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COMPETITIVE ANALYSIS

Worldwide and U.S. Systems Integration Services 2008 Vendor Shares: Top 10 Vendors for 2008

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IDC OPINION

IDC's study on the top worldwide and U.S. systems integration (SI) services vendors in 2008, as ranked by total SI services revenue in these respective geographic breakouts, indicates that Accenture held the top position worldwide, with IBM securing a close second spot. A market share difference of less than 0.6% separated the two companies, highlighting the intensity of the competition between the two players in this market. Lockheed Martin attained the third position worldwide but led the U.S. SI services market, with Accenture at the second spot, followed closely by CSC. Key highlights regarding the top 10 players include the following:

- Accenture led the worldwide SI services market, with an 8.4% market share, while Lockheed Martin led the U.S. SI services market, with a market share of 18.2%.
- At the worldwide level, a market share difference of less than 2.4% separated the third-ranked Lockheed Martin from the tenth-ranked SI services player.
- Geographically, of the top 10 worldwide IT consulting providers, five were from the United States, three from Japan, and two from Europe.

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IT Consulting and Systems Integration Strategies: Competitive Analysis

IN THIS STUDY

This IDC study reviews the leading systems integrators in the U.S. and worldwide markets. It provides a top 10 listing of companies in each of these markets and briefly discusses their positioning and competitive outlook. This document also makes recommendations for companies competing in these markets.

Methodology

Companies' worldwide and Americas project-based services revenue data is provided by IDC's Worldwide Quarterly Services Tracker 1Q09, a quarterly tracker of the leading services firms. Using the tracker data, IDC further segmented the project-based services revenue data into the following categories based on publicly available financial information, historical data, and vendor briefings and input:

- Business consulting
- IT consulting
- SI
- Network consulting and integration
- Custom application development

Please note the following about the revenue data included within the top 10 list:

- All estimates are for CY08.
- Services firms were given the opportunity to review IDC's estimates and provide additional guidance.
- Worldwide and U.S. revenue estimates do not include direct contract expenses (direct contract expenses are reimbursements paid from the client to the services firm for travel and related project expenses, reselling of hardware and software, and any pass-through expenses).

Note: All numbers in this document may not be exact due to rounding.

SITUATION OVERVIEW

The SI services market experienced a seesaw-like growth pattern during 2008. The market benefited from high-growth quarters in the first half of 2008 as a result of the pent-up demand and a renewed focus on growth initiatives during 2007. However, the SI services market fortunes changed during the second half of 2008 as the tumbling economy brought a sharp decline for the SI services market growth. As clients strived to save cash to maintain day-to-day operations, the clampdown on discretionary spending increased during the end of 2008. Large application modernization and upgrade projects were put on the back burner, and the signing of new large SI services deals slowed down drastically. The increased focus on cost cutting and garnering more value out of the current investments has resulted in clients taking on more application consolidation, rationalization, and optimization type projects. This changing client nature is driving growth for specialized projects, particularly around SOA, vertical-specific ERP solutions, MDM, and business intelligence and analytics. In addition, SI growth is also being driven by projects involving infrastructure improvement such as datacenter consolidation and virtualization.

Systems Integration Services

Top 10 Worldwide Market Share Leaders in 2008

The diversity of players found in the worldwide SI market reflects the reality of the IT services market, in which vendors come from a variety of backgrounds to provide SI services to customers. The myriad of players includes government pure-plays, the large Japanese SIs, traditional SIs, services arms of enterprise application ISVs, and firms with a strong outsourcing business. Table 1 lists the top 10 worldwide systems integrators by 2008 SI services revenue. As the market shares in Table 1 suggest, Accenture grabbed 8.4% of the worldwide SI services market, with IBM taking a 7.8% share of this market. Of the remaining players, all except SAP were ranked in the top 10 for 2007. Figure 1 provides a graphical view of the 2007–2008 revenue growth by players and their corresponding growth rate differences from the market growth of 2008. All the players on the top 10 worldwide list showed growth, with SAP leading in terms of growth rate, at 21.1%, followed by NEC Corp., with a growth rate of 21.0% during 2008.

