Zinnov Zones 2019

ER&D Services

December 2019

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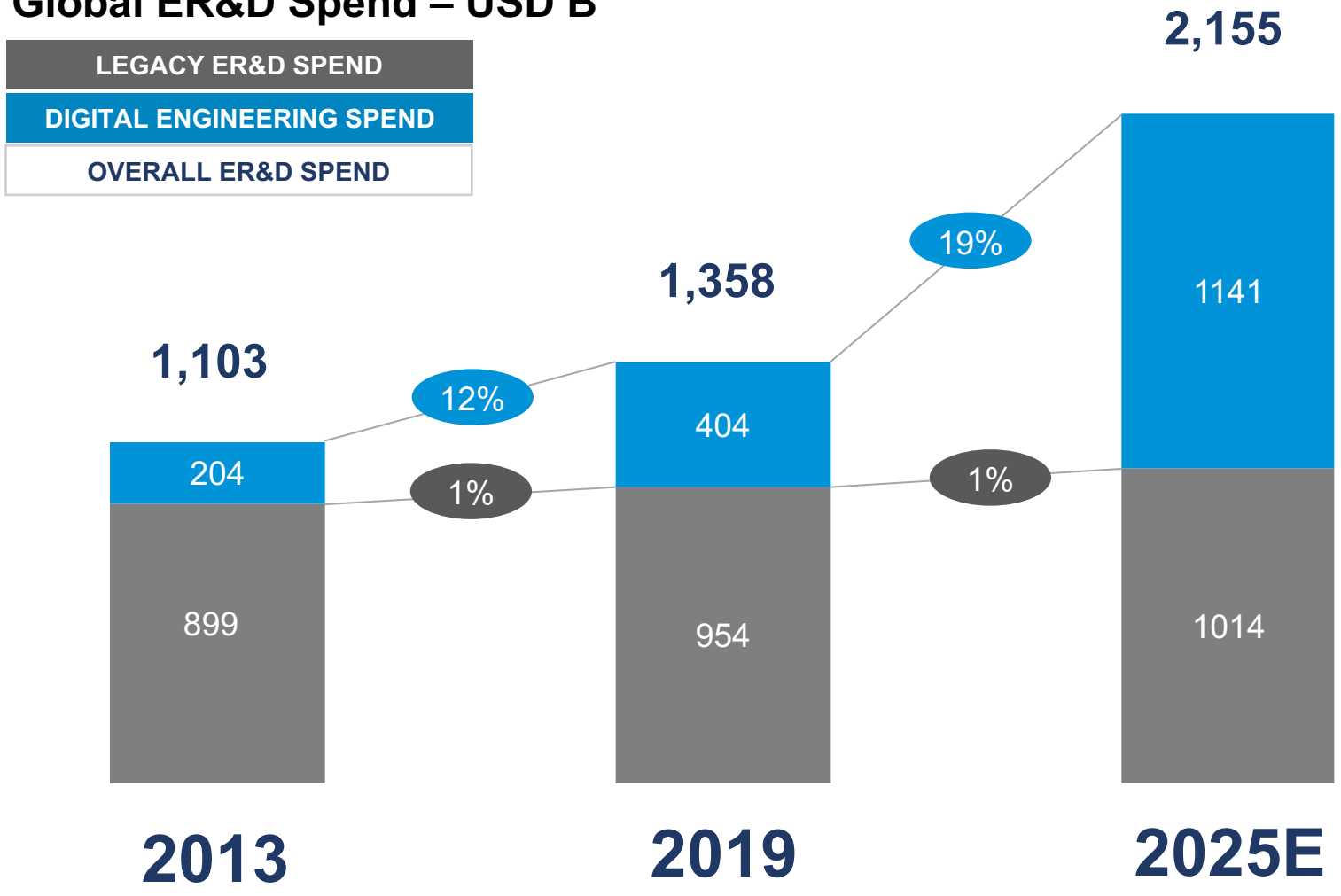
zinnov™ ZONES
ER&D SERVICES

01	ER&D Services Market Overview
02	Zinnov Zones ER&D Service provider Ratings 2019

- Global Corporate ER&D Spend
  - Z1000 R&D Spend by vertical
  - Overall Digital Engineering Spend

Global ER&D spend is resilient and has witnessed growth despite slowdown and geo-political factors

Global ER&D Spend – USD B



DIGITAL ENGINEERING SPEND

53%

OF ER&D SPEND BY 2025

2.8 X

Increase in Digital Engineering spend by 2025

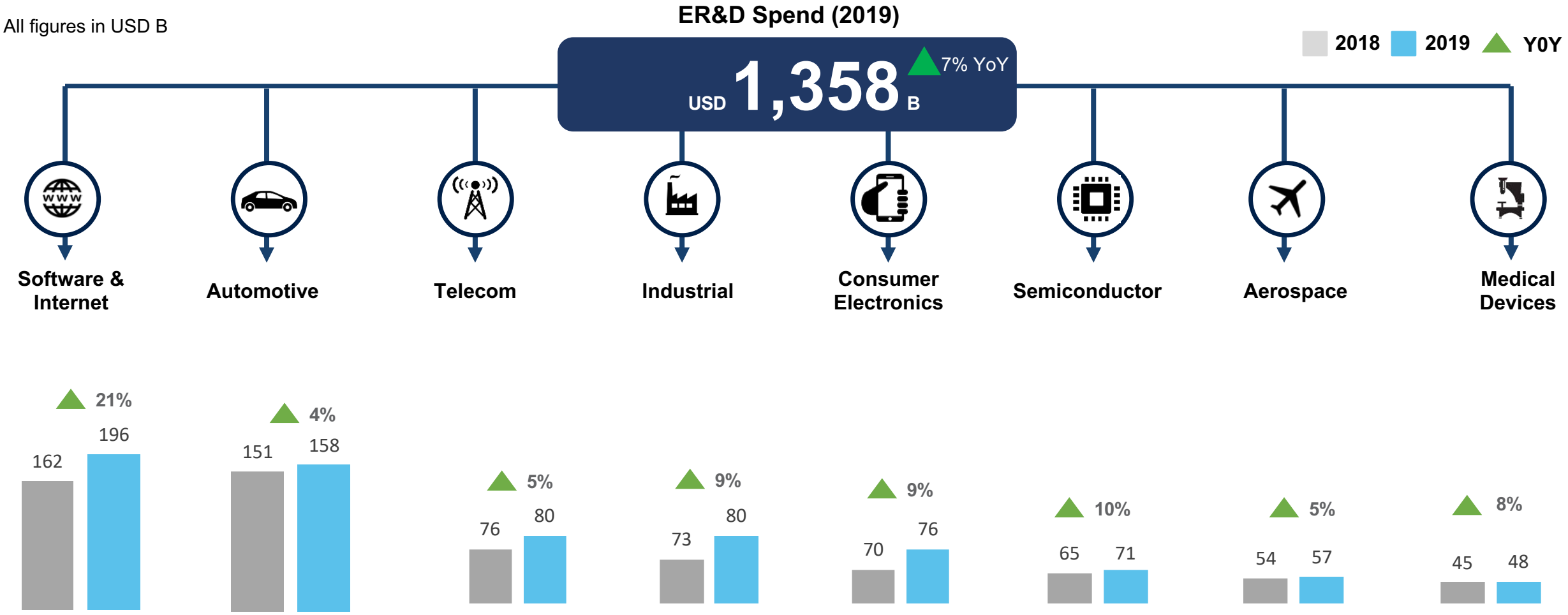
Focus of ER&D Spenders

- Product Development Velocity
- Product Ownership Experience
- Alternate Revenue Streams
- Process & Quality Control
- Biz Model & Tech Convergence

Source: Zinnov Z1000 database, Zinnov Research & Analysis

Global ER&D spend is resilient and has witnessed growth despite slowdown and geo-political factors

All figures in USD B



Source: Zinnov Z1000 database, Zinnov Research & Analysis

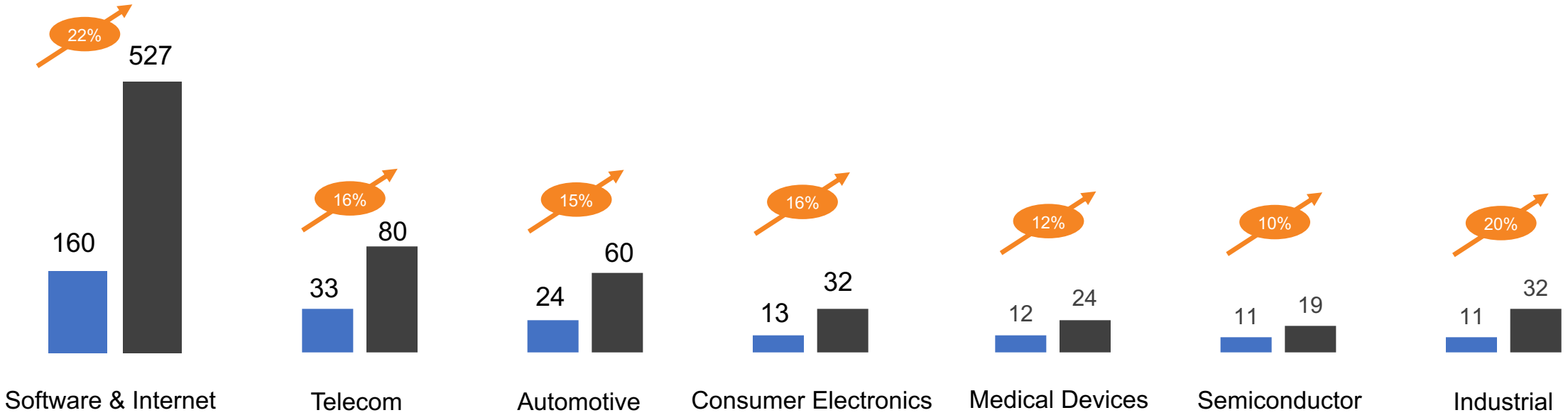
Enterprises continue to invest in digital engineering initiatives to stay relevant

USD 404 B
Digital Engineering Spend (2019)

CAGR 19%

USD 1,141 B
Digital Engineering Spend (2025E)

All figures in USD B



Source: Zinnov Z1000 database, Zinnov Research & Analysis

Engineering is a core function in services verticals

21%

Services-led verticals' share of digital engineering spend by 2025

Digital Engineering Spend (All figures in USD B)

