NEAT EVALUATION FOR NTT DATA:

Salesforce Services

Market Segments: Overall, Application Development Focus, New Business Model Enablement Focus, IT Service Focus, Digital Transformation Focus

Introduction

This is a custom report for NTT DATA presenting the findings of the NelsonHall NEAT vendor evaluation for *Salesforce Services* in the *Overall, Application Development Focus, New Business Model Enablement Focus, IT Service Focus,* and *Digital Transformation Focus* market segments. It contains the NEAT graphs of vendor performance, a summary vendor analysis of NTT DATA 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.
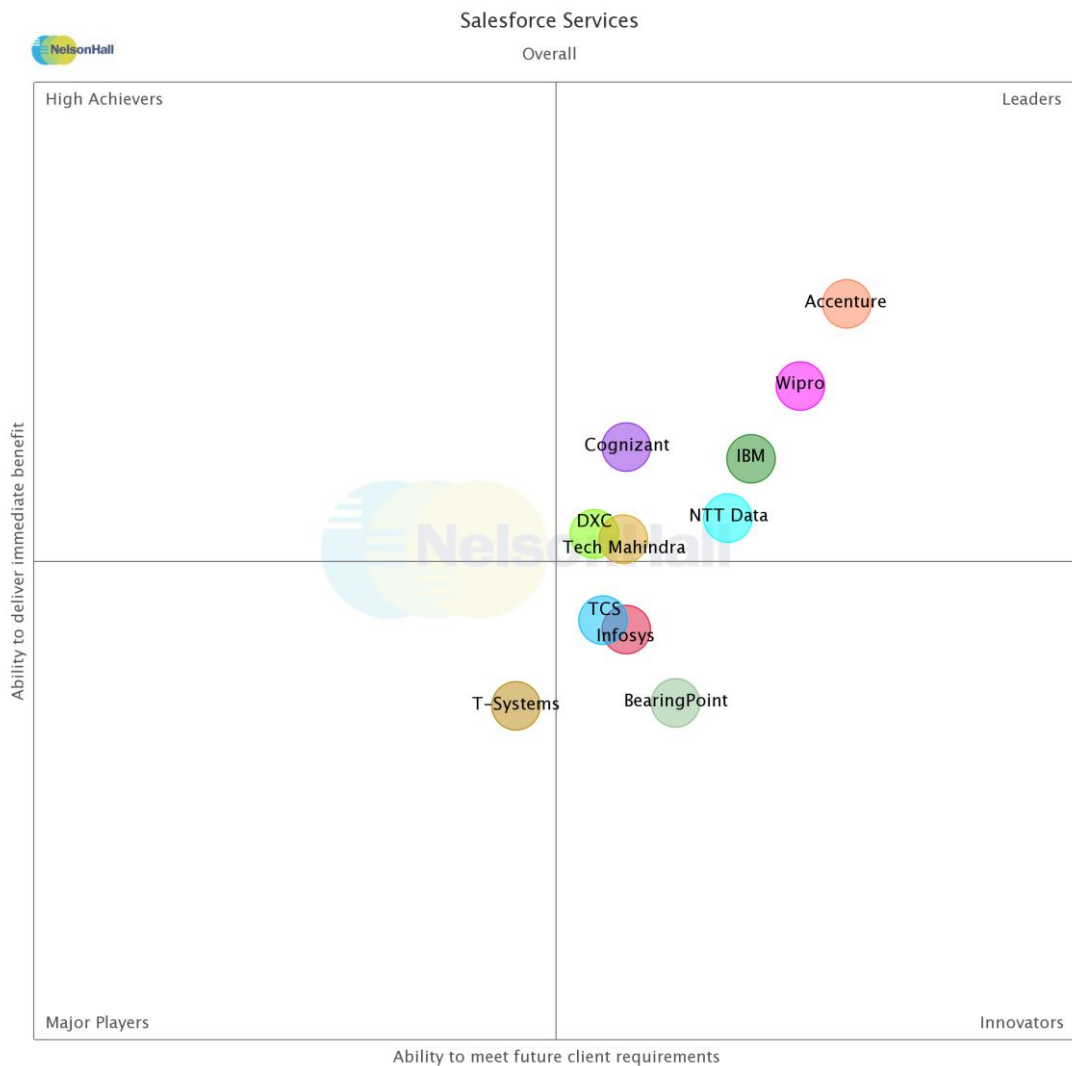
Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

