NEAT EVALUATION FOR NTT DATA:

Digital Experience Consulting Services

Market Segment: Overall

Introduction

This is a custom report for NTT DATA presenting the findings of the NelsonHall NEAT vendor evaluation for *Digital Experience Consulting Services* in the *Overall* market segment. It contains the NEAT graph of vendor performance, a summary vendor analysis of NTT DATA for digital experience consulting services, and the latest market analysis summary for digital experience consulting services.

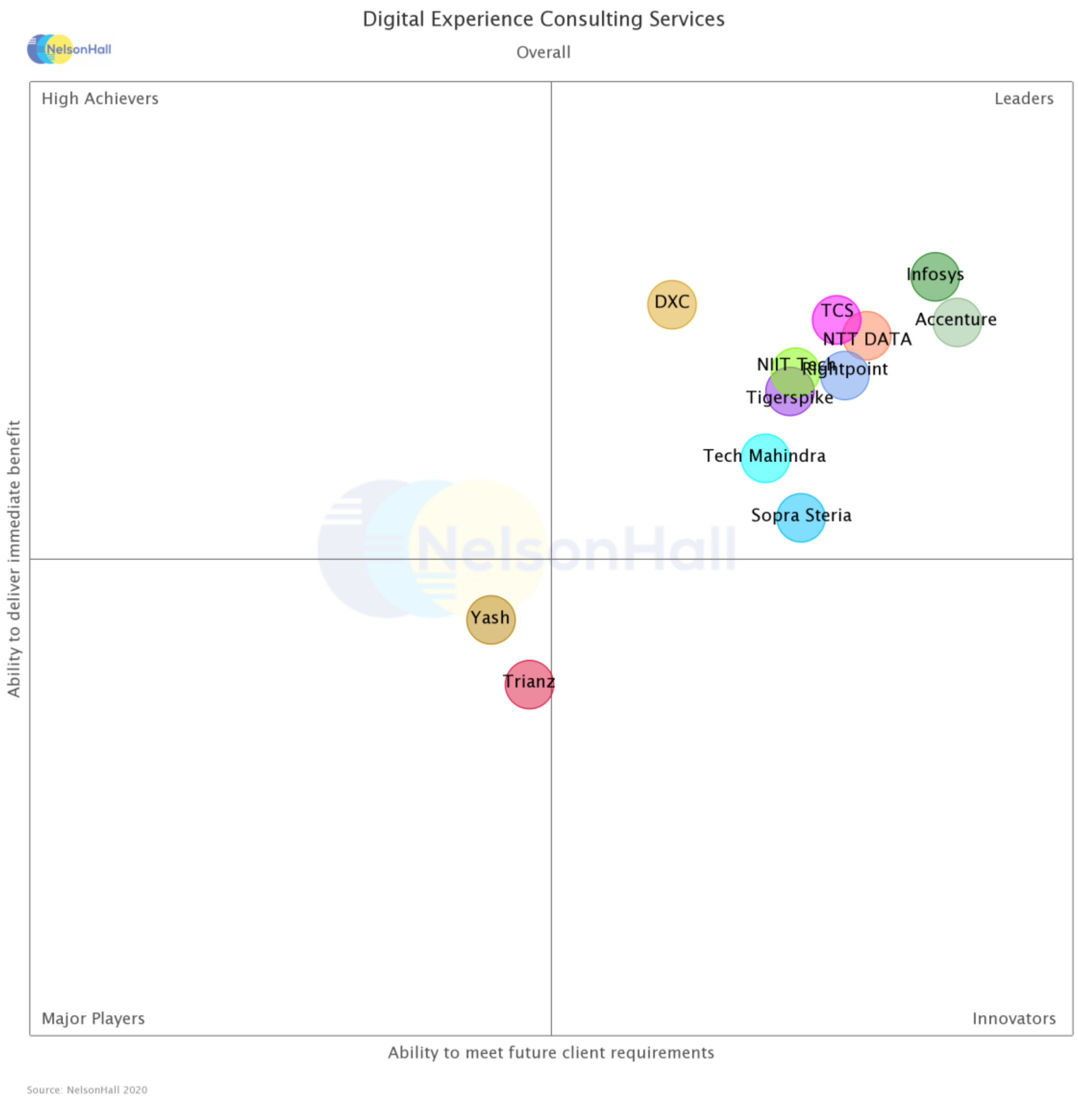
This NelsonHall Vendor Evaluation & Assessment Tool (NEAT) analyzes the performance of vendors offering digital experience consulting services. The NEAT tool allows strategic sourcing managers to assess the capability of vendors across a range of criteria and business situations and identify the best performing vendors overall, and with specific emphasis on internally-focused and externally-focused capability.