BFSI

32 | 18% | 87

- Robo-Investment Advisory
- Payments Tech
- Telematics based insurance
- Fraud Detection Management
- Customer Insights & Intelligence

Retail

19 | 21% | 59

- Transformation of in-store shopping experience
- Connected products for monitoring and feedback
- Omni-channel experiences
- Robotic automation

2019
2025E

Healthcare Payers & Providers

18 | 19% | 51

- Remote patient monitoring
- Diagnosis prediction
- Healthcare robots
- Patient experience platforms
- Physician assistance tech

Media & Technology

11 | 23% | 39

- OTT
- AI/ML based content recommendation and tagging
- Targeted advertising using intelligent platforms

DRIVING THE CORE

ORGANIZATION STRUCTURE

Walt Disney

Created a streaming video unit in 2018 to embrace online video. Launched ESPN Plus and Disney Plus

TARGETED INVESTMENTS

J.P.Morgan

Spends 11 B on tech annually and focus areas include AI, ML, block chain, and big data

LEADERSHIP TO DRIVE INNOVATION

Walmart

Walmart appointed Suresh Kumar as CTO & CDO (ex- Google, Microsoft, Amazon, IBM)

Source: Zinnov Z1000 database, Zinnov Research & Analysis

Large IT Service Providers are betting on ER&D capabilities to drive growth

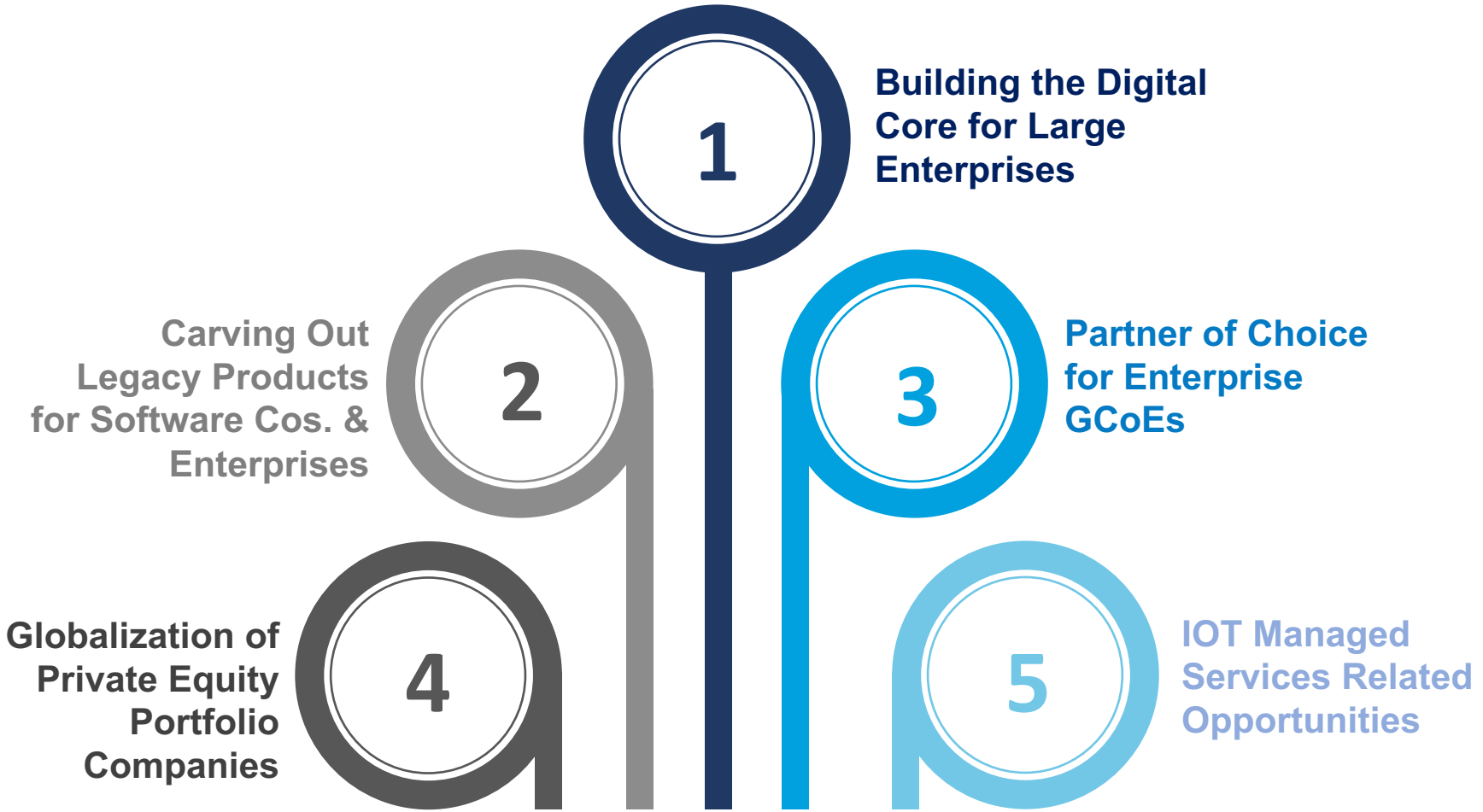
ER&D Services growth rate is consistently outpacing IT services'

Capgemini / ALTRAN	• Acquired for USD 4.1 B in 2019 • Gained access to new verticals, delivery geographies, and horizontals	**ACQUISITIONS IMPACT** USD **4** B • In combined revenues, making it a global leader for ER&D • "One stop shop" for full stack engineering & digital requirements
Cognizant / softvision	• Acquired Softvision for ~USD 0.5 B in 2018 • Enhanced capabilities in AI, VR, IoT, etc.	• New Brand launched "Cognizant Softvision" • Access to Romania for digital engineering talent • Focus on developing platforms
accenture / fairwaytech	• Acquired Fairway Technologies, a US based firm with a focus on platform engineering services	• Fairway's San Diego office is Accenture's new "Engineering Innovation" center • Accenture has shown a strong focus on platform engineering services and has an 8,000 member team

Source: Zinnov M&A database

Large ER&D deals continue to sustain momentum

Drivers of Large ER&D deals



Large ER&D deals

~USD 15 B

TCV of large ER&D deals signed in the last ~3 years

44%

Of large ER&D Deals had SOFTWARE in scope

17%

of large ER&D deals involved "BUILD THE NEW"

Source: Zinnov Z1000 database, Zinnov Research & Analysis

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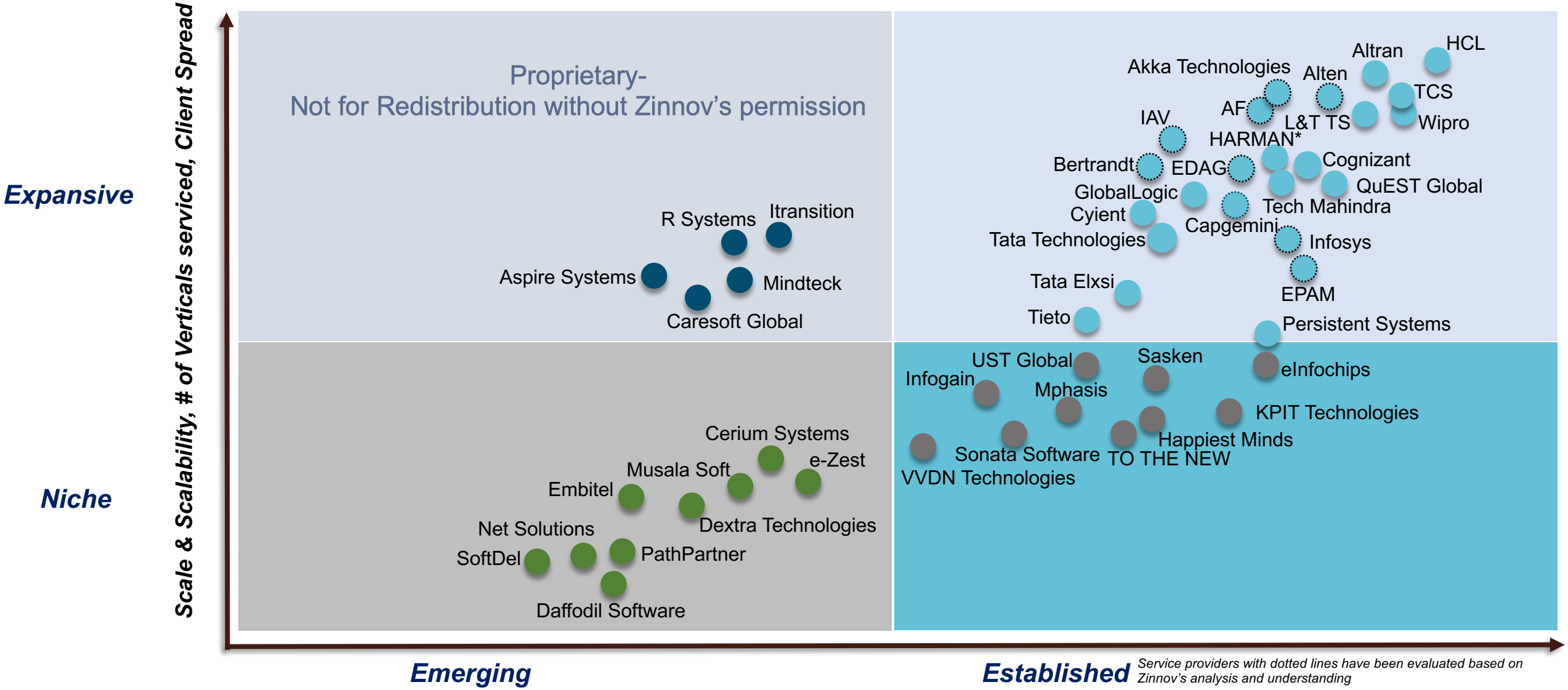
02	Zinnov Zones ER&D Service provider Ratings 2019

- Overall ER&D Zones 2019
- ER&D Zones – Small and Medium Service providers 2019

- Horizontal Ratings
  - Design & Simulation engineering
  - User experience engineering
  - Platform engineering
  - Quality Assurance engineering

