NEAT EVALUATION FOR NTT DATA:

UX-UI Services

Market Segment: Overall

Introduction

This is a custom report for NTT DATA presenting the findings of the NelsonHall NEAT vendor evaluation for *UX-UI Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of NTT DATA in UX-UI services, and the latest market analysis summary.

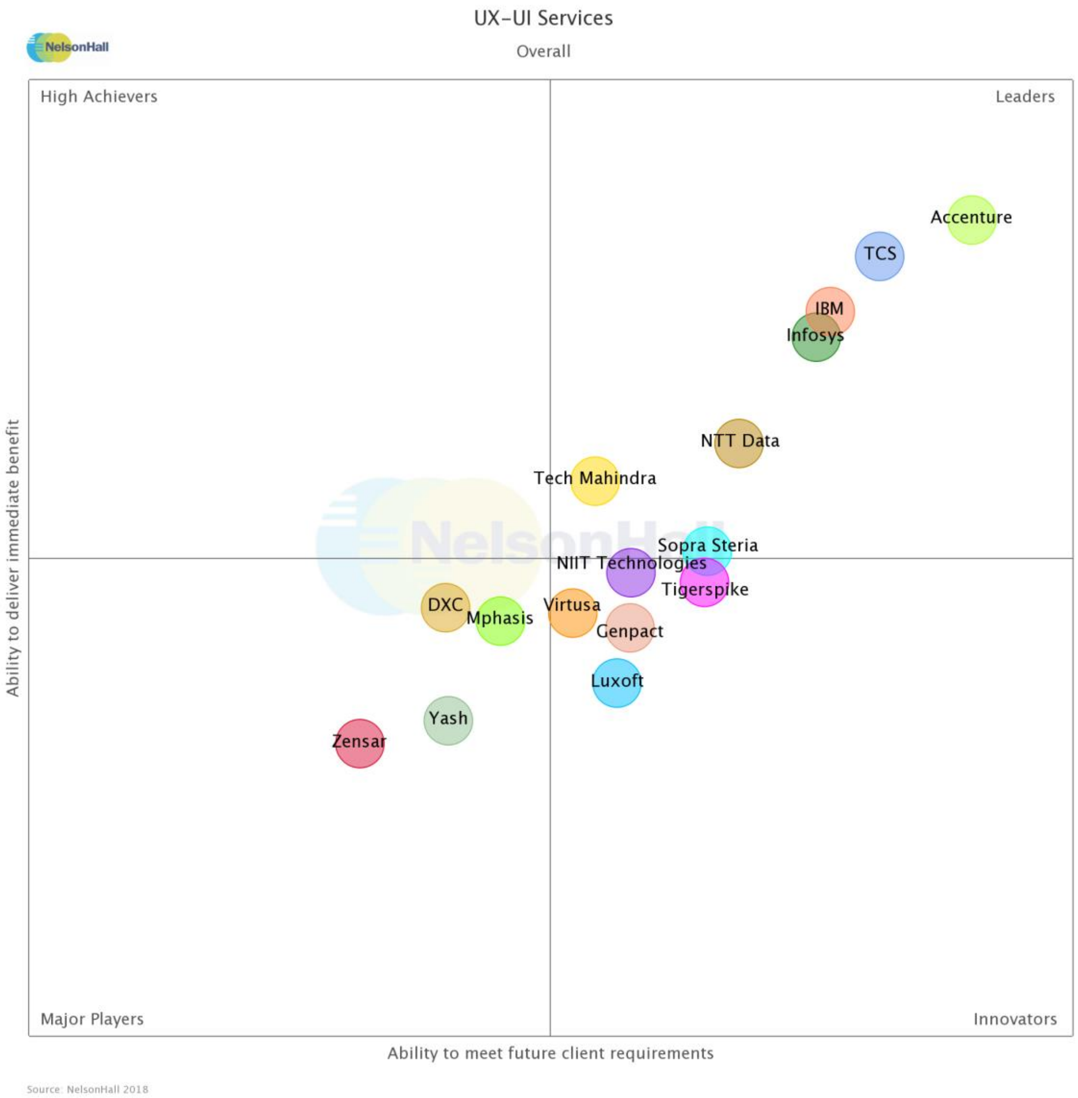
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering UX-UI services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific capability in consulting & design, and development services.

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

Vendors evaluated for this NEAT are: Accenture, DXC Technology, Genpact IBM, Infosys, Luxoft, Mphasis, NIIT Technologies, NTT DATA, Sopra Steria, TCS, Tech Mahindra, Tigerspike, Virtusa, Yash Technologies, and Zensar Technologies.

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

NEAT Evaluation: UX-UI 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 UX-UI 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 UX-UI Services NEAT tool (Overall) here.

