NEAT EVALUATION FOR NTT DATA:

Salesforce Services

Market Segment: Digital Transformation Capability

Introduction

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

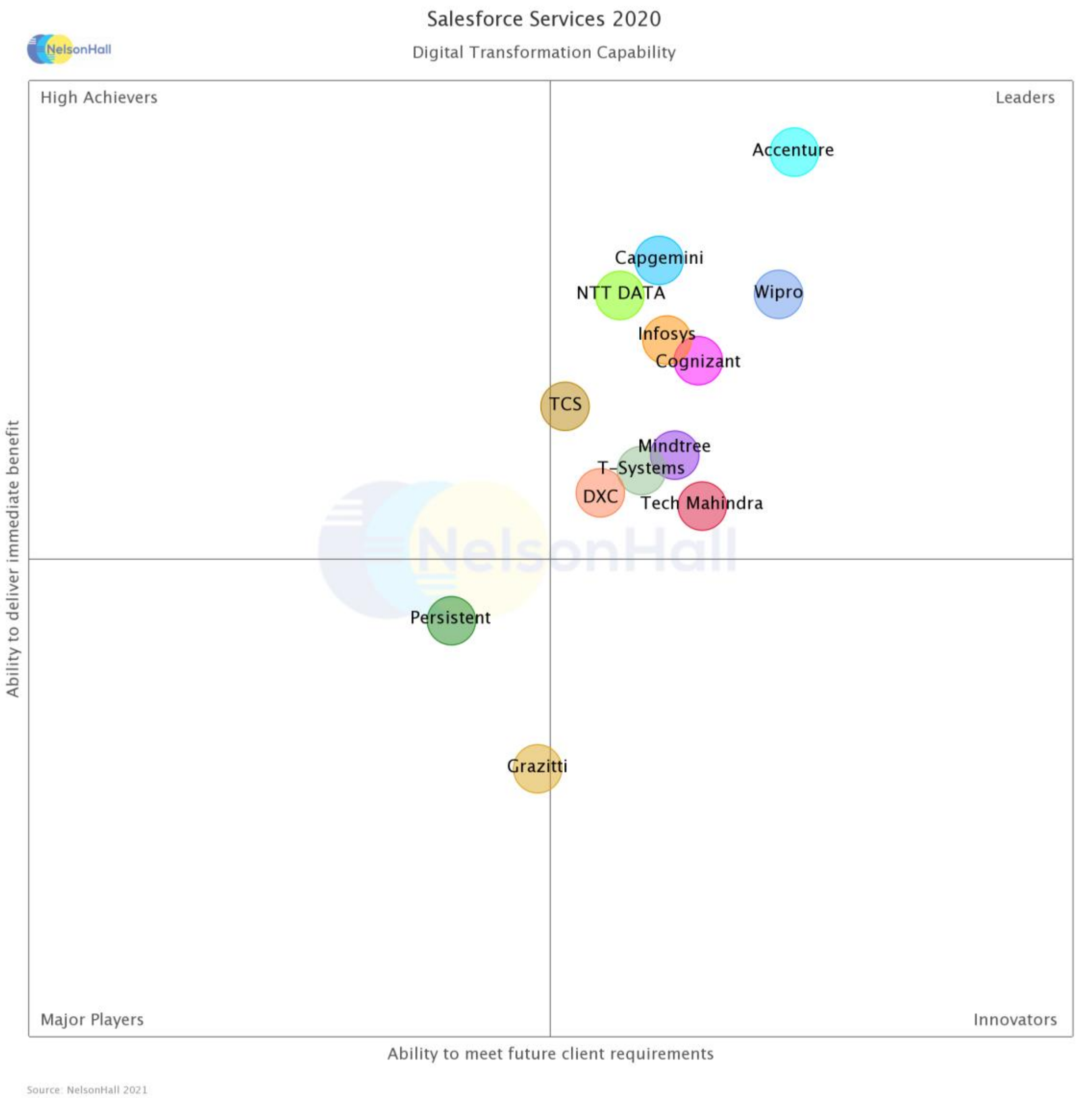
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering Salesforce services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall and with specific capability in delivery excellence, digital transformation, and in North America and Europe.

