

# Magic Quadrant for Offshore Application Services, 2006

Gartner RAS Core Research Note G00137244, Partha Iyengar, Frances Karamouzis, Ian Marriott, Allie Young, 16 February 2006  
R1802 10252006

**D**emand for offshore application services continues to grow because users seek greater savings and flexibility in acquiring and accessing skills. Users are challenged to select from an ever-growing list of providers. Use this Magic Quadrant to assess 30 leading offshore-application-service providers.

## WHAT YOU NEED TO KNOW

Enterprises that seek offshore sources for application services face an increasingly complex task. A large number and variety of providers compete for customers, and new vendors constantly join the market. Providers include traditional IT service providers, “pure-play” offshore providers (primarily in India) and emerging providers from countries other than India.

At the same time, enterprises seeking offshore application services (see Note 1) increasingly want service providers that have a global delivery model (GDM; see Note 2). Sourcing application services that use a GDM is becoming mainstream.

Gartner’s Magic Quadrant for Offshore Application Services is designed to provide insight and data to help commercial enterprises in the U.S., the U.K. and Western Europe assess offshore-application-service providers’ options. Please note that enterprises should choose vendors based on their unique situations, objectives, cultures and environments. This Magic Quadrant helps with that selection process, but do not limit your consideration to only those organizations listed in the Leaders quadrant. Leaders are not always the best choice, nor should they be considered an automatic choice for shortlists. Vendors in the Leaders, Challengers, Visionaries or Niche Players quadrants may all be good considerations for your enterprise.

## MAGIC QUADRANT

Gartner has tracked the rise and adoption of offshore services since 1997. Early on, we said this movement was an “irreversible

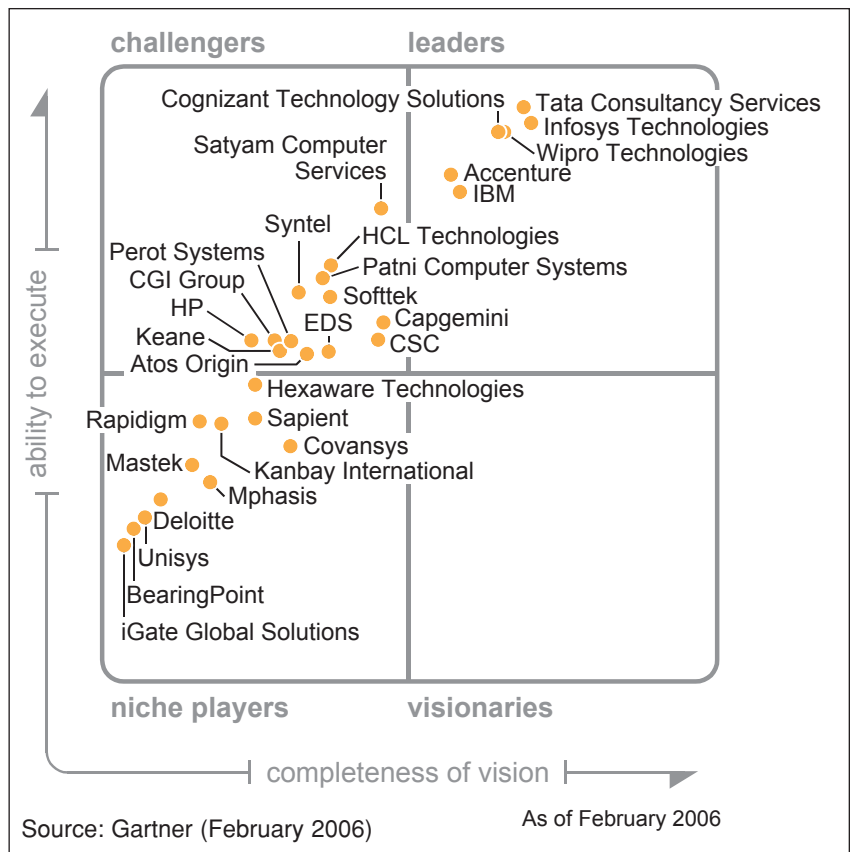
### Note 1 Definition of Offshore Services

Offshore services are delivered by a service provider to a client in a given domestic market, primarily from one or more nondomestic locations for the purpose of cost savings, productivity, skills access and flexibility. The term “offshore” subsumes “nearshore” and is used here as a representation of the entire global delivery model.

### Note 2 Definition of a Global Delivery Model

A global delivery model is the optimum combination of processes, end-to-end methodologies and quality procedures, with high-quality skills and resources available internally or externally in requisite quantities on a global basis. This enables organizations to maximize the quality of their solutions while minimizing the overall cost and delivery time of their IT services.

**Figure 1. Magic Quadrant for Offshore Application Services, 2006**



megatrend.” Since 2002, we have witnessed a steady swell and eventual acceptance of offshore services – the globalization of IT service labor – despite the backlash in some countries. Using offshore external service providers (ESPs) for sourcing IT services has become an important and established business practice. It has exponentially raised users’ interest in service providers’ offshore service capabilities.

The Magic Quadrant for Offshore Application Services, 2006 (see Figure 1) is a response to the increasing need for a clear framework to evaluate and select offshore-application-service providers.

## Market Overview

This Magic Quadrant analyzes service providers’ competencies – a combination of their vision and ability to execute – around their GDM for application services. The marketplace refers to this method of tapping into a geographically dispersed labor pool as “offshore services.” The delivery of application services using a GDM is rapidly evolving.

Most of the IT service providers that Gartner tracks (more than 400 service providers) have recognized that offshore services and proof of a sound GDM are increasingly necessary to deliver the cost benefits, skills and scalability of resources that clients demand. Some service providers are responding to this demand more than others. The degree to which service providers have invested in, prioritized, and developed their offshore strategies, service offerings, infrastructure, people, processes, methodologies, and sales and marketing capabilities varies widely. Many vendors have taken concrete steps to evolve their GDMs, while others have stated their intention and report plans to do so, but their progress to date and their success vary widely. The dynamics surrounding the differences in the pace, extent and quality of service providers’ vision and ability to execute are the basis for our assessment of vendors in this Magic Quadrant.

## Market Definition/Description

The market for this Magic Quadrant includes three categories of services, delivered from an offshore location:

- **Application outsourcing** contracts are multiyear or annuity agreements to buy ongoing application management services from an ESP. The ESP supplies the people, processes, tools and methodologies for managing, enhancing, maintaining, and supporting custom and packaged software applications. Application outsourcing strictly focuses on the application layer, isolating those services delivered in support of the life cycle of applications, typically defined by service levels and ongoing performance metrics.
- Discrete project-based contracts involve the purchase of application-related services for custom or packaged software, including one or more of the following: design, development, integration or implementation. Project-based application services differ from application outsourcing because they are purchased for a specified scope of work, to be executed in a finite time frame.
- Staff augmentation contracts provision technical workers to supplement a client’s application-related responsibilities. Typically, these services are contracted on a time-and-expense basis, where labor or hourly rate is the key metric. The management responsibility of the overall effort, including risk and deliverables, rests with the client.