TABLE 1

Worldwide Systems Integration Services Revenue for the Top 10 Vendors, 2007 and 2008 ($M)

Vendor	2008	2007	2007–2008 Growth (%)
Accenture	8,880.3	7,896.4	12.5
IBM	8,270.5	7,903.4	4.6
Lockheed Martin	5,656.6	5,177.9	9.2
Fujitsu Ltd.	5,066.3	4,414.7	14.8
CSC	4,575.5	4,211.4	8.6
Hitachi Ltd.	4,090.8	3,459.7	18.2
Capgemini	3,729.9	3,308.4	12.7
NEC Corp.	3,567.0	2,947.6	21.0
SAP	3,178.2	2,624.2	21.1
SAIC	3,176.1	2,881.8	10.2

Notes:

Revenue figures are IDC estimates, which were derived using IDC's Worldwide Vendor Revenue Tracker and supplemented with vendor financial statements as well as IDC's ongoing supply-side research.

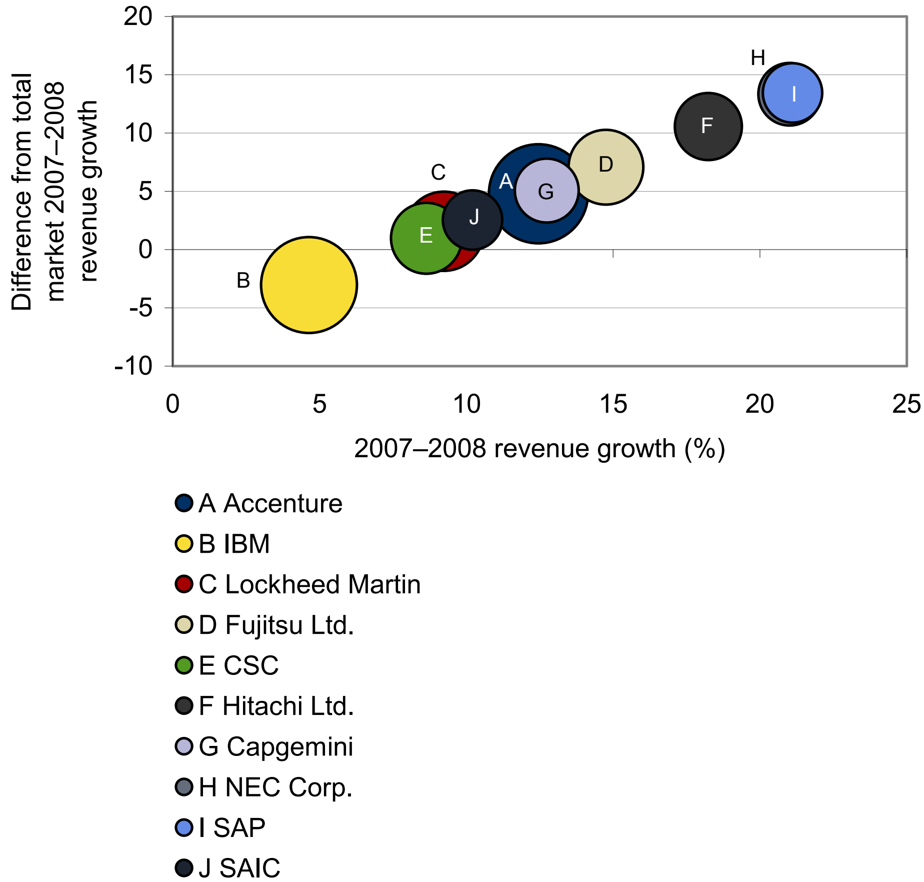
IDC counted revenue from only systems integration services engagements as defined in this document. IDC did not count revenue from discrete IT consulting, business consulting, CAD services, or network consulting and integration services.

All revenue is tracked in U.S. dollars and, therefore, includes the effects of changes in exchange rates.

Source: IDC, 2009

FIGURE 1

Worldwide Top 10 Systems Integration Services Vendors, 2008



Notes:

Bubble size is based on 2008 revenue in U.S. dollars.

The worldwide systems integration market 2007–2008 growth rate was 7.7%.

