Ovum

Service Provider Snapshot: Infosys SAP Services

Infosys SAP Services aims to help clients navigate their transformation journeys

Summary

In brief

India-based Infosys is a long-term strategic partner for SAP, and has been working with SAP to support enterprise adoption of SAP products since 1998. Infosys' SAP practice aims to help businesses optimize their investments in SAP solutions, increase business efficiency, and bridge the gap between technology and business. With its Innov8 program, Infosys plans to further accelerate enterprise SAP transformation programs.

Ovum view

- **Infosys' SAP practice has decades of experience behind it.** The practice goes back all the way to the earliest SAP implementations and the system integrator (SI) has built a large repository of reusable assets, IP, and vertical expertise that positions it as a vendor of choice for large enterprise-wide SAP transformation programs.
- **Infosys' alliance with SAP runs very deep.** The product-level partnership will enable Infosys to become one of the global strategic service partners for SAP's project Embrace that aims to increase enterprise adoption of SAP's cloud and digital technologies.
- **Infosys announced its own strategic program: Innov8 for Embrace.** Innov8 augments SAP's Embrace program and brings together tools and frameworks to further accelerate enterprise digital transformation journeys.
- **Infosys has also launched its S/4 HANA transition services.** With the approaching deadline of the end of SAP's EEC license, Infosys is poised to help clients transition to S/4 HANA based on its deep experience with complex and large-scale successful S/4 HANA programs across industries.
- **Infosys has done a good job of investing in the right areas.** Infosys has made significant acquisitions and partnerships, and invested in training, and continues to invest in building capabilities in the SAP space. This is an important factor in the continued success of the company in growing its business and strengthening its portfolio.
- **However, it needs to do more to build presence outside North America and Europe.** Despite being one of the largest IT services providers globally, Infosys is heavily reliant on North America and Europe for the majority of its revenue. This puts it at risk of over exposure to a limited set of geographies, and any slowdown in these markets can put significant pressure on revenue and margins.

SWOT analysis

Strengths

- Infosys has a long-standing, product-level partnership with SAP that enables it to offer end-to-end services, including business and technology advisory, around SAP's portfolio.

- Long-term customer relationships have resulted in Infosys building a strong repertoire of domain expertise that is augmented by well-defined processes, and reusable IP such as accelerators and tools that can be aligned to customer needs.
- Infosys brings together knowledge of industry best practice from years of experience delivering large-scale transformational programs to identify and address business challenges/needs.
- Infosys' global delivery model that leverages a triangulation of local hubs, on premise, and offshore centers brings together customer proximity, a factory model, and niche and emerging skills to enable speed-to-market.

Weaknesses

- Infosys' derives the majority of its revenue from North America and Europe. In the financial year ended March 2019, Infosys reported that about 85% of its total revenue came from North America and Europe. This poses a significant risk should these markets experience a recession, or if IT spending witnesses a slowdown. Infosys needs to increase focus on diversifying its revenue base to include a greater share from growing markets in Asia-Pacific (in particular in Australia and New Zealand), and in the Middle East and Africa regions to balance out its geographic focus.

Opportunities

- Infosys' Innov8 program brings together a variety of ready-to-deploy use cases that cover many of the latest technology trends such as artificial intelligence/machine learning (AI/ML), blockchain, and IoT to support innovation at the enterprise level. This program can potentially open the door for Infosys to have conversations about getting involved in enterprise innovation journeys.
- Infosys has made significant efforts to move the conversation away from cost optimization to innovation around SAP modernization programs. This approach appears to be resonating with clients, as seen in its performance. The investments it is making in further building out its capabilities around SAP transformation will play a significant role in the vendor's ability to gain greater share of wallet with its customers.
- Infosys has also invested in bolstering its consulting capabilities, established Digital Studios and Agile Labs, and has made design thinking a key part of its services portfolio. These initiatives are seeing traction in the market and Infosys is well placed to become a trusted partner for large-scale enterprise transformation programs.