## Inclusion and Exclusion Criteria

Gartner used several criteria to select vendors for this Magic Quadrant. We started with a list of more than 400 IT service providers from all major countries and regions, including India, Russia, China, Eastern Europe and Latin America. We assessed providers based on how they conform to these quantitative and qualitative criteria:

### Quantitative Criteria

- Primary source of offshore-application-service revenue comes from clients in North America, the U.K. and Western Europe
- Total company revenue is \$100 million or more
- Total offshore-application-service revenue is \$25 million or more (at least 25 percent of the minimum total revenue of \$100 million)

## Qualitative Criteria

- Overall market interest and visibility – determined from inquiries with enterprise clients
- Visibility among core offshore-application-service analysts

## Evaluation Criteria

### Ability to Execute

Our analysis evaluates each service provider’s capacity and track record in delivering offshore application services as described in its strategic plan or in client proposals and contracts. This includes (but is not limited to) each service provider’s:

- Demonstrated ability to satisfy client needs through an optimal combination of tools, techniques, methodology, alliance partners, and vertical and process expertise
- Ability to deliver time-to-benefit advantage through learning reuse

In the rapidly changing offshore-application-service environment, providers are constantly challenged to execute on a plan that spans clients’ varied and constantly evolving needs across several geographies. Identifying the critical aspects of execution that clients expect and need, and then consistently executing on those is a key differentiator.

### Completeness of Vision

The vision component of our analysis focuses on each provider’s strategic vision to deliver the IT services that clients need. This includes (but is not limited to) each service provider’s:

- Depth of knowledge of the markets

- Knowledge of its customers (and its customers’ customers)
- Knowledge of the direction of key market trends
- Confidence, discipline and focus
- Investments in time, capital and personnel to position itself for the future
- Commitment to its selected practice areas
- Funding and allocation of resources to innovate and build skills
- Positioning to address future industry scenarios through investments in R&D, methodologies, alliances and partnerships
- Scope of vision and the “mind share” it has achieved with potential buyers

For some providers – primarily the “traditional” service providers – the score on the vision axis assesses their success in refocusing and adapting a broader, global IT-service strategy to the narrower “offshore-application-services” space. In other cases – primarily those providers that have an offshore pure-play heritage – the score is determined by their ability to continually refresh and enhance a vision that was founded on the premise of the offshore-application-service concept.

Both of these categories of providers are challenged to define the right unified vision of the future that represents their client’s needs and the evolution of the broader IT service market globally.

When the criteria along both axes are evaluated together, the resulting analysis provides a view of how well the provider is performing and how well it is positioned for the future.

**Table 1. Ability to Execute Evaluation Criteria**

Evaluation Criteria	Weighting
Product/Service	high
Overall Viability (Business Unit, Financial, Strategy, Organization)	standard
Sales Execution/Pricing	high
Market Responsiveness and Track Record	high
Marketing Execution	high
Customer Experience	high
Operations	high

Source: Gartner

## Leaders

Leaders are performing well. They have a clear vision of market direction and are actively building competencies to sustain their leadership position in the market.

A service provider in the Leaders quadrant broadly exhibits one or more of the following traits:

- Demonstrates excellence in delivering services based on a GDM
- Undertakes offshore-application-service engagements of considerable size and scale
- Appears on long/shortlists and requests for proposals for offshore-application-service consideration, and wins a disproportionate share of those contracts
- Uses offshore services to differentiate and as a key element in ongoing revenue growth across a broad base of application services
- Allocates high levels of focus and investment to building brand awareness and “mind share” in offshore-application-service delivery
- Successfully penetrates more than one key market, such as the U.S., the U.K. or Western Europe
- Integrates sales/marketing efforts for offshore services
- Demonstrates steady investment and a commitment to developing and promoting offshore application services (even during contentious periods of offshore adoption)

- Promotes offshore services not only to its established client base, but to the broader market
- Increasingly adopts a multicountry strategy (as opposed to a bilateral approach) for global delivery

## Challengers

Although challengers execute well for their portfolio of work, they have a less-defined view of market direction or have not forged as strong a mind share among clients, which shows a differentiated vision for their offshore application strategy as compared with leaders. Challengers may be “up-and-comers” or they may struggle to keep pace with leaders, because they have not made appropriate investments for future shifts in the market, or they were too late to respond to market shifts.

Challengers broadly exhibit one or more of the following traits (because some challengers are up-and-comers and others are struggling, not all items below apply to all vendors):

- May not offer the full breadth and depth of services across the spectrum of all application services, and do not have the requisite capability in specific offerings
- Evolving a multicountry strategy for offshoring, but largely use a bilateral approach for global delivery today
- Primary value proposition remains focused on cost take-out

**Table 2. Completeness of Vision Evaluation Criteria**

Evaluation Criteria	Weighting
Market Understanding	high
Marketing Strategy	standard
Sales Strategy	standard
Offering (Product) Strategy	high
Business Model	high
Vertical/Industry Strategy	high
Innovation	standard
Geographic Strategy	high

Source: Gartner

- Have relatively lower mind share overall than leaders
- Generally somewhat limited in the size and scale of the offshore-application-service engagements they can take up
- Service offerings focus primarily on protecting installed bases or on serving a somewhat static client base with a few large clients that are the “mainstay” of their revenue
- Strategy is still evolving for increased brand awareness and position in the market

## Visionaries

Visionaries have demonstrated vision through their articulation of and investment in important market trends and direction. They may not, however, be in a position to deliver consistently across service spectrum or domain, or they may need to improve optimization of service delivery.

Visionaries broadly exhibit one or more of the following traits:

- Capitalize on early-mover advantage with innovative ways to use offshore services for application services
- Redefine the competitive space through a significantly differentiated vision
- Promote unique uses of offshore application services for untapped or emerging service areas
- Articulate new, innovative delivery models or processes to gain a competitive advantage in offshore services, but are ahead of the market maturity to accept these or are unable to fully deliver on the concepts defined

There are no vendors in the Visionaries quadrant. This fact is indicative of the dynamics of this market in its current state of evolution. The market and the vendors are primarily “execution” focused around the GDM and no differentiated vision has emerged in this space as of yet.

## Niche Players

Niche players focus on a particular segment of the market – such as a category of service (packaged application or specific skills) or functional area – vertical industry, targeted client set or project complexity. Their ability to execute is limited to those focus areas. Their ability to innovate or have a broad relevance in the market may be affected by this narrow focus.