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)

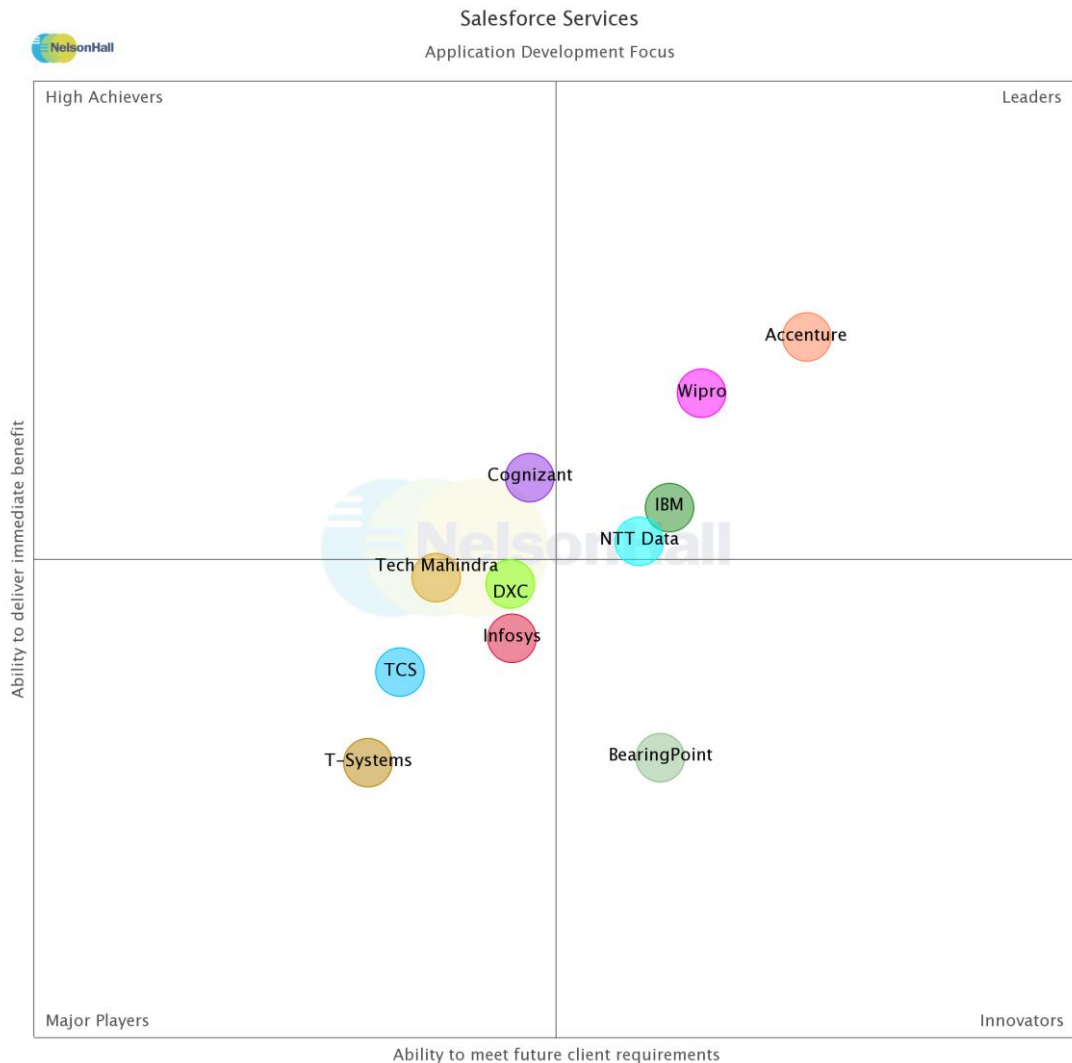
Salesforce Services
Overall

NelsonHall has identified NTT DATA as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA'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.