Threats

- The major threat for Infosys is the increasing competition in the SAP services space, with most of its competition also making similar investments. SIs with the ability to deliver deep vertical knowledge and accelerators at scale, and show willingness to commit to delivering business outcomes, have an advantage. Infosys needs to clearly articulate where it brings value that's different from competition to be able to command a greater share of the market.
- The cloud is commoditizing the way software is consumed and, though this is great for enterprises, it is also causing a pricing war which is putting increasing pressure on vendor margins. Infosys has been making investments in this area and needs to continue to do so to

ensure it can maintain healthy margins for its SAP business and continue investing back into finding ways to deliver innovation to its customers.

Company background

Organization

Established in 1981, Infosys has over 30 years of experience in the enterprise space. The company employs 228,000 people worldwide and recorded revenues of $11.8bn for the FY ended March 31, 2019. Infosys provides an end-to-end range of services including application development and maintenance, infrastructure management, engineering services, consulting, and systems integration. It also holds a portfolio of business platforms and solutions including its banking solution Finacle, and offerings in the areas of analytics, cloud, and digital transformation. Infosys serves customers in the financial services, retail, communication, energy & utilities, manufacturing, high-tech, and life sciences sectors across 45 countries.

Financials

In 2017 Infosys embarked on an internal transformation program that emphasized the company's focus on winning large deals, growing its digital services business, and prioritizing customer delight. For FY19, Infosys recorded $11.8bn in revenue, of which about 34% came from digital services. Infosys' revamped portfolio found traction in the market, and this was reflected in its results with digital services accounting for around 38% of global revenue for the quarter ended September 2019. Total revenue for the quarter was up 10% year on year (YoY) (11.4% in constant currency), while digital revenue grew by 38.4% YoY, further reinforcing the strong market uptake of this offering.

SAP services portfolio

As enterprise confidence in and adoption of SAP's S/4HANA suite continues to gather steam, enterprises are looking for ways to optimize their SAP modernization programs by bringing greater automation into business processes, and reducing complexity in the enterprise resource planning (ERP) landscape. With the announcement of the end of support for ECC6 in 2025, the initial inertia towards modernization has been replaced with a renewed vigor to accelerate the transformation programs. This is where Infosys steps in as SAP's strategic partner in large-scale enterprise-wide ERP transformation with a comprehensive set of offerings around most of SAP's solution stack (see Figure 1).
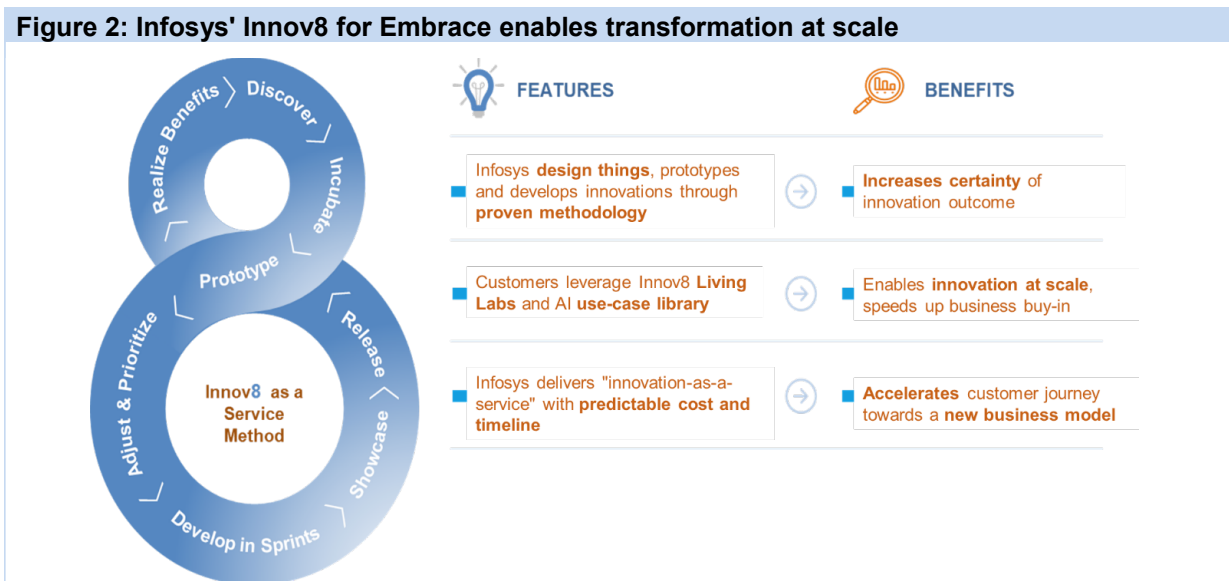
Figure 1: Infosys' SAP footprint

