

# **TCS: One of the fastest-growing IT infrastructure services providers in Europe**

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## 1. INTRODUCTION

Today, businesses of all sizes and sectors are more dependent on available, agile and secure IT infrastructures than ever before. And with the increasing digitalization of processes, coupled with mega trends such as mobile, social, cloud or big data, which will have a direct impact on the future competitiveness of businesses, this dependence is still on the increase.

At the same time, companies have to deal with budget restraints on the one hand, and with the need to adapt their business and technology strategies, as well as to handle the increasing complexity of their infrastructure landscapes on the other hand.

But not only the complexity of the IT infrastructures, but also the choice of the best services partner is challenging.

On the one hand, there are, given the emergence of cloud computing, more options for optimization, transformation and sourcing of IT infrastructures than ever before. On the other hand, to a large extent infrastructure services can be considered as commodity, and it is not easy to differentiate between the providers.

The “ideal” infrastructure services partner should thus combine the capabilities to manage commodity services in a reliant and cost-effective way, and to accompany the client on their journey towards a future-ready IT landscape at the same time.

Tata Consultancy Services, TCS, is a provider that positions as a full service provider in the IT infrastructure space, with a global delivery network for cost-efficient production, as well as comprehensive capabilities, both regarding technology, processes and verticals.

This report analyzes and evaluates TCS’ IT infrastructure services portfolio and positioning in Europe.

## 2. TCS IN EUROPE

TCS, the IT arm of global conglomerate Tata Group, has been active in Europe since 1975, so it is clearly not a ‘newcomer’. But it really was over the past years that TCS has more rapidly emerged to one of the leading end-to-end IT service providers for the European market.

In Europe TCS has evolved from an ADM provider with a prime focus on offshore delivery to an end-to-end service provider with the capability to accompany its

The “ideal” infrastructure services partner combines cost effectiveness and innovative, transformational power

TCS' localization strategy in Europe as a basis for significant growth

customers' IT transformation. The company has reached significant size in its local focus markets to be able to start large projects with a high share of onsite resources.

Today TCS has a very comprehensive and integrated product and service portfolio including services such as consulting, system integration, outsourcing, business solutions, business process outsourcing, engineering and industrial services, as well as software assets for companies in the insurance, health, and life science sectors.

The sheer scale of the global organization, with total revenues of USD 13.4 billion and 300,000+ employees and backed by the huge Tata Group, makes TCS a strong and stable player.

Europe is an increasingly important market for TCS, accounting for almost 30% of total revenues today. TCS' European team of nearly 70,000 consultants serves more than 350 customers across the continent.

At country level, TCS's prime market within Europe is clearly the UK. Further key countries include the Nordics, Benelux, France, Germany, Switzerland, as well as Spain, Italy and Portugal.

In Continental Europe, where customers are generally less open to Indian offshore players (and English language) TCS has established a "localization strategy" for its key growth markets. It essentially consists of three elements:

- Locations adapted to local market requirements (proximity to customers);
- Adjustment of the service portfolio to local markets;
- Increasing onsite capabilities (esp. through hiring of natives) and accelerating the localization and integration of teams/processes through stronger local teams for sales/pre-sales, solutions and delivery in countries.

And this strategy has been successful. With the results for FY 2014 (ended March 31, 2014), TCS – for the first time – gained a position among the top 10 IT services players in Europe alongside long-established competitors such as IBM, Accenture, T-Systems, Capgemini etc. It is notable that TCS is the only Indian-origin player in this top league.

### 3. TCS' POSITIONING ON THE INFRASTRUCTURE SERVICES MARKET

In the infrastructure services space, around 30,000 TCS professionals serve 400+ customers worldwide, of which 50+ are Fortune 500 companies, and the company generated USD 1.7 billion, with a CAGR of 26.6% in the last 5 years.

Experience, skills and scale are key for the delivery of efficient and innovative infrastructure services

Worldwide, TCS manages more than 700,000 servers and an equal number of network devices, more than 210 PB of storage, more than 1.3 million mailboxes and 2.6 million end user devices. The provider handles more than 11.5 million service desk calls per year, and operates more than 250,000 database and middleware instances as well as more than 150,000 MIPS.

In 2013, TCS ranked among the top 20 infrastructure services suppliers worldwide.

And also in Europe, TCS ranked among the top 20 infrastructure services providers. And while almost all established players lost market share in this highly competitive environment, TCS realized significant growth, as indicated in the graph below.

