

NEAT EVALUATION FOR DXC TECHNOLOGY:

Salesforce Services

Market Segment: Overall

Introduction

This is a custom report for DXC Technology (DXC) presenting the findings of the NelsonHall NEAT vendor evaluation for *Salesforce Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of DXC in Salesforce services, and the latest market analysis summary for Salesforce services.

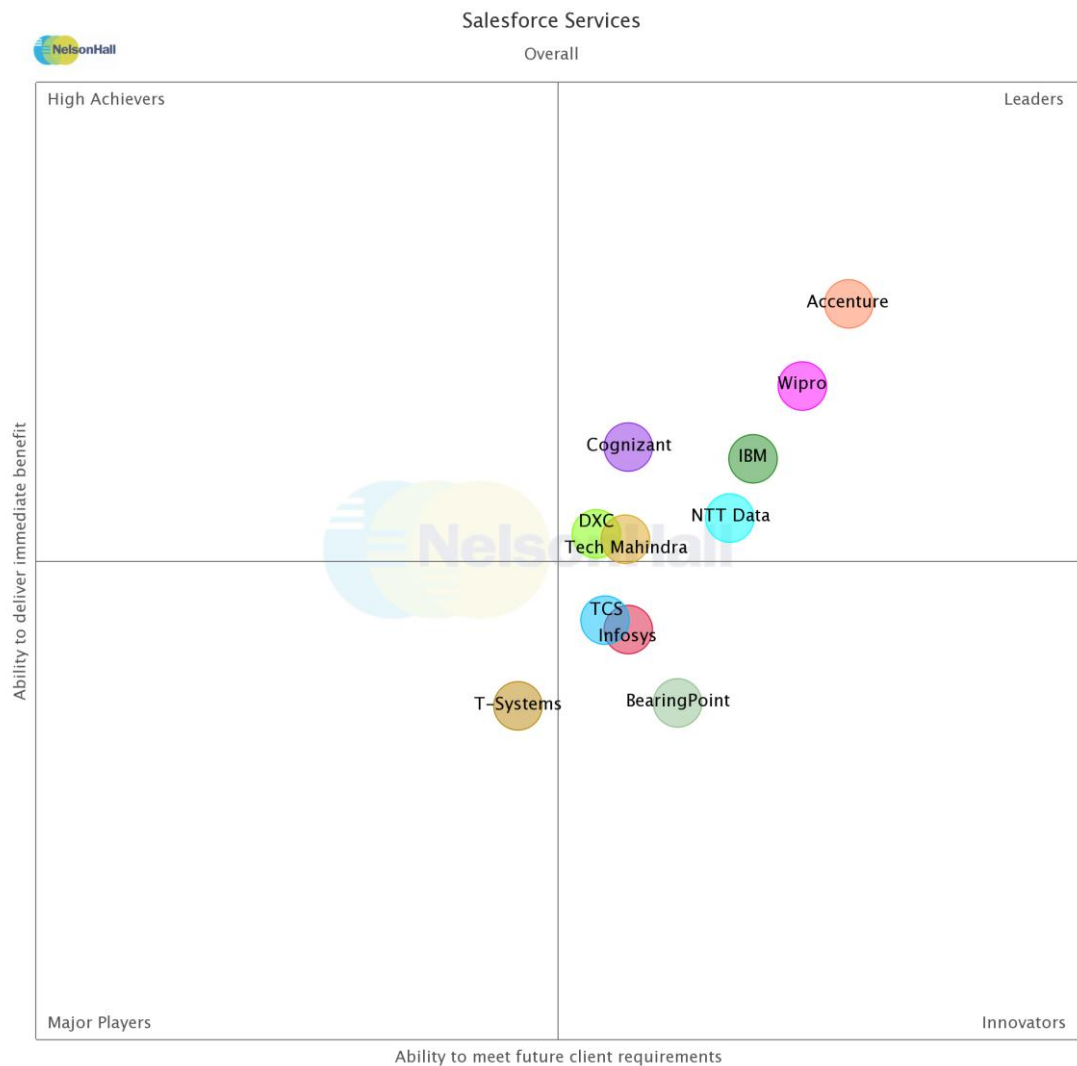
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering Salesforce services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in application development, IT service, digital transformation, and new business model enablement.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Accenture, BearingPoint, Cognizant, DXC Technology, IBM, Infosys, NTT Data, TCS, Tech Mahindra, T-Systems, and Wipro.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: Salesforce Services (Overall)



NelsonHall has identified DXC as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects DXC's overall ability to meet future client requirements as well as delivering immediate benefits to Salesforce services clients.