Source: IDC, 2009

As shown in Table 1, Accenture is the worldwide leader for SI services revenue, followed very closely by IBM Global Services, with less than 0.6% market share separating the two top players. Specifically, Accenture earned $8.9 billion in SI services revenue in 2008, while IBM Global Services generated $8.3 billion. IDC has witnessed an increase in contract scope and complexity during the past two years, and both Accenture and IBM Global Services have been well positioned to capitalize on this trend, given their global capabilities, robust methodologies, and critical mass of consultants.

Accenture grew aggressively during 2007 and continued the growth momentum in 2008, with 12.5% growth rate, in part driven by the strong demand for its SAP and Oracle practices, as well as information management services. In terms of deals signed during 2008, Accenture signed one of its largest SI services deals in Asia/Pacific in the banking sector. In addition, Accenture is also seeing traction in the government sector in both North American and Western European regions. Apart from signing deals in the manufacturing sector within Latin America, the acquisition of ATAN, a Brazilian provider of management consulting, systems integration, and technology consulting within the metals and mining, energy, and utilities industries, also helped Accenture achieve SI growth in the region during 2008.

IBM GS brings a depth and breadth of capabilities, strong market perception, and robust technical expertise as part of its SI offerings. During 2007 and 2008, IBM continued to enhance its SOA capabilities and vision and built out a framework for developing composite applications, which will be the foundation of its SI services going forward. The acquisition of business intelligence (BI) software vendor Cognos Inc. in January 2008 proved to be a very strategic move as the client interest in business analytics rose sharply during 2008. In addition, the acquisition allowed IBM GS to launch a new service called Business Analytics and Optimization (BAO) services, an integrated solution of services, software, and research. With clients looking for ways to improve and optimize their existing and future IT investments, the BAO service will act as a complimentary solution to IBM's SI services.

Lockheed Martin, whose business is almost entirely in the United States, had revenue of $5.7 billion in 2008, placing it at number 3. Its growth is attributable to the company's dominant federal business, where Lockheed is well entrenched throughout various federal departments and agencies.

Top 10 U.S. Market Share Leaders in 2008

Table 2 lists the top 10 U.S. systems integrators by 2008 SI services revenue. As the market shares in Table 2 suggest, Lockheed Martin is a clear leader in the U.S. SI services market, with a market share of more than 6.7% separating it from the second spot holder Accenture. Figure 2 provides a graphical view of the 2007–2008 revenue growth by players and their corresponding growth rate differences from the market growth of 2008. All the players on the top 10 U.S. list showed growth except for BearingPoint, with Oracle leading in terms of growth rate, at 30.6% during 2008.

TABLE 2

U.S. Systems Integration Services Revenue for the Top 10 Vendors, 2007 and 2008 ($M)

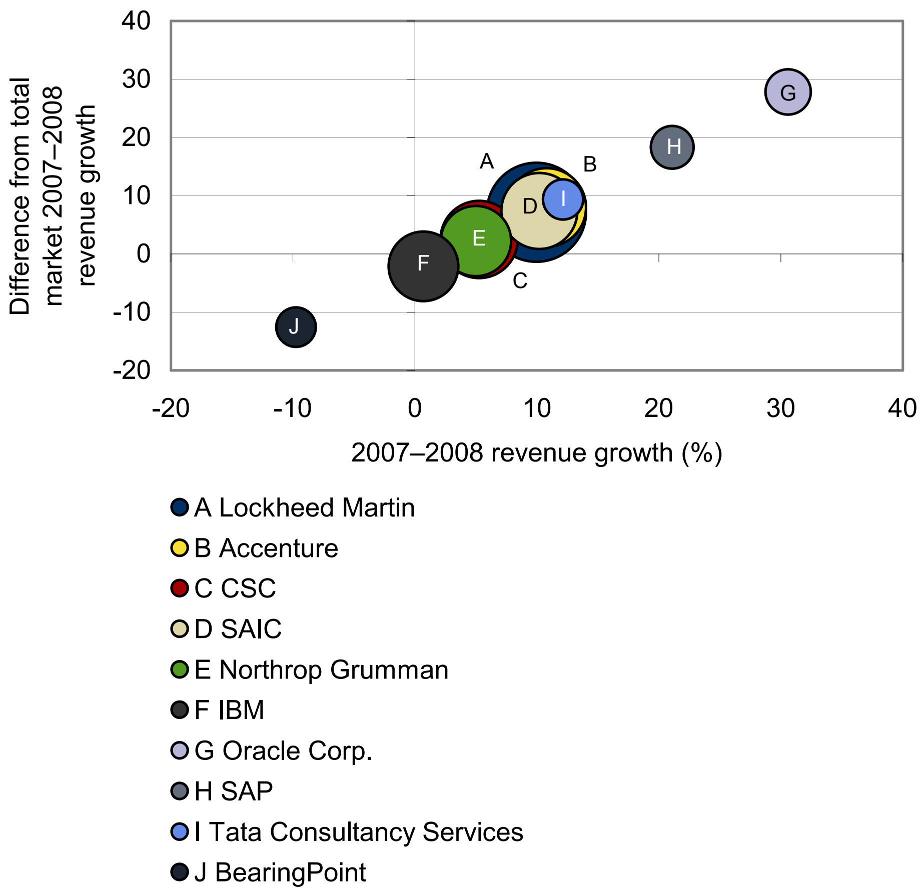
Vendor	2008	2007	2007–2008 Growth (%)
Lockheed Martin	5,167.4	4,699.0	10.0
Accenture	3,252.3	2,935.1	10.8
CSC	3,139.0	2,981.4	5.3
SAIC	3,065.9	2,781.9	10.2
Northrop Grumman	2,623.7	2,498.3	5.0
IBM	2,540.2	2,522.6	0.7
Oracle Corp.	1,095.5	838.8	30.6
SAP	965.0	796.8	21.1
Tata Consultancy Services	860.0	766.8	12.2
BearingPoint	840.2	931.0	-9.7

