

# Mastek: UK Central Government opportunity

## TechMarketView analysis – March 2019

# TechMarketView credentials



## UK depth, global trends

We're an influential analyst and advisory firm focused on the UK tech market. A trusted advisor to tech suppliers – from global market leaders to innovative start-ups – and to tech users and investors, as they navigate change and identify opportunities.



## Trusted advisors

Our high-profile team of experts provide robust analysis of suppliers & disruptive market trends. Respected for honest, independent advice TMV analysts are just as happy to share their views over coffee, as they are to present to the Board.



## Data-driven insight

Our deep understanding of the UK tech market is supported by decades of data on suppliers large & small, public & private, and augmented by privileged conversations with leaders from across the sector.



## More than just research

Members of the TechMarketView 'family' rely on our opinionated daily UKHotViews coverage; pour over the analysis in our in-depth research reports; seek our advice through presentations and projects; network at our events and play an active part in our SME programmes.

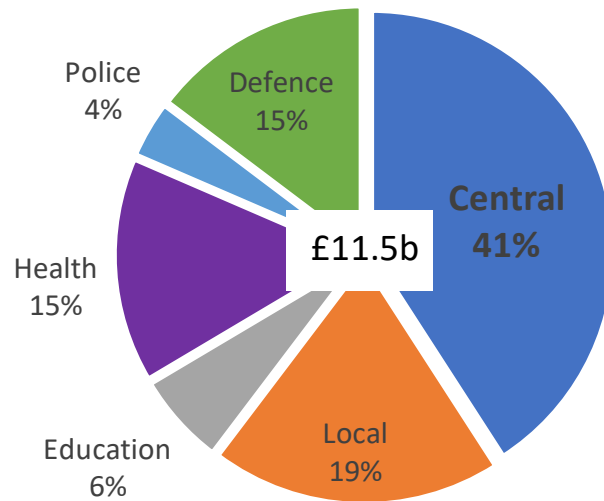
# About me: Georgina O'Toole

- **TechMarketView's Chief Analyst since May 2018.**
- **Focus on the UK public sector tech market since 2003: 16 years of insight**
  - **Launched PublicSectorViews in 2010: TechMarketView's first specialist research stream**
  - **Previously launched and ran PublicSector@Ovum: responsible for Government research globally**
- **Expert in Whitehall (central government and defence) technology market and supplier landscape**
- **Insight called on regularly by suppliers – large and small - and end users – including MoD, NHS and Cabinet Office**