Leaders are 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.

Buy-side organizations can access the Salesforce Services NEAT tool (*Overall*) [here](#).

Vendor Analysis Summary for DXC Technology

Overview

DXC has its Salesforce (SFDC) capabilities within its Enterprise and Cloud Apps service line. The company has positioned its capabilities between, on one side, the large-scale vendors with a consulting background (e.g., Accenture, Deloitte, and PwC), and on the other side the India-headquartered firms. DXC intends to, therefore, combine consulting capabilities, onshore presence, and also a global delivery network.

DXC is focusing on post-implementation services, targeting in its client base, organizations that have completed their first Cloud implementation (mostly CRM/Sales Cloud) and need to fine-tune the implementation, focusing on business process standardization, and using new functionality brought by SFDC.

The company is balancing the development of its workforce and is somewhat shifting its hiring effort onshore. For instance, in the U.S., DXC wants to rebalance its onshore/onsite presence from 30% of all personnel to 40%.

Also, a key element in the SFDC strategy of DXC is to bring "blended services", offerings involving DXC's nine service lines.

An example of this blended service approach is around digital transformation, and in particular around UX; looking at re-engineering business processes of the clients, and taking where possible a consulting-led approach. This service involves several units within DXC, including DXC Consulting, and its SFDC capabilities.

Another example of this blended service approach is DXC working with the BPS service line, to provide joint customer management services (i.e., call center services) along with the underlying technology (i.e., Service Cloud).

DXC stresses its partnership with SFDC is multi-tiered with DXC being an IT services partner, a business process partner (see paragraph above), and also an ISV partner (for its Omnichannel for Insurance software product). DXC is also a significant user of SFDC applications and has 3k personnel using Sales Cloud internally.

Finally, DXC highlights that acquisitions are part of its SFDC development strategy. The company acquired in October 2017 the shared service center, LLX Global Business Services, of a luxury holding, Jab Luxury based in Switzerland. The shared service center LLX had 90 employees, mostly in Switzerland, and also in the U.K. and APAC. It provided F&A BPS, Salesforce Commerce Cloud, and creative design services.

DXC Technology has 50 SFDC clients.

In 2018 onwards, DXC is focusing on three main offerings:

- Health checks. See below the Health checks sub-section
- Lightning Experience migration. See below the Lightning Experience migration sub-section
- Commerce Cloud. See below the Commerce Cloud sub-section
- Financial Services Cloud. Financial Services Cloud is a priority for DXC, largely because of its background in software products for the banking and insurance industries.



DXC Omnichannel for Insurance is a recent AppExchange software product, based on Financial Services Cloud. Omnichannel targets the P&C insurance industry. Its features include

- A customer self-service portal for brokers and agents, and also for call center agents
- A customer journey approach
- Integration with DXC's GraphTalk AIA, and with Guidewire.

DXC has released Omnichannel for Insurance in Europe and Japan and already has one client (see Target Markets section). The company will release the product in North America in H2 2018.

Financials

NelsonHall estimates DXC's SFDC services revenues to be:

- 2017: ~\$30m
- 2018: ~\$40m.

Strengths

- Service portfolio: DXC Technology has structured and well-articulated its service portfolio around consulting, systems integration, and post-implementation services. It has in consulting, entry level packaged offerings, and specific offerings in systems integration (health checks, Lightning migration)
- IP: DXC is investing selectively in SFDC-related software products. Its most significant product is DXC Omnichannel for Insurance
- The company is one of the few SFDC partners to develop a Service Cloud-based BPS
- Delivery: DXC has a balanced onshore and offshore delivery capability that accommodates the different country needs in which it operates.

