



How to Accelerate through Economic Disruption: Strategies for the UK&I and European Markets

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Live Tweeting #EGAnalyst

Introductions



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Today's agenda

2-3 minutes

Context setting and introductions

5-6 minutes

Everest Group perspectives, setting the stage with market context and discussion themes

40-45 minutes

Panel discussion

3-5 minutes

Summarisation

3-4 minutes

Q&A and wrap-up

POLL: How do you feel about your digital transformation spend in 2023?

- We will increase it significantly (>10%) – **31%**
- We will increase it moderately (1-10%) – **40%**
- We will maintain status quo (largely similar to 2022) – **23%**
- We will decrease it moderately (1-10%) – **6%**
- We will decrease it significantly (>10%) – **0%**



Discussion points for today

The market context

- **Macroeconomic sentiment and pent-up need for digital transformation**
- **Talent market trends**

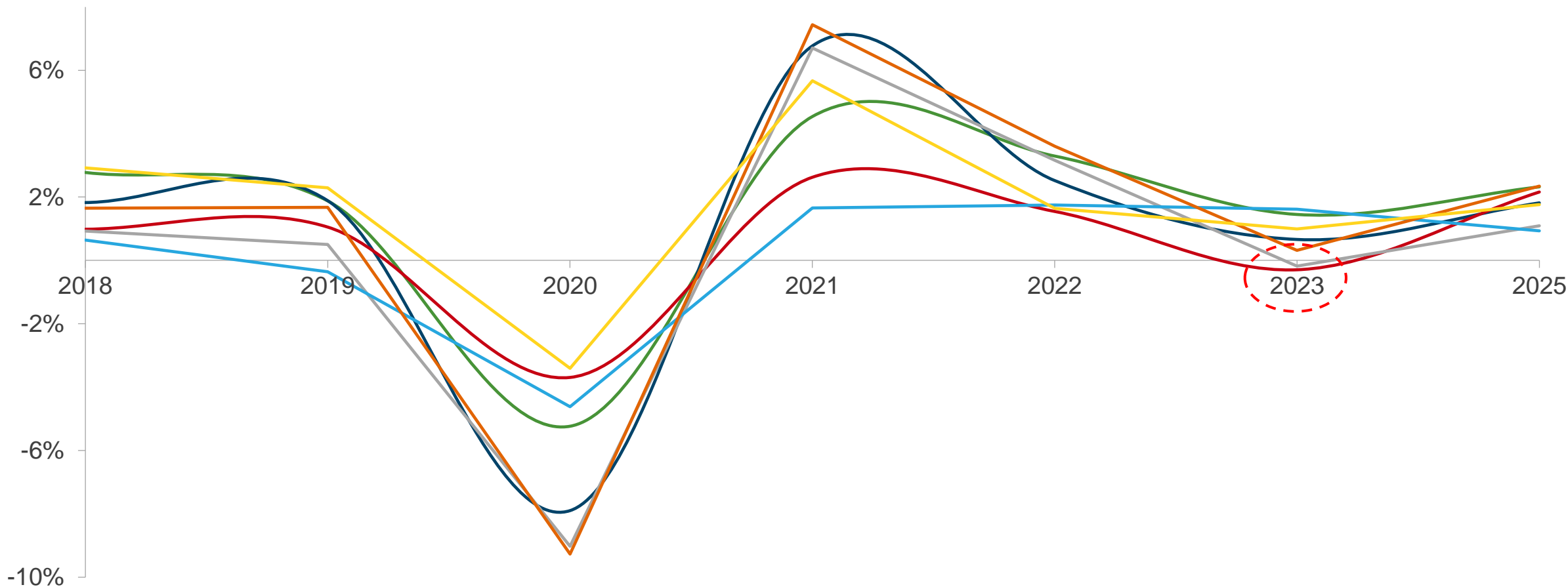
The enterprise imperative to accelerate through uncertainty

Panel discussion

While most large economies will experience a correction after the sharp recovery from the pandemic, Europe and UK&I will have sharper deceleration owing to the Ukraine war and energy/food crisis

