

IT Outsourcing - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The IT Outsourcing Market size is estimated at USD 617.69 billion in 2024, and is expected to reach USD 806.53 billion by 2029, growing at a CAGR of 5.48% during the forecast period (2024-2029).

Key Highlights

- Information Technology has become a competitive edge for most of the organization. Moreover, IT outsourcing has become more than a simple cost reduction process with the cloud migrations and options of cloud services. Therefore, this new form is mainly driven by organizational motivations in terms of customer experience, business growth, and competitive disruption.
- The rising adoption of cloud services since the outbreak of COVID-19 is anticipated to build a favorable market scenario for the IT outsourcing market growth as organizations using such services often outsource the maintenance and portion of development work to third parties.
- More importantly, such a rise in preference amongst the newer and even smaller organizations has led the key vendors of the market to increasingly concentrate on driving out a way to integrate the offshore team with the on-site. Another critical aspect driven by small-scale players is the agility in vendor offerings, which refers to the time-to-market.
- Cloud migration and adoption software have led outsourcing customers to divert resources from low-value assets to specialized employees while focusing on more flexible, tailorable, and evolution-friendly solutions.
- However, the lack of data security in cloud and server-based services is hindering the market's growth. Cloud-based services pose many specific security issues and challenges. Data is usually stored with a third-party provider and can be accessed over the internet in the cloud. This indicates that visibility and control over that data are limited. Nevertheless, growing demand for efficiency and scalable infrastructure and increasing cloud migration are driving the market.

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IT Outsourcing Market Trends

BFSI to be the Largest End-user Vertical

- Banking, financial services, and insurance (BFSI) is one of the major end-user verticals experiencing significant change in technology adoption, mainly due to the conditions brought on by the pandemic and the evolving competitive landscape. IT spending in the sector is also increasing, according to a study by Flexera Software.
- Financial organizations are increasingly outsourcing their processes and services to third parties. Banks can outsource everything from mailing campaigns to payment processing. Banks can only survive and attract customers with a robust and comprehensive in-house IT department or trusted outside partners.
- The BFSI sector is also shifting towards the cloud, which presents new market opportunities. According to a recent survey by Google Cloud, in the United States, about 54% of the financial services companies using cloud strategy have their workloads fully deployed in the cloud.
- Modern customers need more personalized and streamlined access to banks' services. The transition to omnichannel platforms, which provide seamless access for all devices, can be carried out by IT outsourcers. Moreover, such platforms facilitate real-time data collection and analysis so that financial institutions can improve customers' experience. Hence, such developments are driving IT outsourcing in the banks.
- Overall, the BFSI sector's demand for IT outsourcing services will be fueled by the need for advanced cybersecurity, digital transformation, growing regulatory compliance, and innovative solutions to meet evolving customer expectations and industry trends.

Asia Pacific is Expected to Dominate the Market

- China has been one of the significant outsourcing destinations. The outsourcing industry considers benefits that the majority of the companies in the US find attractive. Reduction in development costs plays a critical role in retaining the actual benefits of outsourcing.
- China has made significant efforts to transition from (cheap) employment manufacturing to high-end industrial production through digitization and industrialization. China is estimated to account for one-third of the worldwide IIoT market by 2025, according to the GSMA. Additionally, the increasing prevalence of industrial IoT across countries has substantially aided market growth.
- India is a considerable mature global IT outsourcing destination with a vast range of options. Since then, India has worked continuously on this issue for over 25 years to maintain its position as a significant IT outsourcing destination. IT outsourcing companies in the country are rapidly expanding operations worldwide due to an increasing demand for skilled software developers. The cost aspect and talented skill pool have contributed a critical role in ensuring the nation's dominance in the market.
- In Japan, based on recent technological advancements in IT, the scope of IT outsourcing in the country's business sector has expanded to include cloud computing, data protection, and cybersecurity. Owing to the ability to provide business functionality without the need for substantial infrastructure investment, cloud-computing services are increasingly being utilized.
- Overall, the countries in the region are expected to gain significantly in the coming years as the market continues to develop. In addition, the data center buildings in the region have fueled a significant demand. Also, with the data center market on the verge of maturing, significant revenues in upgrading infrastructure have been poised to develop IT outsourcing in the region.

IT Outsourcing Industry Overview

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The IT outsourcing market exhibits significant fragmentation, featuring key industry players such as IBM Corporation, DXC Technologies, Accenture PLC, NTT Corporation, and Infosys Limited. These market participants employ various strategies, such as forming partnerships and pursuing acquisitions, to bolster their product portfolios and establish sustainable competitive advantages.

In May 2023, DXC Technology, a global technology services company, entered into a multi-year agreement with Scuderia Ferrari, the racing division of Ferrari N.V. This collaboration includes a commitment to developing cutting-edge automotive digital solutions with the aim of enhancing vehicle performance and driving experiences. DXC Technology is actively engaged in co-creating unified and scalable digital automotive solutions to enhance vehicle information capabilities in partnership with Ferrari.