Challenges

- DXC lacks IP both software (blueprints and reference architectures) and hard IPs (development workbench, a SFDC-specific project management tool, and Lightning bolts for verticalized offerings)
- DXC needs to scale up its SFDC practice size and be able to fund the development of its portfolio and delivery engine.



Strategic Direction

DXC's SFDC practice is the smallest practice within ECA, which also includes practices around SAP, Oracle, ServiceNow, Microsoft. DXC has therefore big ambitions to grow its SFDC practice both organically and inorganically. DXC hints that it will make acquisitions initially around Commerce Cloud and complement its acquisition of LLX Global Business Services.

Service portfolio is one of the main organic growth priorities. DXC wants to create and sell more reusable services, in the form of vertical offerings, targeting five industries where DXC already has IPs:

- Banking
- Insurance
- Healthcare
- Life science
- Travel and transportation.

The company has hired major consultancy firms to test new verticalized offerings and software products and make sure they are priced competitively. Also, DXC is also focusing on specific offerings such as Classic to Lightning Experience migration.

Blended services are another priority: DXC's SFDC practice is working with DXC's BPS unit. DXC BPS is a sizeable organization within DXC with a headcount of 15k and operating in two areas F&A and CMS/CX. At a high level, the strategy of DXC BPS is to combined processing services and technology usage, initially looking at deploying RPA and AI, and also using SFDC's Service Cloud for its CMS/CX operations. The joint SFDC and BPS offering is called CX as a Service and includes:

- Service Cloud
- Einstein for providing suggestions to contact center agents, and next-best actions for selling additional products and services to the calling customer
- Integration with the Avaya-based omnichannel and communication services. DXC in its roadmap will also include communication technology from Amazon.

As part of this service portfolio, DXC would own the relationship with the client, and be a reseller of SFDC's products.

Outlook

DXC has proved that in spite of its intense history, under CEO Mike Lawrie, it could restructure its business and achieve cost savings, while, in parallel, investing into offerings, and making acquisitions into digital capabilities. The company has done this with its focus on standard offerings, while building up its ServiceNow and Microsoft Dynamics CRM capabilities.

DXC is now saying it wants to scale up its SFDC capabilities and that acquisitions will be part of the journey. This is a credible claim. NelsonHall is expecting acquisitions around Commerce Cloud.

Salesforce Services Market Summary

Buy-Side Dynamics

Four main client profiles dominate the market:

- Digitally-driven organizations, i.e. organizations focused on rejuvenating their CRM, marketing, e-commerce, and call center applications and selecting Salesforce as a partner that will bring digital functionality and an improved UX. Digitally-driven organization are the largest client profile and represent ~65% of Salesforce service spending
- Salesforce-centric organizations, i.e. organizations that need to refresh their aging applications and select Salesforce' Cloud as a starting point for developing their custom applications. This client segment accounts for 10% of spending
- IT-focused organizations (~20% of spending), i.e. organizations that are considering their Salesforce investment as an IT project, to simplify and rationalize their IT, and lower operating costs
- 'New model eager' firms, e.g. organizations that are engaged in bundled IT services and BPS contracts. This is a small (5% of spending) but rising client segment.

Market Size & Growth

The Salesforce services market is a dynamic market. Current spending is limited, to ~\$5.6bn. But growth potential is very high (2017-2022 CAGR of 17%).

There are two main drivers for the growth of the Salesforce services. At the core is the success of Salesforce, which has emerged from a niche (sales force automation) and has become the leader in front-office software (including CRM, e-commerce, contact center, and marketing applications) and also a platform on which clients are creating their software. Also, Salesforce is a high-growth story with its service ecosystem growing as fast.

North America is the largest geography for Salesforce services. By far, with spending in 2022 reaching \$8.3bn, three times as much as in EMEA.

Systems integration is the largest area of spending.

Sales Cloud (the former CRM product) currently is the largest service market, with \$2.0bn in spending in 2017. Service Cloud (contact center software) is the second largest, with \$1.7bn in related service spending.

Salesforce has indicated that it would focus its vertical efforts on six large industries: financial services, manufacturing, communication & media, healthcare, and life science, retail, and public sector. These six industries represent 80% of the subscription revenues of Salesforce and its largest service opportunity.