TCS has been realizing impressive growth while almost all competitors are losing market shares

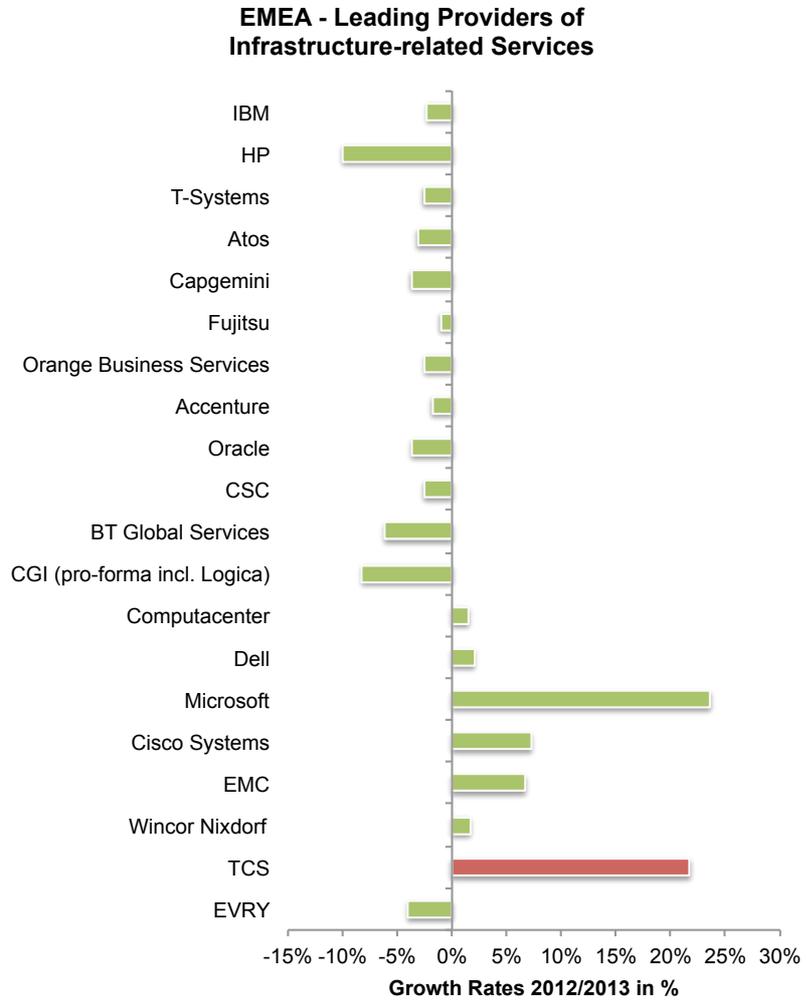


Figure 1: Top 20 Infrastructure Services Providers in EMEA – Growth 2012/13

Final figures were not yet available at the time of publication, but given the recent performance, it can be expected that TCS has been rapidly gaining further market shares.

## 4. COMPREHENSIVE INFRASTRUCTURE SERVICES PORTFOLIO

A very comprehensive infrastructure services portfolio allows a holistic transformation approach

TCS' clients benefit from a very comprehensive services portfolio, which covers the full IT infrastructure stack. Services offered range from data center, network and end user computing services to security, system and service management and transformation solutions:

- **Datacenter Management Services** support the design, transformation and operation of datacenters and enterprise IT, including data center consolidation and optimization.
- **End User Computing Services** focus on persona-centric applications, workspace collaboration and support services for increased user adoption. For this purpose, key workplace elements are unbundled and tailored to different user segments within the enterprise. The offering comprises services around traditional and virtual desktop infrastructure.
- **IT Service Desk:** multilingual services from basic IT help desk to enterprise service desk solutions. This includes complete ticket lifecycle management, proactive alerts monitoring, IT security and identity and access management.
- **Converged Network Services** comprises converged network infrastructure, unified communications, consolidation and optimization to reduce the overall expenses and leverage communication-enabled business processes.
- **Managed Security Services** encompass “build-install-implement” services around security device management and monitoring, vulnerability management, security information and event management and user provisioning and management.
- **Application Management Services** include mainframe support, application operation, database management and middleware management.
- **Enterprise System Management** provides solutions in line with industry standard frameworks, such as ITIL v3, to manage IT infrastructures. The offering includes consulting, implementation, maintenance and support, as well as shared services.
- **IT Service Management:** TCS' service management framework optimizes the delivery and management of IT services.

- **Transformation Solutions** focus on the optimization and transformation of enterprise IT infrastructure through TCS' analytics-led Enterprise Transformation Framework. They aim at transforming clients' traditional computing environments into efficient, agile and optimized infrastructure, capable of meeting business goals effectively. TCS' Transformation Solutions Group (TSG) offers customer-centric, automated and analytics-led 'as-is' state analysis to derive the target state.

### **Security Services**

Also regarding security – a key element of every IT infrastructure, and at the heart of every cloud discussion – TCS offers a full spectrum of services and solutions. The company employs more than 3,000 dedicated, certified security professionals.

Services range from managed security services to governance, risk & compliance, enterprise vulnerability management and identity & access management, to information protection.

Solutions comprise fraud management & digital forensics, a managed security operations center and public key infrastructure tools.

## 5. HOSTING & CLOUD SERVICES

TCS owns strategic locations of data centers across the globe to provide enhanced business continuity and disaster recovery. All in all the company operates 13 tier-III+ data centers across North American, EMEA and APAC regions, and is steadily expanding its data center footprint, namely in Canada, and in the Nordic and Eastern hemispheres.

The main data centers in Europe are based in the UK, Copenhagen (Denmark) and Helsinki (Finland).

