NEAT EVALUATION FOR CAPGEMINI:

IoT Services

Market Segments: Overall and Customer Engagement focus

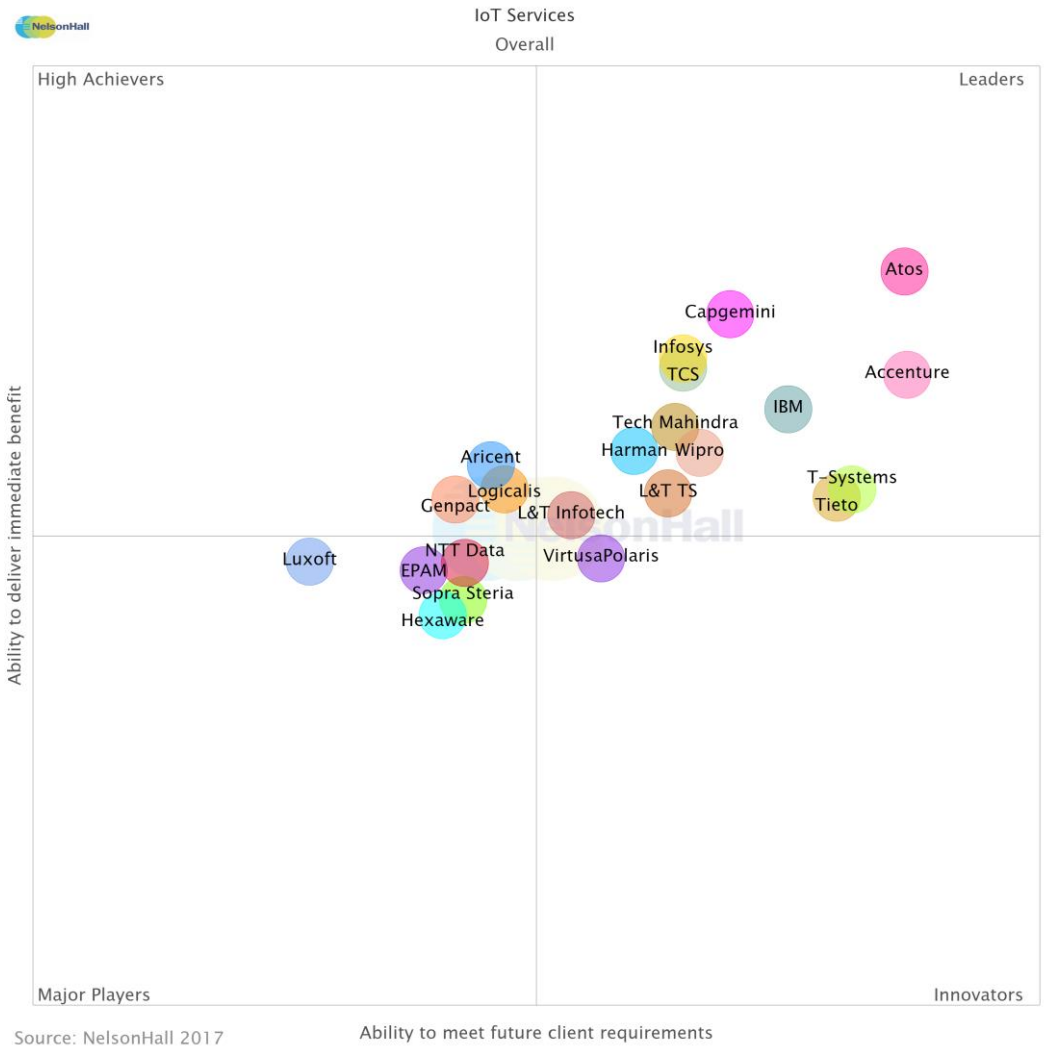
This report presents Capgemini with the NelsonHall NEAT vendor evaluation for IoT Services (Overall and Customer Engagement focus market segments). It contains the NEAT graph of vendor performance, a summary vendor analysis of Capgemini in IoT Services, and the latest market analysis summary for IoT Services. An explanation of the NEAT methodology is included at the end of the report.

The vendors evaluated are: Accenture, Aricent, Atos, Capgemini, CSS Corp, EPAM Systems, Genpact, Harman Connected Services, Hexaware Technologies, IBM, Infosys, L&T Infotech, L&T Technology Services, Logicalis, Luxoft, NTT DATA Services, Sopra Steria, Tata Consultancy Services, Tech Mahindra, Tieto, T-Systems, VirtusaPolaris, and Wipro.

