer requirements. Rising Stars also have excellent management and understanding of the local market. This award is only given to vendors or service providers that have made significant progress toward their goals in the last 12 months and are expected to reach the Leader quadrant within the next 12-24 months due to their above-average impact and strength for innovation.

Not In

The service provider or vendor was not included in this quadrant. There might be one or several reasons why this designation is applied: ISG could not obtain enough information to position the company; the company does not provide the relevant service or solution as defined for each quadrant of a study; or the company did not qualify due to market share, revenue, delivery capacity, number of customers or other metrics of scale to be directly compared with other providers in the quadrant. Omission from the quadrant does not imply that the service provider or vendor does not offer this service or solution, or confer any other meaning.

Managed Services for Large Accounts - U.S.

ENTERPRISE CONTEXT

Managed Services for Large Accounts

This quadrant is relevant to enterprises across industries in the U.S., for evaluating hybrid cloud managed service providers. In this quadrant report, ISG defines the current market positioning of managed service providers in the U.S., and how they counter the key challenges faced by large enterprises in their hybrid cloud efforts. These providers are adept at managing data center infrastructure on behalf of their enterprise clients, sparing them to focus on other tasks.

Due to the COVID-19 pandemic, enterprises faced challenges related to changing work environments, enabling remote working, ensuring the health and safety of employees and providing a consistent experience to those working from home and in office premises. To be successful in the current digital business environment, enterprises must take a unified approach to their technical infrastructure across public and private clouds.

Hybrid cloud managed services can help enterprises unburden the responsibility of data center operations. Enterprises are focusing on leveraging automation, business continuity planning, AIOps and zero-touch support processes to accelerate agility in data center operations, which is enabling them to accelerate their journey to the cloud and adopt an asset-light approach to minimize on-premises footprint.

Enterprises can also benefit from a managed service provider's expertise in application modernization, cost optimization, DevOps and cloud-native journeys. Managed services providers may be able to deliver services in proximity to key client locations, which is particularly relevant for applications that are highly sensitive to latency.

IT and infrastructure leaders should read this report to better understand the relative strengths and weaknesses of managed services providers, and to ascertain how their approaches to the market can impact enterprise hybrid cloud strategies.

Software development and technology leaders should read this report to understand the positioning of managed services providers and gain a better understanding of how their offerings can impact the ongoing development of software products within an enterprise.

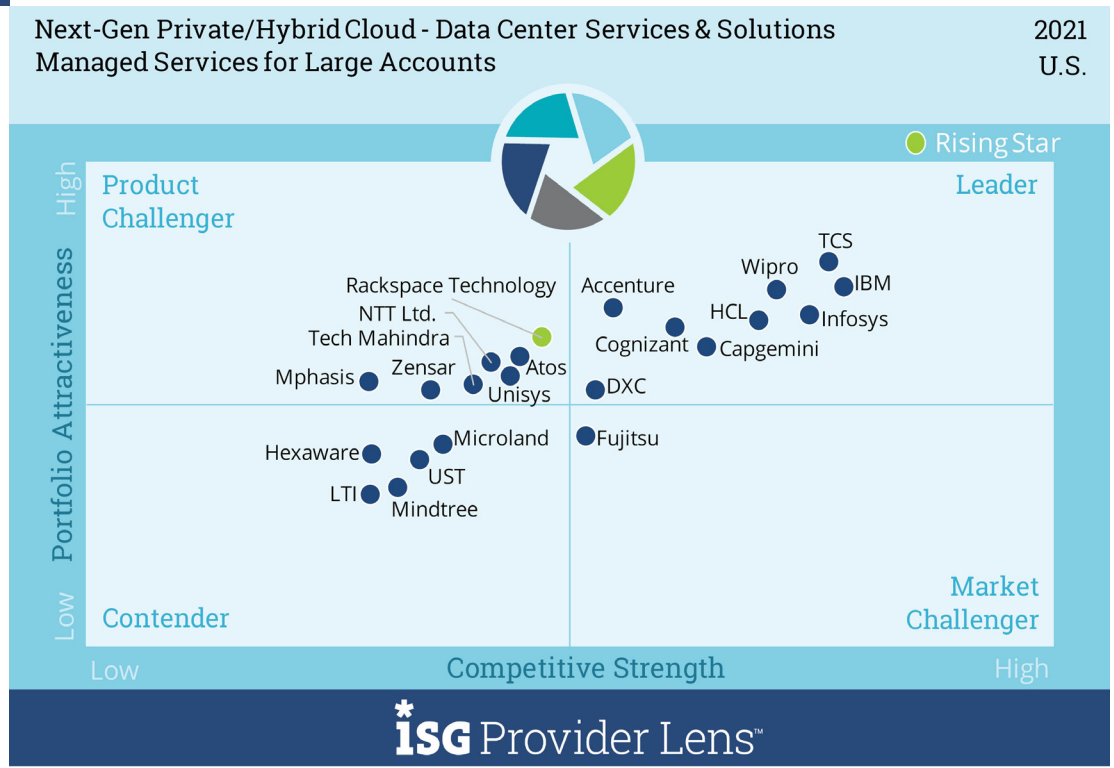
Sourcing, procurement, and vendor management professionals should read this report to have a better understanding of the current landscape of managed service providers in the U.S.