Niche players exhibit the following traits:

- Primary value proposition focuses on cost reduction
- Offer limited (or even a single), narrow services, but may deliver this narrow offering well
- Offshore service strategy targets a narrow audience, installed client base or a narrowly defined market
- Have demonstrated lower maturity, consistency and innovation in global delivery processes and methodologies
- Sporadically invest and commit to developing and promoting mind share
- Typically are not seen as contenders in larger, more-complex deals
- Niche market focus translates into low visibility and mind share in the broader market as “go to” providers for offshore application services

## Vendor Comments

### Accenture

Accenture’s defined offerings include discrete project services and long-term outsourcing work for ongoing maintenance and management. Its portfolio spans all phases of application services, including the design, development, implementation and ongoing support of custom or packaged, new and established applications. Accenture is an established leader in application services, with a strong commitment to invest in continued growth of the GDM as part of its overall integrated strategy. The company is using its size and strength to win large, bundled outsourcing deals that tie application outsourcing with other outsourcing layers, primarily business process outsourcing (BPO). Application outsourcing has been one of Accenture’s fastest growth areas since 2003 and it continues to gain momentum. Accenture often is considered a viable option for any of these service areas, individually or as a full-service application outsourcer. The company is headquartered in New York and has service operations in India, the Philippines, Spain, China, the Czech Republic, Slovakia, Brazil and Australia.

### Demonstrated Capabilities

- Global and multilocation low-cost destinations beyond India
- World-class industry and process depth utilized on the front end to team with a low-cost destination staff

- Long-standing client relationships, coupled with strong brand, trust level, depth and breadth of personnel, and capital resources

### Challenges

- Accenture has achieved relative parity on offshore price points, but it still needs to achieve relative equality with the leading pure-play Indian providers on the process, methods and tools of the GDM.
- Accenture needs to build credibility with buyers of basic services that need efficiency, optimized delivery and predictability, but do not need the full depth and breadth that Accenture can offer. These buyers tend to view Accenture as a premium-priced provider.

### Atos Origin

Atos Origin aims to provide full life cycle software services to clients globally. Most of its work is still in Europe, however, and its brand awareness is not as strong in the U.S. It has a long-standing presence in India from its days as Origin. This presence has continued to develop as its GDM has evolved. Strong customer relationships generate good repeat business (Atos reports that 80 percent of its customers hire it for repeat business). It has a number of dedicated offshore solution centers for key clients. Atos plans to focus on vertical industries and countries where it already does well. About 40 percent of its revenue stems from application management activities. Atos, headquartered in Paris, has global-service-delivery operations in India, Malaysia, Brazil and Poland.

### Demonstrated Capabilities

- Focuses on development and application management services, including single application and life cycle management, application portfolio management, and application portfolio rationalization
- Maturing integration of GDM
- Strong vertical-industry and country focus

### Challenges

- Ability to scale rapidly in India
- Lacks strong presence in the U.S.
- Ninety percent of its business comes from Europe, the Middle East and Africa

### BearingPoint

BearingPoint's primary application-service focus is packaged applications. It also has a custom development practice, focused predominantly on discrete project services. BearingPoint's focus on application outsourcing is limited and it has not communicated a clear value proposition to clients relative to its GDM. In February 2004, BearingPoint entered into an agreement with another offshore provider to deliver application services from its established development center in Chennai, India. Concurrently, BearingPoint has organically grown offshore-application-service capabilities in China. Construction of a new development center in Bangalore, India, will be completed in early 2006. Given the embryonic use of China as a destination for offshore service delivery among clients in the U.S., the U.K. and Western Europe, BearingPoint's offshore approach caused it to lose mind share and client deals. It was therefore left in catch-up mode for mind share for offshore services. BearingPoint is headquartered in Virginia.

### Demonstrated Capabilities

- Early positioning in China in preparation for downstream growth spurt
- Satisfactory feedback for offshore application services from current client base

### Challenges

- Build awareness and credibility for offshore application services
- Lack of relative competitive parity on the process, methods and tools of its GDM
- Delivery capabilities in India must be strengthened quickly as an alternative offshore site to China; once the India center is established, the challenge will be to claim a substantial positioning among an extremely competitive and crowded array of providers
- Enterprise-level financial issues limit aggressive investment in offshore delivery capabilities

### Capgemini

Capgemini has a strong focus on application management services. It was an early pioneer among the traditional providers for distributed development across worldwide centers. It uses a

network of 27 application management service centers as part of its “Rightshore” global-delivery-center approach. When the market started to take off, however, Capgemini was unable to capitalize on its early advantage. It was not aggressive at marketing its advantage and was unable to make the significant additional capital investment it needed. Also, its strengths are in the European market and in some industry sectors that rode the second wave of offshore adoption. As Capgemini moves forward, it will try to optimize the use of its Rightshore delivery approach in all markets, especially for new business opportunities. Capgemini, headquartered in Paris, has global-service-delivery operations in Canada, Mexico, Spain, Poland, India and Australia, as well as “deal-specific” development capabilities in Guatemala, the Philippines and China.

### **Demonstrated Capabilities**

- One of the first traditional providers to adopt a combined on-site, onshore, “nearshore,” offshore approach to global delivery
- Well-integrated GDM, with more than 100 delivery centers
- Large number of application management resources

### **Challenges**

- Has been unable to capitalize its early move to a GDM and has not been able to gain mind share and additional clients for its offshore activities
- Expanding its critical mass of customers in the U.S.
- Suffered from an overcapacity of staffing in Europe, which has hampered its ability to execute fully on its drive to a fully integrated GDM

### **CGI Group**

CGI Group’s overall IT-service sales approach emphasizes full-service outsourcing, where application services are bundled with IT infrastructure deals. Since 2004, CGI has placed a new emphasis on communicating its offshore-application-service strategy and capabilities, with some success. CGI also acquired American Management Systems (AMS) in 2004. Its Canadian nearshore advantage has long been an attribute of CGI’s offshore strategy for clients in the U.S. – a

target market. For Western European clients, CGI promotes Canada as an offshore delivery option. In the early 1990s, CGI established its offshore service presence in India. The acquisition of IMR Global in 2001 accelerated this effort. CGI, however, has not yet exploited its full potential for an integrated GDM as an attribute of its competitive advantage, true differentiation or revenue growth. CGI is headquartered in Montreal, Canada.