Introduction

NelsonHall has assessed and evaluated Capgemini's proposition against demand for IoT Services, and has identified Capgemini as one of the leaders in the *Overall* and *Customer Engagement focus* market segments, as shown in the NEAT graphs on pages 2 and 3.

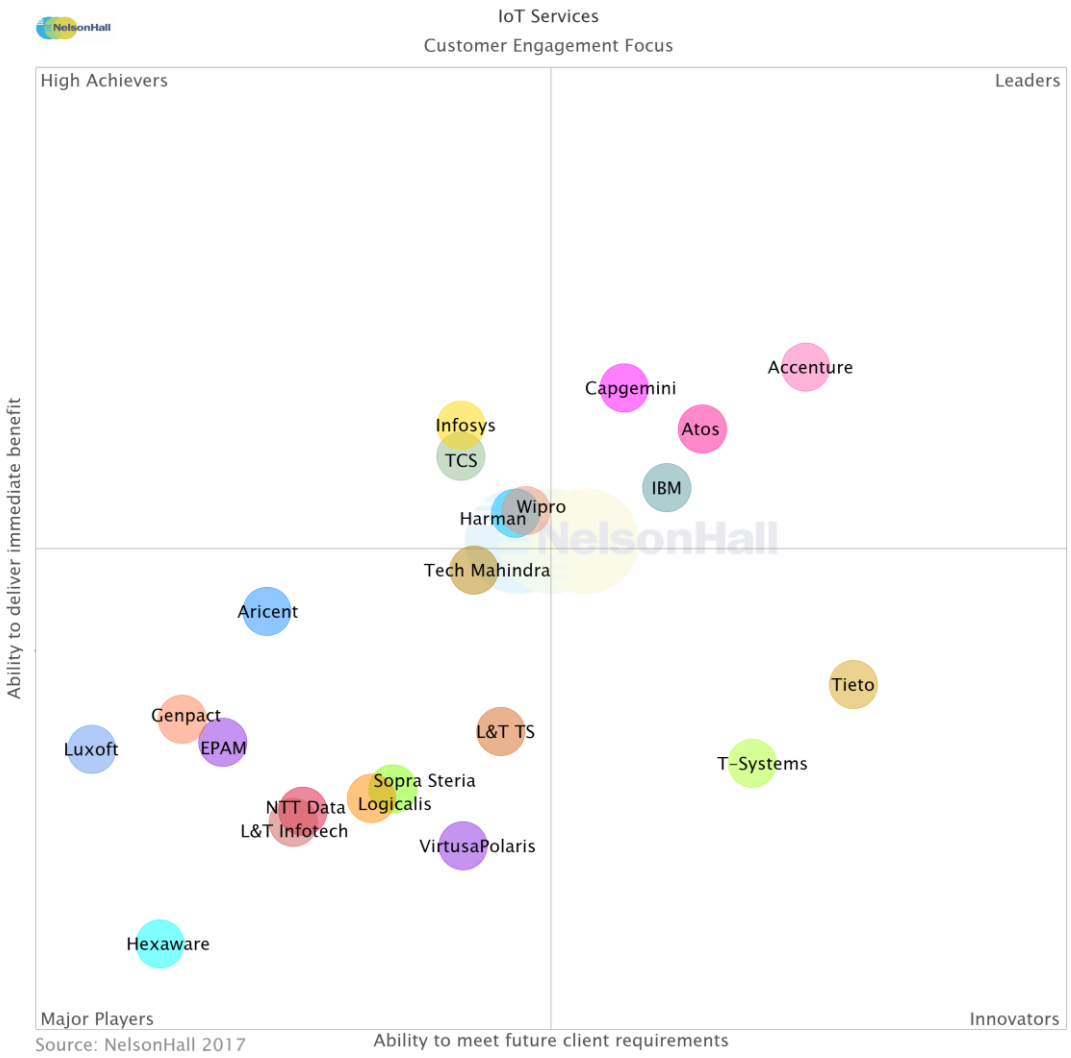
NEAT Evaluation: IoT Services (Overall)



The *Overall* market segment reflects Capgemini's overall ability to meet future client requirements as well as delivering immediate benefits to clients of its IoT Services.

Buy-side organizations can access the IoT Services NEAT tool (Overall) here.