Vendor Analysis Summary for NTT DATA

Overview

NTT DATA Communications Systems Corporation was spun off as a separate company from NTT Corporation in 1988, subsequently changing its name to NTT DATA Corporation in 1996. NTT Corporation retains a 54% shareholding in NTT DATA and NTT DATA works jointly with other companies in the NTT Group to deliver services to clients.

NTT DATA's acquisition of Dell Services for $3.06bn closed on 2, November 2016. The two companies had broadly complementary offerings and heritage, with NTT DATA bringing the application experience which Dell Services lacks, and Dell Services expanding NTT DATA’s infrastructure services capability. Dell Services also provided NTT DATA with a broader footprint in the North American market.

Dell Services integrated with NTT DATA’s North American subsidiary, NTT DATA, Inc., which NelsonHall estimates currently accounts for ~26% of NTT DATA's revenues. With the absorption of Dell Services, the newly created organization is now called NTT DATA Services.

In 2012, NTT DATA acquired U.K. based RMA Consulting to expand its U.K. and European based design capabilities. The acquisition brought in ~30 employees in web design and user experience consulting.

In 2013, NTT DATA acquired everis, an IT service consultancy based in Spain. While primarily focused on application services and consulting, everis provided a foundation for NTT DATA to build its southern European UX experience consulting capabilities. In January 2018, everis launched a dedicated design studio called Chazz.

In 2017, NTT DATA's corporate leadership based in Japan decided to integrate the individual regional design organizations that had grown organically and inorganically including NTT DATA Service in U.S., RMA Consulting in the U.K., Chazz in Spain and Latin America, Digital Entity in Germany to standardize its offerings and services for UX design and development globally.

In 2018, it is continuing to expand its design studio network including opening Aquair studio in Tokyo, Japan and Enso - The Space for Creators in Munich, Germany.

Financials

NTT DATA reported full calendar year 2017 revenues of ~$18.7bn. NelsonHall estimates that ~2.7% (~$500m) of these revenues are associated with UX design and development services.

Strengths

- Large, geographically diverse skilled workforce
- Broad studio network
- Mature capabilities built organically and inorganically.

Challenges

- The cohesion of services across locations is still work in process
- Limited remote development factory capabilities.

Strategic Direction

To continue the growth of its UX-UI services practice, NTT DATA is focusing on investments in expanding capabilities in the following areas:

- Expand its studio footprint
- Build out greater design thinking capabilities
- Scale and standardize delivery.

Outlook

NTT DATA has grown its UX design and development capability both organically and inorganically over several years, allowing each unit to operate on its own. Launching an internal initiative over the last year to integrate, standardize and expand the network makes ensures that lessons and assets are shared while maintaining a level of local autonomy to reflect the local culture. Continuing to standardize and grow this network will position NTT DATA well to expand its client footprint going forward.

As part of this greater integration it can also look to better leverage its remote delivery centers for the development and enhancement services to increase cost competitiveness by passing more of the UX development work out of local geographies to lower cost locations. Building these centralized UX development factories frees up local resources to focus on complex and emerging technology solutions and enable the greater reuse of assets and experiences across geographies.

UX-UI Services Market Summary

Overview

While digital transformation consulting services are expected to grow by ~13.9% CAAGR through 2022, NelsonHall expects UX-UI services to grow slightly faster at ~15.4%. This is driven by the increasing recognition of the importance of experience in digital transformation, including the rising use of UX-UI consulting to address internal system transformation and internal end to end service design.

Facing disruption from new digital competitors and evolving customer and employee expectations, IT service vendors are placing significant emphasis on building UX-UI capabilities as a differentiating asset. Frequently, vendors are acquiring to quickly add capabilities rather than building organically; 63% of IT service vendors analyzed had an acquired design company to build UX-UI skills.

IT service vendors are also investing in locations to deliver these services from, with 75% of vendors having built at least one dedicated design studio location from which it can deliver design thinking and collaborative design sessions with clients.

In parallel the primary focus of UX-UI services has evolved. Historically, it has been on external-facing digital properties such as e-commerce sites, customer portals and partner portals. Over the course of 2017 and 2018, this shifted as more companies looked to transform internal systems with a goal of increasing productivity, employee satisfaction, and employee retention. Going forward this will continue to shift with internal facing initiatives representing an increasing proportion of the UX-UI work. By 2020, NelsonHall expects an equal focus on internal and external as external programs are re-evaluated to incorporate new and emerging technologies such as voice and AI.

Historically, experience has been a relatively intangible quality. While companies capture customer and employee satisfaction, a direct quantifiable benefit may not be captured. To aid clients in this, vendors are increasingly focusing on defining quantifiable business cases from the on-set of new UX-UI consulting services engagements

As the scope of UX-UI services engagements has broadened, vendors have also had to broaden the KPIs and metrics used to measure an engagement's success. As the scope of engagements increases to include overall service design, metrics will also evolve to include broader business metrics such as fulfillment time.