Note: Revenue figures are IDC estimates, which were derived using IDC's Worldwide Vendor Revenue Tracker and supplemented with vendor financial statements as well as IDC's ongoing supply-side research.

Source: IDC, 2009

FIGURE 2

U.S. Top 10 Systems Integration Services Vendors, 2008



Notes:

Bubble size is based on 2008 revenue in U.S. dollars.

The U.S. systems integration market 2007–2008 growth was 2.8%.

Source: IDC, 2009

Lockheed Martin retained the top spot in the U.S. SI services market in 2008, with $5.2 billion in revenue. Lockheed continues to be fueled by its by strong momentum in the federal government.

Given its strong growth in the U.S. market, Accenture held the number 2 spot, with $3.3 billion in SI services revenue. Similar to the worldwide market, Accenture has experienced phenomenal growth in its SAP practice in particular, helping to fuel its momentum. The company's clients turn to Accenture for help in outlining a road map for their future applications strategy and in building sustainable systems that will add business value. In terms of new deals signed, Accenture saw traction in the government, manufacturing, transportation, and utilities sectors within the United States.

Interestingly, four of the top 5 spots in the U.S. market are dominated by companies that have a strong presence in the public sector. CSC achieved the number 3 spot, with $3.1 billion in SI services revenue, due to strong technical capabilities and robust methodologies, which are assets to government clients. CSC continues to derive a fair amount of its downstream SI revenue from its extensive outsourcing business and benefits from its industry diversification across both the private sector and the public sector.

FUTURE OUTLOOK

The first several quarters of 2009 will be crucial for SIs to see to what extent the current economic downturn will continue to affect the SI services spending. SI services are considered discretionary spending and are easily stopped during a time of tightening budgets, making them more vulnerable than other services. IDC expects customers will continue to be cautious and stagger in their spending during 2009, again making it more challenging for vendors to continue to grow aggressively. IDC foresees the following key trends will continue having a substantial effect on the SI services market during 2009:

- The worldwide SI services market will remain more fragmented than the U.S. market because of the presence of localized players in the global market.

- The United States will continue to have a strong hold of players that cater to the government sector.

- SI contracts' length will continue to shorten as clients are increasingly indulging in projects with faster uptime and ROI.

- The demand for custom application–based integration projects will continue to slide. Restructuring or "right from scratch" implementation of large-scale custom applications has lost its value proposition in current times when companies are struggling to control costs.

ESSENTIAL GUIDANCE

IDC recommends the following to IT services firms competing in the SI services space:

- **Focus on emerging market.** SIs that have invested in emerging areas, stayed close to customers, and focused on efficient execution are well positioned to capitalize on the market as it improves.