SAP Services

16000+
SAP Experts

450+
Clients

- 10 + Digital Studios
- Strategic alliances with SAP
- Vertical Specific Accelerators
- Structured enablement to meet S/4 talent demand
- 360 degree partnership ecosystem
- Investments in tech hubs and near shore centers

Acquisition of:

Wongdoody: A full service creative and consumer insights agency.
BrilliantBasics: digital innovation and customer experience studio.
Noah: A leading provider of advanced information. management consulting services.
Skytree: A leader in enterprise-grade machine learning.

| Retail, CPG & Logistics | Manufacturing | Healthcare, Insurance & Life Sciences | Financial Services | Energy, Communications & Services |

Source: Infosys

The SAP practice at Infosys consists of over 16,000 experts who serve over 450 customers across the globe. Most of the customer relationships date back to the earliest SAP implementations and through the course of these long-term engagements, Infosys has accumulated a wealth of business process, domain, and technical knowledge that it brings to its portfolio in the form of multiple proprietary reusable assets, frameworks, and automation solutions that it has named "Innov8 for Embrace" (see Figure 2).

Figure 2: Infosys' Innov8 for Embrace enables transformation at scale

Realize Benefits · Discover · Incubate · Prototype · Release · Adjust & Prioritize · Showcase · Develop in Sprints

Innov8 as a Service Method

FEATURES

- Infosys **design things**, prototypes and develops innovations through **proven methodology**
- Customers leverage Innov8 **Living Labs** and AI **use-case library**
- Infosys delivers "innovation-as-a-service" with **predictable cost and timeline**

BENEFITS

- **Increases certainty** of innovation outcome
- Enables **innovation at scale**, speeds up business buy-in
- **Accelerates** customer journey towards a **new business model**

Source: Infosys

Innov8 brings together over 70 ready-to-deploy use cases that support innovation using technologies like AI/ML, blockchain, IoT, and data/analytics. Innov8's key benefits include:

- The ability to accelerate the implementation of an end-to-end business solution.
- The ability to leverage best practice around SAP's Intelligent Enterprise framework.
- A predictable, opex-based cost model.

- Flexible points of entry to the SAP enterprise platform for both existing and new cloud customers.

With the addition of Lodestone, a consulting firm with significant strength in the transformation space, in 2012, Infosys consulting added skills and talent in consulting and process optimization which augmented its existing capabilities and solidified its image as a leading provider of SAP transformation services. Infosys' portfolio spans the full spectrum of services around SAP transformations – from consulting, to implementation, data/analytics, and adoption of next-gen technologies from the SAP stable (see Figure 3).