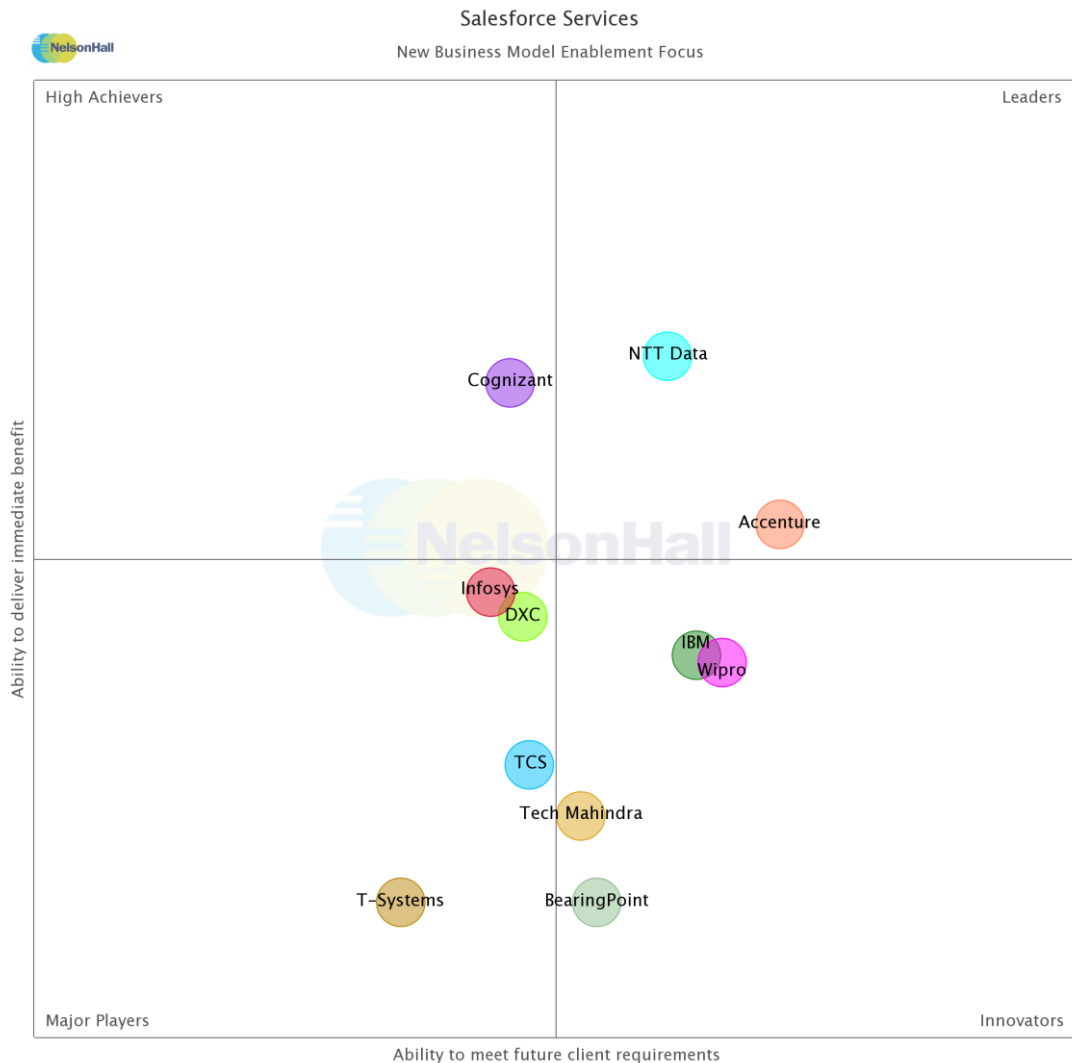# NEAT Evaluation: Salesforce Services (Application Development Focus)

Salesforce Services
Application Development Focus

NelsonHall has identified NTT DATA as a Leader in the *Application Development Focus* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's ability to meet future client requirements as well as delivering immediate benefits to Salesforce services clients with a specific focus on application development.

Buy-side organizations can access the Salesforce Services NEAT tool (Application Development Focus) here.