- **Added focus on business intelligence.** There is a growing interest for business intelligence solutions as a way to monitor, integrate, and manage business units with more speed, accuracy, and flexibility across geographies and business lines. BI solutions translate into improved efficiency, cost reduction, and improved risk management benefits to the clients. IDC believes packaging BI capabilities as a standalone service could be a profitable complementary offering for SI vendors.

- **Improve customer satisfaction.** Proven ability to deliver during past SI engagements is another trait highly regarded by clients during the vendor selection process. With a vast number of SI vendors on the horizon offering integration solutions around a multitude of IT domains across various industries, customers are likely to select vendors with which they have already established good working relationships. Therefore, IDC recommends that SIs focus on improving customer satisfaction in terms of their ability to deliver solutions to gain credibility and ensure repeat business.

- **Focus on solutions with faster uptime.** Focus on providing solutions that offer short turnaround time and result in faster ROI. For instance, custom integration solution around Web 2.0 technology is one of the areas that provide quicker time to implement and offer lower total cost of ownership to the customers, with varying incentives.

- **Additional focus on public sector.** Public and healthcare sectors will provide new growth opportunities for SIs. With the Obama administration planning to spend around $77.6 billion on energy and environment and about $21.1 billion on public healthcare, the public sector will provide a great growth opportunity for all sectors of IT services including SI services. In addition to the steps taken by the U.S. government, plans announced by the governments in other countries such as Australia, Japan, and a few countries in the European Union will also provide SI vendors some growth opportunities.

LEARN MORE

Related Research

- *Worldwide Services 2008 Vendor Analysis: Revenue Performance of the Top 10* (IDC #218058, May 2009)

- *Worldwide and U.S. Systems Integration Services 2009–2013 Forecast: Growth Decline Continues Amid the Economic Crisis* (IDC #218126, April 2009)

- *Worldwide Services 2009–2013 Forecast: Making the Most of the Economic Crisis* (IDC #217479, April 2009)

- *IDC's Worldwide Services Taxonomy, 2009* (IDC #216433, March 2009)

- *Business Strategy: Capturing Your Share of the American Recovery and Reinvestment Act* (IDC #217404, March 2009)

Definitions

Systems Integration

IDC defines systems integration (SI) as a process that includes the planning, design, implementation, and project management of a solution that addresses a customer's specific technical or business needs. It involves systems and custom application development as well as implementation and integration of enterprise packaged software. SI projects typically involve different platforms and technologies. The solution may include hardware, software, and services. An SI project is formalized by a contract that is constructed around system specifications and ensures certain levels of system performance. The end result of an SI project is the delivery of a system that meets a stated objective and fulfills system specifications. It is difficult to place a minimum dollar limit, but SI projects in this category usually exceed $100,000.

SI projects can include any of the following activities:

- **Planning and design:** IT process improvement, IT operations assessment, IT benchmarking, IT needs assessment, IT strategy, IT capacity planning, IT change management, IT maintenance planning, IT design, IT supplier analysis, business strategy, and process improvement

- **Implementation:** IT site preparation, IT project management, test and debug, system configuration, IT installation, software reengineering, custom software development, packaged software customization, application interfacing and integration, IT relocation services, systems migration, IT documentation, and user experience design and analysis

- **Support and training:** Ongoing support and IS/technical skills training

Synopsis

This IDC study reviews the leading systems integrators in the worldwide and U.S. markets. It provides a top 10 listing of companies in each of these markets and briefly discusses their positioning and competitive outlook. This document also makes recommendations for companies competing in these markets.

This document answers the following questions:

- Who are the market share leaders in the worldwide and U.S. systems integration (SI) services market?

- Why are particular firms' SI services revenues growing or declining, and what is the outlook for 2009?

- What strategies can firms utilize to compete more effectively in these markets?

"Systems integrators are facing an increasing client interest in projects that offer shorter implementation time and faster ROI as many clients continue to focus on short-term cost-cutting initiatives. With declining pricing pressure and lengthening of sales cycles, it is ever more important for SI vendors to refine their global sourcing strategies, leverage repeatable solutions, develop industry-specific offerings, and offer value-added solutions with clear business outcomes to create competitive advantage," said Ali Zaidi, senior analyst, IT Consulting and Systems Integration at IDC.