Figure 3: Infosys offers end-to-end SAP transformation services
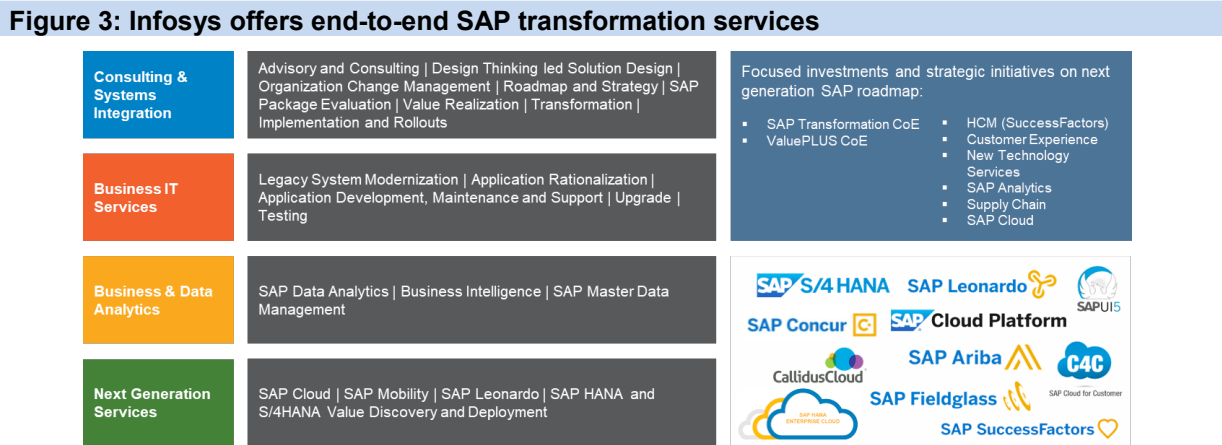
Source: Infosys

Infosys has also established a Transformation Center of Excellence (TCoE) around its SAP practice that focuses on building the competencies and skillsets to enable enterprise adoption of S4/HANA solutions. This is complemented by its own internal IP such as the Nia automation program and its ValuePLUS 2.0 framework for digital enterprises (see Figure 4), as well as the various vertical-specific assets that it has built. With a deep, product-level partnership with SAP that spans decades, and a status as one of the first members of SAP's Global Run Partner program for application management services (AMS), Infosys is well positioned to be considered for the role of strategic transformation partner for large enterprises.

Figure 4: Infosys' ValuePLUS 2.0 provides AI-automation and analytics driven AMS solution
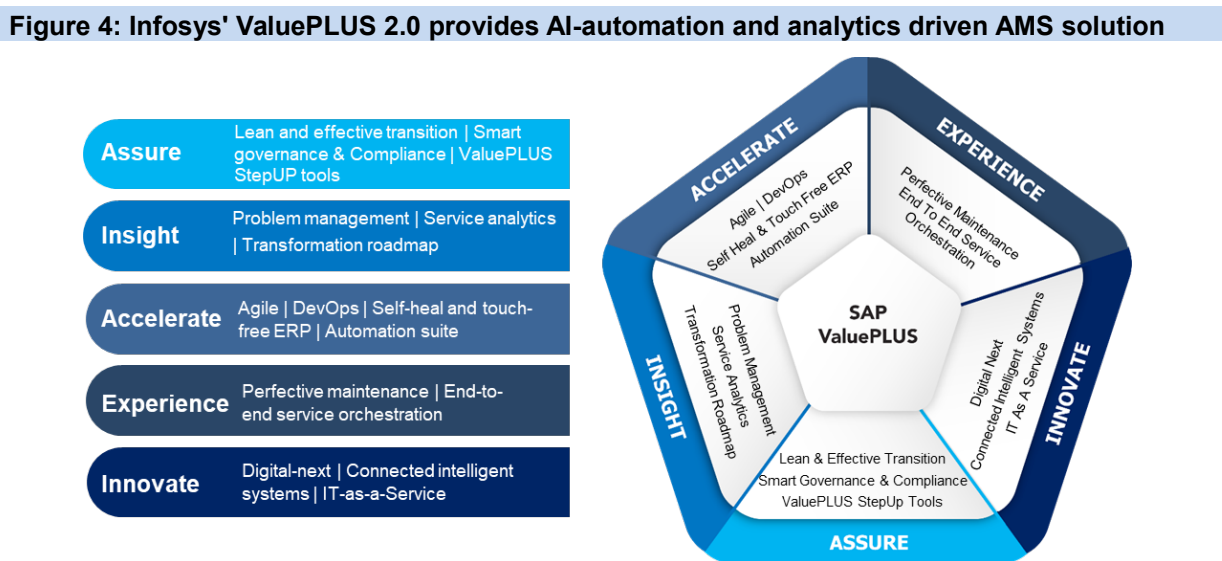
Source: Infosys