GDP growth for G-7, constant prices
2018-25E; percentage change

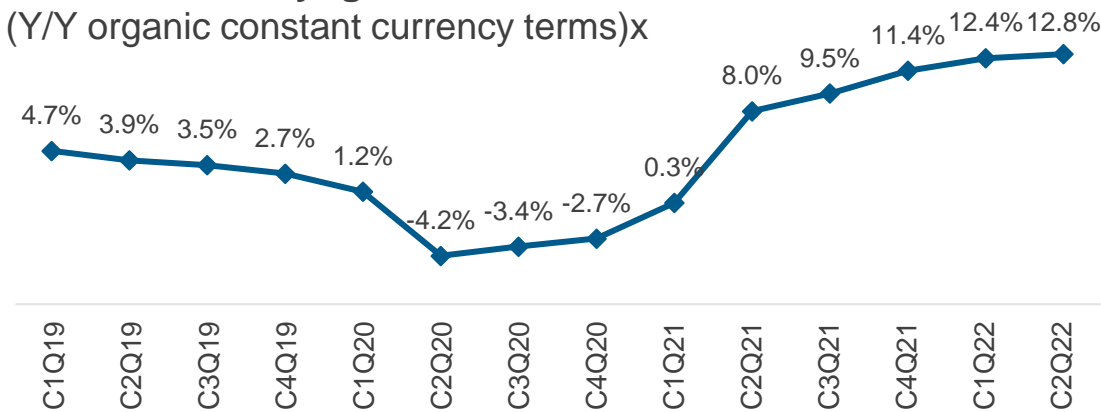
Canada France Germany Italy Japan United Kingdom United States



Source: IMF, World Economic Outlook Update, October 2022

Despite macro concerns, services demand indicators show a healthy outlook

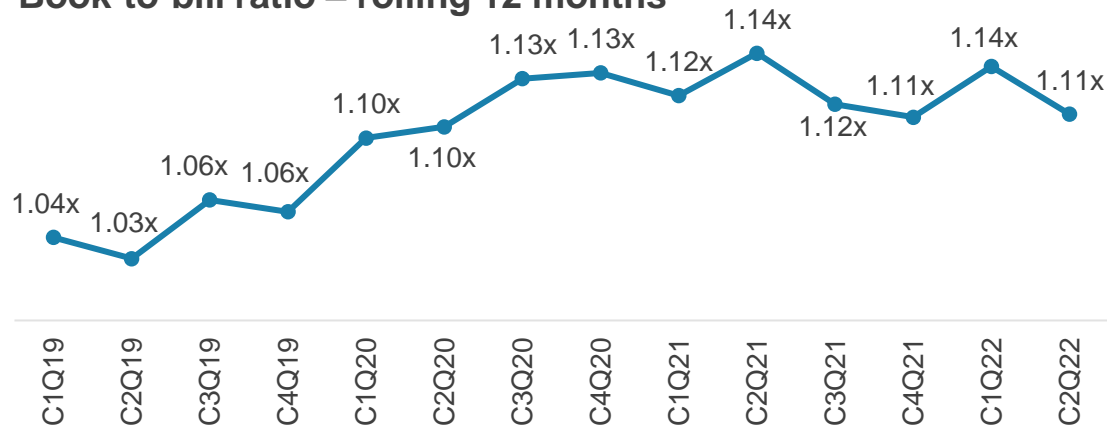
Services industry¹ growth
(Y/Y organic constant currency terms)x



	Growth guidance	Period
accenture	25.5% to 26.5% (Y/Y CC)	Year ending Aug'22
IBM	"Low double-digits (Y/Y CC)	Year ending Dec'22
Infosys	14% to 16% (Y/Y CC)	Year ending Mar'23
HCL	12% to 14% (Y/Y CC)	Year ending Mar'23
cognizant	8.5% to 9.5% (Y/Y CC)	Year ending Dec'22

¹ Based on 20 major service providers as a proxy for the services industry
² For major service providers – Accenture, TCS, Capgemini, IBM, Atos, and Kyndryl
Source: Everest Group (2022) Executive Insights™ and company reports