### **Demonstrated Capabilities**

- Dedicated client application development management teams, a client management partnership office to oversee local or remote delivery, and common global processes and methodologies for offshore application services
- Vertical competencies established to some extent in its India offshore locations
- New commitment to communicating offshore service capabilities

### **Challenges**

- Its strategy to pursue full-service IT outsourcing weakens its opportunity for stand-alone offshore-application-service engagements
- Moderate investment in India potentially impairs global delivery capacity over the long term
- Lacks mind share for offshore capabilities in the U.S. and Europe; must strengthen marketing and brand awareness efforts
- Using offshore services more fully in CGI-AMS solutions

### **Cognizant Technology Solutions**

Cognizant Technology Solutions is positioned as a “hybrid” vendor. Although it is headquartered in New Jersey, buyers often consider it a pure-play offshore provider because of its heritage and the location of its delivery centers. This positioning enables Cognizant to capitalize on marketing and execution. It is focused on application development, maintenance and management activities. Its offerings include business intelligence and data warehousing, ERP services, an advanced solutions group for large development and integration programs, CRM services and testing services. Its increased focus on growth in Europe is starting to yield results. Cognizant’s global-service-delivery locations include India, China and Canada.

## Demonstrated Capabilities

- Strong relationship management skills
- Best-in-class transition and knowledge transfer
- Willingness and ability to invest in targeted accounts
- The reinvestment of high levels of profit back into the business is fueling managed growth

## Challenges

- Late to expand its portfolio to packaged application capabilities in SAP
- Its presence in the U.K. and Western Europe is still not as strong as leading competitors
- Continuing to justify its value proposition driven by higher pricing, relative to its closest competitors

## Covansys

Covansys has been focused on very specific, niche customer categories. Its strategy is to offer business process solutions, including software and proprietary frameworks, designed for specific vertical markets that rely heavily on systems integration and outsourcing services. Its focus is on packaged applications and custom development. From 2002 to 2004, Covansys embarked on an important initiative to increase its ratio of offshore workers relative to its total workforce. Despite a solid track record of execution and a booming demand for offshore application services, Covansys has not capitalized on its early-mover advantage. It has had relatively flat revenue since 2002. Covansys, based in Michigan, focuses its global-application-service operations in India.

## Demonstrated Capabilities

- Focused solutions within select industry and process categories
- Large on-site capabilities, along with a combination of long-standing delivery centers established in India
- High customer retention

## Challenges

- Continued struggle to combine execution strength with a go-to-market strategy and an approach to capitalize on booming offshore-related IT service growth

- Clearly delineating and creating distinct market awareness of differentiators for onshore capabilities and defined target solutions
- Investment in expanding and growing capabilities as new opportunities have arisen, such as extending application offerings for targeted Q&A or testing options

## CSC

CSC delivers most of its application services via its Global Transformation Services organization, which oversees CSC's application specialists globally and CSC's global delivery strategy, "World Sourcing." Today, CSC's primary offshore location for application services is India, where it has achieved critical mass and is aggressively expanding. CSC has succeeded in building greater market awareness for its application services, outsourcing competencies and offshore-application-service competencies from 2003 to 2005. It has won landmark contracts in application outsourcing and has expanded its offshore resources and delivery infrastructure. CSC was late to respond to the market shift to application-centric outsourcing and offshore services, which puts it in catch-up mode for offshore-application-service mind share, process maturity and head count relative to the market leaders. CSC, headquartered in California, has global-delivery-service operations in Canada, China, Bulgaria, Ireland, India, Mexico, Malaysia, South Africa, Australia and Spain.

## Demonstrated Capabilities

- Positive results from its strategic focus to build application outsourcing and invest in offshore delivery
- Critical mass in India
- Key wins in large application service deals boosts awareness of CSC's offshore application skills

## Challenges

- Brand recognition and market awareness for offshore services still lags behind key competitors
- Consistently rolling out and deploying GDM processes and methodologies on a global basis
- Differentiating its offshore-application-service strategy and vision

## Deloitte

Deloitte's primary application service focus is on discrete, project-based services, including packaged applications and custom application development in various solution areas. Its current application-outsourcing activities are limited to and primarily focused on client work that is a natural adjunct to the engagements already being performed. In 2001, Deloitte established its offshore presence in India via a joint venture. The joint venture did not live up to the promise and goals originally set forth.

Subsequently, Deloitte organically built a direct presence in India, which today supports Deloitte's on-site, advisory-led service approach. Although the company has successfully used its offshore-application-service capabilities in these client relationships, this niche approach to market opportunities is the reason that Deloitte has not pursued broader recognition for its core offshore-application-service skills. The limitations in this strategy are that global, traditional providers have strong business solutions combined with a solid GDM capability. Furthermore, India-based providers with advanced offshore delivery models/competencies are heavily investing to directly compete for Deloitte's "sweet spot" of business-focused solutions. Deloitte, headquartered in New York, has global-service operations in India, Canada, South Africa and Spain.

### Demonstrated Capabilities

- Established presence in India with sufficient critical mass to service booked business
- Satisfactory client feedback for portions of projects delivered from low-cost locations

### Challenges

- Sustaining an application service delivery model that does not promote a GDM
- Lacks a broad understanding of the critical levers and mechanics of the GDM enterprisewide
- Ability to achieve parity with competitors on current standards for process rigor, methods, tools and project management for virtual decentralized teams

## EDS

EDS's application-service competencies encompass a broad range of services for managing custom and packaged applications. In 2002, EDS formalized its offshore delivery strategy under the "Best Shore" label. In 2004, it reorganized its application delivery function into application delivery units that specialize in specific software platforms, and application industry units that specialize in industry-specific solutions. In 2005, EDS allied with Cognizant to further enhance its application capabilities and offshore services, and to enable EDS to adjust its workforce in the application area as needed. Despite its efforts to advance its Best Shore offering, EDS lacks a clear growth strategy for offshore application services, and its mind share for offshore services lags behind that of its key competitors. EDS, headquartered in Texas, has global-service-delivery operations in Canada, Mexico, Brazil, Argentina, India, New Zealand, Australia, South Africa, Spain and Hungary.

### Demonstrated Capabilities

- One of the first traditional providers to adopt a combined on-site, onshore, nearshore and offshore approach to global delivery
- Focuses on the industrialization of processes across its Best Shore locations
- Has strong capabilities and infrastructure in India

### Challenges

- Has been unable to capitalize on its early move to a GDM and has only had modest success in achieving mind share in the market for its Best Shore approach
- Uncertain benefits of a recently announced strategic alliance with Cognizant
- Has not yet demonstrated a scale of competency in ERP and packaged applications

## HCL Technologies

HCL Technologies has long been a technology-focused organization. Until recently, it has followed a joint-venture strategy with some of the leading global-technology and application development organizations. HCL's technology heritage has given it strengths, primarily in custom application

development and management (ADM), including embedded applications. HCL also has a particular strength in legacy application management, with strong mainframe development skills and resources. It is using some recent wins and projects with SAP and Siebel Systems to expand its packaged-application capabilities. HCL recently changed its top management. It is trying to move to more of a vertical-industry strategy driven more by value than volume. HCL also is continuing to expand its strategy to build a direct presence in the key markets it serves. HCL is headquartered in Noida, India.