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, Capgemini, Cognizant, DXC Technology, Grazitti Interactive, Infosys, Mindtree, NTT DATA, Persistent, 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 (Digital Transformation Capability)



NelsonHall has identified NTT DATA as a Leader in the *Digital Transformation Capability* 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 its Salesforce services clients, with specific focus on enabling digital transformation.

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 (*Digital Transformation Capability*) here.

Vendor Analysis Summary for NTT DATA

Overview

NTT DATA has changed its Salesforce services portfolio in the past 12 months to expand its expertise in sales and service to consulting, to help clients in their digital transformation journey and understand their challenges. This marks a significant change for NTT DATA, which was previously taking more of a technical approach to Salesforce implementations.

In the U.S., the company has focused on having sales roles taking a digital advisory part to provide both consulting and technology roles, and has complemented the approach by aligning them by vertical to bring industry consulting expertise.

In line with its pivot to consulting, NTT DATA has structured its organization with new roles. A primary function is the business partner/managing director who works with the client and coordinates sales and delivery, and contract management for the client. Along with this approach, NTT DATA has more oriented tasks and roles, such as solution architects with senior capabilities and experience and solution engineering in pre-sales.

The company wants to help its clients achieve business outcomes (e.g., additional revenues, efficiencies, client value agility) through implementing Salesforce applications. With this GTM, NTT DATA wants to expand from selling to CIOs to other lines of business.

NTT DATA has structured its Salesforce capabilities by region, i.e., North America, Europe/LatAm, and Japan/APAC/China. Each area has its P&L and responsibility for sales & marketing, offerings, delivery and consulting, and alliances.

In the U.S., NTT DATA has put its Salesforce capabilities under the responsibility of its digital practice. The digital practice focuses on several verticals, e.g., healthcare, manufacturing and life science, BFSI, communications, and public sector.

NTT DATA has aligned its service portfolio around several priorities:

- Core systems integration, with a focus on integration tools from MuleSoft and Boomi
- Specialized services, e.g., CPQ, Lightning Experience migration
- Industry alignment around specific products such as Financial Services and Vlocity
- Data visualization based on Tableau and Einstein
- Cloud, security, and innovation, using other NTT units' capabilities in areas such as blockchain and design thinking/UX.

Along with this approach, NTT DATA has invested more in topics relevant to clients and pieces of thought leadership, e.g., COVID-19, or industry-specific topics, to gain further visibility in the marketplace and to demonstrate its relevance to clients.

NTT DATA continues to push its industry alignment. An example is its Digital BPaaS for Insurance, which it deployed for a U.S. insurance client who wanted to launch a new life and annuity insurance product in 45 days. Digital BPaaS for Insurance combines a reference architecture that integrates the Service and Sales Cloud, along with Vlocity, and relies on MuleSoft for integration with the client's claims management and policy administration systems. Along with its reference architecture, NTT DATA brought its repository of business processes and its investments in RPA, chatbots, and AI.

Another example, for the communication service provider industry, is its reference architecture that provides a comprehensive integration of applications, from the front-office side with Salesforce and Vlocity, and Nokia and Amdocs (BSS) to network management and OSS (Nokia and Amdocs). The integration of different products relies on MuleSoft.

Financials

NelsonHall estimates NTT DATA's Salesforce revenues were ~$160m in 2019, and will be ~$200m in 2020. NelsonHall estimates the breakdown of 2019 Salesforce revenues by geography as:

- North America: 30%
- EMEA: 30%
- APAC: 40%.

NelsonHall estimates the breakdown of Salesforce revenues by vertical as:

- Manufacturing, communications & technology, and BFSI: in the range of 50-60%
- Life science & healthcare, energy & utilities, public sector, retail & CPG, transportation & logistics, and professional services: 40-50%.

Strengths

- *Service portfolio*: NTT DATA has effectively structured its portfolio around consulting, systems integration, and post-implementation, with a focus on newer offerings such as Work.com, vertical clouds, AI and Einstein, and Sales Cloud CPQ
- *Industry solutions*: the company has a convincing set of industry solutions, blueprints, and reference architectures; for example, Telecom Integrated and GDIP. It is worth highlighting that NTT DATA is targeting the communication service provider sector, which historically is not a large sector for Salesforce, but that is a strength of NTT DATA, particularly in Japan and Europe
- *Consulting*: thanks to its acquisitions, NTT DATA has gained business consulting capabilities that bring adjacent skills such as business consulting and sector knowledge.