Book-to-bill ratio – rolling 12 months²



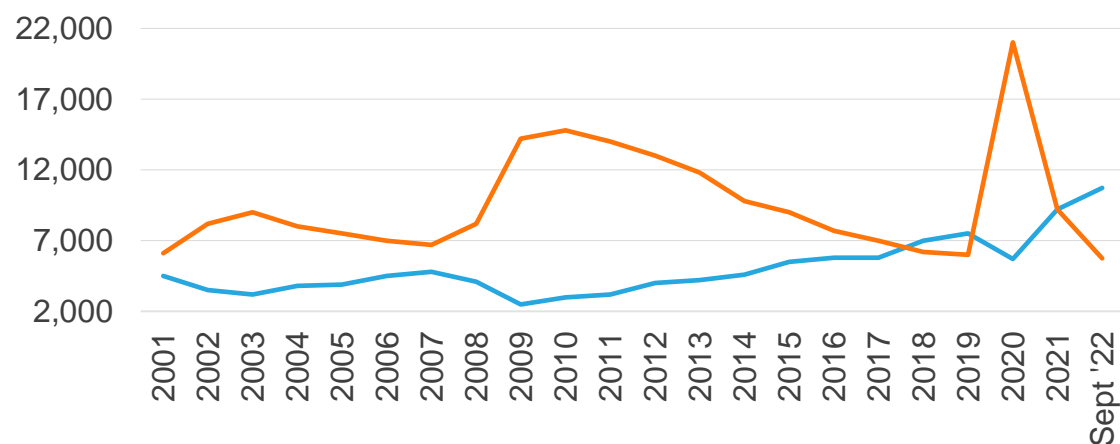
“ We remain convinced that the structural demand for digital transformation will weather the potential downturn. – **Capgemini** ”

“ Looking at the strong order book and our pipeline, this is good visibility for the next few months. We have not seen any budget cuts or deferments so far. In conversations with clients, we see continuing investments in technology. – **TCS** ”

“ The demand for our IT services is robust. Our overall pipeline is actually, in fact, at an all-time high, and it continues to be renewed as we are winning deals at a pretty good pace. – **Wipro** ”

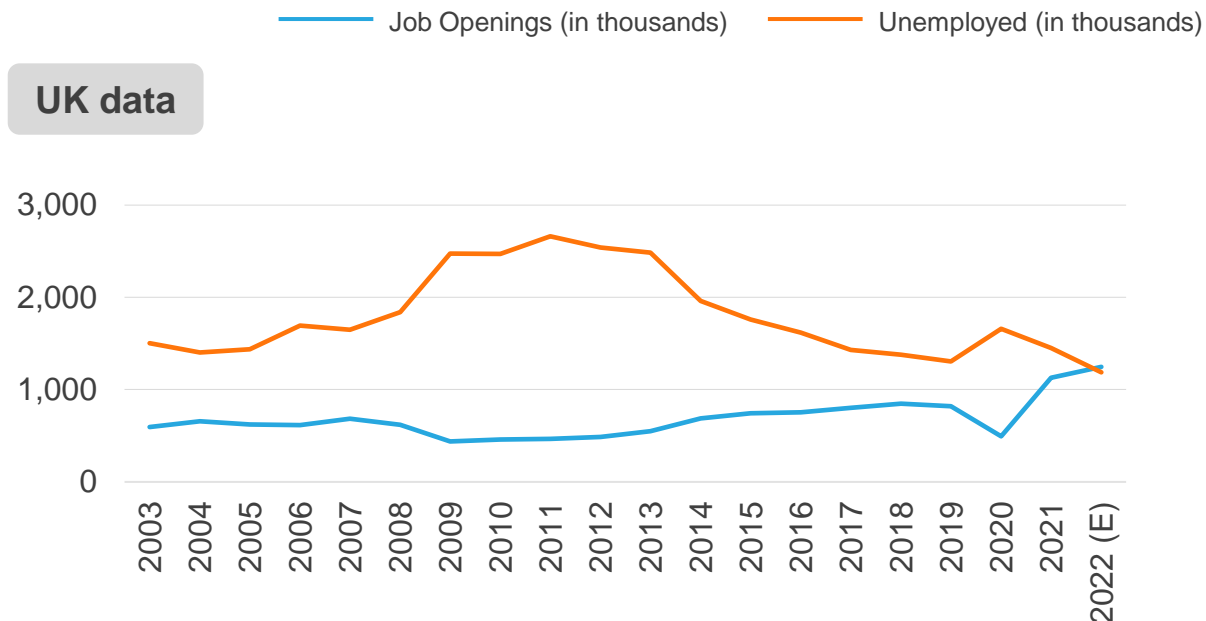
Talent remains tight despite looming fears of a recessions and early signs of workforce correction in BigTech companies