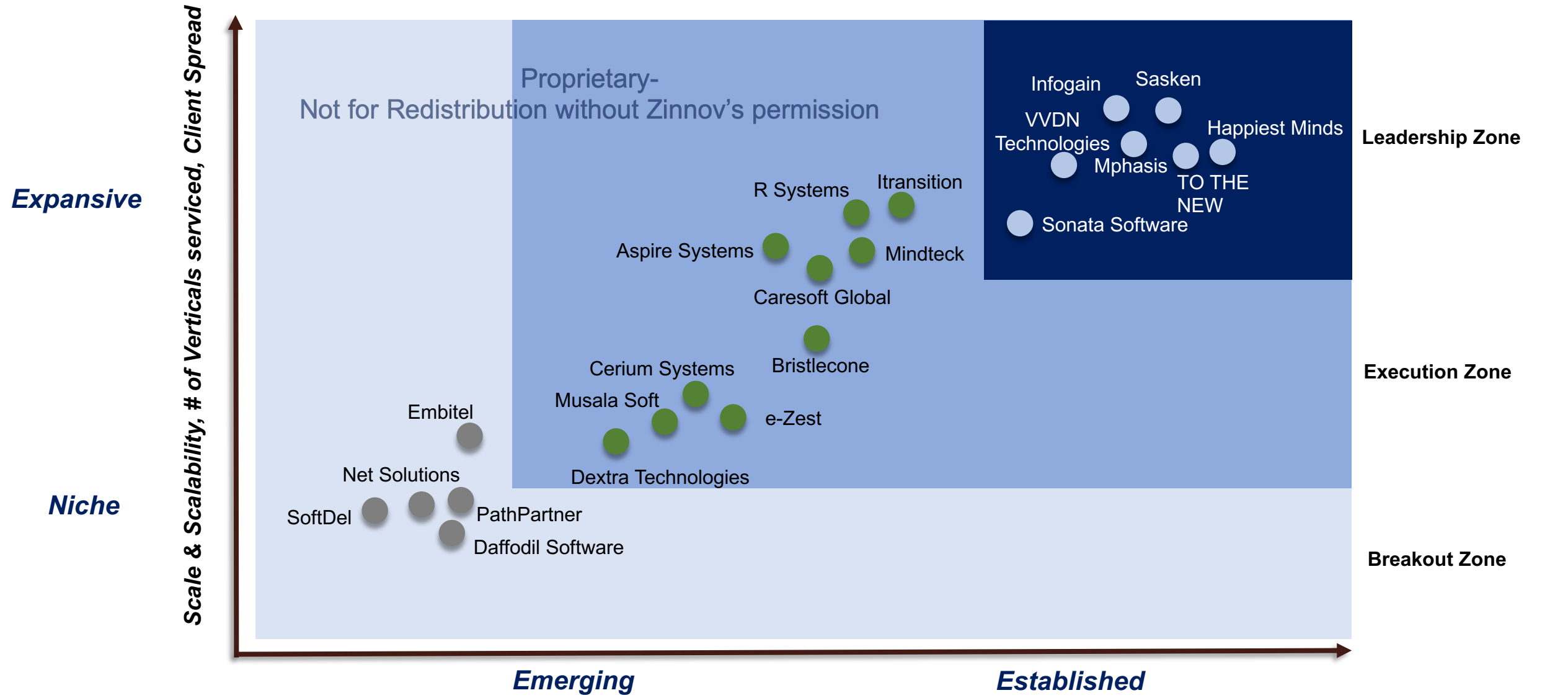
- Vertical Ratings
  - Automotive
  - Aerospace
  - Construction & Heavy Machinery
  - Consumer Electronics
  - Consumer Software
  - Enterprise Software
  - Energy & Utilities
  - Industrial Automation
  - Medical devices
  - Semiconductor
  - Telecommunication
  - Transport

Overall ER&D Ratings 2019



Service providers with dotted lines have been evaluated based on Zinnov's analysis and understanding

ER&D Zones – Small and Medium Service providers 2019*



*ER&D service revenue < $150M

Source: Zinnov Research & Analysis

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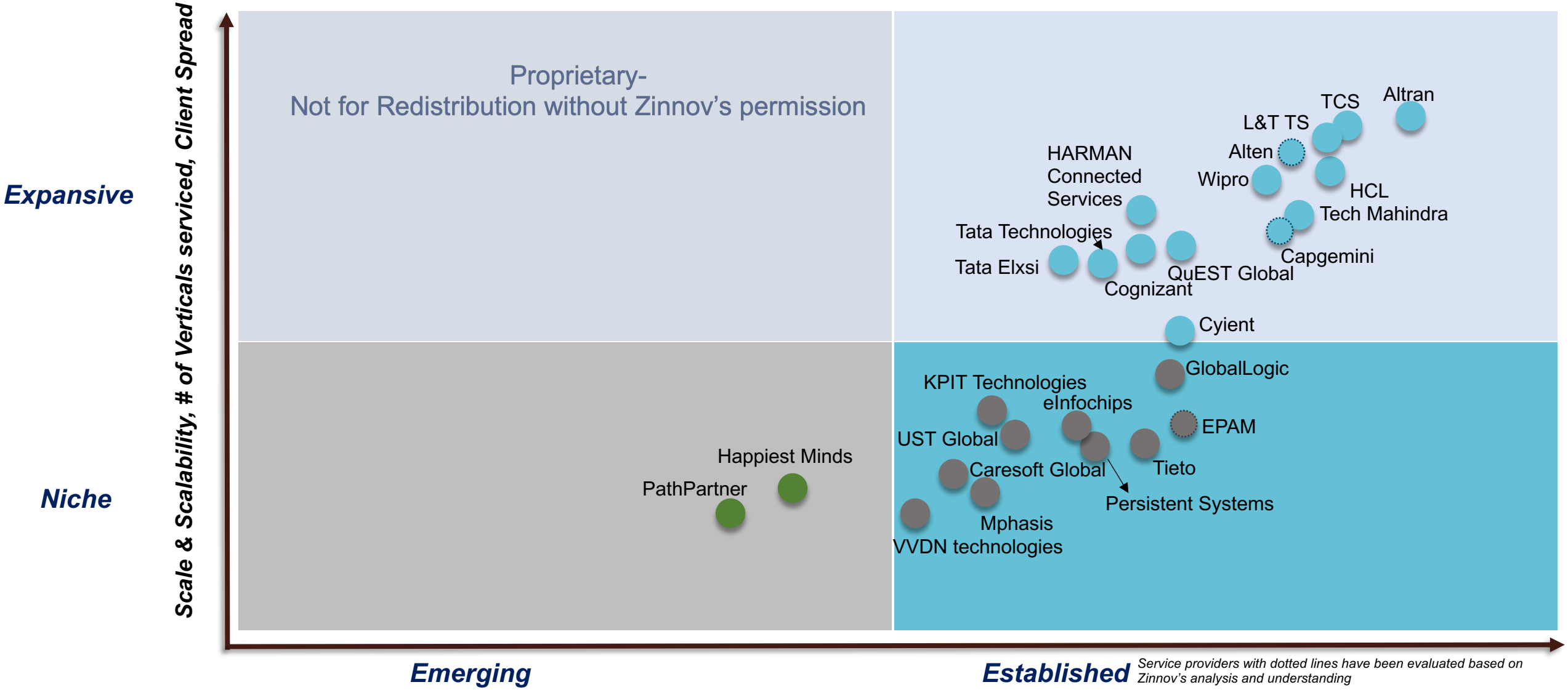
Design and Simulation Engineering Ratings 2019



