



Key Vendor Profile

Key Vendor Assessment

Capgemini

KVA Abstract

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Who is this Vendor Assessment for?

NelsonHall's Key Vendor Assessment on Capgemini is a comprehensive assessment of Capgemini's offerings and capabilities, designed for:

- Marketing, sales, and business managers developing strategies to target service opportunities within the BPS/IT services markets
- Sourcing managers monitoring the capabilities of existing suppliers of IT services and identifying vendor suitability for IT services
- Consultants advising clients on vendor selection
- Vendor marketing, sales, and business managers looking to benchmark themselves against their peers
- Financial analysts and investors specializing in the BPO/IT services sector.

Key Findings & Highlights

Capgemini is, with IBM Consulting, one of the few IT services vendors with an onshore background that has succeeded in its Indian transformation and offshore delivery adoption. After a 20-year journey, the company now has significant Indian muscle (~180k, as of Q3 2023), and its revenue growth has been comparable to that of tier-one Indian peers since 2021.

Capgemini's operating model relies on:

- A decentralized structure that promotes employee empowerment and accountability
- A pragmatic but complicated organizational structure: Capgemini's organizational structure relies on a mix of geographies and one vertical one (its Financial Services organization in North America/U.K.). Capgemini has across the organization Global Service Lines (e.g., Insights & Data, Capgemini Engineering, QET, Cloud Infrastructure Services) that coordinate offerings. With this complex structure, Capgemini wants to avoid centralization and promote employee empowerment
- A significant offshore headcount mix (57% offshore in Q3 2023). Capgemini now has ~180k personnel in India and has the recruitment muscle to ramp up rapidly
- A long-lasting focus on portfolio management, currently around Enterprise Management, Customer First, Intelligent Industry, cloud, security, and data & AI. Capgemini complements its portfolio focus with a series of tuck-in acquisitions in digital
- A deliberate effort to stay outside of software products, unlike competitors such as CGI, HCLTech, or Sopra Steria. The company has adopted the Indian model of developing technology accelerators and, selectively, solutions/reusable code. However, it has refrained from monetizing them
- A GTM aligned on developed economies, with recent acquisitions in Australia and Japan. The company has a limited presence in the BRICS apart from Brazil

Capgemini's operating model also has its limitations. The company:

- Has an EBIT margin that is half that of its tier-one competitors (the guidance for 2023 is an adjusted EBIT margin of 13.0-13.2%, while TCS' EBIT margin is ~24%)
- Still has challenges in the U.S., with a lack of clients in healthcare and life science, and government, a subdued Capgemini Invent presence, and an overall lack of scale in the world's largest IT service market. Capgemini's revenues from North America were ~\$7.1bn in 2022, half that of Cognizant
- Needs to develop its Indian delivery network further.

Scope of the Report

The report provides a comprehensive and objective analysis of Capgemini's offerings, capabilities, and market and financial strengths, including:

- Identification of the company's strategy, emphasis, and new developments
- Analysis of the company's strengths, weaknesses, and outlook
- Revenue estimates
- Analysis of the profile of the company's customer base, including the company's targeting strategy and examples of current contracts
- Analysis of the company's offerings and key service components
- Analysis of the company's delivery organization.

About The Author

Dominique Raviart is the IT Services Practice Director at NelsonHall, with global responsibility for IT Services research programs. He also leads the VIP program that covers tier-one IT service vendors.

Dominique covers IT Services research in the areas of Software Testing/QA. Dominique has been part of NelsonHall's IT Services analyst team since 2007, providing comprehensive and insightful coverage of IT services markets in the world. In particular, he is widely known for his extensive knowledge and coverage of software testing, having recently examined digital testing and DevOps/continuous testing. Dominique assists both buy-side and vendor organizations in assessing opportunities and supplier capability across IT service lines.

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About NelsonHall

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We would be pleased to discuss how we can bring benefit to your organization. You can contact us via the following relationship manager: Guy Saunders at guy.saunders@nelson-hall.com.

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