Some of the other major tools and accelerators that Infosys has built across its SAP practice include:

- **Infosys Catalyst for S/4 HANA**: Ready-to-deploy pre-configured solution by industry segment, under the Infosys Catalyst for S/4 HANA for the following industry segments:
  - manufacturing (core, high-tech, and resources)
  - retail & fashion
  - consumer packaged goods
  - life sciences
  - energy and utilities
  - financial services and insurance.
- **Infosys HANA Code Migration and Opt imization (CMO)** tool that accelerates custom code migration and optimization by 50%, while automating up to 85% of impacted custom code.
- **Infosys S/4 Assist** which helps in automated analysis of in-process impact and improvement, conversion compatibility, HANA DB and S/4HANA impact on development, security role impact, add-on impact, UI impact, interface impact.

Acquisitions and IP

Infosys partners with providers of software applications, infrastructure, and consulting to augment its own portfolio and integrates partner products to provide customized solutions and services to customers.

Table 1: Infosys' acquisitions for SAP services

Partner	Skills and capabilities
Lodestone	Strengthened management consulting capabilities and expanded Infosys' presence in mainland Europe. The acquisition added more than 750 experienced consultants and 200 clients in industries such as manufacturing, automotive, and life sciences.
Panaya	Enabled Infosys to leverage automation for SAP services through an agile software-as-a-service (SaaS) model that can help mitigate risk, reduce costs, and decrease time-to-market for clients.
Wongdoody	Digital experience services ecosystem with services ranging from strategy, design, and user experience along with globally recognized creative talent and deep marketing and brand engagement expertise.
Brilliant Basics	Expanded Infosys' worldwide connected network of Digital Studios that offer digital design services to customers to include Europe and the Middle East, and enhanced the company's expertise across financial services, retail, and telco sectors.
Temasek	Infosys gained significant capacity in terms of the workforce as it focuses on strengthening its footprint in Southeast Asia.

Source: Infosys

Infosys has also made significant investments in developing proprietary IP in the form of reusable frameworks, accelerators, and solutions for augmenting their SAP services stack.

Table 2: Infosys' proprietary IP for SAP services

Partner	Specialty
Nia	Enterprise-grade AI platform. Infosys Intelligent Enterprise combines Nia (Infosys knowledge-based AI platform), AssistEdge (robotic process automation (RPA) platform), and ValuePLUS (SAP application management framework). It also integrates directly with SAP products, including Leonardo and Solution Manager, while leveraging HANA's native machine learning capability with other machine learning technologies.
Innov8	A new strategic program in partnership with SAP (Embrace) to accelerate enterprise digital transformation journeys using SAP digital solutions. One of SAP's first global strategic service partners for project Embrace, designed to drive enterprise customer adoption of cloud and digital technologies from SAP.
ValuePLUS 2.0	Infosys ValuePLUS 2.0 framework for SAP Application Management Services helps enterprises achieve: • simplification through smart governance • hyper productivity leveraging advanced technologies such as robotic automation, AI/ML, and self-healing • transformed user experience by implementing components such as conversational assistants, ML-based business issue prediction and prevention, and perfective maintenance • up to 48% ticket elimination and 30% effort reduction on redundant low-variant tickets • making business process intelligent enough to detect and resolve issues on their own.