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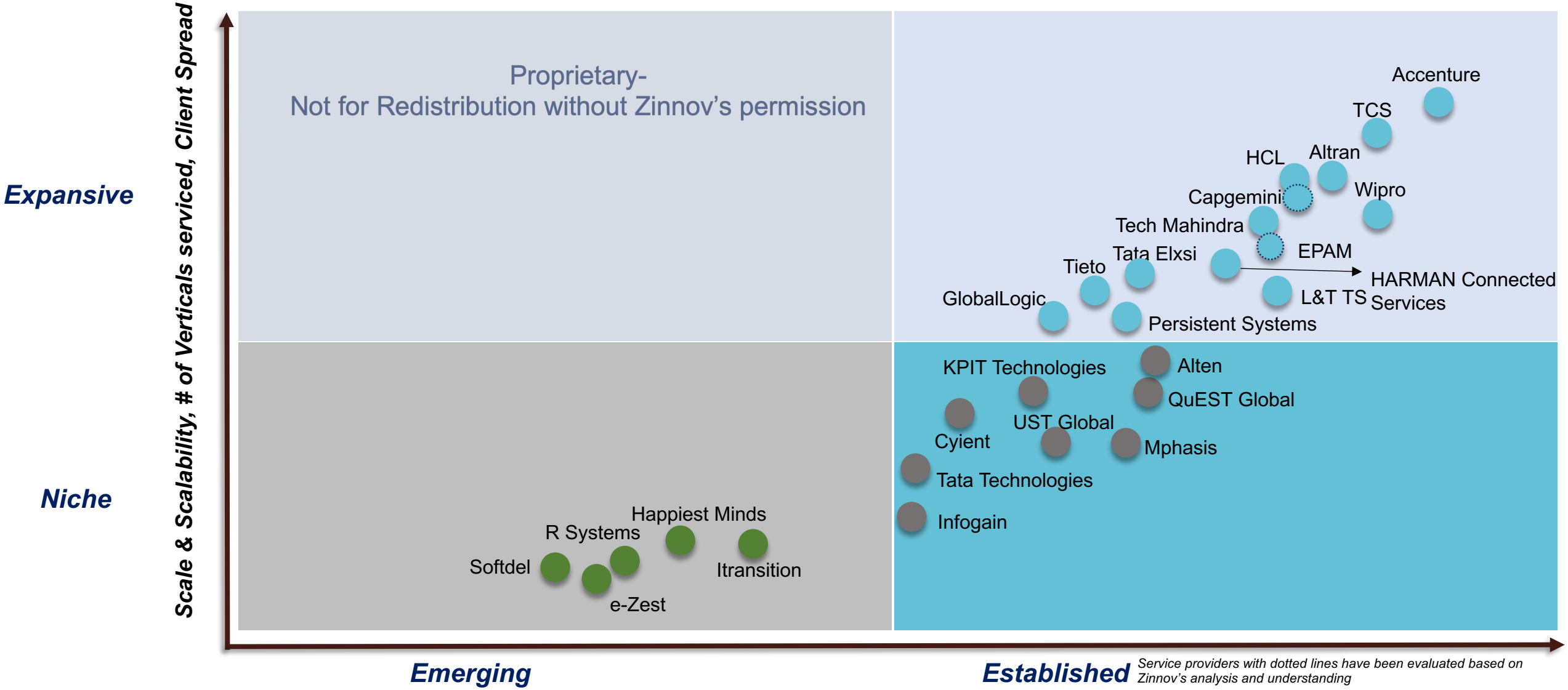
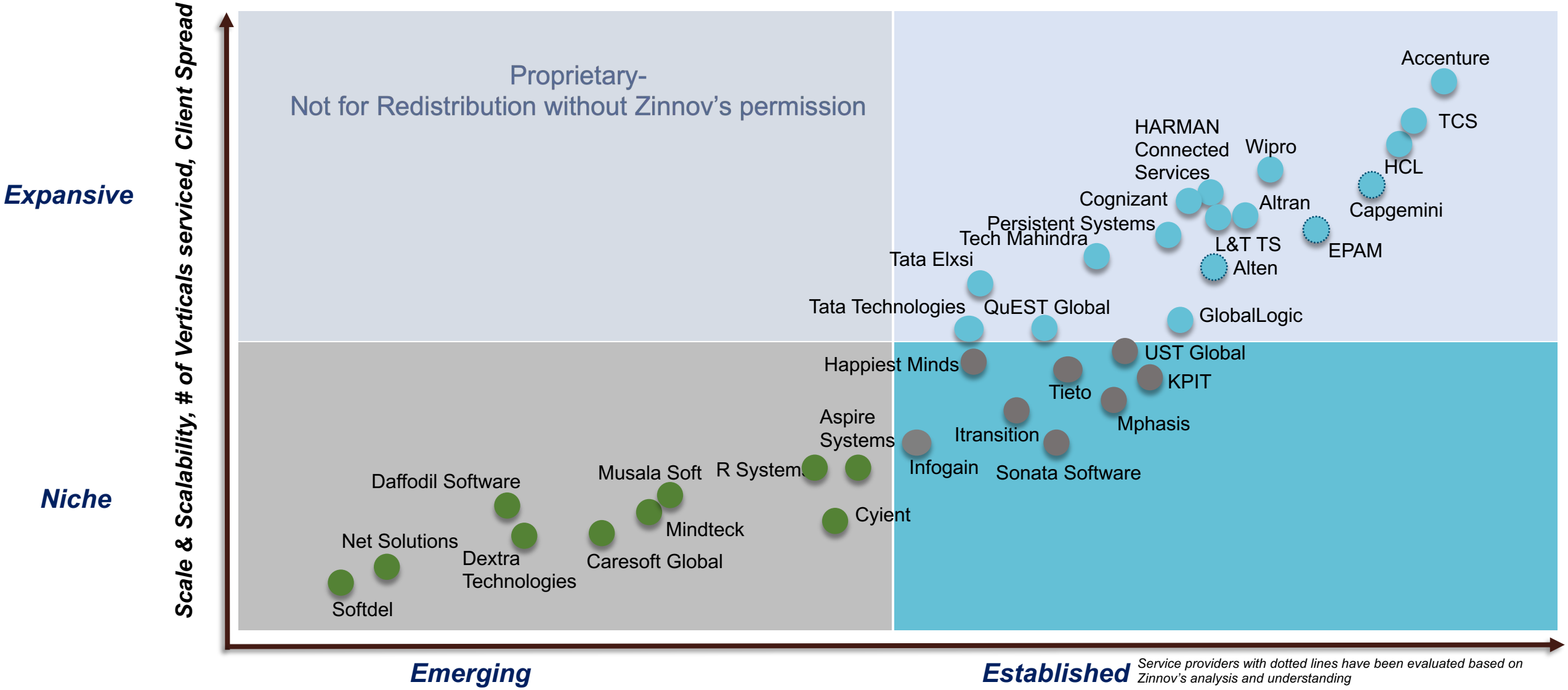
User Experience Engineering Ratings 2019



Platform Engineering Ratings 2019



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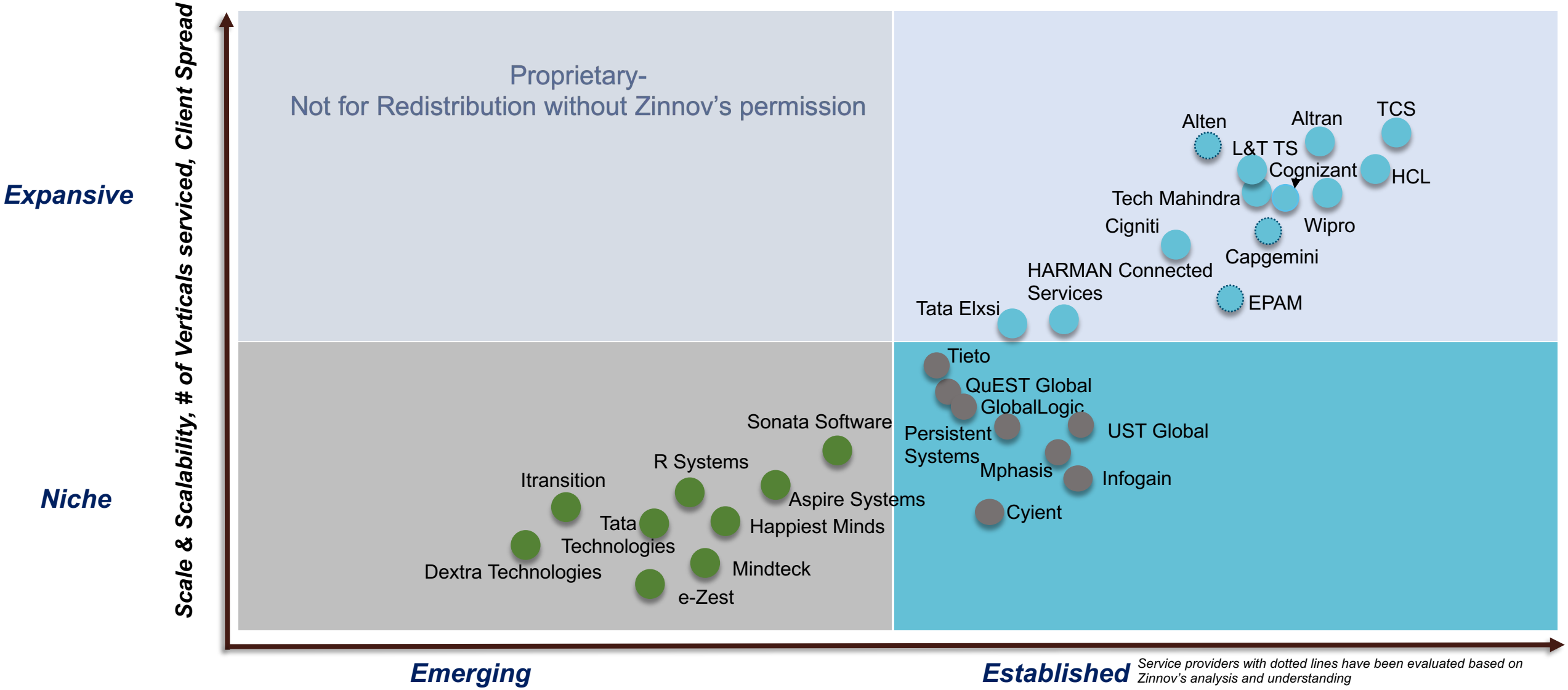
Quality Assurance Engineering Ratings 2019



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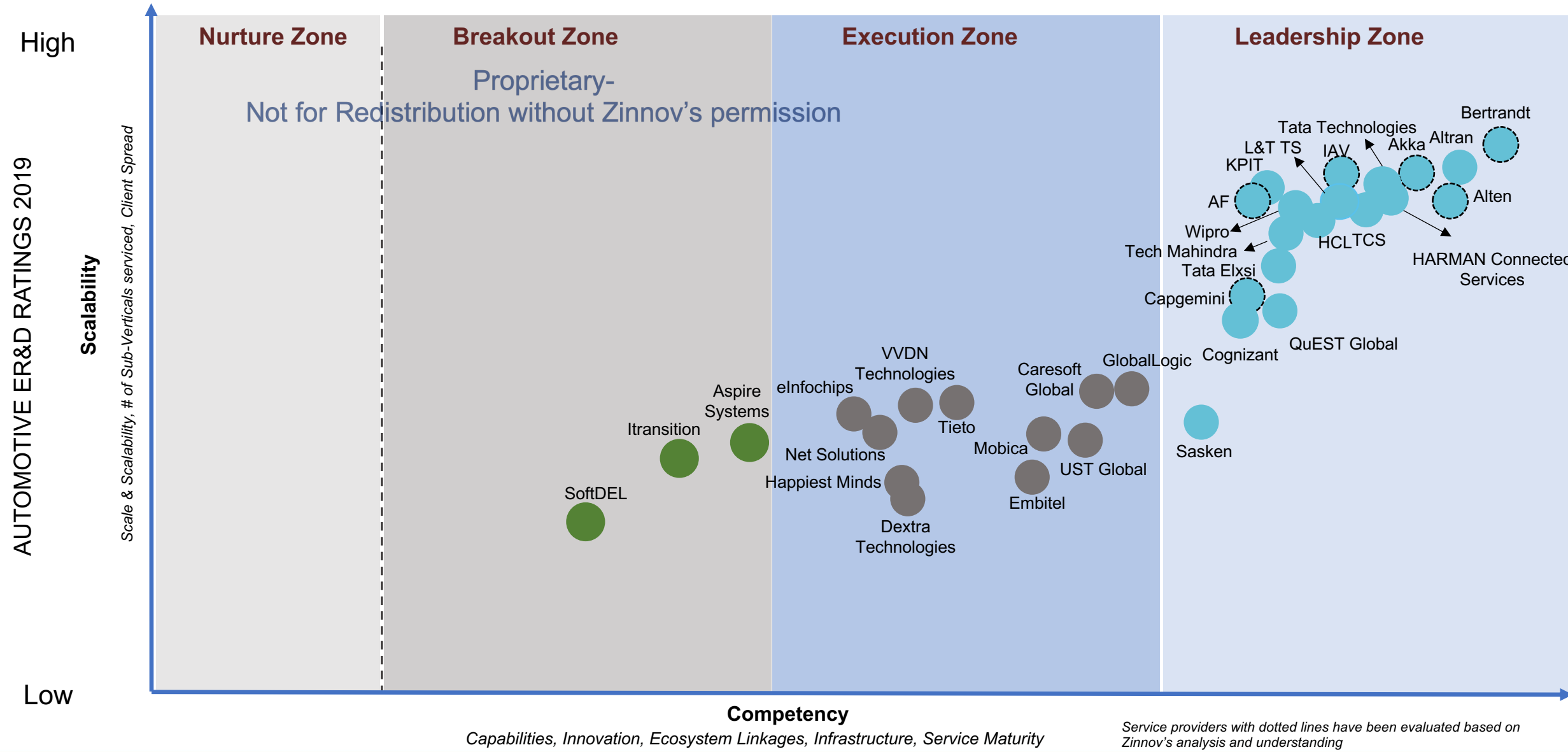
Automotive ER&D Ratings 2019