NEAT Evaluation: IoT Services (Customer Engagement focus)



Buy-side organizations can access the IoT Services NEAT tool (Advisory, assessment and migration focus) here.

Vendor Analysis Summary for Capgemini

Overview

Capgemini created its Digital Manufacturing (DM) service line in H1 2016 to focus on the notion of Industry 4.0 which originated in Germany: effectively, the digitization of the manufacturing sector. The concept is broad and DM cuts across several service lines, taking advantage of Capgemini's positioning in consulting, IT services and in engineering and R&D services and of the growing overlap of capabilities between them (e.g. connectivity, cybersecurity, cloud computing, analytics, and manufacturing applications).

In more detail, DM targets both the product side of manufacturing (across themes including PLM services, 3D printing, and digital asset management), and the production side of manufacturing (across themes including control systems; manufacturing intelligence, i.e. product quality and preventive/predictive maintenance; digital operations, i.e. mobile apps; and augmented/virtual reality). IoT is also part of this service portfolio, applicable to both product design and production.

Digital Manufacturing is a "global service offering" cutting across Capgemini business lines (e.g. Sogeti High Tech, Application Services business lines, Consulting Services). It has responsibility over service portfolio management and delivery.

Digital Manufacturing is structured around a network of IoT CoEs, centered around one main virtual center in India, CoEs in major markets (i.e. U.S., Germany, and France), and secondary onshore CoEs. This network of IoT CoEs manages service portfolio, and is involved in solutioning. It is complemented by Capgemini Applied Innovation Exchanges (AIEs), which are digital centers to which Capgemini brings its clients to showcase technology, understand clients' business and IT issues, conduct workshops, identify solutioning, and create prototypes. As part of their activities, AIEs also contribute to bringing new IoT services to DM.

DM has positioned itself in the IoT space as a provider of the full IoT service, ranging from product design to IoT device monitoring. DM promotes its strengths in consulting (and its applied innovation exchanges), in systems integration (including its accelerators), and in engineering and R&D services.

DM primarily targets the B2B sector but also B2C organizations. Major Capgemini IoT clients include Siemens Building Technologies, Valeo, and Faurecia (the last two being automotive suppliers).

DM's IoT value proposition is to provide a full service from the device level to analytics, and to the managed IoT service levels. This includes:

- Its digital transformation consulting capabilities: including its digital centers (AIEs) and its benchmarking capabilities
- Its build capabilities: including several accelerators such as eObject
- Adjacent capabilities in other Capgemini units: e.g. big data and analytics, engineering and R&D services, and UX consulting capabilities.

Financials

NelsonHall estimates Capgemini's IoT Services revenues to be ~$25m in 2016.

Strengths

- Breadth and depth of its IoT service offering and portfolio
- Capgemini has several IP including eObject
- Capgemini has avoided the trap of developing its own IoT platform and can work with ISV partners. The IGATE acquisition has brought a relationship with GE, which it has developed to GE Digital and the Predix IoT platform. Also, the Sogeti unit of Capgemini is a tier one partner of IBM Software, which relates (in the IoT context) to IBM Watson IoT
- Adjacent services including UX/DCX, cybersecurity, big data and analytics, and its engineering and R&D capabilities.

Challenges

- Lack of verticalized IP. Given DM's focus on manufacturing and adjacent sectors such as energy and utilities and retail, NelsonHall would have expected more verticalized IP or IP-backed use cases
- Capgemini has, with DM, created a global service offering around IoT. This structure accommodates the entrepreneur-led approach of the company, brings a consistent service offering across business lines and geographies, but reflects the complex organizational structure of Capgemini.

IoT Services: Market Summary

Buy-Side Dynamics

Four main client profiles dominate the market:

- "Efficiency gain organizations": the largest client segment (representing ~65% of spending). These organizations focus on efficiency gains through resources and equipment usage optimization
- "Customer engagement improvement organizations": represent ~25% of client spending. Their primary objective is to enhance their customers' user experience, through IoT use cases including smart venues, or smart security
- "New business model organizations": the smallest client segment (~10% of IoT services spending). These organizations look to disrupt their industry through new business models, including usage based insurance, equipment as a service, and product as a service.

Market Size & Growth

IoT services spending is currently modest, with ~$2.1bn spending in 2016. This is a niche market characterized by small engagements, whether consulting or PoCs, and few mid-sized contracts.

However, market conditions are favorable for fast IoT adoption, thanks to:

- Organizational focus on digital
- Falling prices of underlying technologies (in terms of connectivity, sensors/devices, data storage).