### **Demonstrated Capabilities**

- Custom ADM, including embedded application development
- Uses its strong remote-infrastructure-management capabilities as the entry strategy to gain application service projects
- Joint-venture capability in India

### **Challenges**

- Continuing to expand its packaged enterprise application capabilities
- Ramping up its direct-sales presence in key markets
- Expanding its development centers' presence in other geographies outside India

### **Hexaware Technologies**

Hexaware Technologies' primary focus areas have been packaged enterprise application capabilities in general and PeopleSoft capabilities specifically, as well as a credible legacy systems management and support practice. PeopleSoft (prior to its acquisition by Oracle) had partnered with Hexaware for offshore product development and support. Hexaware has used this relationship to build a strong PeopleSoft service practice. In light of the Oracle acquisition, Hexaware has revisited its strategy. It has demonstrated a good assessment of its opportunities and a focused approach to diversify and quickly grow business in other packages and selected custom applications. Hexaware is headquartered in Navi Mumbai, India, and has no global-service-delivery operations outside India.

### **Demonstrated Capabilities**

- Packaged enterprise application management in general and PeopleSoft in particular
- Application services specific to the HR domain overall
- Legacy application management
- Ability to penetrate Europe, including difficult markets such as Germany

### **Challenges**

- Managing market changes driven by the acquisition of one of its largest clients, and effectively using future opportunities
- Continuing to expand its portfolio of capabilities beyond PeopleSoft into the other enterprise application packages
- Broadening its custom application service capabilities to move into higher-end development activities
- Expanding its delivery presence beyond India

### **HP**

HP is focused on significantly expanding into application service outsourcing in response to demand from major clients. This effort is an opportunity to add greater value to its clients. Offshore delivery is a critical element of HP's application service business growth and viability. As an early entrant in India for its own product development, HP gained critical operational knowledge for using offshore resources. Through its acquisition of Compaq, HP gained a service presence in India via Digital India, later integrated fully and operating today as HP Global Delivery India Center. HP, however, did not capitalize on this early-mover advantage in offshore competency. It lags behind its global-outsourcing competitors in market awareness and visibility, and in the scale and maturity of its GDM. HP, headquartered in California, also has global-service-delivery operations in China, the Philippines, Canada, Mexico, Costa Rica, Thailand, Poland, Slovakia, Australia and New Zealand.

## Demonstrated Capabilities

- Critical mass of application skills in India
- HP's strong technical heritage is applied to offshore-application-service tools and processes
- The IT organization's major account strategy positions HP well for evolving its installed client base to offshore application services

## Challenges

- Sporadic marketing/communications and "quiet period" in the 2000 election period relative to offshore services negatively impacts market awareness of HP's global-delivery capabilities
- Gaining market awareness for its prioritization of application services and increasing the frequency of being included on long/shortlists for application service engagements with a strong offshore component
- Needs to prioritize marketing investment for offshore application services to become a true contender in the offshore-application-service arena

## iGate Global Solutions

iGate Global Solutions' heritage is with packaged applications. It has brought together various entities to serve enterprises through discrete project-based work and annuity-based outsourcing contracts across packaged and custom environments. iGate has had a turbulent history of operating several organizations separately and then combining them into a single entity to take advantage of synergies. iGate lost ground as an early entrant and has achieved relatively flat growth because of such organizational, structural and leadership changes during the past several years. A new leadership team, appointed in 2003, has generated mixed results. The new leaders are focusing on consolidating iGate's investing in internal capabilities and infrastructure (including building more capacity in India), redirecting the company to be more offshore-centric (in line with industry standards) and improving margins. Most importantly, iGate is focusing on building a defined client base to differentiate itself. iGate, based in Bangalore, India, has global-service operations in Canada, China and Malaysia.

## Demonstrated Capabilities

- New leadership has significant prior experience among the largest Indian providers
- Ability to establish a stable critical mass of delivery capabilities in India

## Challenges

- A continued internal focus on operational capabilities and organizational issues – while necessary – takes away from opportunities to focus externally
- Failure to capitalize on market opportunities in various application-service categories
- Difficulty differentiating itself from other Indian pure-play providers, which can harm its ability to acquire and retain good talent and win new clients in the U.S., the U.K. and Western Europe
- Strategy for future growth is unclear, which continues to inhibit significant traction with clients

## IBM

IBM's application management services include application maintenance, development, and support for custom applications and packages. Globally, IBM has one of the largest and most well-established application management service practices. It has a large global presence with significant depth and breadth of skills and services. IBM has three primary offshore hubs that offer significant scale in application services. An extensive network of secondary locations offers a smaller scale of operations that still house critical skill sets. This "hub-based" strategic-center approach forms the backbone of IBM's GDM. IBM, headquartered in New York, has global-service-delivery operations in India, Brazil, China, Mexico, Belarus, the Philippines, Romania and Argentina.

## Demonstrated Capabilities

- Strong global brand
- Longevity in China (more than 15 years)
- Large client base and presence in buying locations
- Hub-based approach, channeling the majority of offshore work through India, Brazil and China

## Challenges

- Integrating its GDM into traditional working practices because of scale
- Difficulty supporting commoditized application outsourcing in its overall portfolio
- Complexity in using appropriate sales channels to drive work to the GDM in some markets
- High use of subcontractors

## Infosys Technologies

Infosys Technologies is the second-largest offshore IT service provider from India. It provides services across the entire spectrum of application services, including custom development and packaged applications. A key aspect of Infosys' strategy is to use the efforts of its consulting subsidiary established in the U.S. to propel it higher up the value chain across all of its offshore service lines. Its growth strategy is predominantly organic. It has not pursued global acquisitions aggressively, unlike some of its competitors. Overall, Infosys is a high-quality provider, but its services typically are priced higher than most of its competitors' services. The company positions itself as distinct, warranting a premium over the competition, and hence is typically intransigent on rates. Infosys, based in Bangalore, India, has global-service-delivery locations in the Czech Republic, China, Mauritius and Australia.