US data



- US job openings near record high: 10.7 million (as of September 2022)
- US number of unemployed persons: 5.7 million (as of September 2022)
- ~5 million more job openings than people looking for jobs

UK data

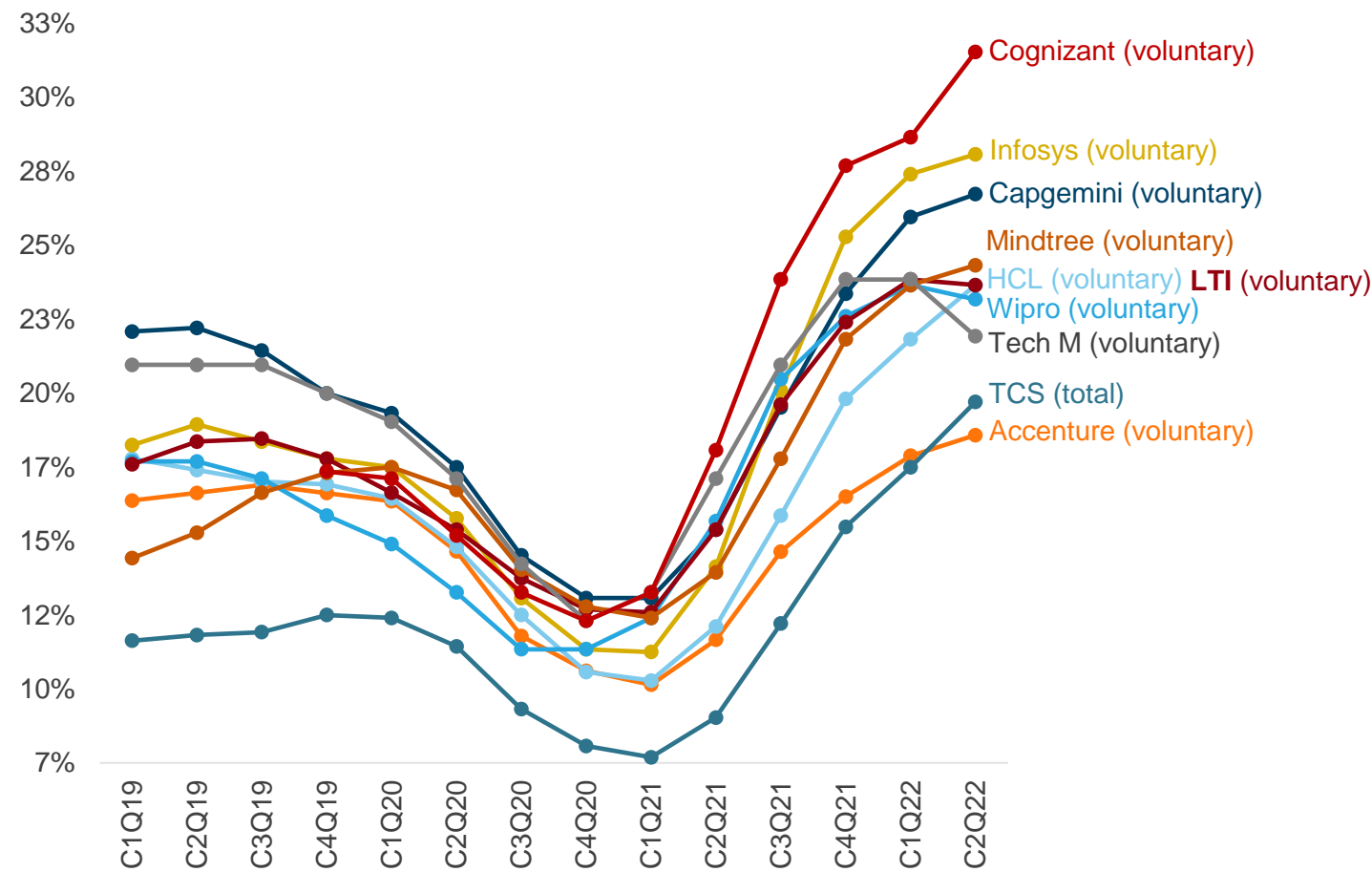


- UK job openings at record high: reached 1.25 million (in September 2022)
- UK unemployment level is at 1.18 million (in June 2022)
- Number of job openings surpassed the number of people looking for jobs

Technology spend is moving from *discretionary* spend to *core* spend for a large number of organizations

Heightened attrition is the biggest concern for service providers; we see some easing over next few quarters