For the IoT services market, NelsonHall has assumed that organizations will move from a discovery phase to an implementation phase, and that this acceleration will be steady over the next five years.

Currently, most IoT services spending is around consulting (including business consulting and UX), and PoCs (systems integration).

Spending on consulting will keep growing as organizations continue to explore IoT opportunities. Systems integration spending will also accelerate, thanks to organizations moving from PoCs to implementation phases, by 2019.

Alongside this initial implementation, spending in application management will increase from 2020 onwards, as well as the need for monitoring services, traditional IT infrastructure services, and security consulting and SOCs.

In North America, the B2B, connected car, smart manufacturing market and smart energy markets account for ~70% of the market. Connected car and smart manufacturing lead growth, while B2C (e.g. connected watches) is slowest-growing.

In APAC, as in North America, B2B, connected car, smart manufacturing market and smart energy markets account for a large share of the IoT services market (~65%). APAC is characterized by government investment in smart cities/buildings (+33% CAGR) and e-healthcare (which, unlike in North America and in Europe, is not constrained by regulation). The majority of IoT-related projects in APAC are conducted in China, India, and Japan.

In Europe, EU and country-led directives and initiatives have furthered the use of IoT in the manufacturing and energy industries.

Success Factors

Key selection criteria for selecting an IoT services vendor by client segment include:

- "Efficiency gain organizations" require their vendors to
  - Provide consulting services in a structured and repeatable manner (away from relying on a single person's expertise)
  - Navigate through their internal structure, across service lines and geographical units, to coordinate the many elements (big data, design thinking and UX, IoT platform-related services) that constitute a successful IoT project
  - Invest ahead of clients to create IoT platform based use cases
- "Customer engagement improvement organizations" require their vendors to back up their UX expertise by underlying IP and accelerators, and provide a repeatable service; implementing fail fast and iterative approaches
- "New business model organizations" want their vendors to demonstrate their ability to conduct effectively an IoT and digital project; create relationships with top executives to ensure sponsorship; and make sure clients have accepted the fail fast approach to IoT projects.

Outlook

Over the next few years, the market will gradually shift from demand for consulting to a mix of consulting and mid-sized IoT projects. The move from consulting to the implementation phase will expand demand for more implementation skills. Additionally, vendors will transition their IoT platforms progressively to add-ons to existing IoT COTS. They will also expand their IoT adjacent capabilities from digital, UX, and big data/analytics to engineering and R&D services.

Delivery will remain onshore-centric, especially for skills in consulting, UX, project management, and pre-sales consulting. Technology skills will be retained or sent offshore.

Over time, client organizations will expand their focus to customer engagement improvements, while continuing to target cost savings/service efficiencies. Appetite for new business models is niche, as the majority of large enterprises look for incremental changes and do not know how to create and handle business model changes.

Vendors will re-align their service portfolio.

NEAT Evaluation for IoT Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- **Leaders**: vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- **High Achievers**: vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- **Innovators**: vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- **Major Players**: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Client Presence	Scale of overall IoT services presence
	Presence in U.S.
	Presence in Europe
	Presence in RoW
Offering	Range of IoT services capabilities
	IoT consulting
	IoT application implementation capability
	IoT & device security capability
	IoT monitoring services
	IoT analytics
	IoT UX
	IoT ER&D
	IoT business consulting
	Other IoT services
Delivery	IoT delivery platforms
	Standalone accelerators
	Scale of IoT delivery capability
	In the U.S.
	In the U.K.
	In Continental Europe
	In APAC
	In Central and Latin America
	In the automotive industry
	In manufacturing
	In support of buildings
	In government sector
	In agriculture and mining
	In logistics
	In energy sector
	In healthcare
	In oil and gas
	In insurance
	In banking and financial services
	In CSP
	In other sectors
Benefits Achieved	Level of cost savings
	Increased revenues achieved
	Improvement in UX/customer engagement

	Increase in device safety
	Pricing approach

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Services Investment	In IoT services overall In support of operational efficiencies In support of new business models In IoT platform solutions of COTS based alternative In technology accelerators In IP based use cases
Market Momentum	New client wins
Ability to Deliver Innovation	Mechanisms in place to deliver client innovation Client perception of innovation delivered Suitability of vendor to meet client future needs Suitability for IoT operations Suitability for new business models Suitability for customer engagements
Financial Security	Financial rating

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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