NEAT Evaluation: Salesforce Services
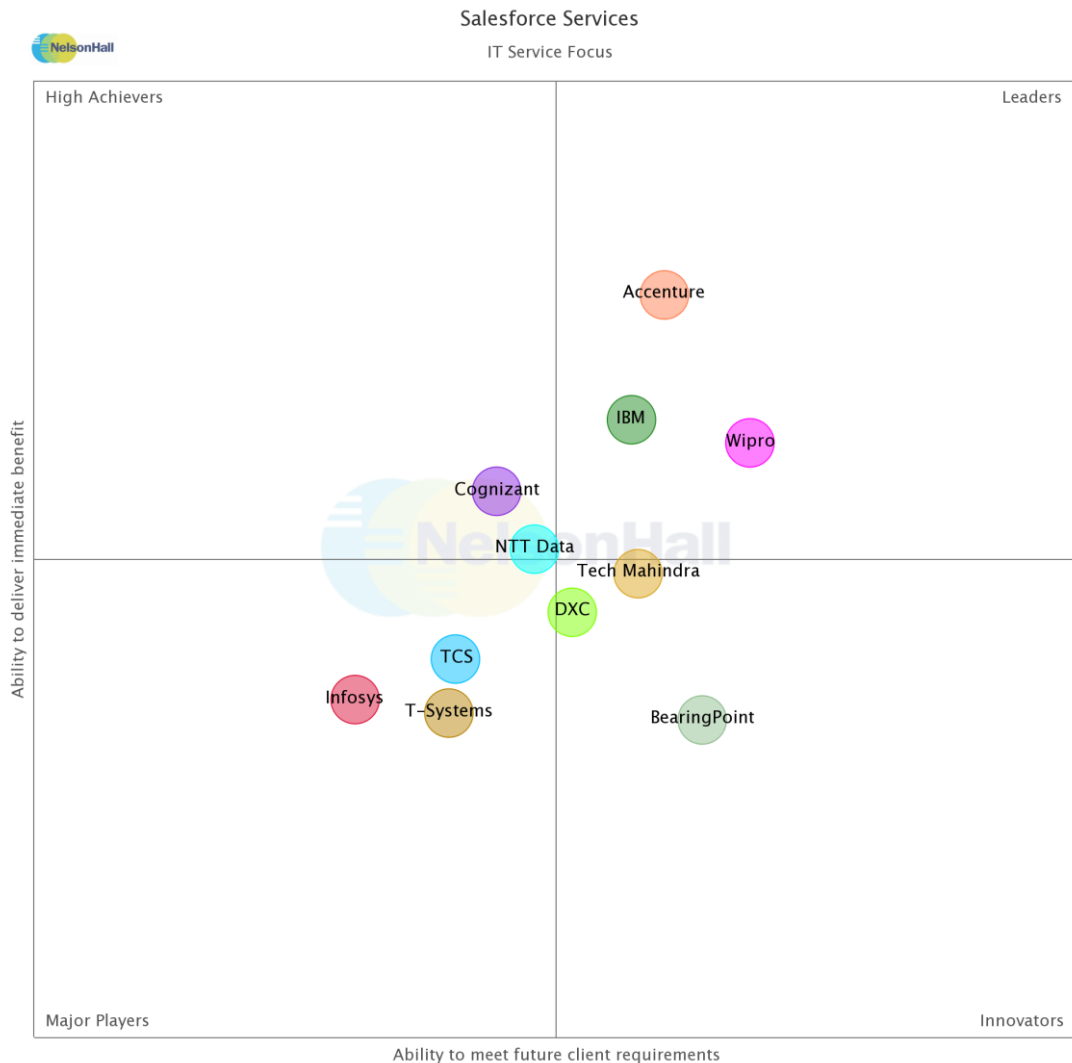# (New Business Model Enablement Focus)

Salesforce Services
New Business Model Enablement Focus

NelsonHall has identified NTT DATA as a Leader in the *New Business Model Enablement Focus* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's ability to meet future client requirements as well as delivering immediate benefits to Salesforce services clients with a specific focus on enabling the client to develop new business models.

Buy-side organizations can access the Salesforce Services NEAT tool (New Business Model Enablement Focus) here.