Challenges

- The greatest challenge for NTT DATA is also its strength: the company has a 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 addresses this issue
- NTT DATA has some scale but is still behind its Indian peers in headcount and behind vendors with an onshore background such as Accenture, Capgemini, and Deloitte. Salesforce is rapidly growing its product portfolio, and NTT DATA will need to make further investments in developing its capabilities (e.g., MuleSoft) as fast
- While NTT DATA had a balanced onshore/offshore delivery network, in pre-COVID-19 times, the pandemic and the growing importance of technical skills such as MuleSoft will require NTT DATA to accelerate its delivery presence in India.

Strategic Direction

NTT DATA continues to push several priorities:

- Verticalization, both in terms of the portfolio (i.e., creating industry solutions) and GTM. In North America, NTT DATA targets the insurance, healthcare, manufacturing, banking, telecom, utility, and public sectors. Insurance and healthcare are the main priority
- Consulting and advisory services: NTT DATA wants to bring a solution approach to the requirements of its clients, away from more technical implementation services.

Along with these two primary objectives, NTT DATA is looking at:

- Opening new geographies with new sales and delivery offices in:
  - APAC, e.g., Thailand, with the country still having good potential. In 2019, NTT DATA acquired Locus Telecommunication, Inc. Bangkok-based Locus brought BI, CX, and CRM capabilities. The company had ~150 employees at the time of the acquisition. NTT DATA wants to add Salesforce services to the portfolio of Locus
  - LatAm, e.g., Mexico, both for the local market and as a nearshore delivery center, along with India for offshore, focusing on technical capabilities
- Creating additional accelerators, e.g., around COVID-19, S4/HANA integration (e.g., MuleSoft, and Vlocity):
  - Work.com and related COVID-19 offerings are a priority for NTT DATA in the U.S., especially for healthcare service providers and payers, with contact tracing apps and Marketing Cloud (for communication)
  - The company will continue to promote Digital BPaaS offerings around insurance and the healthcare payer industry, based on Vlocity products
- Accompanying Salesforce with its new products, around MuleSoft, Marketing and Commerce Clouds. Of these, MuleSoft is a key priority, with NTT DATA targeting an additional 100 MuleSoft certifications
- Promoting its industry solutions and Digital BPaaS within insurance and healthcare payer space, based on Salesforce and Vlocity products.

While NTT DATA has been one of the most acquisitive firms in IT services, in the field of Salesforce services, it took a cautious approach and conducted the acquisition of two specialist firms:

- 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. It also had a nearshore development center in Croatia. Its client base included manufacturing, automotive, telecom, and services.

NTT DATA continues to evaluate further M&A opportunities and expand its capabilities to meet client demand and reach a larger scale.

Outlook

With NTT DATA having a federal structure with geographies as key business units, its challenge is to coordinate its different activities across geographies and service lines. An example is the 2019 investment in Star Global Consulting, a U.S. firm with 750 personnel that has brought in onshore strategy consulting, design consulting, mobile development, and marketing skills. NTT DATA highlights that Star Global brought expertise such as digital consulting and digital marketing that is adjacent to the capabilities of Salesforce services. The challenge will be to drive coordination between its Salesforce and digital units across geographies. This is a priority for NTT DATA.

Salesforce Services Market Summary

Overview

The Salesforce services market is dynamic. Salesforce has emerged from a niche vendor (sales force automation) and become the leader in front-office software (including CRM, commerce, contact center, and marketing applications) and a platform on which clients are creating their software.

The market continues to grow fast despite the COVID-19 pandemic, with clients continuing to invest in their front-office programs, despite budget constraints. While specific sectors such as retail, travel & transportation, and manufacturing have put their spending on hold, other sectors have accelerated. Also, Salesforce's focus on verticalizing its products is driving acceptance among clients.