Source: Infosys

Key contract wins

Infosys' SAP services practice has won several large deals over the past two years. Some of its larger contract wins include:

Table 3: Infosys SAP contract wins in last two years

Client name	Announcement date	End date (e = estimate)	Estimated total contract value (TCV) ($m)
Arlanxeo	Nov 21, 2019	Nov 20, 2022	19.0
JG Summit Holdings	Sep 09, 2019	Sep 09, 2024 (e)	11.5
Toyota Material Handling NA	Aug 13, 2019	Aug 13, 2022 (e)	8.0
KONE	Oct 04, 2017	Oct 04, 2022 (e)	200.0
CMA CGM	Sep 18, 2017	Sep 18, 2024 (e)	50.0
Evonik Industries	Jan 13, 2017	Dec 15, 2019 (e)	18.0

Source: Ovum IT Services Contracts Database

Strategy and positioning

Infosys SAP Services' vision is "To be the Trusted Navigator for our Clients' Digital Transformation Journey." Infosys is positioning itself at the intersection of business, technology, and process transformation and has put together a set of tools, processes, partnerships and people to help customers address the most pressing bottlenecks in their SAP transformation journeys. Infosys provides end-to-end services across the SAP platform including consulting, transformation, and data/analytics (see Figure 5). Infosys has identified technologies that augment enterprise SAP platforms such as automation, IoT, data and analytics, and cloud, and has put together vertical specific use-cases around these technologies and continues to build its portfolio. The company wants to help customers drive transformation of operations, customer experience, trust and compliance, and facilitate business innovation on the new SAP platforms. Infosys has established eight Global Innovation Hubs in the US (Raleigh, Hartford, Indianapolis, Rhode Island, Richardson, Phoenix), and in Europe (Bucharest, Dusseldorf) that work to develop innovative use-cases around new technologies and provide an Agile environment for testing proof of concept (PoCs) on SAP HANA.

Figure 5: Infosys' positioning around SAP services
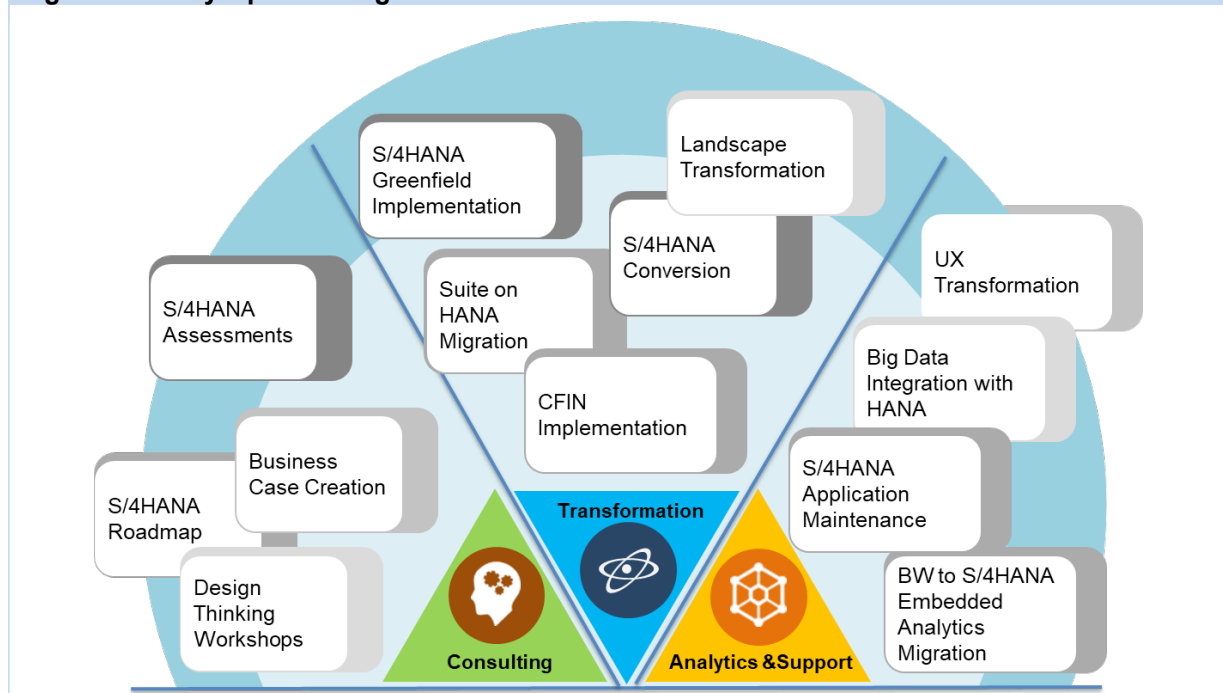
Source: Infosys