Evaluating vendors on both their 'ability to deliver immediate benefit' and their 'ability to meet client future requirements', vendors are identified in one of four categories: Leaders, High Achievers, Innovators, and Major Players.

Vendors evaluated for this NEAT are Accenture, DXC Technology, Infosys, NIIT Technologies, NTT DATA, Rightpoint, Sopra Steria, TCS, Tech Mahindra, Tigerspike, Trianz, and Yash Technologies.

Further explanation of the NEAT methodology is included at the end of the report.

NEAT Evaluation: Digital Experience Consulting Services (Overall)



NelsonHall has identified NTT DATA as a Leader in the *Overall* market segment, as shown in the NEAT graph. This market segment reflects NTT DATA's overall ability to meet future client requirements as well as delivering immediate benefits to clients of its digital experience consulting services.

Leaders are vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements.

Buy-side organizations can access the *Digital Experience Consulting Services* NEAT tool (*Overall*) here.

Vendor Analysis Summary for NTT DATA

Overview

NTT DATA Communications Systems Corporation was spun off as a separate company from NTT Corporation in 1988, subsequently changing its name to NTT DATA Corporation in 1996. NTT Corporation retains a 54% shareholding in NTT DATA, and NTT DATA works jointly with other companies in the NTT Group to deliver services to clients.

In 2017, NTT DATA's corporate leadership based in Japan decided to integrate the individual regional design organizations that had grown organically and inorganically, including NTT DATA Service in U.S., RMA Consulting in the U.K., Chazz in Spain and Latin America, and Digital Entity in Italy to standardize its offerings and services for UX and service design and development globally.

In August 2018, the parent NTT Holdings, announced its intention to group within a new firm, NTT Inc., several units including Dimension Data, NTT Comms and NTT Security, and to amalgamate them. NTT DATA will be in the portfolio of NTT Inc. but will remain independent of the rest of NTT Inc.

In 2019, NTT DATA became a minority shareholder in Star Global Consulting Inc., which provides global consulting services across strategy, design, engineering and marketing. Star is privately held and headquartered in Sunnyvale CA. It has ~750 employees across 12 global offices, including Austin, Detroit, New York, Boston, London, Copenhagen, Munich, Wroclaw, Kyiv, and Tokyo.

NTT DATA has a four-phase approach to delivering digital experience consulting:

- *Advisory*: identifying client challenges and opportunities through high-level journey analysis and aligning stakeholders on the solution
- *Design*: designing a product or service with a user-centric approach based on journey analysis and user research
- *Engineering*: implementing the solution with a customer-ready user interface, dashboards, and AR/VR
- *Innovation*: investigating the possibilities of human-centric innovation pilots, PoCs, and governance.

Financials

NTT DATA reported CY 2019 revenues of ~$20.7bn. NelsonHall estimates that NTT DATA had ~$800m in digital experience consulting revenues in 2019.

Strengths

- Geographically-diverse studio network
- Proprietary tools and assets to support process
- Mature capabilities built organically and inorganically.

Challenges

- The cohesion of services across locations is still in progress
- Client relationships are primarily in IT organizations.

Strategic Direction

NTT DATA has defined a strategy to grow its digital experience consulting practice by investing in its capabilities across the following areas:

- *Mature its studio network*: NTT DATA is looking to further expand its usage of design studios globally with its clients. It is targeting each client to have at least four interactions with studios each year, two in-person and two virtually. It is also planning to enhance the innovation studio located at NTT DATA Services' Plano, Texas headquarters
- *Expand design thinking capabilities*: NTT DATA is placing a significant focus on expanding its design thinking capabilities. This includes an internal training initiative to grow its base of skilled resources as well as developing and rolling out an accelerator toolkit to support the delivery of design thinking sessions
- *Incorporate emerging technology into offerings*: NTT DATA is looking to further leverage emerging technologies in its experience offerings. IT has stood up a dedicated team to focus on the application of emerging technologies in customer experience innovations. It is looking to leverage analytics, AI and ML to provide greater insights and enable real-time customer journey orchestration. Its parent NTT Corp. research arm has allocated ~$12m to fund 18 customer experience innovation projects globally.

Outlook

NTT DATA has grown its UX and service design and development capability both organically and inorganically over several years, allowing each unit to operate on its own. Launching an internal initiative over the last couple of years to integrate, standardize, and expand the network ensures that lessons and assets are shared while maintaining a level of local autonomy to reflect the local culture. Continuing to standardize and grow this network will position NTT DATA well to expand its client footprint going forward. As it focuses on further maturation of its delivery network, the balance of global standardization and localized customization will be critical to meet client needs.