MANAGED SERVICES FOR LARGE ACCOUNTS

Definition

This quadrant assesses a provider's ability to offer ongoing management services for private and hybrid clouds, as well as traditional data center infrastructure and platforms that comprise physical and virtual servers, middleware, storage, databases and networking components. The infrastructure may reside in the client's data center or the service provider's facilities or even co-located in a third-party facility. Large enterprise clients are subject to strict regulations that add complexities. They typically have more than 5,000 employees and generate revenues of more than US$1 billion.

Participating service provider companies usually take over the transition services where they guide clients to optimize their existing IT landscape. Typical projects include large-scale data center consolidation, virtualization, cloud enablement and configuration/implementation of a software-defined data center (SDDC). Transition services also include expanding the facilities, transferring new workloads or creating new private clouds. Managed services are characterized by the transfer of



Source: ISG Research 2021

MANAGED SERVICES FOR LARGE ACCOUNTS

Definition (cont.)

responsibility to a service provider and being governed by service level agreements (SLAs) and corresponding penalties, if there are any deviations. At a broad level, these services include provisioning, enabling real-time and predictive analysis and monitoring, and operational management of a customer's on-premises, private and hybrid-cloud environments. These activities are aimed at maximizing the performance of workloads in the cloud, reducing costs and ensuring compliance and security. Participants should have the capability to manage traditional as well as cloud-native application releases, which also include continuous integration and delivery processes.

A primary difference between managed service providers and managed hosting providers is that the former ones have stronger integration practices that involve dividing monolithic and traditional applications into individual services or microservices.

Eligibility Criteria

- Ability to offer services for private and hybrid clouds and data center infrastructure (servers, middleware, storage and databases) on their own without relying on partners
- Ability to provide services within a client's premises or remotely and preferably through its shared service centers and remote infrastructure management (RIM)
- Established or emerging basic/standard relationships with one of the major public cloud hyperscale providers such as AWS, Microsoft, Google or IBM
- Experience in large transition projects that include automation, consolidation, virtualization and containerization of data centers and cloud enablement
- Ability to act as an extension of a client's IT organization and get involved in creating blueprints, architecture frameworks and management processes at the client's location
- Ability to provide a centralized orchestration/management of hybrid IT infrastructure
- Experience in business continuity planning, particularly managing a client's hybrid infrastructure remotely during the pandemic
- Appropriate certifications to ensure compliance at local level

MANAGED SERVICES FOR LARGE ACCOUNTS

Observations

Managed services have been gaining substantial traction since the COVID-19 pandemic last year, as most enterprise clients need assistance in reducing their operational expenditures and moving to a more on-demand structure of doing business. The pandemic has compelled large enterprises to accelerate their move to a cloud environment, which has increased the popularity of hybrid cloud because it offers flexibility as well as control over their infrastructure and workloads. The new tools for the assessment, planning and automated migrations have reached the desired level of reliability that allows for predictive results and better business cases.

Service providers are helping these large enterprise clients in planning the transformation of each workload to enable them to move to the cloud in the right way, rather than just lift and shift. This subsequently enables the hybrid cloud data center architecture to consider the best technology for each workload and leverage the best of both worlds. A hybrid cloud benefits large organizations with the resiliency delivered by deploying applications in multiple clouds. Other benefits include lower deployment cost, disaster recovery, and the use of modern computing technologies such as serverless, database as a service, hyper-convergence, infrastructure as code, DevOps and containers. Edge computing has been seen to grow at a slower pace than expected, mainly due to the use cases not aligning with the large investments to be done when compared to business ROIs.

Of the 34 companies assessed in this study, 22 have met the criteria to be included in this quadrant. Nine providers are leaders, and one is identified as a Rising Star for making robust investments to offer differentiated services and attract new global and local large accounts.

- **Accenture** is advocating a cloud-first strategy in its client engagements and has partnered with VMware to develop a validated SDDC design for clients to integrate their on-premises data center environments with any hyperscaler provider.
- **Capgemini** has strengthened its footprint in the U.S. market and is focused on delivering hybrid cloud services with a unified management mechanism. It is focusing on delivering high-quality legacy infrastructure modernization services on next-gen edge computing services.

MANAGED SERVICES FOR LARGE ACCOUNTS

Observations (cont.)