In April 2023, WNS Holdings Ltd. unveiled WNS Travogue, a comprehensive suite of digital solutions tailored for the hospitality and travel industry. This innovative suite integrates advanced analytics and technology with WNS Holdings Ltd.'s extensive domain expertise to accelerate growth and foster innovation within the sector.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

Table of Contents:

1 INTRODUCTION

- 1.1 Study Assumptions and Market Definition
- 1.2 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET DYNAMICS

- 4.1 Market Overview
- 4.2 Market Drivers
 - 4.2.1 Growing Demand for Efficiency and Scalable IT Infrastructure
 - 4.2.2 Organization are Increasingly Focusing on IT as a means to Gain Differentiation by Relying on Outsourced Vendors
 - 4.2.3 Ongoing Migration Toward the Cloud and Adoption of Virtualized Infrastructure
- 4.3 Market Challenges
 - 4.3.1 Fragmented Nature of the Market And Growing Incidence of Data Breaches
 - 4.3.2 Dynamic Needs of IT Structure Impacts the Cost of Customization for End Users
- 4.4 Impact of COVID-19 on the IT Outsourcing industry
- 4.5 Industry Attractiveness - Porter's Five Forces Analysis
 - 4.5.1 Threat of New Entrants
 - 4.5.2 Bargaining Power of Buyers
 - 4.5.3 Bargaining Power of Suppliers
 - 4.5.4 Threat of Substitute Products
 - 4.5.5 Intensity of Competitive Rivalry

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5 MARKET ANALYSIS

- 5.1 Trends Related to Onshoring and Offshoring
- 5.2 Breakdown of Outsourcing Industry - BPO vs IT-based outsourcing
- 5.3 Impact of the Ongoing Commodification of IT Solutions
- 5.4 Analysis of IT Outsourcing and Managed Service Industry
- 5.5 Breakdown of the Major IT outsourcing Segments - Application and Infrastructure
- 5.6 Impact of Digital Transformation and Emergence of "As-a-Service" Model

6 MARKET SEGMENTATION

- 6.1 By Organization Size
 - 6.1.1 Small and Medium Enterprises
 - 6.1.2 Large Enterprises
- 6.2 By End-user Vertical
 - 6.2.1 BFSI
 - 6.2.2 Healthcare
 - 6.2.3 Media and Telecommunications
 - 6.2.4 Retail and E-commerce
 - 6.2.5 Manufacturing
 - 6.2.6 Other End-user verticals
- 6.3 By Geography
 - 6.3.1 North America
 - 6.3.1.1 United States
 - 6.3.1.2 Canada
 - 6.3.2 Europe
 - 6.3.2.1 United Kingdom
 - 6.3.2.2 Germany
 - 6.3.2.3 France
 - 6.3.2.4 Italy
 - 6.3.2.5 Spain
 - 6.3.2.6 The Nordics
 - 6.3.2.7 Benelux
 - 6.3.2.8 Poland
 - 6.3.2.9 Rest of Europe
 - 6.3.3 Asia-Pacific
 - 6.3.3.1 China
 - 6.3.3.2 India
 - 6.3.3.3 Japan
 - 6.3.3.4 Indonesia
 - 6.3.3.5 Vietnam
 - 6.3.3.6 Malaysia
 - 6.3.3.7 South Korea
 - 6.3.3.8 Rest of Asia-Pacific
 - 6.3.4 Latin America
 - 6.3.4.1 Brazil
 - 6.3.4.2 Mexico
 - 6.3.4.3 Colombia
 - 6.3.4.4 Rest of Latin America

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6.3.5 Middle East and Africa

6.3.5.1 GCC

6.3.5.2 South Africa

6.3.5.3 Turkey

6.3.5.4 Rest of Middle East and Africa

7 COMPETITIVE LANDSCAPE

7.1 Company Profiles*

7.1.1 IBM Corporation

7.1.2 DXC Technologies

7.1.3 Accenture PLC

7.1.4 NTT Corporation

7.1.5 Infosys Limited

7.1.6 Tata Consultancy Services

7.1.7 Cognizant Technology Solutions Corporation

7.1.8 Capgemini SE

7.1.9 Wipro Limited

7.1.10 Andela Inc.

7.1.11 Wns Holding Ltd

7.1.12 Pointwest Technologies

7.1.13 ATOS SE

7.1.14 Amadeus IT Group

7.1.15 Specialist Computer Centres (SCC)

7.1.16 HCL Technologies Ltd

8 RELATIVE RANKING ANALYSIS OF THE MAJOR IT OUTSOURCING COMPANIES OPERATING WORLDWIDE

9 MARKET OUTLOOK

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