### Demonstrated Capabilities

- High-quality, full-service provider with a broad application service portfolio
- Typically attracts and hires among the best resources in India
- High-caliber corporate governance and transparency principles relative to other pure-play offshore providers
- Aggressive marketing and branding planning and execution
- Strong management capability relative to the other pure-play offshore providers

### Challenges

- Continued justification in the market for its premium rate structure
- Effectively using its consulting subsidiary capabilities in its core application service business

- Maintaining its depth and quality of management, recently hit by some high-level departures
- Reconciling and maintaining the sanctity and profitability of the global-delivery business model, while integrating its front-end consulting presence

## Kanbay International

Kanbay International was founded in 1989 as an application service company. Two years later, it began developing its offshore delivery model via investments in Indian operations. Today, attesting to its emphasis on offshore delivery, 84 percent of Kanbay's total worldwide employees are in India. Kanbay seeks to position its offshore application services as bringing higher-end vertical expertise. Kanbay takes a niche approach to the market, with a strict focus on financial services. Although this is a viable market approach and position for offshore application services, Kanbay is vulnerable because it gets much of its business from two key clients. Kanbay has started strategic initiatives to address this situation, such as launching a new sales model, expanding business development teams and expanding its client base, but correcting this imbalance will take time. Kanbay, based in Illinois, also has a global-service-delivery location in Canada.

### Demonstrated Capabilities

- Build-operate-transfer competency used with key clients
- High customer satisfaction and low reported attrition rates (about 5 percent annually)
- Willingness to offer shared risk contracts (deferred payment) and employee transition

### Challenges

- Broadening client base to have a more balanced revenue portfolio and less dependency on major clients
- Creating greater brand awareness
- Vision and marketing messages reflect a narrow market view because of the dominance of two major customers

## Keane

Keane is a dedicated application service company that delivers full life cycle application services. It primarily serves the North American market (which

accounts for more than 90 percent of its revenue) and, to a lesser extent, the U.K. and Australian markets. Keane was an early adopter of Canadian nearshore application service capabilities for U.S. clients. It expanded into India in 2002. Despite these early advantages, Keane did not fully promote or exploit its Canadian nearshore advantage or its Indian offshore-application-service capabilities as a strategic differentiator. As a result, it has lost ground to Indian pure-plays and global outsourcers in the offshore-application-service market, which threatens Keane's growth objectives. Keane's long-term strategic focus is to evolve higher-value relationships and expand application services to improve business performance. This strategy must be intricately aligned with its GDM. Keane is headquartered in Massachusetts.

### **Demonstrated Capabilities**

- Contractually commits to performance and quality metrics in application-outsourcing deals (such as advancing a client's maturity-model capabilities)
- Flexibility in relationship models, client relationships and a willingness to transition staff in offshore-application-outsourcing deals
- Greater focus on expanding mind share as an offshore-application-service provider since 2004

### **Challenges**

- Accelerating marketing for offshore application services beyond its installed base to address the competitive threat of Indian offshore providers
- Investing in strategic planning efforts to ensure clarity and vision of offshore strategy for application services as a key differentiating attribute in its future
- Ensuring effective sales and marketing campaigns to accelerate competitiveness for offshore application services

### **Mastek**

Mastek is a well-established software solution and integration service provider that designs, develops, integrates and maintains business applications. A large portion of its revenue is derived from application development activities, and a smaller percentage from application management. Its vertical-industry focus is predominantly in banking, financial services and government. Mastek operates

in the U.S. under the name of its subsidiary, Majesco Mastek. Its major challenge is to hold its ground against strong competition from other Indian vendors. It has also been unable to gain a strong position in the U.S. Mastek, headquartered in Mumbai, India, also has a global-service-delivery operation in Malaysia.

### **Demonstrated Capabilities**

- Clients report good relationship management processes
- Strong .NET capability
- Sixty percent of its group turnover is in Europe – a much higher percentage than its competitors – which positions Mastek well for growth in the rapidly developing European market

### **Challenges**

- Operating in the U.S. under its Majesco Mastek subsidiary dilutes the brand and may confuse clients
- Achieving a significant presence in the U.S.
- Growth into new vertical industries or regions looks unlikely in the short term
- Seems to be facing growth challenges, because its recent growth rates are well behind industry averages from the leading Indian providers

### **Mphasis**

Mphasis is predominantly focused on the financial services industry, but it is trying to diversify into other vertical-industry segments. Mphasis has had a credible custom-application-service capability, enhanced by its good domain capabilities in financial services. In the past, however, much of its investment and management attention has been focused on increasing its BPO capability. This effort has impaired Mphasis' growth, capabilities and mind share in the application service space. It will have to work hard to regain this mind share, to support continued growth in this service line and re-establish its credibility with clients seeking application service support. Mphasis is based in Bangalore, India.

### **Demonstrated Capabilities**

- Vertical-domain expertise-driven capabilities in custom application management in the financial services industry

- Visibility and credibility of top management within the global financial services industry
- Process-centric approach to application services using workflow, orchestration and service-oriented architecture capabilities
- Expanding on packaged enterprise application capabilities and mind share
- Diversifying and gaining mind share in other vertical-industry segments beyond financial services and insurance

### Challenges

- Increasing investments, capabilities and management attention in the application-service domain
- Regaining its mind share as a preferred employer in India to try to attract the right level of development resources
- Projecting a strong and clear message in the marketplace about its long-term intentions in the overall IT service space in general and application services in particular

### Patni Computer Systems

Patni Computer Systems is often seen as a conservative and slow-moving company. Since its initial public offering in 2004, and subsequent New York Stock Exchange (NYSE) listing in 2005, it has become increasingly market-facing and responsive. Continued efforts in this regard will improve its overall visibility and mind share in its key markets. Patni has adopted an acquisition strategy to get the vertical domain and selling and account management skills it needs in the U.S. market. It has acquired two U.S.-based boutique consulting firms in the financial services and telecommunications industries. Of the larger Indian providers, Patni is still closest to the earlier bilateral offshore model. Its predominant customer base is in the U.S., and its only delivery location is India. It needs to diversify on the market and delivery side to truly move to the global-delivery paradigm that clients increasingly demand. Patni is headquartered in Mumbai, India.

### Demonstrated Capabilities

- Custom application management
- Embedded application development
- Flexibility in client relationships

### Challenges

- Increasing market penetration and overall brand awareness
- Reducing its exposure with and dependence on a single large client

### Perot Systems

Perot Systems is among the first U.S.-based service providers to identify and pursue an offshore development strategy in India. In 1996, Perot established its presence in India by forming a joint venture with a large, established, India-based offshore provider, which Perot later bought out. Despite this focused Indian offshore entity and enhanced focus to gain awareness of its offshore services since 2003, Perot is not widely known or considered for offshore-application-service engagements outside of its installed base. Perot's stated strategy emphasizes the combined synergies of its infrastructure, applications and business process offerings for global delivery, and greater effectiveness in delivery through a globally driven management model. Perot will continue to build its application-centric skills, outsourcing deals and ERP capabilities, with a focus on products from SAP and Oracle-PeopleSoft. Perot is headquartered in Texas.