NEAT Evaluation: Salesforce Services
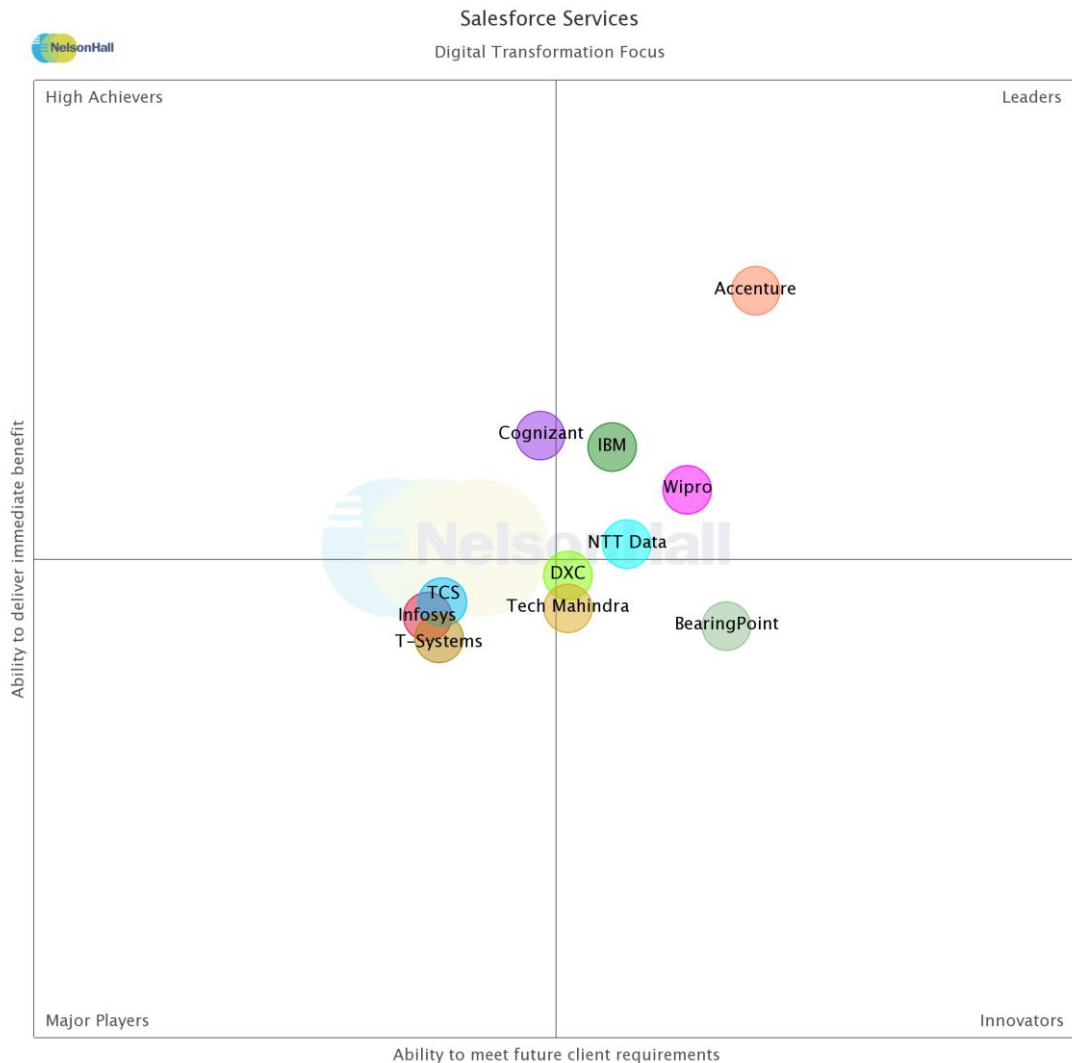# (IT Service Focus)

NelsonHall has identified NTT DATA as a High Achiever in the *IT Service Focus* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's ability to meet future client requirements as well as delivering immediate benefits to Salesforce services clients with a specific focus on the provision of IT service.

High Achievers are 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.

Buy-side organizations can access the Salesforce Services NEAT tool (IT Service Focus) here*.*

NEAT Evaluation: Salesforce Services (Digital Transformation Focus)

NelsonHall has identified NTT DATA as a Leader in the *Digital Transformation Focus* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's ability to meet future client requirements as well as delivering immediate benefits to Salesforce services clients with a specific focus on enabling digital transformation.

Buy-side organizations can access the Salesforce Services NEAT tool (Digital Transformation Focus) here.