LTM attrition (%)



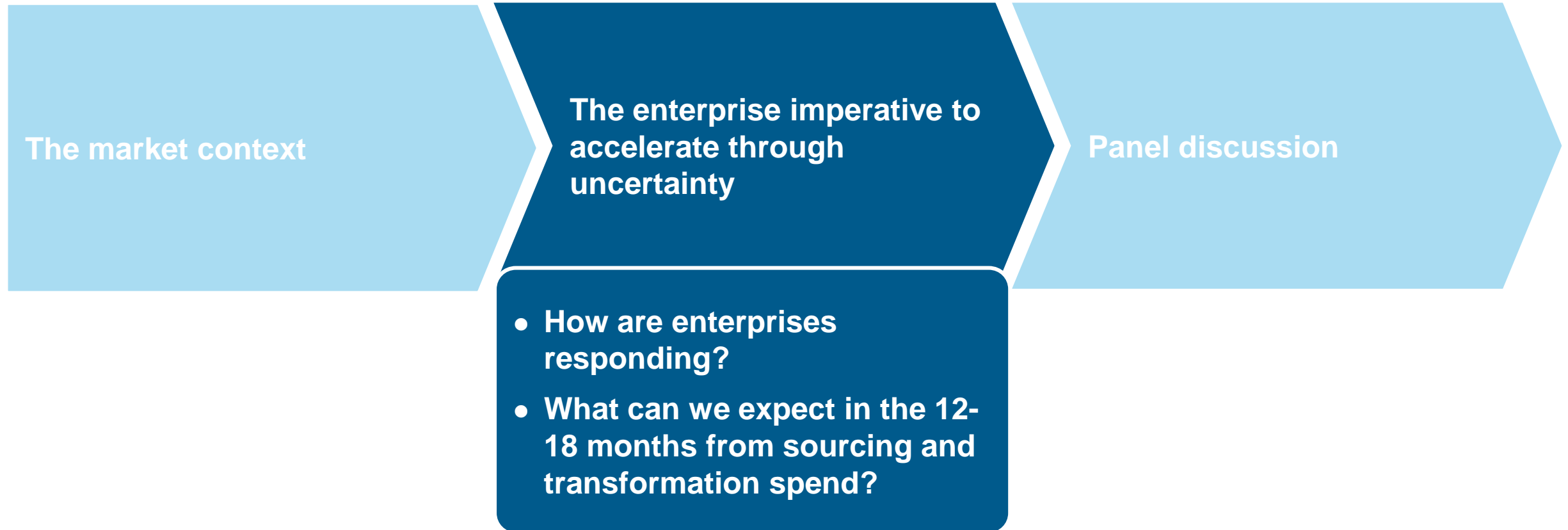
Source: Everest Group (2022) Executive Insights™ and company reports

Service providers on the severity of attrition

“ This was a quarter where we knew we had to go focus on resource fulfillment, given where we were from an attrition standpoint...that may have had even a psychological impact on our commercial team as they are focused on fulfillment and focused on pricing discussions and perhaps concerned about selling the next thing if they're worried about being able to fulfill against it. – **Cognizant's CEO in June 2022 quarter** ”