### Demonstrated Capabilities

- Known brand in the U.S. market, which can be used to build credibility and awareness for offshore capabilities
- Uses its on-site presence in U.S. and European accounts through its parent organization in the GDM
- Strong base of application service skills in India

### Challenges

- Lacks broad brand awareness for offshore services, and a clear investment strategy beyond India for offshore services
- Rarely appears on long/shortlists for offshore-application-service engagements
- Marketing messages and value propositions for offshore services are not well-communicated
- Over the longer term, it must move beyond its bilateral (onshore/offshore) global-delivery strategy to a more holistic, multicountry offshore approach

## Rapidigm

Rapidigm's heritage is in packaged applications. It has focused on expanding its portfolio to discrete project-based work and annuity-based outsourcing contracts for custom applications. This effort, however, is still a work in progress to create a full-service portfolio. Rapidigm's client base is predominately in North America, and its primary low-cost delivery location is India. Rapidigm was relatively late integrating a GDM into its go-to-market approach, and strategic focus as a differentiator. As a result, the company continues to recalibrate its significant domestic resources in an appropriate balance with its offshore resources. This effort will continue to improve margins, but it also requires large volume increases to maintain revenue growth. Rapidigm is based in Pennsylvania.

### Demonstrated Capabilities

- Client satisfaction, combined with a focus on packaged applications, positions Rapidigm as a solid option among clients seeking middle-tier service providers
- Ability to demonstrate parity with its delivery capabilities in India
- Largest opportunity is the ability to use its position to demonstrate a more nimble, flexible and pragmatic approach

### Challenges

- Global presence is limited – it lacks a client base in the U.K. and Western Europe, and a delivery location beyond India
- Needs to continue marketing and branding efforts to broaden awareness and attract new clients
- Needs to demonstrate its ability to maintain quality and consistency, and to retain precious packaged-application resources while achieving goals for high growth

## Sapient

Sapient's application service portfolio is evolving from custom application development in a discrete, project-based delivery model to longer-term application outsourcing. It generally does not focus on packaged applications. Sapient was one of the few e-business integrators from the dot-com era that recognized offshore opportunities early on. It

invested in global delivery capabilities in India starting in 2001. Since that time, it has slowly but consistently expanded its capabilities in India and has successfully built a level of rigor to continue its brand messaging of on-time delivery for fixed-price contracts. Sapient is based in Massachusetts.

### Demonstrated Capabilities

- Considered a solid alternative to the larger providers for specific, discrete, project-based, custom application development using offshore resources
- Successfully established a presence in India with sufficient critical mass
- One of the few providers to have experiential design capabilities

### Challenges

- Lacks market awareness for capabilities in application outsourcing
- Gaining new clients across its application-service portfolio remains a challenge
- Global presence is limited; lacks a significant client base in the U.K. and Western Europe, and a delivery location beyond India

## Satyam Computer Services

Satyam Computer Services has a strong presence in application services, with a specific focus on developing its packaged enterprise application business. This is where it has the strongest capabilities. Satyam has had a targeted vertical strategy in place for some time now. It has gained competencies, capabilities and mind share in the manufacturing industry in general and the automotive segment in particular. It continues to expand its vertical focus and strategy with a branded "innovation offering" called "Futurus." The execution and performance of this initiative will be a significant factor in Satyam's future positioning as a client innovation partner in the overall application service space. Satyam, however, must overcome its conservative branding and marketing outlook to fully use this and other competencies. Satyam, headquartered in Secunderabad, India, has global-service-delivery locations in China, Hungary, Canada, Malaysia, Dubai (India) and Australia.

## Demonstrated Capabilities

- Packaged enterprise application capabilities and resources
- Focused domain and vertical-industry competency in the manufacturing and automotive segments is much less penetrated by its pure-play competitors
- Has a competitive advantage recruiting in the Hyderabad/Secunderabad region – where its headquarters are located

## Challenges

- Building brand recognition and awareness as one of the top four or five Indian pure-play providers
- Increasing its mind share and brand presence through stronger marketing and branding activities
- Widening its vertical focus and developing the required higher-end competencies and domain expertise in those vertical industries
- Continuing to strengthen its presence in Europe, especially using its manufacturing and automotive capabilities and heritage

## Softtek

Softtek focuses predominately on custom applications with discrete development, and on longer-term maintenance and management. It also delivers testing services and packaged application deployment and management, but this is a smaller part of its overall application service business. Softtek has a unique position as successfully building a viable strategy around nearshore service provisioning that proves to be competitive with an India-based offshore delivery model. It has consistently demonstrated a value proposition from Mexico to U.S.-based clients, and from Spain to European clients. Softtek has achieved this positioning primarily because of its work with a major client that is demanding. This relationship has forced the company to invest in and institute a high level of process rigor and quality control and to achieve parity with the leading pure-play providers in India. Softtek, headquartered in Monterrey, Mexico, has global-service operations in Spain and Brazil.

## Demonstrated Capabilities

- Overall risk-adjusted total cost of ownership proposition is often competitive with an India-based option

- High level of process rigor and standards
- Attrition rates are among the lowest in its competitor set
- Exhibits thought leadership in promoting the Mexican nearshore advantage to U.S. clients

## Challenges

- Although Softtek has achieved a sufficient critical mass, its size and scale are still works in progress
- Increasing brand awareness and marketing
- Building greater diversification in its client base and lessening its reliance on large clients

## Syntel

Syntel opened its first center in India in 1992, making it one of the early U.S. entrants in offshore-application-service delivery. An early transition that Syntel underwent as an offshore service company was to move from a business model that emphasized staff augmentation and contract work to higher-value outsourcing relationships. It is now in the process of moving to a business unit structure focused on four key vertical markets: financial services, insurance, healthcare and telecommunications/transportation. Despite this long heritage in offshore application services, Syntel's growth has not kept pace with the Indian pure-play providers. It struggles to differentiate its value proposition in offshore application services beyond cost savings. Syntel promotes a client-dependent on-site/offshore mix in its GDM that can range from 50-50 to 30-70 (ideally) to ensure all cost advantages. Syntel's headquarters are in Michigan.

## Demonstrated Capabilities

- High visibility as a preferred provider to major clients for offshore work
- Viewed as a capable, competitively priced offshore provider, with strong customer satisfaction for its work out of India
- Successful transition of Y2K work into longer-term client relationships, without a negative revenue hit post-Y2K
- Guarantees fixed-price engagements

## Challenges

- Revenue growth challenges impede overall competitiveness and visibility

- Little differentiation in its India-centric (bilateral) offshore model
- Investment plans for diversification beyond India remain unclear
- Limited presence in Europe
- Low brand awareness and recognition in India compared to its peers, possibly affecting its long-term ability to recruit and retain top talent

## Tata Consultancy Services

Tata Consultancy Services (TCS), the pioneer of the offshore model more than 30 years ago, is the largest offshore IT service provider from India. It is a strong provider across the entire application service spectrum, including custom development and packaged applications. TCS went public in 2004. It is expected to continue its aggressive organic growth while ramping up its inorganic growth through focused acquisitions globally to acquire critical front-end and domain skills in the application service space in each of its major markets. TCS, based in Mumbai, India, has global-service-delivery locations in Hungary, Brazil, Uruguay and China.