- **Cognizant** has strong focus on automation with AI and cognitive capabilities to deliver enterprise-grade services to clients. The company stands out with its wide partnership network and strong U.S. presence.
- **DXC Technology** has a strong data center footprint in the U.S and serves a significant client base through its regional delivery centers. DXC Technology's growth has been stagnant in the last four quarters.
- **HCL's** offerings appeal to a new breed of IT service buyers that are focused on next-gen data centers based on the concepts of extreme automation, orchestration and software-defined infrastructure.
- **IBM** leads the managed services and transformation market with its large scale of operations, rich experience and a broad portfolio of offerings.
- **Infosys** has been successful in winning large infrastructure deals recently, positioning it as one of the top leaders.
- **TCS** has a robust global delivery network and has achieved significant scale worldwide. Its cognitive automation capabilities, underpinned by the ignio™ platform, are resonating well with clients.
- **Wipro's** focus on large and strategic accounts has helped it to grow its infrastructure services. It leverages its global delivery model and provides world-class data center infrastructure managed services based on robust automation and key partnerships with hyperscalers.
- **Rackspace Technology** is a new entrant this year in this quadrant and has been recognized as a Rising Star due to its new, large client wins. It has a strong infrastructure managed service practice and offers industry-leading customer support services through its Fanatical Experience™ solution.

TCS

Overview

TCS is a large global IT services provider headquartered in Mumbai, India. The company has a large, certified engineer staff globally for providing infrastructure services to the U.S.-based clients. It also has rich experience in transforming and supporting numerous data centers for its clients, and has a mix of several in-house and partner data centers in the U.S., along with various RIM locations for onshore support. In the U.S., the company has a strong presence in the banking, financial services and insurance sector, followed by telecom and retail.

Strengths

Intelligent automation solutions: TCS has been successful in securing new clients based on its ignio™ cognitive automation platform. The company assures clients of accomplishing a 40 to 60 percent of labor cost reduction in operations over the next five years. TCS also continues to enhance its existing rich solutions to manage client's infrastructure efficiently. It has bolstered its Machine First Delivery Model (MFDM™) platform by including a new AI-based module called TCS Cognix™ for offering an agile infrastructure solution. It enables enterprises achieve faster time to market, improved availability, data protection, better security and reduced operations costs.

Strong delivery capabilities for large clients: In the U.S. market, TCS has been successful in winning several large contracts with all-commodity volume ACV of more than US$15 million. When compared to its peers, TCS has stronger capabilities in terms of assets under management, and manages more than 100 owned and partnered data centers in the U.S., most of which it owns. The company also has a RIM delivery center for onshore support.

Robust partner ecosystem: TCS believes in having a strong partner ecosystem to deliver end-to-end hybrid cloud services. Apart from strategic partnerships with hyperscalers such as AWS, Azure and GCP, TCS also has strong partnership with technology vendors such as VMware, RedHat, KVM, IBM, Dell, HP, Cisco, EMC, NetApp, Hitachi, Microsoft and others to offer the best solutions to its clients.

Caution

Although TCS can service all types of clients and their IT infrastructure needs, it is being perceived as a large Indian heritage traditional infrastructure services provider. TCS needs to change this perception by increasing its marketing activity and branding itself as a next-gen hybrid cloud services provider.

2021 ISG Provider Lens™ Leader

TCS has a large-scale infrastructure services practice, along with a robust hybrid cloud solutions portfolio, while integrating robotics and automation in the infrastructure domain and implementing a software-defined everything model.

Managed Services for Large Accounts - UK

ENTERPRISE CONTEXT

Managed Services for Large Accounts

This quadrant is relevant to enterprises across industries in the U.K. for evaluating hybrid cloud managed service providers.

In this quadrant report, ISG defines the current market positioning of managed service providers in the U.K., and how they counter the key challenges large enterprises face in their hybrid cloud efforts. These providers are adept at managing data center infrastructure on behalf of their enterprise clients, sparing them to focus on other tasks.

Due to the COVID-19 pandemic, large enterprises faced challenges related to changing work environments, enabling remote working, ensuring the health and safety of employees and providing a consistent experience to employees working from home and in office premises. U.K. enterprises are looking for seamless delivery of data center managed services, anywhere, as a part of remote work enablement to ensure business continuity.

Enterprises in the U.K. are trying to determine the best course of technical investments in the wake of Brexit. Hybrid cloud managed services can help enterprises unburden the responsibility of data center operations by providing localized infrastructure and a robust understanding of the operating environment. They can also help enterprises comply with data protection, and data confidentiality and residency regulations.