Vendor Analysis Summary for NTT DATA

Overview

NTT DATA has put its Salesforce (SFDC) capabilities under the structure of geography-based SFDC practices and the coordination of a Global One CoE. NTT DATA's Global One CoE has several roles, including optimizing offerings and IPs created in one geo across NTT DATA countries, or funding training and certification, or the development of IP.

NTT DATA has developed its SFDC capabilities both internally and externally. The company has acquired two SFDC service specialists:

- Centerstance (2012, U.S.). Portland, OR -based Centerstance, a Salesforce consulting partner in North America, had at the time of the acquisition a headcount of 140

- Nefos (2016, Switzerland). Nefos, a Zurich -based Salesforce partner, was founded in 2007 and served German-speaking markets in DACH. Nefos also had a nearshore development center in Croatia. Its client base included manufacturing, automotive, telecom, and services.

Finally, NTT DATA gained some SFDC capabilities from:

- The 2014 acquisition of everis, a well-respected consulting and systems integration firm headquartered in Spain, and also operating in Latin America

- The 2016 acquisition of Dell Services, which significantly expanded NTT DATA's presence in North America.

NTT DATA has based its SFDC value proposition on several elements:

- A consulting approach put into the context of digital transformation and agile development

- A delivery model that is largely onshore to accommodate clients' needs for intimacy in their transformation programs

- Investment in IP and software products complementing the functionality brought by SFDC.

NTT DATA provides a wide range of services including consulting and business process consulting, systems integration, SFDC-based BPS for the U.S. insurance, and software products still for the U.S. insurance industry.

Systems integration is the core SFDC activity of NTT DATA. The company has invested in IPs and investing in horizontal and vertical offerings.

NTT DATA is also pursuing horizontal offerings, along with its verticalized ones. Unlike vertical offerings, NTT DATA has not developed IPs. The company is aligning its capabilities around most of SFDC's recent products, and in particular:

- Field Service Lightning, across geographies

- Einstein, with NTT DATA integrating Einstein with its own AI capabilities. NTT DATA is conducting PoCs with clients to identify use cases for Einstein:

  - For a large European bank, which is implementing Financial Services Cloud with the help of two IT service firms, including NTT DATA

  - For the Service Cloud of Financial Services Cloud, NTT DATA has worked on an Einstein pilot

- Sales Cloud: CPQ.

NTT DATA has developed a technology IP, Extension Platform, which is a reference architecture that focuses on integrating SFDC with other applications. It provides standard adaptors, handles batch processing, is compatible with several application-related technologies (e.g. Tomcat, Docket, and Glassfish), and has a workbench for creating interfaces.

Also, NTT DATA has a permitting and licensing management offering for managing SFDC licenses. The offering is based on its own IP or using BasicGov's software product.

NTT DATA is actively following a verticalization strategy of its SFDC portfolio. The company is part of the vendors with whom SFDC is sharing its verticalization plans, and roadmap. This allows NTT DATA to navigate through the planned investments of SFDC and the ISVs that SFDC considers as strategic.

The company has developed several vertical IPs; for example:

- Telecom Lab

- Manufacturing in a Box is a template running across several Clouds, including Sales (including CPQ); Services, and Marketing

- Logistics in a Box is a template across Sales, Services, and Marketing Clouds that targets the logistics industry. It includes specific activities to logistics such as shipments, transportation plans, and geo-tracking

- Retail execution: a mobile app developed in the U.S. that has gained clients in Australia. Retail execution focuses on making sure that product is available on the shelf in the right location

- Loyalty and rewards, includes content management (CMS), order management (with integration with PoS), and customer segmentation, as well as loyalty and reward management, and geo-location

- ehCOS social care, is an AppExchange application that provides forms for managing the patient process, from hospital discharge to care provisioning. It has an analytics module

- Lightning bolts: CRM management events community, is a Community Cloud app that manages and monitors marketing events.; and commercial process for consumer finance community

- Auto Apps, targets car customers and provides consumers visibility about their car order status, communication with dealers and service agents. It also helps managing marketing campaigns.

In the U.S., NTT DATA provides BPS services, including to the insurance sector, with services ranging from policy administration to claims management and payment, and customer services, since its acquisition of Dell Services.

In 2016, NTT DATA decided to modernize the core application used across clients to provide insurance BPS. The company worked with a specific U.S. insurance client to create an SFDC specific BPaaS platform. The new application includes online shopping, a customer portal, a member portal, policy administration, claims management, and accounting.