To deliver these services, IT service vendors are investing in both new offerings and expanding delivery capabilities. These investments are primarily focused in three main areas:

- Building new offerings incorporating emerging technologies such as conversational and voice UI, AR/VR and AI
- Expanding the breadth of capabilities and maturing and growing existing delivery team skills
- Opening new design studio locations.

Buy-Side Dynamics

The key characteristics that clients prioritize in selecting a vendor to deliver UX-UI services are:

- Onshore design capabilities to work with and guide client personnel in transforming customer and user experience
- Tailored frameworks and templates for UX design and development
- Ability to host and deliver design thinking sessions.

Market Size & Growth

The global UX-UI services market is estimated by NelsonHall as ~$5,308m in 2017. It is expected to grow at 15.4% CAGR to ~$10,956m by 2022.

Success Factors

The key success factors for UX-UI services vendors include:

- Design Studio Network: successful vendors have built design studio networks locally proximate to their client base. This provides a central location tailored to delivering design thinking and collaborative workshops as well as enabling vendors to build close understanding of local culture and needs
- Service design approach: successful vendors look beyond user and customer interfaces alone to understand service design more broadly, ensuring that business processes and technological landscapes are aligned to meeting user and customer experience needs
- Ability to quantify value: successful vendors are focusing on quantifying the value of UX-UI services to ensure that transformational initiatives are impactful and that clients are able to understand what value is realized. This approach is embedded from the onset of engagements: baselining performance and then tracking changes in the most critical KPIs
- Forward-Looking Perspective: experience channels are rapidly evolving and successful vendors, while focused on delivering to meet client needs, are exploring how new and emerging technologies are impacting user and customer experience. The increasing use of AI/ML, AR/VR, conversational UI and voice interactions are still immature but vendors need to be building out capabilities to support as clients begin to incorporate these technologies
- Balancing creative and technical: successful vendors focus on balancing the creative design capabilities with an understanding the technical impact and constraints of the client landscape. Technical realities should be reflected throughout the initial design phases to ensure all designs developed are implementable.

Outlook

To ensure clients continue to focus on investing in UX-UI services, vendors must be able to quantify the value being realized. A traditional focus on customer experience or customer satisfaction ratings may not have had a direct correlation to a quantified business value. As the scope of UX-UI service engagements grows, it will become increasingly important that clients realize a clear quantifiable benefit of either increasing revenues or reduced costs.

To accelerate building these services, vendors are frequently acquiring design agencies and hiring individual talent from the market. Creative employees bring a different background, culture and perspective than traditional IT service employees. Vendors must strike the balance of integrating these new and emerging capabilities without disenfranchising the new employees or losing the value of these new capabilities by forcing them to align with the broader organization.

The future direction for UX-UI service vendors include:

- Approach and objectives:
  - Experience increasingly shaped by broader use of analytics in understanding user likes and dislikes
  - Interfaces evolve from web screens to voice, conversational chatbots and include greater incorporation of AI/ML to increase adaptability and responsiveness
  - Project scope increasingly focuses on end to end service design.
- Benefits:
  - Greater quantification of user metrics and KPIs are identified and correlated to changes in business results
  - Vendors develop targeted metrics for tracking and visibility for various industry sectors and business functions.
- Delivery model:
  - Vendors use expanding networks of design studios to deliver collaboration sessions in close proximity to client locations
  - Design studios house broadened set of employee skillsets including industry SMEs, technical SMEs, AI/ML experts, data scientists
  - Vendors deliver high-fidelity prototypes and products through the use of remote development factories.

NEAT Methodology for UX-UI 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	Overall UX-UI services capability UX strategy and consulting Service design development Design thinking sessions Wireframe/prototype development UX development capability Business case capture offerings Emerging technology offerings
Delivery	Onshore UX consulting capability Offshore UX development factory Design thinking delivery UX design, prototypes and wireframes Proprietary tools in support of UX design, development Key partnerships with technology partners
Presence	Scale of Ops - Overall Scale of Ops - UX design and consulting Scale of Ops - UX development Scale of Ops - N. America Scale of Ops - EMEA Scale of Ops - APAC
Benefits Achieved	Value for money Increase in customer retention Increase in customer satisfaction Increase in usability

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Overall Future Commitment to UX-UI Services	Financial rating Commitment to UX services Commitment to innovation in UX services
Investments in UX-UI Services	In UX strategy In design thinking In UX development In automation and tools
Ability to Partner & Evolve Services	Key partner (suitability of vendor to meet needs) Ability to evolve services

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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