Buy-Side Dynamics

Three client segments dominate the market:

- *Standalone Adopters*, i.e., organizations focused on rejuvenating their CRM and call center applications. They select Salesforce as a partner that brings digital functionality and an improved UX
- *Multi-Cloud Adopters*, i.e., organizations that need to refresh their aging applications and select Salesforce's Cloud as a starting point for developing their front-end applications
- *IT-Focused Organizations*, i.e., organizations considering their Salesforce investment as an IT project, simplifying and rationalizing their IT and lowering operating costs.

Market Size & Growth

Salesforce intends to double its size between 2019 and 2023 organically. Services will also double during the same period, reaching ~$21.8bn , by 2024.

The U.S. is the largest market, and Salesforce is focusing on international expansion to sustain its growth. Service spending is increasing abroad, even though the U.S. remains the largest geo. If Salesforce makes further significant acquisitions as NelsonHall expects, these M&As will strengthen the service opportunity in the U.S. The U.S. market, therefore, is critical.

Sales and Service Clouds are the largest markets and have kept growing in 2020, despite their maturity. Service Cloud has been driven by clients investing in contact centers during the pandemic. New products (e.g., Community, Marketing, Commerce, MuleSoft, quote-to-cash, Lightning Field Services, and the vertical Clouds) will drive adoption.

BFSI, Communications, and Healthcare & Life Sciences are the largest Salesforce services markets. These three sectors have done well during the pandemic and maintained their investments. Healthcare & Life Sciences will become the largest spender, followed by BFSI and Communications. Retail & CPG and Manufacturing will resume spending once they absorb the disruption brought by the pandemic.

Success Factors

By client segment, success factors are:

- *Standalone Adopters*: successful vendors go beyond a traditional ERP implementation. They rely on agile methodologies, and bring additional capabilities such as UX and design thinking to maximize end-user buy-in
- *Multi-Cloud Adopters*: successful vendors need to nurture their existing contracts into client relations and grow their expertise from the core Sales and Service Clouds to most Salesforce products
- IT-Focused Organizations: successful vendors need to demonstrate the benefits of Salesforce, e.g.,
  - On the IT infrastructure side: simplifying IT (e.g., hosting operations, including the deployment of new releases) and reducing costs
  - At the application level: minimizing customization and lowering maintenance costs.

Outlook

- New Salesforce products will drive the growth, e.g., Commerce, Marketing, and Community Cloud and Customer 360 and more specialized offerings, e.g., MuleSoft, Field Services Lightning, Quote-to-cash, and Work.com. Other products such as Tableau and Einstein Analytics, IoT, blockchain will still drive traction in services
- Multi-cloud implementations are increasing the complexity of engagements. They require their vendors to expand their capabilities while mitigating implementation risks. Along with multi-cloud, clients are turning to industry solutions, most of the time in the form of blueprints, reference architectures, or pre-configured templates, to accelerate and de-risk implementations
- A significant share of the client base of Salesforce is the mid-market. It requires more packaged offerings such as health checks and assessments, and vanilla template implementation in less than three months. While large clients require custom services, packaged services, especially during the consulting phase, are reassuring to clients
- SaaS implementations bring post-implementation opportunities to help clients re-engineering their processes, improve their UX and adopt new features brought by Salesforce
- BPaaS offerings will take time to become mainstream. While several vendors have launched BPaaS offerings, their commercial success will take time to materialize.

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.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Advisory and consulting services Implementation services Specialized services Industry solutions MuleSoft Analytics and Tableau Post-implementation services
Delivery	Global U.S. U.K. Continental Europe Offshore capabilities Certifications Methodologies and accelerators Salesforce MuleSoft Tableau
Presence	Customer presence in NA Customer presence in EMEA Customer presence in RoW Customer presence globally
Benefits Achieved	Level of cost savings achieved Timely implementation Benefits from the implementation Improved access to next-gen SF capabilities Increased speed to market increase in end-user/business satisfaction Reduced turnaround time for customers/operations Correlation in vendor fees to objective achievement Perception of value for money

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Service Innovation Culture	Mechanisms in place to deliver client innovation Extent to which client perceives that innovation has been delivered Suitability of vendor to meet future needs of clients Strength of partnership
Investment in Salesforce Services	Advisory services Packaged offerings Community Cloud Commerce Cloud Marketing Cloud MuleSoft Tableau Quote-to-cash SFL Post implementation services Work.com BPS Acquisitions
Other	Market momentum Financial security

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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