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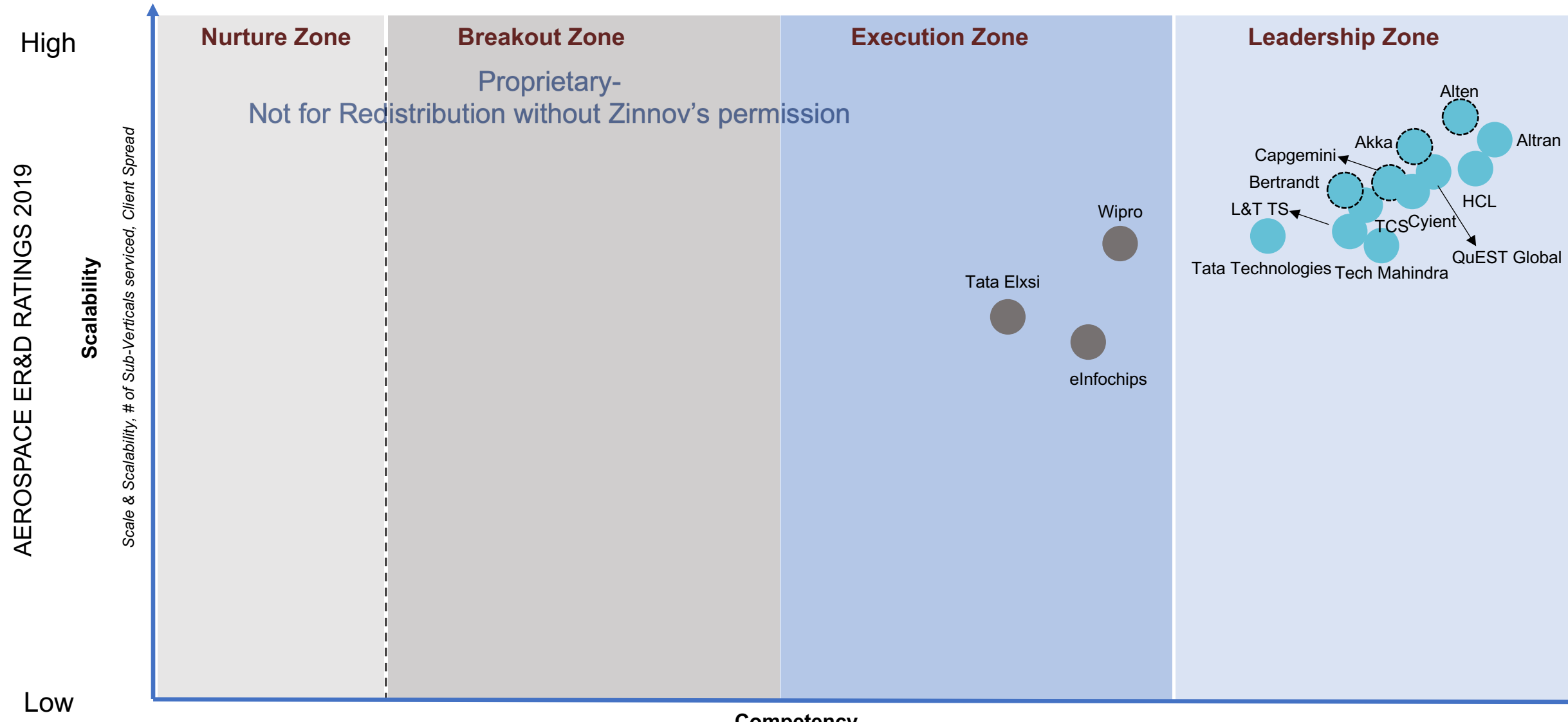
Aerospace ER&D Ratings 2019



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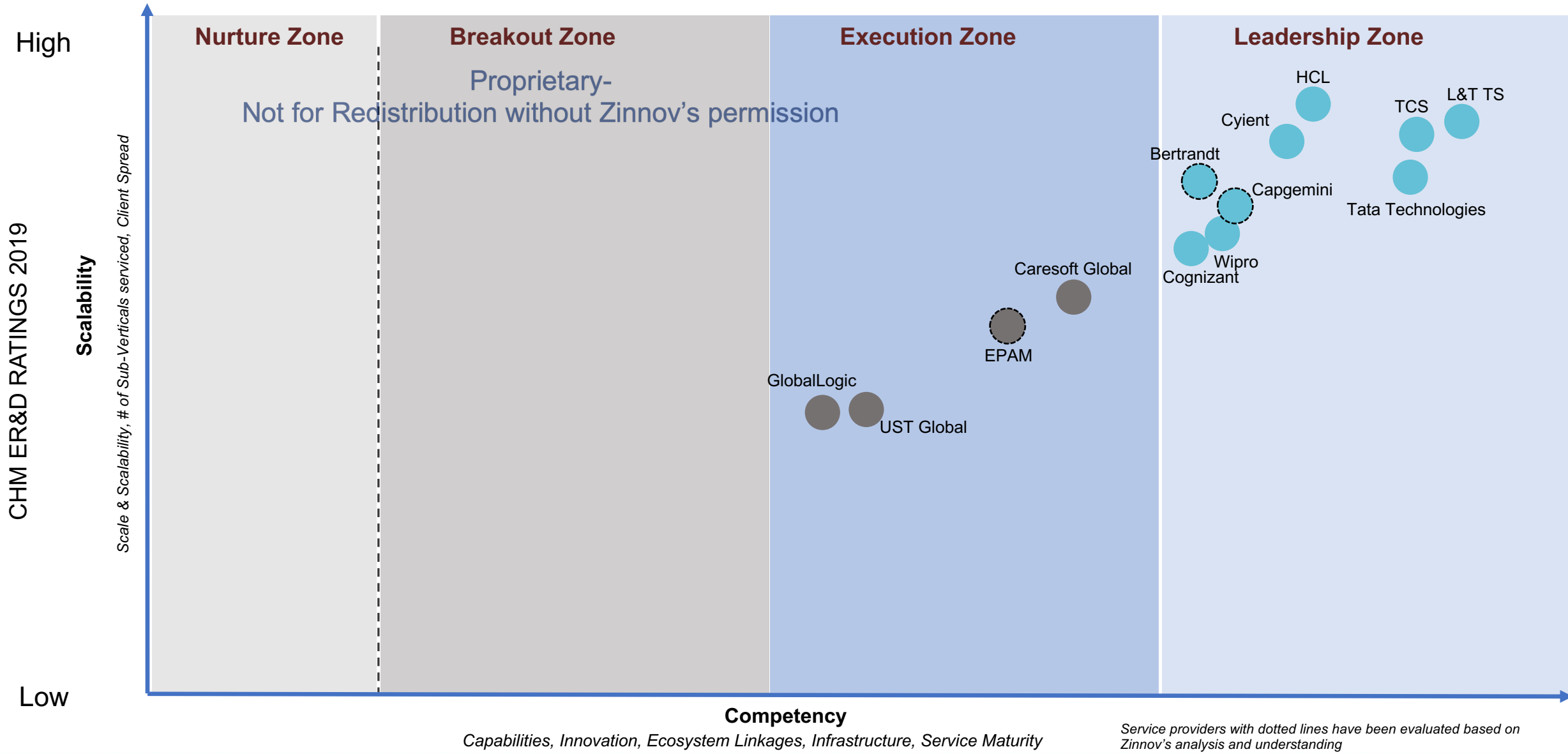
Construction & Heavy Machinery (CHM) ER&D Ratings 2019



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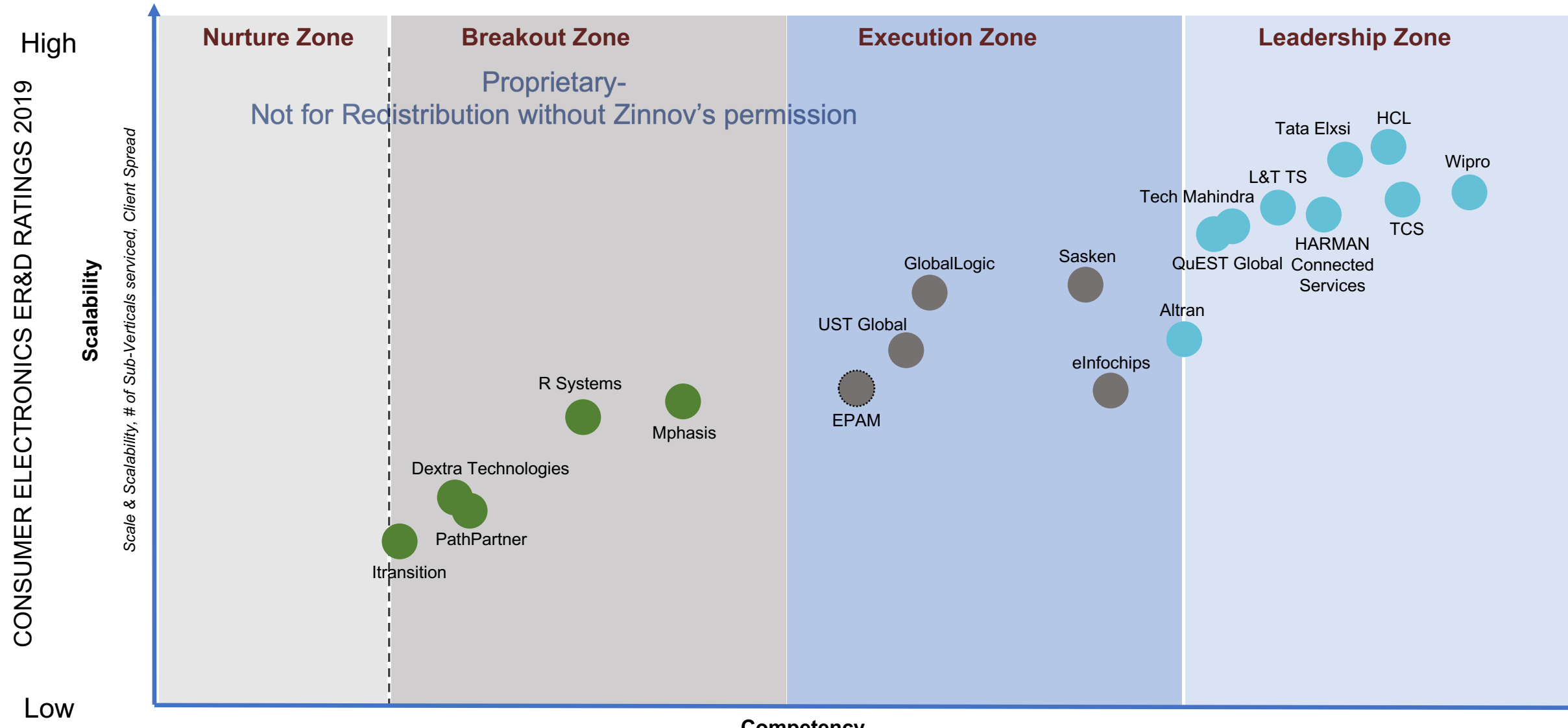
Consumer Electronics ER&D Ratings 2019