Enterprises are focusing on leveraging automation, DevOps integrated framework, AIOps, and zero-touch support processes to accelerate agility in data center operations. They will benefit from a managed service provider's automation and AI capabilities to monitor infrastructure and predict failures to reduce maintenance costs. ISG has observed that large enterprises in the U.K. are increasingly opting for hybrid IT to avail niche talent to implement specific solutions; this is in keeping with the increasing focus on outcome-based pricing models.

At the same time, enterprises can benefit from a managed service provider's expertise in application modernization, cost optimization, DevOps and cloud-native journeys. Managed services providers may be able to deliver services in proximity to key client locations, which is particularly relevant for applications that are highly sensitive to latency.

IT and infrastructure leaders should read this report to better understand the relative strengths and weaknesses of managed services providers, as well as to ascertain how their approaches to the market can impact enterprise hybrid cloud strategies.

Software development and technology leaders should read this report to understand the positioning of managed service providers and gain a better understanding of how their offerings can impact the ongoing development of software products within an enterprise.

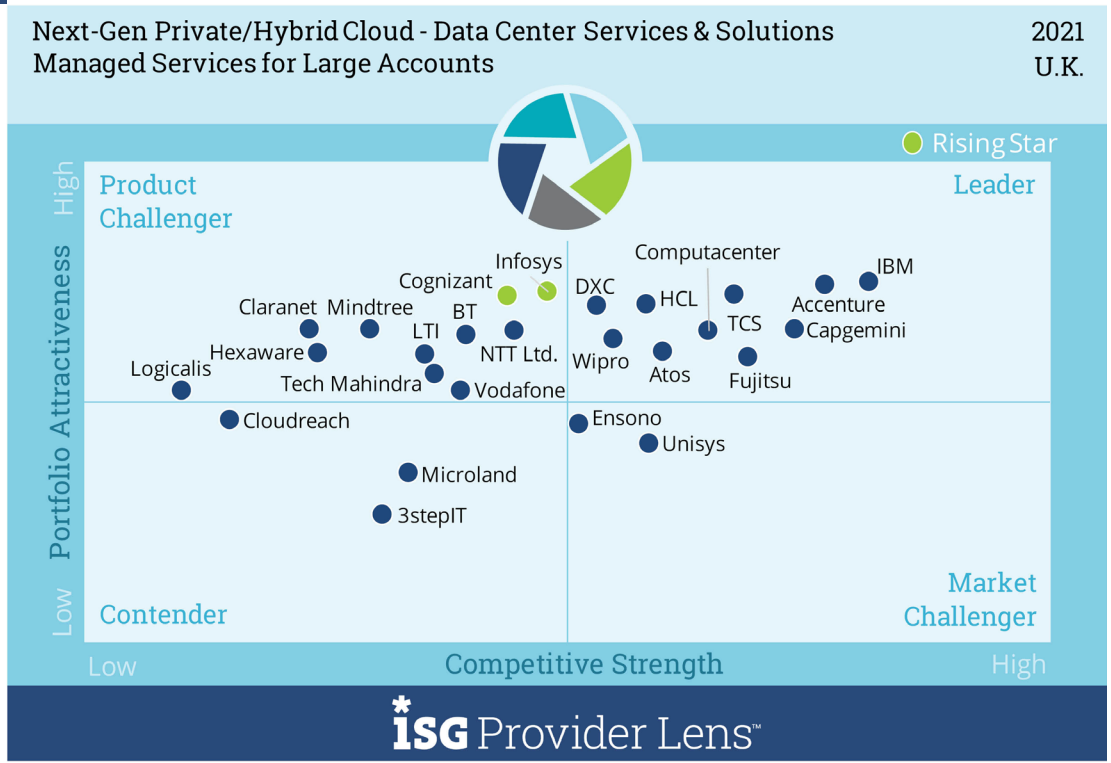
Sourcing, procurement, and vendor management professionals should read this report to have a better understanding of the current landscape of managed service providers in the U.K.

MANAGED SERVICES FOR LARGE ACCOUNTS

Definition

This quadrant assesses a provider's ability to offer ongoing management services for private and hybrid clouds as well as traditional data centre infrastructure and platforms that comprise physical and virtual servers, middleware, storage, databases and networking components. The infrastructure may reside in the client's data centre or the service provider's facility, or even be co-located in a third-party facility.

Participating companies usually take over the transition services where they guide clients to optimise their existing IT landscape. Typical projects include large-scale data centre consolidation, virtualisation, cloud enablement and configuration/implementation of a software-defined data centre (SDDC). Transition services also include expanding the facilities, transferring new workloads or creating new private clouds. Managed services are characterised by the transfer of responsibility to a service provider, governed by service level agreements (SLAs) and



Source: ISG Research 2021

MANAGED SERVICES FOR LARGE ACCOUNTS

Definition (cont.)

corresponding penalties if any deviation. At a broad level, these services include provisioning, enabling real-time and predictive analysis and monitoring, and operational management of a customer's on-premises, private and hybrid-cloud environments. These activities are aimed at maximising the performance of workloads in the cloud, reducing costs, and ensuring compliance and security. Participants should have the capability to manage traditional as well as cloud-native application releases, which also include continuous integration and delivery processes.