While NTT DATA has built a portfolio of employees, delivery centers and assets to deliver services, it will need to continue to expand its client relationships to take best advantage of these capabilities. Historic relationships within the IT department limit its exposure to budget owners for many digital initiatives. Building a portfolio of high-profile credentials and the increasing focus on applying experience consulting services to internal processes will allow NTT DATA to continue to grow its client footprint.

Digital Experience Consulting Services Market Summary

Overview

Approximately 88% of IT service vendors built or formalized their experience consulting services between 2008 and 2017 as clients placed significant and growing focus on transforming digital properties to better meet client demands as mobile interactions rise among consumers.

In 2020, digital experience consulting continues to grow in importance as more interactions move to digital channels and expand to include greater focus on employee experience, and design thinking becomes a default approach to initiate new engagements.

Going forward, new and emerging interaction technologies such as conversational bots and voice UI will be increasingly incorporated into offerings, while a focus on end-to-end service design across front-end systems, back-end systems, and business processes will become the default approach.

To deliver these services, IT service vendors are investing heavily in their digital experience consulting capabilities. These investments are frequently focused in four main areas:

- Transforming the skillsets of their teams
- Expanding emerging technology offerings
- Better integrating capabilities across the organization
- Expanding the client base.

Buy-Side Dynamics

The key capabilities sought by organizations in selecting a vendor to deliver digital experience consulting services are:

- Ability to deliver end-to-end service
- Onshore digital strategy and design consulting
- Ability to develop designs for customer or partner-facing digital properties
- Hosting and delivery of design thinking
- Ability to develop designs for employee digital properties.

Market Size & Growth

The market for digital experience consulting services is poised to grow ~13.6% CAAGR to reach $15.9bn by 2024 after rebounding from the COVID-19 spending freeze.

After a spending freeze and slight decline in 2020 revenues as the COVID-19 pandemic halts spending on consulting engagements, clients are expected to return to a focus on digital experience consulting in 2021. Spend on internal-facing projects is projected to rise by 14.5% while external, customer-facing spend, where historical spend has been greater, grows at 12.8%, leading to overall spend growing at 13.6% from 2021 through 2024.

Success Factors

The key success factors for digital experience consulting services vendors include:

- *Local design capability*: successful vendors have built design studio networks proximate to their client base as well as broad resource pools that are able to work directly with clients as part of strategy and design thinking collaboration
- *End-to-end service design capability*: successful vendors look beyond user and customer interfaces alone to understand service design more broadly, ensuring that business processes and technological landscapes are aligned to meeting user and customer experience needs. Clients are increasingly placing a priority on end-to-end experience design engagements
- *Ability to quantify value*: successful vendors are focusing on quantifying the value of experience to ensure that transformational initiatives are impactful and that clients are able to understand what value is realized. This approach is embedded from the onset of engagements: baselining performance and then tracking changes in the most critical KPI
- *Forward-looking perspective*: experience channels are rapidly evolving and successful vendors, while focused on delivering to meet client needs, are exploring how new and emerging technologies are impacting user and customer experience. The increasing use of AI/ML, AR/VR, conversational UI and voice interactions are still immature but vendors need to be building out capabilities to support as clients begin to incorporate these technologies
- *Cross-functional teaming approach*: given the breadth of areas impacted by a focus on experience-led service design, vendors need to ensure that representation in design thinking and collaborative sessions includes areas such as change and organization management, process and technology experts.

Outlook

To ensure clients understand the value being realized by a focus on digital experience, vendors must be able to quantify the value being realized. A traditional focus on customer experience or customer satisfaction ratings may not have had a direct correlation to a quantified business value. As the scope of digital experience service engagements grows, it will become increasingly important that clients realize a clear quantifiable benefit of either increasing revenues or reduced costs.

The scope of experience-focused engagements has expanded to include employee experience focus and end-to-end service design focus. Companies are also looking to embed experience-led as a core principle. But these broader transformational changes require greater investment and greater internal change. Clients need to be willing to invest in more than just design consulting, including organization and change management, culture change, process redesign and technical modernization.

To accelerate building these services, vendors are frequently acquiring design agencies and hiring individual talent from the market. Creative employees bring a different background, culture and perspective than traditional IT service employees. Vendors must strike the balance of integrating these new and emerging capabilities without disenfranchising the new employees or losing the value of these new capabilities by forcing them to align with the broader organization.

