



Digital could drive over 80% incremental spend for enterprises in the near-term: NASSCOM Report

New Delhi, 3rd December 2020: As industries across the world witnessed a dramatic acceleration in the need for digitization, technology-driven companies are now leading the path to a faster recovery globally. **The National Association of Software and Services Companies (NASSCOM)** today launched their report titled '**Future of Technology Services – Navigating the New Normal**'. Independent third-party research and analysis was conducted by McKinsey & Company as Knowledge Partners. As per the study, extensive acceleration in digital adoption by enterprises and a potential increase in outsourcing intensity due to remote working are contributing to the faster than expected recovery for the technology services industry. Top Indian technology service providers have performed better than analyst estimates in the second quarter of FY21.

The report highlights that Tech Natives and Digital Reinventors with revenue over USD 3 billion have driven 65% of the ~USD 6 trillion growth in market capitalization between January to July 2020, highlighting that technology is now core to future business recovery.

COVID-19 has accelerated digital adoption across industries, technology service providers are witnessing a sharp growth in digital deals. Digital transformation deals have seen a 30% jump, 80% jump in cloud spending, and 15% in customer experience have been witnessed since the pandemic.

With an increasing focus on remote enablement, companies are also reporting an increase in the digital dexterity of their employees and are actively reviewing processes to identify opportunities for automation and digitization.

Sharing her thoughts on the report launch, **Debjani Ghosh, President, NASSCOM**, *"Over the years, Indian technology services sector has had an unparalleled impact on the economy through a multiplier effect on job creation, balancing import bill through sustainable exports, powering start-ups and driving substantial contribution to GDP growth. The next 10 years will be fundamentally different from the past and require all stakeholders to develop strategies and insights to identify new opportunities and mitigate the risks. To ensure faster recovery, companies need to develop a two-part response to the evolving landscape: near term plan of action and long-term strategic rethinking."*

Sharing his views, **Noshir Kaka, Senior Partner and Global Leader, Analytics, McKinsey & Company**, *"Investment in digital re-invention and resilient operations saw a dramatic acceleration since the start of the pandemic. The report suggests that the world has leapfrogged on digital adoption by 3-5 years in the last 9 months. We are seeing an increased emphasis on digitization across verticals and our analysis shows that 80%+ of the near-term spending may be driven by COVID-19 resilient digital offerings. The strategic gameboard has changed tremendously in the last 9 months and agile companies have made the most of this by reimagining the way they look at growth (microverticals, customer segments, geographies etc.) and re-wiring their operating models for the new normal."*

Enterprises and CIOs are rebalancing their technology spend to prioritize digitization. Major technology services players have reported better results than analyst expectations in the second quarter of FY2021. The technology service providers attributed the revenue growth to cloud and digital offerings and benefits accruing from vendor consolidation by enterprises.

Looking ahead to 2021, however, analysts are cautiously optimistic, especially in the area of enterprise software which is expected to take the biggest leap on the back of remote working and other virtual services. Certain micro-verticals (e.g. travel, hospitality, heavy engineering) which have been massively

NASSCOM®

affected by the pandemic will also take longer to recovery. Technology service providers will need to actively rebalance their portfolio to play in the high growth microverticals in the next normal.

In the next normal, discussions with enterprise CIOs suggest that 70% of enterprises are looking to either increase or reprioritize their outsourcing spend, with business digitization (including remote enablement) and cloud transformation being the top two spend priorities over the next 12-18 months. Nearly 50% of CIOs will be focusing on efficiency, resilience, and optimizing spend wherever possible.

Further, an increase in enterprise demand for digital technology and the rise of remote working is forcing service providers to revisit their delivery operating model, talent acquisition strategies, and people supply chains. Enterprises are adopting an analytics-driven, recruitment process for improved efficiency and digitizing the recruitment process by using social media profiling, hackathons, video interviews for improved conversion rate and offer to join ratio.

It is estimated that COVID-19 could be one of the pivotal shifts that define the next wave of reimagination for the technology services sector, both on growth and operating model. However, to achieve the pivot, technology service providers need to remain flexible and maintain pace with the changing times by proactively adapting to new demand themes and buying behaviour, galvanizing operating models, and revamping people supply chains.

Download the report: <https://bit.ly/3ogwBRJ>

About NASSCOM

The National Association of Software and Services Companies (NASSCOM®) is the premier trade body and chamber of commerce of the Tech industry in India and comprises over 2800-member companies including both Indian and multinational organisations that have a presence in India. Our membership spans across the entire spectrum of the industry from start-ups to multinationals and from products to services, Global Service Centers to Engineering firms. Guided by India's vision to become a leading digital economy globally, NASSCOM focuses on accelerating the pace of transformation of the industry to emerge as the preferred enablers for global digital transformation. Our strategic imperatives are to reskill and upskill India's IT workforce to ensure that talent is future-ready in terms of new-age skills, strengthen the innovation quotient across industry verticals, create new market opportunities - both international and domestic, drive policy advocacy to advance innovation and ease of doing business, and build the Industry narrative with focus on Talent, Trust and Innovation. And, in everything we do, we will continue to champion the need for diversity and equal opportunity.

NASSCOM has played a key role in not just the growth of the Industry to become a \$180+Billion industry today, but we have helped establish the Tech industry in India as one of the most trusted partners, globally. NASSCOM continues to make significant efforts in contributing towards India's GDP, exports, employment, infrastructure development and global visibility. Our membership base constitutes over 95% of the industry revenues in India and employs over 4 million professionals, and as technology blends into every aspect of the economy, we expect the industry to become key driver of growth, development and inclusion for the country. Our mission is to make India a global hub for Innovation and Talent so when the world thinks Digital, the world will think India.

Satyaki Maitra | Kritarth Srivastava
NASSCOM Press Office – Genesis BCW
+91 9958041503 | +91 7289870408

satyaki.maitra@genesis-bcw.com | kritarth.srivastava@genesis-bcw.com

Kavita Doshi
NASSCOM

+91 120 4990200

kavita@nasscom.in