A primary difference between managed service providers and managed hosting providers is that the former providers have stronger integration practices that involve breaking monolithic and traditional applications into individual services or microservices.

Eligibility Criteria

- Ability to service data centre infrastructure (networks, servers, middleware, storage and databases) on their own, without the need of partners
- Ability to provide services within a client's premises or remotely, and preferably through its RIM/ shared services centre
- Established or emerging basic/standard relationships with one of the major public cloud hyperscale providers such as AWS, Microsoft, Google or IBM
- Experience in large transition projects that include automation, consolidation, virtualisation and containerisation of data centres and cloud enablement
- Ability to act as an extension of a clients' IT organisation and involve in creating blueprints, architecture frameworks and management processes at the client's location
- Ability to manage high memory and compute-intensive workloads and consulting on individual shoring alternatives

MANAGED SERVICES FOR LARGE ACCOUNTS

Observations

According to the ISG Index Q1 2021, the European market for IT and business services remains robust, with increased demand for cloud-based services in the first quarter and continued strength in managed services. The EMEA ISG Index™, which measures commercial outsourcing contracts with ACV of US$5 million or more, shows that the ACV for the combined market, which includes both as-a-Service and managed services, rose by 20 percent year over year, reaching US$6.0 billion, but dropped by 5 percent when compared to the fourth quarter. The ACV of managed services in the UK increased by 20 percent when compared to the previous year, reaching US$866 million. A noteworthy point is that the dynamics of IT outsourcing deals in the region have changed. The typical recently awarded contract has been a combination of classic IT outsourcing, in-flight consulting projects and rebadging of existing in-house IT resources to a new incumbent. To address the enterprise demand for IT outsourcing deals in the region, suppliers are investing jointly to accelerate client's hybrid IT transformation journey. Stakeholders acting as joint growth partners in the client's transformation journey, which is a positive move in the market.

In this quadrant, we evaluated 26 providers, of which 10 are Leaders and two Rising Stars.

- **Accenture** leads the hybrid cloud managed services space, with its cloud-first strategy. It strengthened its portfolio by a series of acquisitions in the cloud and digital spaces.
- **Atos** offers end-to-end hybrid IT portfolio with its new Atos OneCloud offering, which involves cloud advisory consulting, application transformation expertise, prebuilt cloud accelerators and innovative talents to enable a secure cloud journey for clients.
- **Capgemini** offers robust hybrid IT capabilities with a unified management mechanism that uses its eAPM cognitive analytics platform to provide data-driven visual insights to accelerate transformation.
- **Computacenter** has a broad portfolio of services and tools stack that help clients with its zero-touch and one-touch IT operations. The company has strategic partnerships with all top technology vendors to address various client requirements.

MANAGED SERVICES FOR LARGE ACCOUNTS

Observations (cont.)

- **DXC Technology** offers intuitive AIOps in its managed services offering that provides real-time insights into the business and operations, including data mining, machine learning (ML) and predictive intelligence.
- **Fujitsu** offers a comprehensive managed services portfolio with a productised IP-based approach and framework. It has many clients across the healthcare and financial service verticals in the U.K.
- **HCL** is one of the leading managed services providers in the U.K. that has shown positive momentum in hybrid IT deals.
- **IBM** accelerated its hybrid cloud managed services with the acquisition of Red Hat and offers automation through its Watson® platform.
- **TCS** provides autonomous IT operations to its managed services clients through the ignio™ platform. It helps with hybrid IT management for several enterprises in the U.K.
- **Wipro** offers an end-to-end infrastructure modernisation portfolio in the data centre segment. It also offers AIOps capabilities through the Holmes platform to enable high business outcomes for its clients.
- **Cognizant** (Rising Star) takes a consultative approach and offers autonomous IT operations that help in its clients' transformation journey.
- **Infosys** has shown a positive momentum in the region with its net new and existing new client's base expansion in the UK region.

TCS

Overview

TCS has been one of the leading providers of hybrid IT solutions and services in the U.K. over the last few years and continues to win major deals, registering sustainable growth. It serves large enterprise hybrid IT clients through 20 delivery centres across the U.K. Additionally, the company focusses on building local expertise in and around the U.K. to manage regional clients.

Strengths

Strategic investments to increase local expertise: TCS continues to build local talent in the U.K. through various professional development initiatives and digital skills programs. For example, the TCS Digital Explorers program in the U.K. offers young professionals an insight into the digital industry. The program is run in seven cities across the U.K. and aims to tackle the digital skills gap among young professionals from diverse backgrounds. TCS has advanced automation expertise and extensive experience in delivering intelligent automation projects to multiple industries in the U.K.