Extensive investment in developing training programs around SAP have also been made. These include dedicated SAP training infrastructure that is supported by Infosys' Lex training platform, an alliance with SAP for developing training modules, and partnerships with Stanford University. Joint research partnerships with universities such as Cornell, the Indian Institute of Technology (IIT), the Indian Institute of Management (IIM), Purdue, and Udacity have also helped Infosys gain access to leading research around technology which it can incorporate into its portfolio. It has also established key partnerships to augment its portfolio, and the ability to offer a highly customizable solution to customers. Infosys is also moving towards more consumption- and outcome-based pricing models, and aligning its KPIs more closely to business's needs.

Ovum's assessment

Many enterprises are now at an inflection point where they are evaluating current investments in ERP platforms such as SAP, and looking at modernizing these platforms. The impetus is only set to gain steam as enterprises look for ways to rid themselves of the shackles of legacy platforms that are slowing down their transformation into digital businesses. In many cases this SAP modernization program is being run in conjunction with investments in digital technologies such as IoT and AI which will have a direct impact on future demand for services. Only those vendors that display deep vertical expertise and have a keen focus on delivering business outcomes will stand to succeed in this space. This is something that Infosys' management seems to have understood, and the company is aligning itself to the success of its customers. Infosys is also articulating a market message that emphasizes that all of its verticals and service lines are closely aligned to deliver a seamless experience for the customer. Supported by its focus on design thinking and initiatives such as "Zero Distance" (renamed "Be the Navigator") that emphasizes innovation, Infosys is closely aligning itself to delivering customer success.

Infosys has significant presence in North American and European markets, but it needs to expand its presence in emerging markets to be able to offset the risks associated with high dependence on limited markets. It needs to build greater momentum in emerging markets that are less hindered by legacy, thereby offering greater avenues for delivering innovative solutions. Infosys also needs to build market messaging around its next gen services, innovation, and design capabilities, whether through customer facing events or specific collateral highlighting transformational work in these areas, especially on the SAP ecosystem, to drive home the point that it is indeed capable of delivering an end-to-end SAP transformation package.

Appendix

Methodology

This report is based on briefings with Infosys and attendance at Infosys' analyst events. This report also leverages existing research and evaluations of Infosys across Ovum's practices. This was coupled with desk research of publicly available information and information from other pertinent Ovum tools such as the IT Services Contracts Analytics Database.

Further reading

2020 Trends to Watch: Application Services and Systems Integration, ENS002-000106 (November 2019)

On the Radar: DigitMarket offers digital ecosystem enablement in one package, ENS002-000095 (October 2019)

"Enterprises and governments warm to Google Cloud in Asia-Pacific," ENS002-000104 (October 2019)

"Oracle is making the right moves, but will that be enough for it to gain market dominance?" ENS002-000098 (October 2019)

"Infosys believes that sentience is necessary to succeed in the digital era," ENS002-000100 (October 2019)

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