Currently, Salesforce project delivery is more onsite than for SAP/ERP projects:

- Clients are not as experienced in conducting Salesforce projects as in ERP ones
- The nature of clients differs, with marketing and business units often taking a prime role over IT departments. These new clients have less experience than IT departments in conducting offshore-centric projects.



While the U.S. and U.K. accept some level of offshoring for their business analytics, and business process needs, Continental Europe is much more onsite-centric.

Success Factors

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

- Digitally-driven organizations select their vendors based on their Salesforce product knowledge both from a technical and functional point of view. They will use the templates and reference architectures that their vendors bring along with technical accelerators that are Salesforce-specific, e.g. Siebel to Salesforce migration or project management tools
- Salesforce-centric organizations are using Salesforce applications as the platform for further development. Their vendors of choice need to demonstrate Salesforce product capabilities, a solid partnership with Salesforce, technical capabilities, and the ability to conduct digital projects in an agile context
- IT-focused organizations select vendors based on their track record in application management and their ability to drive IT cost savings. They need their vendor to go beyond application management, and provide the full range of post-implementation services, to make use of additional functionality brought by Salesforce, and also adopt major upgrades such as Lightning Experience
- 'New model eager' firms require from their vendor, in addition to Salesforce product expertise, the ability to provide new or bundled offerings, e.g., contact center services combined with Service Cloud.

Outlook

The Salesforce services market will continue to grow fast. It will reach ~\$12.4bn by 2022, growing at a 17% CAGR. Growth will be primarily by the expansion of Salesforce's product line, and its stated objective to reach revenues of \$20bn-\$22bn by FY22.

North will remain the largest market globally. However, growth in North America will be somewhat lower than in other geographies, largely because of Salesforce's focus on growing its software subscriptions outside of its core market (CRM in North America) to other geographies and new product.

Systems integration will remain the largest area of spending. Consulting spending growth will gradually slow down as organizations become more experienced in implementing Salesforce products and require less consulting guidance. Demand for application management and post-implementation services will increase gradually.

From a product perspective, the service ecosystem will change, and Customer Success Platform and other products will become, by 2022, larger than both Sales and Service Clouds. This is consistent with the strategy of Salesforce to drive the usage of the Platform tools to create new applications and products based on Salesforce's products.

Salesforce is focusing on six core industries, and the service opportunities will reflect the focus of Salesforce: the growth of services spending will largely depend on the verticalization strategy of Salesforce and its commercial efforts. NelsonHall believes that Salesforce will aim to deepen its vertical products, in financial services and U.S. healthcare, rather than spread thinly over too many verticals.



Delivery will change: the level of offshoring will increase in both the U.S./U.K. and Continental Europe, as organizations become more experience with Salesforce projects. Several roles, such as consulting and product design, will, however, remain onsite-centric.



NEAT Methodology for Salesforce 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
Offerings	<ul style="list-style-type: none"> Advisory & consulting services Breadth of implementation services Specialized implementation services Post-implementation services Testing services Next-gen services: AI Next-gen services: BPaaS Strength of partnership
Delivery	<ul style="list-style-type: none"> U.S. U.K. Continental Europe India Industry solutions Methodologies, IP & accelerators
Presence	<ul style="list-style-type: none"> Globally U.S. EMEA RoW
Benefits Achieved	<ul style="list-style-type: none"> Level of cost savings Timely implementation Implementation benefits Improved access to next-gen SFDC capabilities Increased speed-to-market Increase in end-user/business satisfaction Reduced turnaround time for customers/operations Correlation between vendor fees and objectives achieved Perception of value for money



Exhibit 2

‘Ability to meet client future requirements’: Assessment criteria

Assessment Category	Assessment Criteria
Service Investments	<ul style="list-style-type: none"> Advisory & consulting services Implementation services Next-gen capabilities Industry solutions or horizontal solutions IP tools & accelerators AM & post-implementation services Acquisitions
Market Momentum	Salesforce services market momentum
Ability to Deliver Improved Outcomes	<ul style="list-style-type: none"> Mechanisms in place to deliver client innovation Client perception of innovation delivery Suitability to meet future client needs Strength of partnership
Financial Security	Financial rating

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



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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