TCS supports clients along their entire journey to the cloud

Also in the cloud space, TCS' portfolio is quite comprehensive. The company positions as an enabler, integrator and orchestrator of cloud solutions, and provides an integrated suite of tools for cloud design, migration and management. The cloud-related “plan-integrate-orchestrate” portfolio spans private, public and hybrid cloud architectures:

- **Cloud Advisory Services** – ranging from the analysis of the current state to the development of a cloud strategy to the definition of a target-state architecture
- **Cloud Deployment and Migration Service** – migration of cloud-ready applications and data to a cloud environment
- **Cloud Development and Assurance Service** – migration of in-house applications to IaaS and PaaS cloud platforms
- **Cloud Environment Build and Management Service** – ranging from management of IaaS, PaaS, and SaaS components to virtual desktop infrastructure (VDI)
- **Disaster Recovery Cloud Service**

Clients benefit from a very comprehensive global delivery network that combines low-cost offshore regions with various nearshore and onshore delivery locations

## 6. GLOBAL DELIVERY NETWORK

TCS is committed to maximizing quality and cost efficiency through standardized and consistent delivery processes worldwide, a globally connected workforce, and a mix of off- and onsite delivery.

TCS' clients benefit from a very comprehensive global delivery network that combines low-cost offshore regions with various nearshore and onshore delivery locations. Customers can thus choose the delivery mix that fits their individual requirements best.

From more than 25 infrastructure services delivery centers around the globe clients are served in more than 30 languages.

The company's main offshore hubs are based in India and China.

Regional delivery centers are located in Denmark (Copenhagen), Ecuador, Hungary, Mexico, the UK (Liverpool and Leamington Spa), and Uruguay.

These global and regional delivery hubs are complemented by various "nearshore" centers that promise proximity to the European customers' global locations, such as Australia, Canada, Japan, the Philippines, Singapore, Spain, the UK, and the US.

A developed partner network complements these delivery centers.

## 7. PAC EVALUATION AND OUTLOOK

It is not easy today for a supplier to differentiate in the IT infrastructure services space. Many providers have comparable skills when it comes to specific technologies, infrastructure towers or service processes.

And there are providers with comparable consulting and transformation capabilities regarding technologies, services or verticals, just as with strong local presences in European key markets, or with proven global delivery capacities.

However, there are only few providers that cover all these aspects in a consistent way.

With its flexibility, transformation capability and global delivery network, TCS increasingly forms an alternative to the established Western tier-1 players.

With its comprehensive suite of services and solutions, TCS is able to address the entire value chain of IT and operations for its customers.

And TCS cannot only rely on extensive technology and services competencies, but also leverage industry-specific insights, best practices and in-depth domain knowledge.

Strong alliances with a wide range of leading technology vendors complete TCS' capabilities, and ensure vendor-neutrality.

So far, the share of infrastructure services in TCS' European IT services business has constituted less than one quarter; the lion's share of TCS' European revenue comes from applications-related services, such as project services or application management, and BPO.

And the company is still clearly behind the leaders in the infrastructure services space with regard to total business volume. Especially in the infrastructure outsourcing market, some providers have a much longer history on the European market, and thus a significantly larger business.

But through its transformation capability and global delivery network, TCS has been successful in establishing a firm position as a key European IT services player and as a serious alternative to the established Western tier-1 players.

This is proven by its impressive growth across Europe, the large number of blue-chip reference clients, as well as high client satisfaction rates. In a survey conducted by Whitelane Research, an independent research company, 1,470 CXOs across Europe were interviewed about their satisfaction with their service providers. TCS came out number 1 in Europe, both across Infrastructure Services and Application Development, Maintenance & Testing. TCS scored number 1 ranks in the UK, Nordics, France, Germany, Switzerland and Top 3 in Benelux and Spain.

With a high level of flexibility in contracts, high fixed-price components and a clear dedication to on-time/on-budget delivery, TCS conveys a higher degree of agility and reliability than competitors – which results in a positive sentiment among customers.

The company's positioning across Europe is still unbalanced: the UK market remains a particular heavyweight. TCS needs to continue its localization strategy possibly with an even stronger focus on cultural characteristics in local markets.

This includes the establishment of data center facilities in further European countries, a requirement of many clients in Continental Europe.

But in most of its local focus markets in Europe, TCS has already reached a critical mass to be able to start large projects with a high share of onsite resources. This makes it a serious contender for large, complex project service or outsourcing engagements. And a credible and reliable partner to its Europe-based clients.

## About Pierre Audoin Consultants

From strategy to execution, PAC delivers focused and objective responses to the growth challenges of Information and Communication Technology (ICT) players.

PAC helps ICT vendors to optimize their strategies by providing quantitative and qualitative market analysis as well as operational and strategic consulting. We advise CIOs and financial investors in evaluating ICT vendors and solutions and support their investment decisions. Public institutions and organizations also rely on our key analyses to develop and shape their ICT policies.

Founded in 1976 and headquartered in Paris, France, PAC is part of the CXP Group, the leading European research & advisory firm in the field of software and IT services.

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