Autonomous IT operation: TCS ignio™ AIOps is an AI-driven software that judiciously combines enterprise IT context, insights and automated actions to deliver resilient, agile and autonomous IT operations, while eliminating repetitive manual processes and contentious war rooms. It acts as an intelligent virtual expert that detects and assesses the deviation in system behaviour, triages and resolves the incidents, predicts the future state, and prescribes actions proactively to prevent any disruptions of data centre operations. TCS Cognix™ for agile infrastructure is an AI-driven human-machine collaboration suite powered by MFDM™, helps enterprises gain a competitive edge through cognitive operations in data centre operations and hybrid infrastructure managed service.

Strong portfolio foundation and niche experts: The firm has essential cloud foundation tools and products to assist and guide enterprises through all required phases of the cloud journey. Its hybrid IT consulting and professional services enable clients to craft their hybrid IT transformation journey at an accelerated pace.

Caution

While TCS offers a wide range of hybrid IT service offerings, it is important to ensure that its prospective clients do not find the range of offerings to be complex.

2021 ISG Provider Lens™ Leader

TCS's hybrid IT managed and consulting services focus on design thinking, technology enablement and change adoption — the key areas for successful hybrid IT transformation.

Managed Services for Large Accounts - Nordics

ENTERPRISE CONTEXT

Managed Services for Large Accounts

This quadrant is relevant to large enterprises across industries in the Nordics, for evaluating hybrid cloud managed service providers.

In this quadrant report, ISG defines the current market positioning of managed service providers in the Nordics and the way they counter the key challenges faced by large enterprises in their hybrid cloud efforts. These providers are adept at managing data center infrastructure on behalf of these enterprise clients, thereby sparing them to focus on other tasks.

Due to the COVID-19 pandemic, enterprises faced challenges related to changing work environments, enabling remote working, ensuring the health and safety of employees and providing a consistent experience to employees working from home and in office premises. Therefore, Nordics enterprises are looking for a seamless delivery of data center managed services anywhere, as a part of enabling remote working to ensure business continuity. This has, in turn, accelerated investments in IT outsourcing deals among enterprises.

Using hybrid cloud managed services can help enterprises unburden the responsibility of data center operations by providing a localized infrastructure and a robust understanding of the operating environment. At the same time, managed service providers can help enterprises in the Nordics comply with critical regulations, including the ones regarding data protection and data residency.

Enterprises are focusing on leveraging automation, DevOps integrated framework, AIOps and zero-touch support processes that can accelerate agility in data center operations. They will benefit from a managed service provider's automation and AI capabilities to monitor infrastructure and predict failures to reduce maintenance costs.

Enterprises can also benefit from a managed service provider's expertise in application modernization, cost optimization, DevOps and cloud-native journeys. Managed services providers may be able to deliver services in proximity to key client locations, which is particularly relevant for applications that are highly sensitive to latency.

IT and infrastructure leaders should read this report to better understand the relative strengths and weaknesses of managed services providers, and to ascertain how their approaches to the market can impact enterprise hybrid cloud strategies.

Software development and technology leaders should read this report to understand the positioning of managed services providers and gain a better understanding of how their offerings can impact the development of software products within an enterprise.