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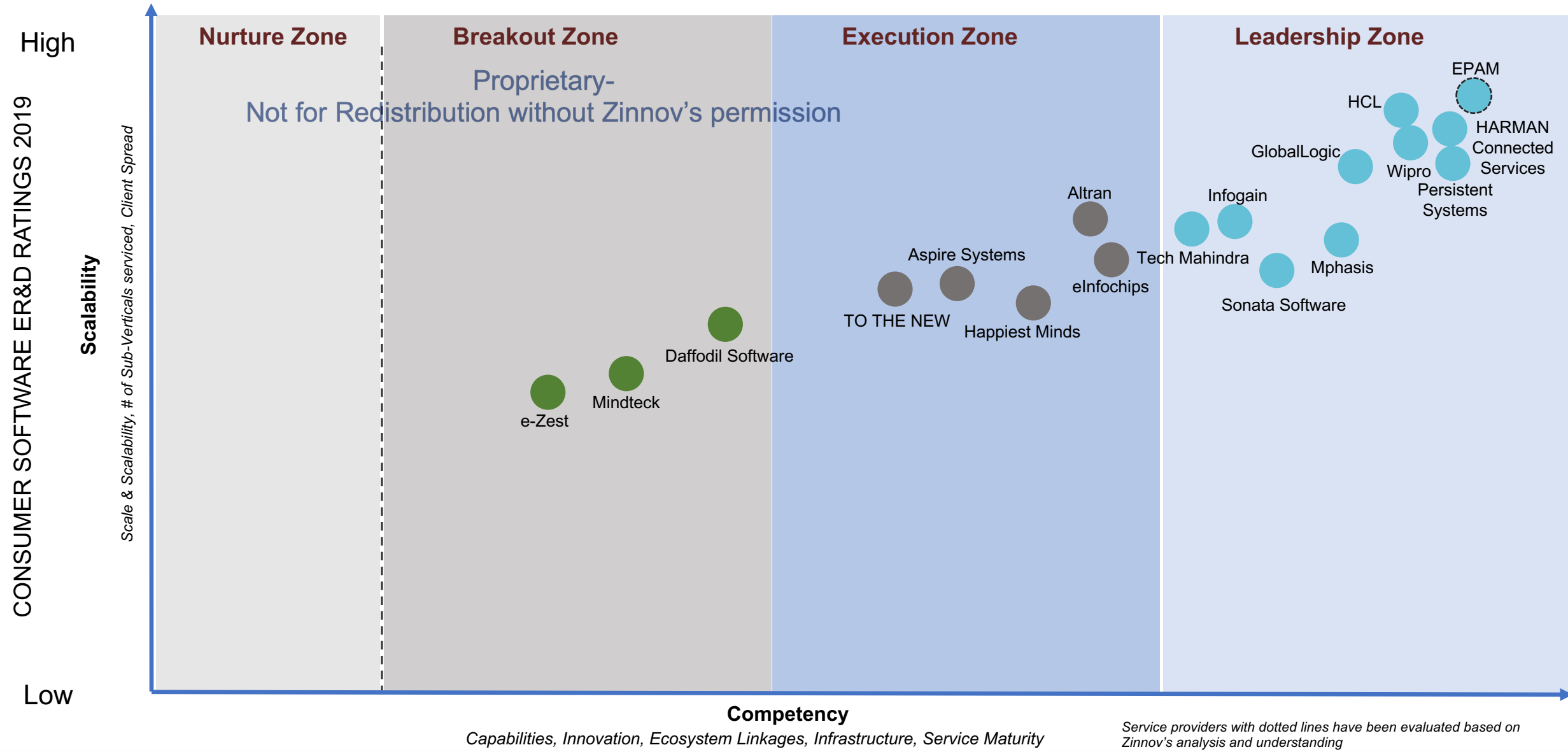
Consumer Software ER&D Ratings 2019



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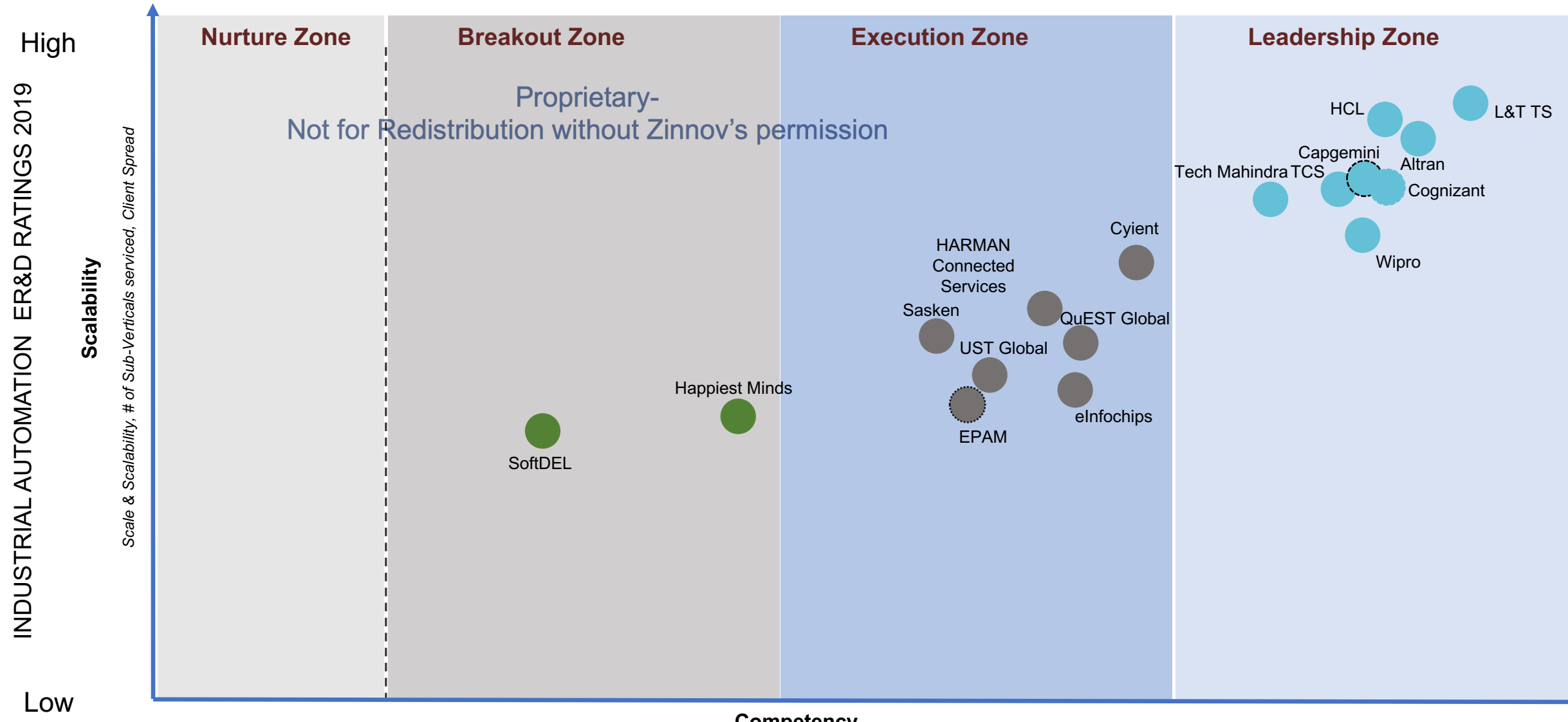
Industrial Automation ER&D Ratings 2019