“ We expected certain things to happen in the first quarter which did not happen. And the attrition and the overall hiring and backfilling costs also continue to remain high. We were expecting that to moderate a little bit. But as we see in the first quarter, the situation was more or less the same, if not higher. – **HCL's CEO in Jun'22 quarter** ”

Discussion points for today



How are clients responding

- **Not accepting blanket price increases...focus on the roles**
Not every skill set will continue to command high pricing; know where to go higher and where to stick
- **Evaluating and evolving contracting models**
Sharpening outsourcing approaches that distinguish between run and change efforts
- **Avoiding long-term contracts**
The peak is near; hedging their bets against market volatility
- **Diversifying the supply base**
Increasing competitive tension keeps incumbents honest...and introduces additional supply to meet demand surges



Discussion points for today

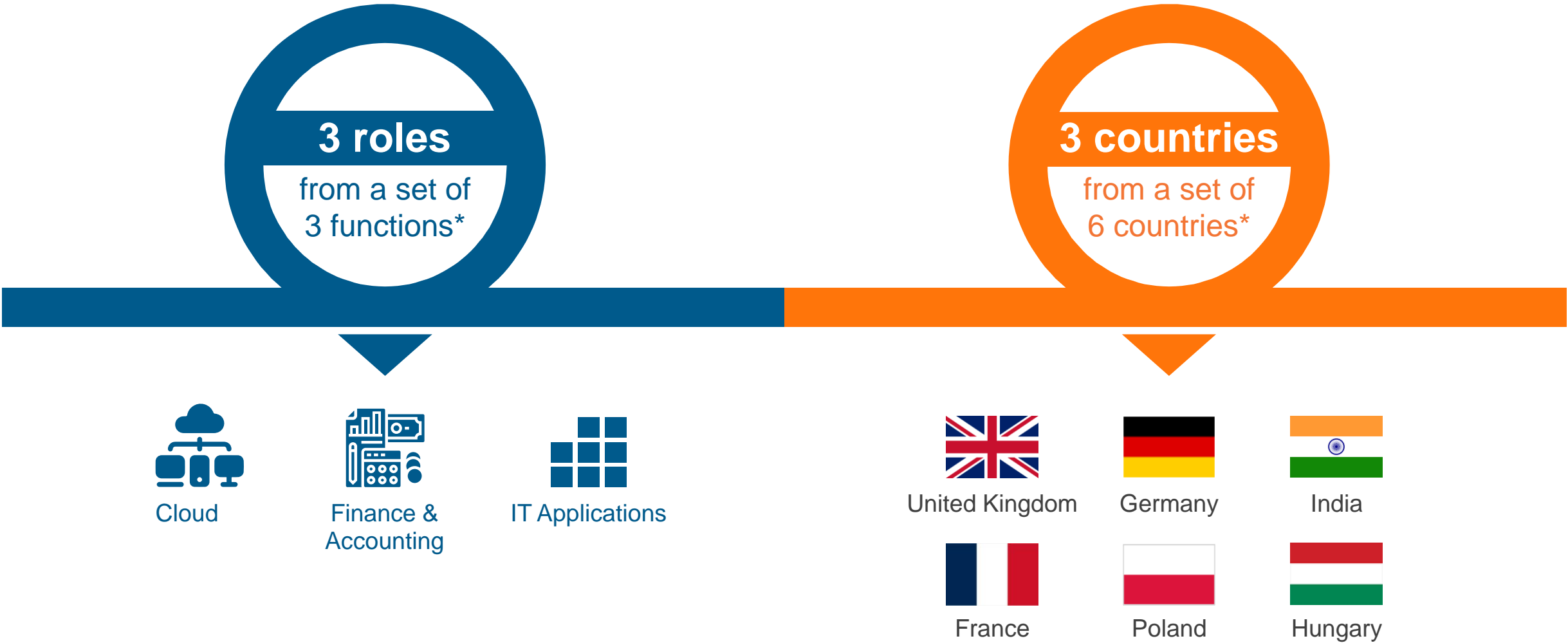
The market context

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Panel discussion

How do your outsourced services rates compare?

Buy-side enterprises can receive a complimentary price check



*Data for analysis comes from our pricing database of 250+ roles and 32 countries



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