The future direction for digital experience consulting services includes:

- Approach and objectives:
  - Experience increasingly shaped by the use of analytics to understand users through data and sentiment analysis
  - Interfaces evolve from web screens to voice, conversational chatbots and include greater incorporation of AI/ML to increase adaptability and responsiveness
  - Project scope increasingly focuses on end-to-end service design
  - Clients seek to build their own experience-led design capabilities rather than solely employing vendors
  - Programs are designed as long-term and iterative, with feedback mechanisms built into solutions at the outset.
- Benefits:
  - KPIs are quantified and correlated directly to the achievement of defined business objectives
  - Vendors develop targeted metrics as part of upfront design thinking for tracking and visibility of value realization.
- Delivery model:
  - Vendors use expanding networks of design studios to deliver collaboration sessions in close proximity to clients
  - Design studios house a broadened set of employee skillsets including industry, organization and change management, process and technical SMEs, AI/ML experts, and data scientists
  - Vendors deliver high-fidelity prototypes and products through the use of remote development factories
  - Programs are developed to constantly capture user feedback and update products
  - Vendors help in the training and development of internal client experience capabilities.

NEAT Methodology for Digital Experience Consulting Services

NelsonHall's (vendor) Evaluation & Assessment Tool (NEAT) is a method by which strategic sourcing managers can evaluate outsourcing vendors and is part of NelsonHall's *Speed-to-Source* initiative. The NEAT tool sits at the front-end of the vendor screening process and consists of a two-axis model: assessing vendors against their 'ability to deliver immediate benefit' to buy-side organizations and their 'ability to meet client future requirements'. The latter axis is a pragmatic assessment of the vendor's ability to take clients on an innovation journey over the lifetime of their next contract.

The 'ability to deliver immediate benefit' assessment is based on the criteria shown in Exhibit 1, typically reflecting the current maturity of the vendor's offerings, delivery capability, benefits achievement on behalf of clients, and customer presence.

The 'ability to meet client future requirements' assessment is based on the criteria shown in Exhibit 2, and provides a measure of the extent to which the supplier is well-positioned to support the customer journey over the life of a contract. This includes criteria such as the level of partnership established with clients, the mechanisms in place to drive innovation, the level of investment in the service, and the financial stability of the vendor.

The vendors covered in NelsonHall NEAT projects are typically the leaders in their fields. However, within this context, the categorization of vendors within NelsonHall NEAT projects is as follows:

- Leaders: vendors that exhibit both a high ability relative to their peers to deliver immediate benefit and a high capability relative to their peers to meet client future requirements
- High Achievers: vendors that exhibit a high ability relative to their peers to deliver immediate benefit but have scope to enhance their ability to meet client future requirements
- Innovators: vendors that exhibit a high capability relative to their peers to meet client future requirements but have scope to enhance their ability to deliver immediate benefit
- Major Players: other significant vendors for this service type.

The scoring of the vendors is based on a combination of analyst assessment, principally around measurements of the ability to deliver immediate benefit; and feedback from interviewing of vendor clients, principally in support of measurements of levels of partnership and ability to meet future client requirements.

Note that, to ensure maximum value to buy-side users (typically strategic sourcing managers), vendor participation in NelsonHall NEAT evaluations is free of charge and all key vendors are invited to participate at the outset of the project.

Exhibit 1

'Ability to deliver immediate benefit': Assessment criteria

Assessment Category	Assessment Criteria
Offerings	Overall digital experience consulting capability External digital strategy development Internal digital strategy development Design thinking session Delivery End to end service design Experience design/dev - prototypes, MVPs Business case capture offerings Emerging technology offerings Enable client orgs to transform
Delivery	Onshore experience strategy and design consulting Offshore experience design and dev capability Design thinking delivery Proprietary tools used in design planning Proprietary tools in support UX design, development Key partnerships with technology partners Ability to deliver end to end service design
Presence	Scale of Ops - Overall Scale of Ops - Internally focused experience design and consulting Scale of Ops - Externally focused experience design and consulting Scale of Ops - N.A Scale of Ops - EMEA Scale of Ops - APAC
Benefits Achieved	Value for money Improved usability of interfaces Increased employee satisfaction Improved customer retention/satisfaction Accelerated service delivery

Exhibit 2

'Ability to meet client future requirements': Assessment criteria

Assessment Category	Assessment Criteria
Overall Future Commitment to UX-UI	Financial rating Commitment to digital exp consulting services Commitment to innovation in digital exp consulting services Commitment to Externally-focused experience consulting Commitment to Internally-focused experience consulting
Investments in UX-UI Capabilities	Investment in digital experience strategy consulting Investment in design space Investment in emerging technologies Investment in automation and tools
Ability to Partner and Evolve Services	Key partner (suitability of vendor to meet needs) Ability to evolve services

For more information on other NelsonHall NEAT evaluations, please contact the NelsonHall relationship manager listed below.

research.nelson-hall.com

Sales Enquiries

NelsonHall will be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager:

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