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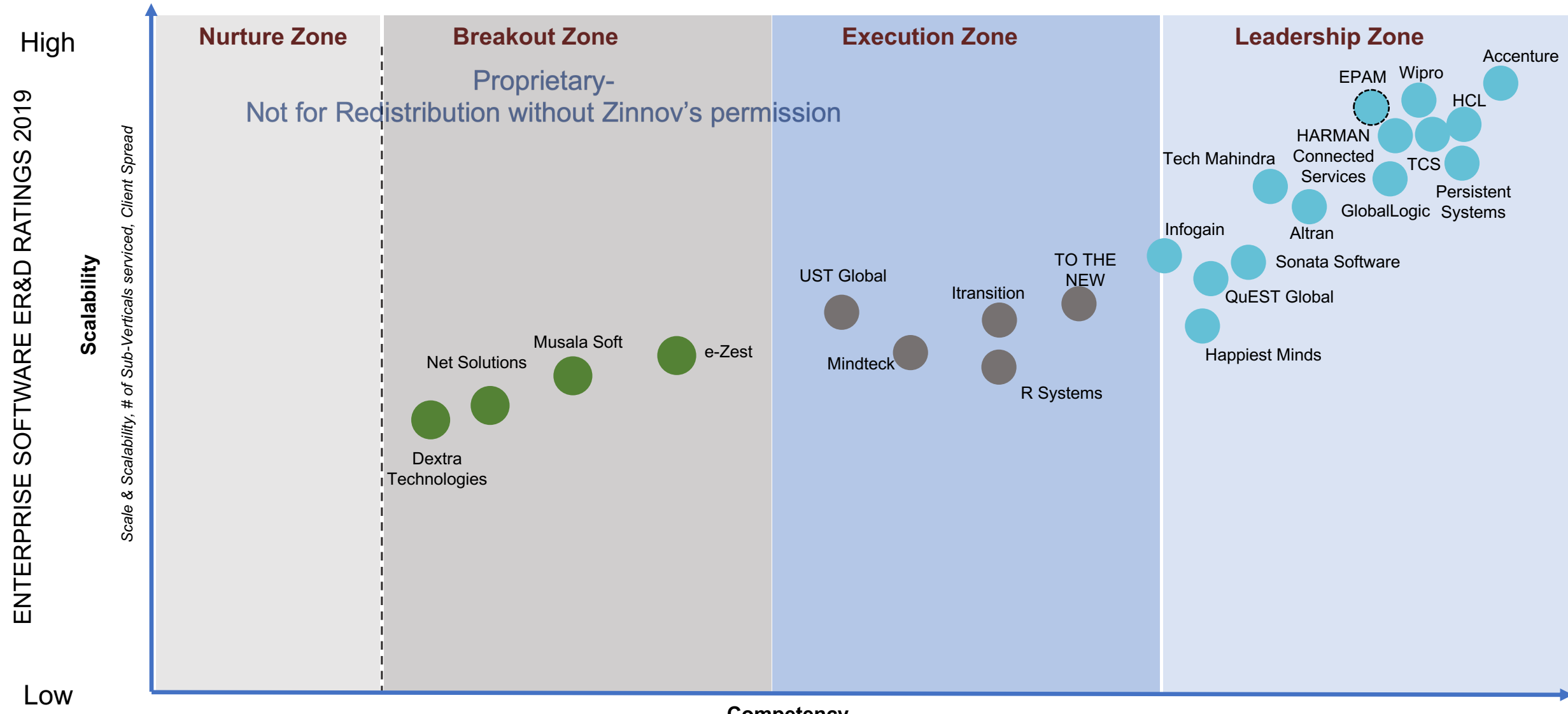
Enterprise Software ER&D Ratings 2019



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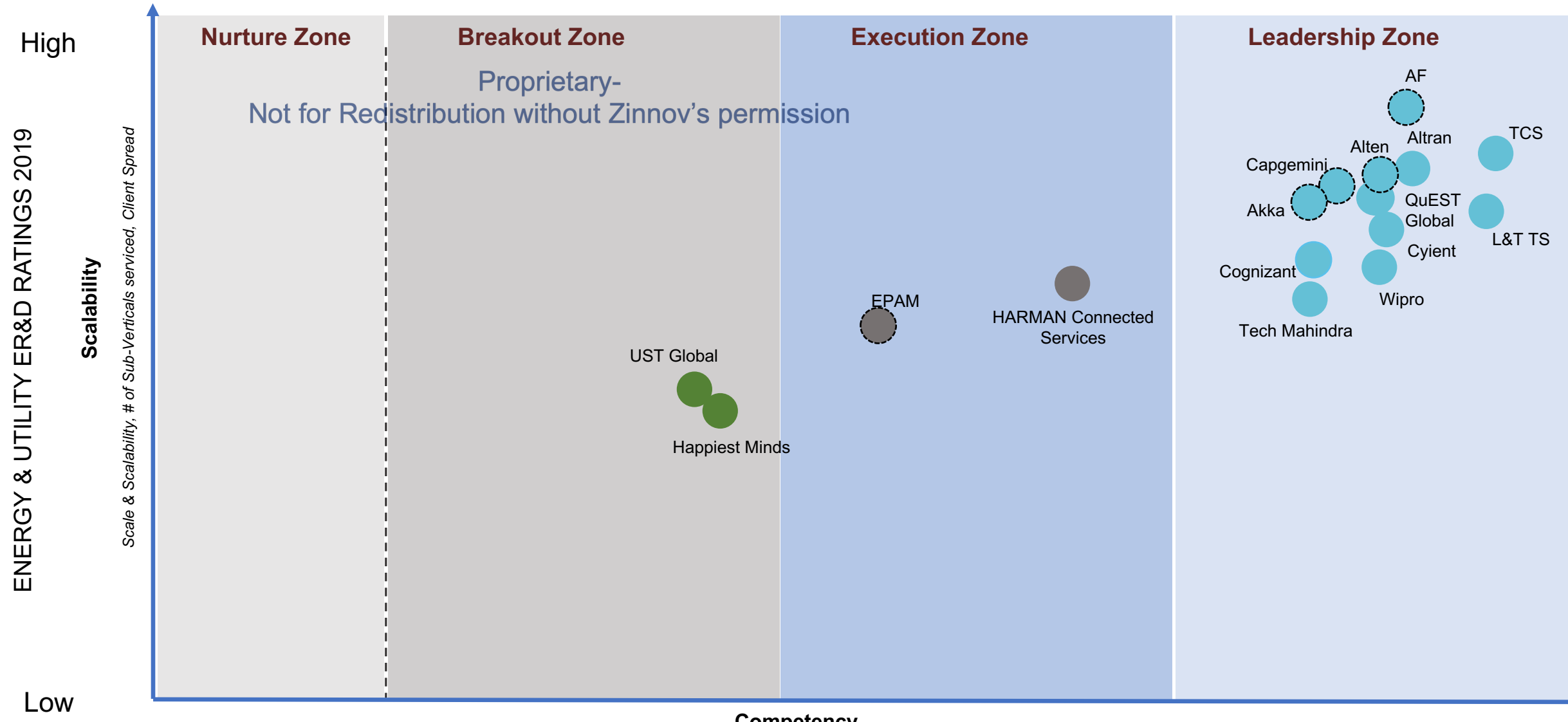
Energy & Utility ER&D Ratings 2019



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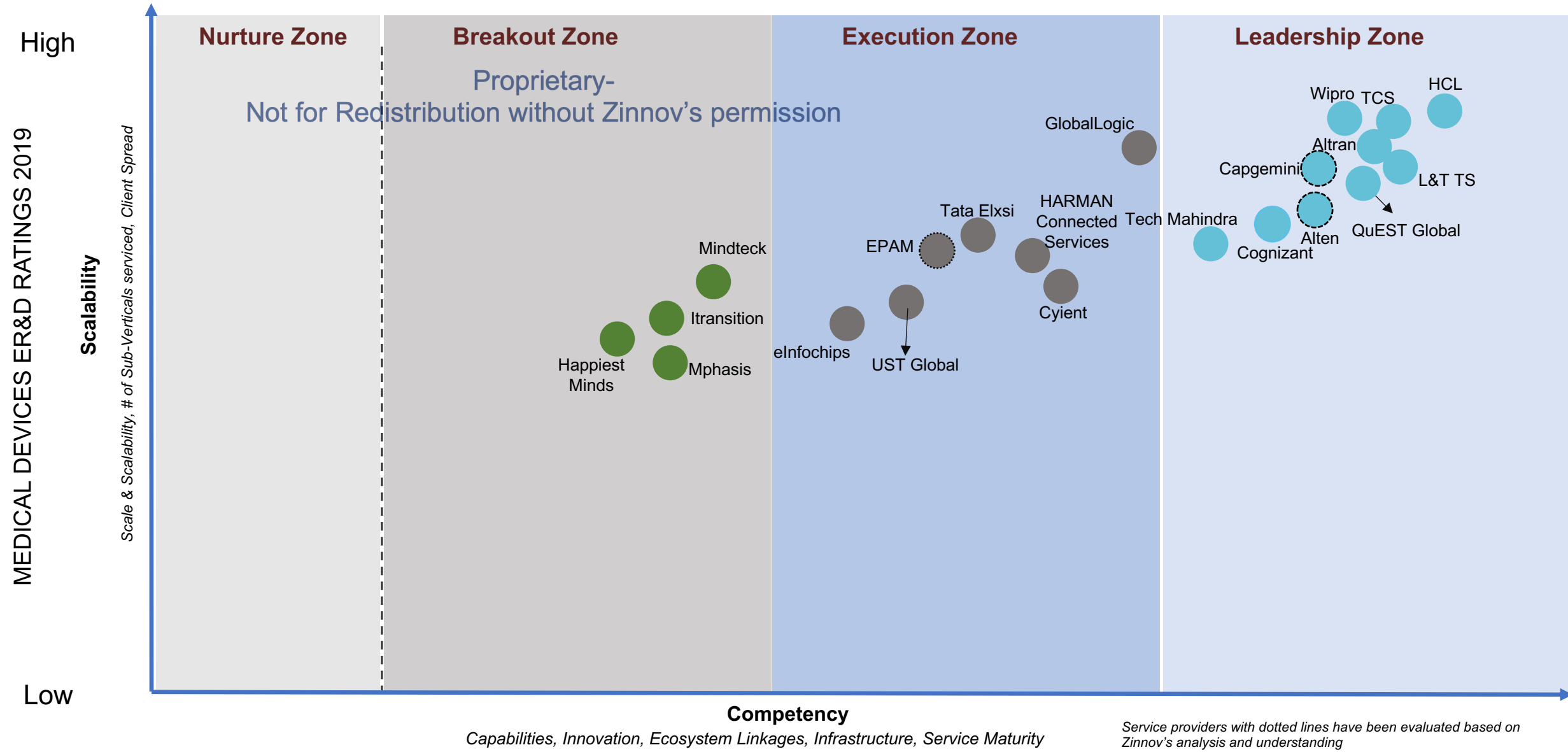
Medical Devices ER&D Ratings 2019