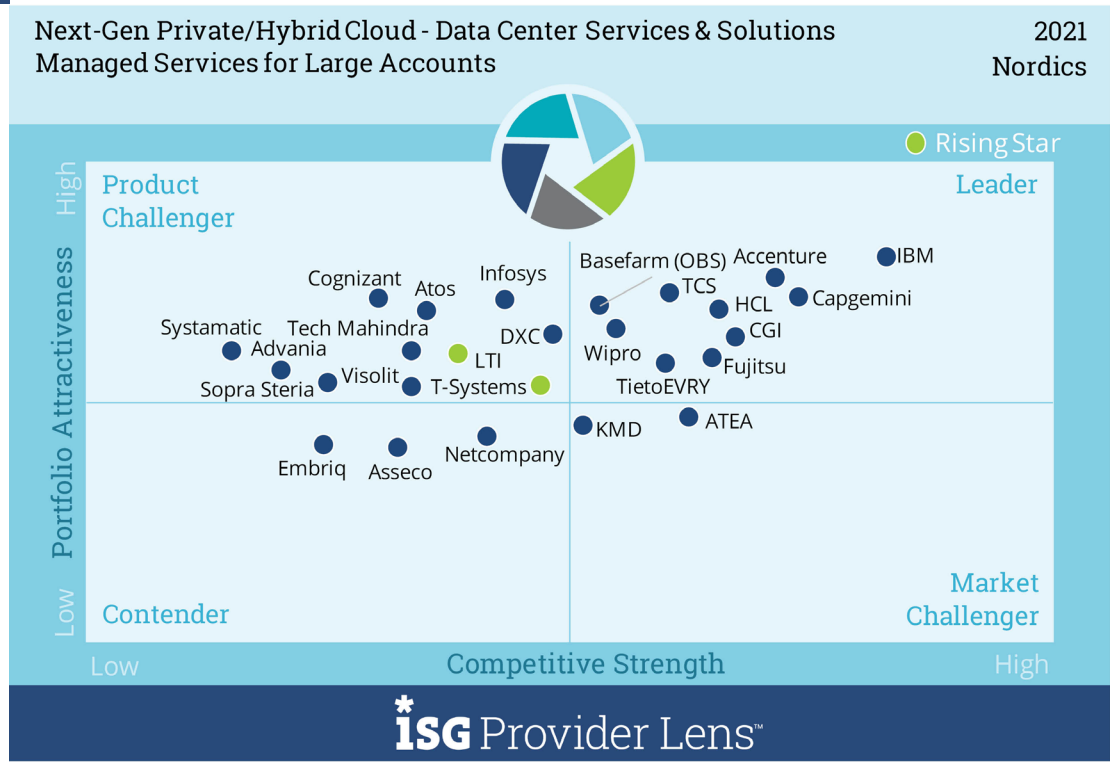
Sourcing, procurement, and vendor management professionals should read this report to have a better understanding of the current landscape of managed services providers in the Nordics.

MANAGED SERVICES FOR LARGE ACCOUNTS

Definition

This quadrant assesses a provider's ability to offer ongoing management services for private and hybrid clouds and traditional data center infrastructure and platforms that comprise physical and virtual servers, middleware, storage, databases and networking components. The infrastructure may reside in the client's data center or the service provider's facilities, or even be co-located in a third-party facility.

Participating companies usually take over transition services, guiding clients to optimize their existing IT landscape. Typical projects include large-scale data center consolidation, virtualization, cloud enablement and configuration/implementation of a software-defined data center (SDDC). The services also help in expanding the facilities, transferring new workloads or creating new private clouds. Managed services are characterized by the transfer of responsibility to a service provider and



Source: ISG Research 2021

MANAGED SERVICES FOR LARGE ACCOUNTS

Definition (cont.)

governed by service-level agreements (SLAs), with penalties for any deviation. At a broad level, these services include provisioning, enabling real-time and predictive analysis, and monitoring and operational management of a customer's on-premises, private and hybrid cloud environments. These activities are aimed at maximizing the performance of workloads in the cloud, reducing costs and ensuring compliance and security. Participants should have the capability to manage traditional and cloud-native application releases that include continuous integration and delivery processes.

A primary difference between managed service providers and managed hosting providers is that the former has stronger integration practices that involve breaking monolithic and traditional applications into individual services or microservices.

Eligibility Criteria

- Ability of provider to service data center infrastructure (networks, servers, middleware, storage and databases) on its own and not through partners
- Ability to provide services within a client's premises or remotely, and preferably through its RIM/ shared services center
- Should have established or emerging basic/standard relationships with one of the major public cloud hyperscalers such as AWS, Microsoft, Google or IBM
- Demonstrate experience in large transition projects, covering automation, consolidation, virtualization and containerization of data centers and cloud enablement
- Ability to act as an extension of a client's IT organization and create blueprints, architecture frameworks and management processes at a client's location
- Capability to manage high-memory and compute-intensive workloads and advise on individual shoring alternatives

MANAGED SERVICES FOR LARGE ACCOUNTS

Observations

IT outsourcing in the Nordics has experienced significant growth in the last couple of years, and this trend is likely to continue. IT infrastructure services have become a commodity that most organizations are outsourcing. In 2020, enterprises in the region were investing heavily in IT infrastructure equipment and services (including high-performance computing, integration services, hybrid IT outsourcing) for both cloud and traditional IT infrastructure. The market is driven by digital transformation initiatives and the need for a more agile IT delivery mechanism that requires infrastructure modernization and the use of next-generation cloud technologies such as high-performance computing, microservices and container services.

The pandemic has caused a downturn in the overall business growth across industries. Enterprises across verticals in the Nordics are seeking immediate discounts and changes in existing IT contracts for the coming years. It is thus important for providers to offer a variety of services to clients such as deep automation during transition, elevation of services and rebadging of in-house IT services. Many companies have been expediting their long-term digital plans such as incremental and disruptive automation and technology implementation. This drives the overall growth in the consulting and transformative IT outsourcing services market.