### Demonstrated Capabilities

- Largest combination of depth and breadth of offerings in application services of pure-play offshore providers, including strong technical and technology skills, and enterprise application package capabilities
- Strong domain and business expertise in some vertical industries by using its product presence in those industries, relative to the other Indian pure-play providers
- Largest global presence of the pure-play providers
- Strong general training capabilities and processes to ramp up the productivity of entry-level recruits rapidly
- Relatively strong management depth and capabilities
- Competes aggressively on price

### Challenges

- Its branding and marketing efforts have not capitalized on TCS' depth and breadth of its capabilities

- Its aggressive pricing could limit TCS' rise in mind share as a value-based provider, as opposed to a cost-based provider
- Despite its depth of management, TCS has a highly centralized and somewhat slow-moving decision-making process

## Unisys

Unisys initially relied on partners for offshore-application-service delivery, but in early 2004, it began a more aggressive approach to build a direct presence in India. Unisys has primarily focused its offshore-application-service strategy to support its installed base of accounts for Unisys-developed applications. The company changed its corporate strategy in November 2005 to make outsourcing (including application outsourcing) one of five key focus areas. It hopes this strategy will accelerate revenue growth and profitability through its outsourcing business. To make that happen, Unisys' niche focus on application service outsourcing and offshore services must evolve. Both will assume a far greater importance. Unisys must continue to invest in and prioritize global delivery as a cornerstone of its outsourcing competitiveness if it hopes to win more outsourcing deals, grow market share and gain mind share as an offshore-application-service provider within and outside its installed base. Unisys, headquartered in Pennsylvania, has global-service-delivery operations in China, India, Malaysia and Hungary.

### Demonstrated Capabilities

- Ability to convert long-standing clients to its offshore model
- Employs consistent processes in its GDM
- Corporate commitment to increasing outsourcing will result in investment in application service outsourcing

### Challenges

- Proving that it can execute its offshore strategy
- Rarely appears on long/shortlists for consideration of offshore-focused application outsourcing engagements outside of its installed base
- Lacks brand awareness for offshore application services compared to its peer global-outsourcing competitors

- Proving the effectiveness of marketing investments and ensuring proactive communications of offshore-application-service outsourcing

## Wipro Technologies

Wipro Technologies is the third-largest Indian application service provider. Its application service offerings cross the gamut of activities from application development and maintenance to enterprise application services and package implementation, verification and validation. The largest portion of its revenue comes from custom application development and maintenance. Wipro enjoys a strong market presence in the U.S. and has a significant European representation, which it plans to grow further. In addition to organic growth, Wipro has operated a practice of making strategic acquisitions, such as Spectramind, AMS and NerveWire, to develop emerging market opportunities. This practice is set to continue. The recent departure of vice chairman and CEO Vivek Paul (who has not been replaced), and a variety of other executive departures, will provide continuity challenges in the near term. Wipro is based in Bangalore, India, and has a global-service-delivery operation in China.

### Demonstrated Capabilities

- Diversified portfolio and broad-based service offerings
- Well-established client base

### Acronym Key and Glossary Terms

<b>ADM</b>	application development and management
<b>AMS</b>	American Management Systems
<b>BPO</b>	business process outsourcing
<b>ESP</b>	external service provider
<b>GDM</b>	global delivery model
<b>NYSE</b>	New York Stock Exchange
<b>TCS</b>	Tata Consultancy Services

- Practice of rotating executives enables broad-based expertise in the executive team
- Strong commitment to quality initiatives
- Continuing high levels of investment in process and quality initiatives

### Challenges

- Has had mixed success with early acquisitions and has not gained the expected benefits
- Practice of rotating executives may lead to disruption and challenges as Wipro continues to grow strongly and build deeper industry expertise
- The effectiveness of Wipro's approach of appointing presidents for each business unit is still unproven
- Effectively reconciling a strong process focus and rigidity with a perceived loss in flexibility

## Evaluation Criteria Definitions

### Ability to Execute

**Product/Service:** Core goods and services offered by the vendor that compete in/serve the defined market. This includes current product/service capabilities, quality, feature sets, skills, etc., whether offered natively or through OEM agreements/partnerships as defined in the market definition and detailed in the subcriteria.

**Overall Viability (Business Unit, Financial, Strategy, Organization):** Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood of the individual business unit to continue investing in the product, to continue offering the product and to advance the state of the art within the organization's portfolio of products.

**Sales Execution/Pricing:** The vendor's capabilities in all pre-sales activities and the structure that supports them. This includes deal management, pricing and negotiation, pre-sales support and the overall effectiveness of the sales channel.

**Market Responsiveness and Track Record:** Ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor's history of responsiveness.

**Marketing Execution:** The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand and business, increase awareness of the products, and establish a positive identification with the product/brand and organization in the minds of buyers. This "mind share" can be driven by a combination of publicity, promotional, thought leadership, word-of-mouth and sales activities.

**Customer Experience:** Relationships, products and services/programs that enable clients to be successful with the products evaluated. Specifically, this includes the ways customers receive technical support or account support. This can also include ancillary tools, customer support programs (and the quality thereof), availability of user groups, service-level agreements, etc.

**Operations:** The ability of the organization to meet its goals and commitments. Factors include the quality of the organizational structure including skills, experiences, programs, systems and other vehicles that enable the organization to operate effectively and efficiently on an ongoing basis.

### Completeness of Vision

**Market Understanding:** Ability of the vendor to understand buyers' wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers' wants and needs, and can shape or enhance those with their added vision.

**Marketing Strategy:** A clear, differentiated set of messages consistently communicated throughout the organization and externalized through the Web site, advertising, customer programs and positioning statements.

**Sales Strategy:** The strategy for selling product that uses the appropriate network of direct and indirect sales, marketing, service and communication affiliates that extend the scope and depth of market reach, skills, expertise, technologies, services and the customer base.

**Offering (Product) Strategy:** The vendor's approach to product development and delivery that emphasizes differentiation, functionality, methodology and feature set as they map to current and future requirements.

**Business Model:** The soundness and logic of the vendor's underlying business proposition.

**Vertical/Industry Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of individual market segments, including verticals.

**Innovation:** Direct, related, complementary and synergistic layouts of resources, expertise or capital for investment, consolidation, defensive or pre-emptive purposes.

**Geographic Strategy:** The vendor's strategy to direct resources, skills and offerings to meet the specific needs of geographies outside the "home" or native geography, either directly or through partners, channels and subsidiaries as appropriate for that geography and market.