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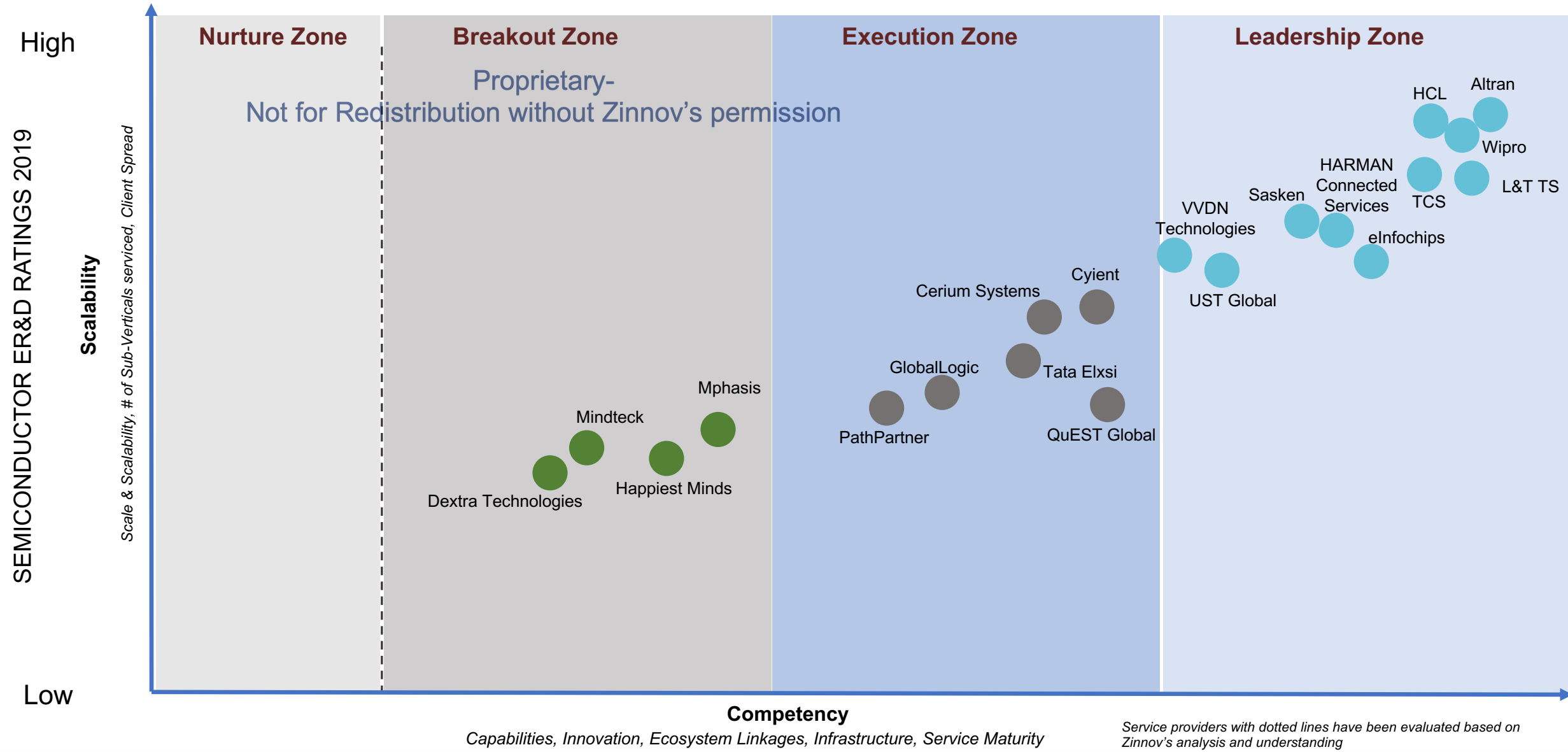
Semiconductor ER&D Ratings 2019



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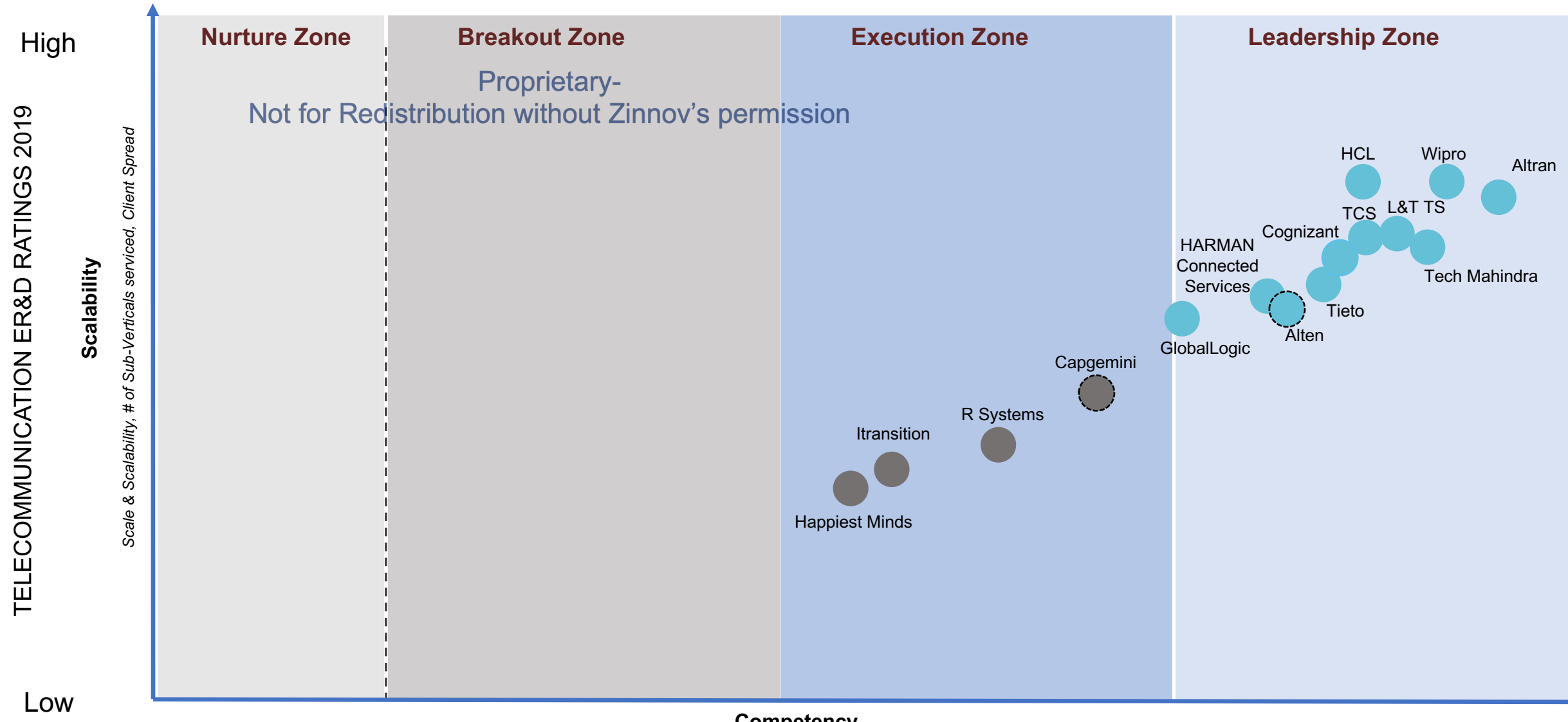
Telecommunication ER&D Ratings 2019



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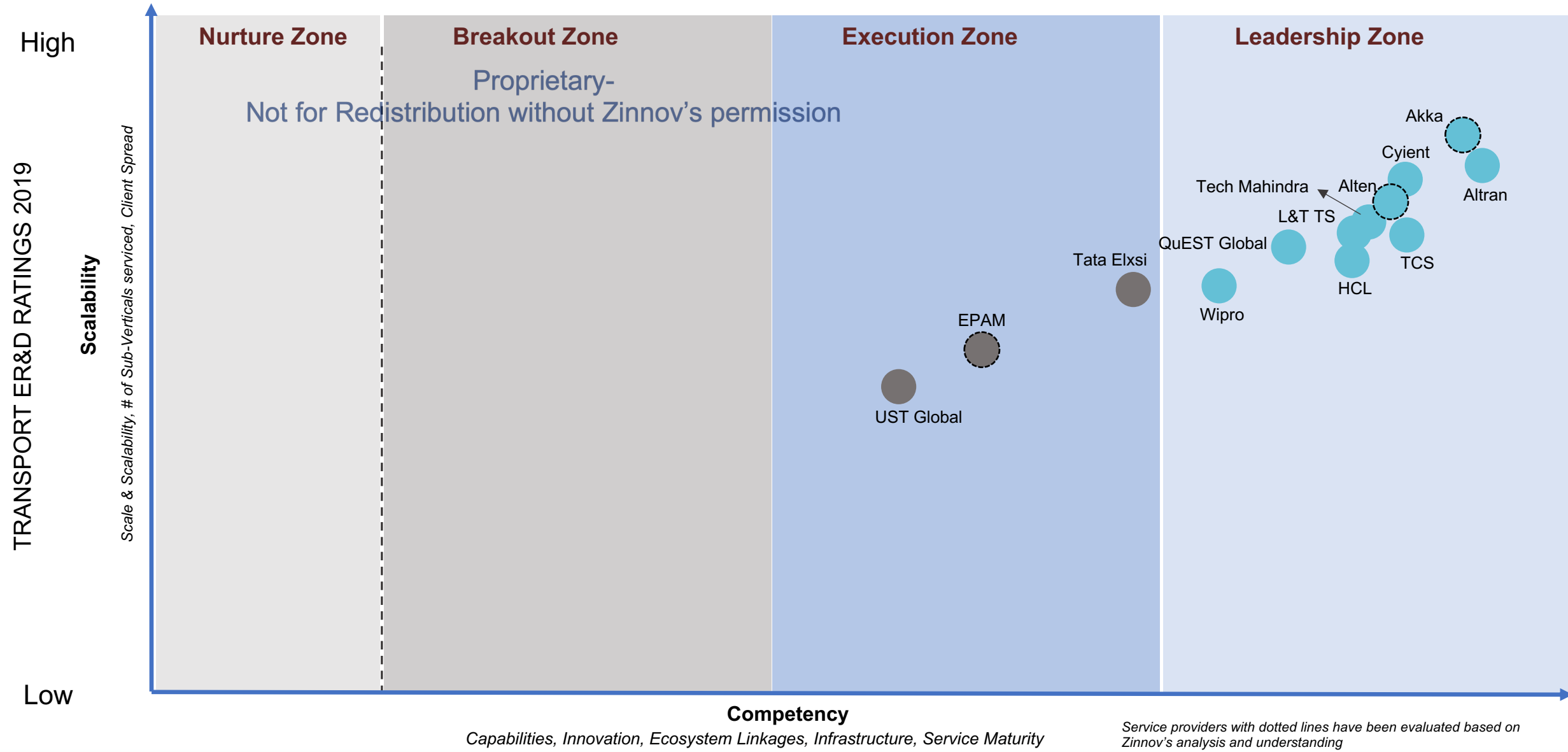
Transport ER&D Ratings 2019



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