Most leaders in this quadrant can support large players in the transformation of their data centers and managed IT infrastructure, and can help midsized clients remain competitive and operational. Out of the 25 providers that have qualified for this quadrant, 10 have been identified as Leaders and two as Rising Stars:

- **Accenture** leads in the hybrid IT and multi-cloud consulting services market with its strong portfolio, backed by a series of acquisitions in the digital segment.
- **Basefarm (OBS)** has been investing heavily in strategic services for business models with the introduction of cloud services and initiatives in transformation and multisourcing.
- **Capgemini** offers strong consulting services to help clients streamline their IT functional processes and operational efficiencies. It has a large pool of digital and physical resources with specializations in consulting, technology consulting and digital transformation services.
- **CGI** has an end-to-end portfolio of capabilities such as strategic IT and business consulting, systems integration, managed IT and intellectual property (IP) solutions.
- **Fujitsu** has been serving hybrid IT services to the Nordics for more than a decade. The company has a large pool of consultants and domain experts to help clients accelerate their hybrid IT journey.

MANAGED SERVICES FOR LARGE ACCOUNTS

Observations (cont.)

- **HCL** has been witnessing significant revenue growth due to its continuous investments in the Nordics and a diversified hybrid IT portfolio.
- **IBM** has extensive experience in working with large financial institutions across the Nordics. With the acquisition of Nordcloud, the firm has bolstered its presence in the region.
- **TCS** has a presence of 15 years in the region with a rooted culture experience, providing a wide range of hybrid IT service offerings.
- **TietoEVRY** is one of the largest IT service providers in the Nordics and has strong hybrid IT capabilities.
- **Wipro** offers boundaryless hybrid IT services and an end-to-end infrastructure modernization portfolio on data hybrid IT services.
- **LTI** (Rising Star) has modular service offerings and is committed to driving value for clients.
- **T-Systems** (Rising Star) has established partnerships with many Nordics-based clients to address their specific hybrid IT needs.

TCS

Overview

TCS has been present in the Nordics since 1991, serving more than 50 clients in the SDDC environment. Its managed services revenues have grown year over year. However, its hybrid IT infrastructure and automation practice experienced flat-and-thin revenue growth year over year. The company has a network of wholly virtualized owned or partnered data centers. TCS serves more than 50 clients with its proprietary Machine First Delivery Model™ (MFDM™) that puts AI and automation at the heart of an enterprise, making business operations and supply chains more business resilient.

Strengths

Robust delivery capabilities: TCS has onshore, offshore and nearshore integrated delivery centers to address the needs of Nordic enterprises. Its integrated delivery center is focused on helping clients to serve in a secure manner and comply with the high data sovereignty and data protection requirements in Europe.

MFDM™: This TCS model has elevated the experience of Nordics-based clients by automating their hybrid cloud workload services. Its plug-and-play ecosystem, comprising intelligent platforms with AI and ML capabilities in chatbots, offers smart decision support and the ability to act in real time. Enterprise clients are widely adopting the Machine First Delivery Model™ (MFDM™) to get real-time data for an action model and focus more on the core business portfolio. TCS Cognix™ Infrastructure is an AI driven human-machine collaboration suite powered by MFDM, helps enterprises gain competitive edge through cognitive data center operations and hybrid infrastructure managed service.

Focus on revenue growth across Nordics: TCS has a robust growth plan for the region with a dedicated country manager for each country. These sales leads assess opportunities in the region and maintain client relationships to expand business. This approach has been widely appreciated by many clients.

Caution

While TCS has onboarded multiple clients in multi-cloud and digital transformation, it should focus on large IT managed service outsourcing deals with Nordic companies.

The company could look into other industry segments such as the public sector, where there is significant potential for growth.

2021 ISG Provider Lens™ Leader

TCS's hybrid IT focuses on the client's IT operational services, technology enablement and change adoption, which are all key areas for a successful hybrid IT transformation.

Methodology

METHODOLOGY

The research study "ISG Provider Lens™ 2021 – Private/Hybrid Cloud – Data Center Outsourcing services and solutions" analyzes the relevant software vendors/ service providers in the U.S. market, based on a multi-phased research and analysis process, and positions these providers based on the ISG Research methodology.

The study was divided into the following steps:

1. Definition of Private/Hybrid Cloud – Data Center Outsourcing services and solutions market
2. Use of questionnaire-based surveys of service providers/vendor across all trend topics
3. Interactive discussions with service providers/vendors on capabilities and use cases
4. Use of ISG's internal databases and advisor knowledge and experience (wherever applicable)
5. Detailed analysis and evaluation of services and service documentation based on the facts and figures received from providers and other sources.
6. Use of the following key evaluation criteria:
   - Strategy & vision
   - Innovation
   - Brand awareness and presence in the market
   - Sales and partner landscape
   - Breadth and depth of portfolio of services offered
   - Technology advancements

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