The new application is called Digital Insurance Platform and initially targets the life insurance sector. It will expand to annuity/retirement insurance by the end of 2018, and from 2019 onwards, healthcare payer/insurance and P&C. Looking ahead, the roadmap of NTT DATA includes public sector for unemployment insurance.

NTT DATA is deploying this new application in its BPS business and is also selling it, as a PaaS offering.

Financials

NelsonHall estimates the SFDC revenues of NTT DATA were in 2017 ~$130m in 2017 and will be ~$150m in 2018.

Strengths

- *Service portfolio*: NTT DATA has structured well its portfolio around consulting, systems integration, and post-implementation, with a focus on newer offerings such as AI and Einstein and Sales Cloud CPQ. NTT DATA also has important offerings as part of its managed services, e.g. QA/software testing, SFDC set up consulting offerings

- *IP*: NTT DATA is investing significantly in IP, mostly in vertical markets, in the form of soft IPs (blueprints and reference architectures), and also in the form of hard IP (its Digital Insurance Platform). It is worth highlighting that NTT DATA is targeting the communication service provider sector, which historically is not a large sector for SFDC, and NTT DATA has its Telecom Lab supporting this sector

- *Delivery*: NTT DATA probably has one of the most balanced delivery network of all vendors with SFDC capabilities.

Challenges

- The greatest challenge of NTT DATA is also its strength; the company has federal approach with geographies being in control. This drives entrepreneurship at the geo level but provides coordination and re-use challenges. The Global One CoE and structure is meant to address this issue

- NTT DATA has some scale but is still behind its Indian peers in terms of headcount. This may change in the future: NTT DATA is a very acquisitive firm and is likely to continue acquiring SFDC specialist firms, there complementing the presence and the expertise across Clouds of the firm.

Strategic Direction

Verticalization of offerings and IP is core to the strategy of NTT DATA. The company is following a sub-vertical approach and is initially targeting its client base. NTT DATA is balancing the development of its SFDC-based vertical applications, and the development of SFDC that is also pushing towards verticalization of its offerings: SFDC launched in 2015 its Financial Services Cloud (focusing on core banking, and wealth management), and launched recently its Health Cloud (targeting healthcare providers). NTT DATA believes that the roadmap of SFDC includes healthcare payers, insurance, commercial banking, consumer goods, manufacturing, and public sector.

NTT DATA takes a three-sided approach:

- For verticals that are currently outside the scope of SFDC's strategy, e.g., telecom: NTT DATA has worked with specialized ISV (e.g., Vlocity for its telecom expertise), and has built on business processes provided by Vlocity

- For verticals that SFDC currently pursues, NTT DATA is adapting its portfolio of services around SFDC's products

- For verticals that SFDC will address in the mid-term, NTT DATA is working with SFDC and strategic ISVs, to understand the scope of functionality currently provided, and identify functionality gaps.

As a result of this approach, NTT DATA wants to be flexible in its vertical IP approach. An example is in the healthcare service provider industry, where NTT DATA has developed an AppExchange application, where SFDC currently is not, but has announced it would be developing a vertical Cloud.

NTT DATA is investing in new Salesforce technologies or initiatives. An example is a voice user interface project where NTT DATA is taking a home/consumer virtual assistant approach (based on using the likes of Amazon Alexia and Google Home) for office employees, factory workers, or call center agents.

This project is conducted in Japan and is funded by internal R&D of NTT DATA's SFDC Global One.

Outlook

NTT DATA has put the right ingredients in its offering, having developed specific offerings, technology accelerators and blueprints, and one major application product on SFDC. Its delivery network is relatively balanced between offshore and onshore.

Looking ahead, expect from NTT DATA: more recruitment; more investment in IP, software and hardware; potentially, acquisitions.

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	Advisory & consulting services
	Breadth of implementation services
	Specialized implementation services
	Post-implementation services
	Testing services
	Next-gen services: AI
	Nest-gen services: BPaaS
	Strength of partnership
Delivery	U.S.
	U.K.
	Continental Europe
	India
	Industry solutions
	Methodologies, IP & accelerators
Presence	Globally
	U.S.
	EMEA
	RoW
Benefits Achieved	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	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	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.

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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