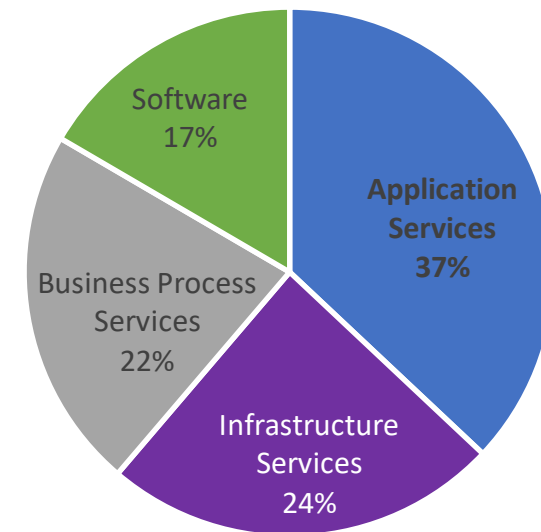
# Defining Central Government SITS

UK public sector SITS market



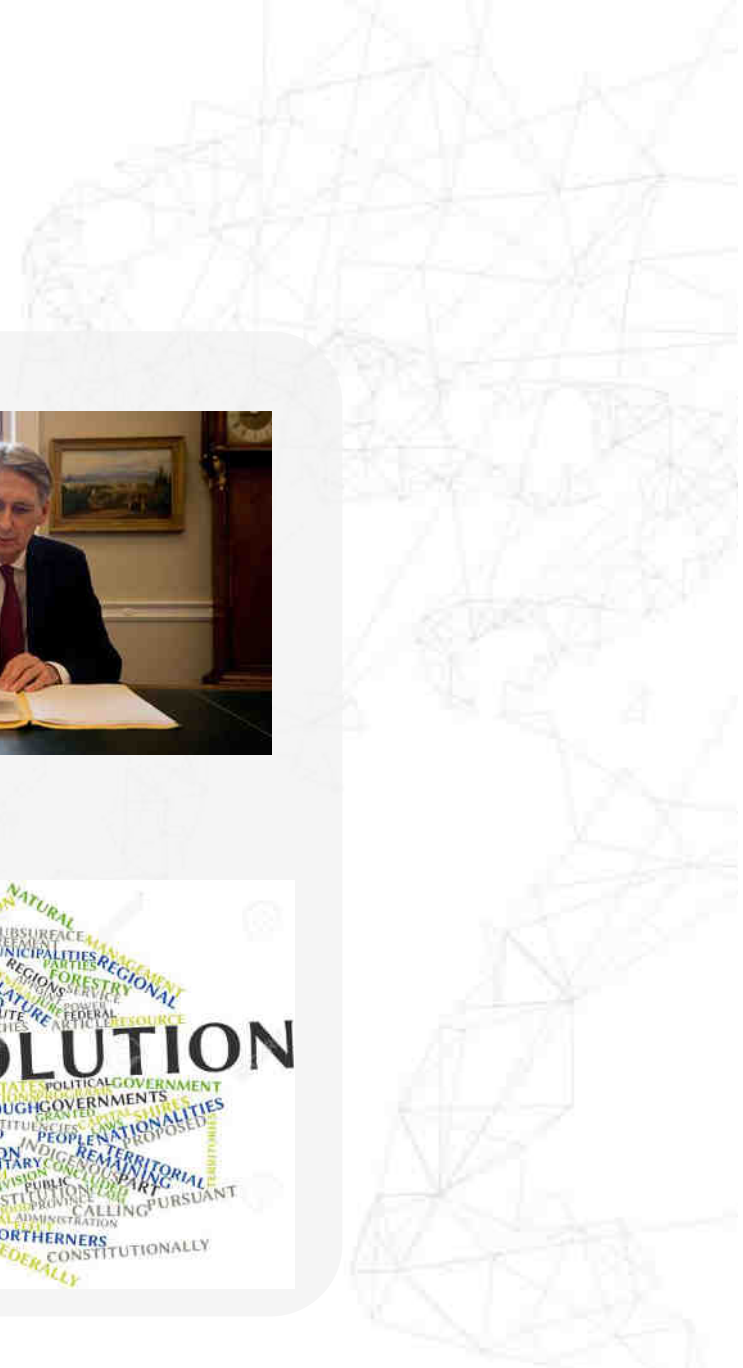
**SITS: EXTERNAL** spend on *Software & IT Services* includes software, application services, infrastructure services and ICT-enabled business process services

UK central government SITS



**Central Government:** *Departments, agencies and non-departmental public bodies in the UK, excluding Department of Health (included in healthcare), Ministry of Defence, and Security & Intelligence agencies (included in defence).*

# Complex environment



The EU General Data Protection Regulation (GDPR) is the most important change in data privacy regulation in 20 years - we're here to make sure you're prepared.

**TIME UNTIL GDPR ENFORCEMENT UTC**  
**339:16:05:29**  
Days Hrs. Mins. Secs.



**UKHotViews**  
 Thursday 21 December 2017  
**Bridging the digital skills gap: Institutes of Technology**

The shortage of mid-level talent to **drive AI** has been a continuing theme through TechMarketView's research in 2017 and will continue to be a focus in 2018, as highlighted by the launch of our 2018 research theme, **Breaking the Boundaries** (see [Research the Boundaries 2018: The TechMarketView special](#)). One view is that organisations will progressively need to look beyond their local walls to meet their **AI** requirements, for example, via public-private partnerships or outsourcing, for example.

The Government's Industrial Strategy also highlighted the need to promote the education and **AI** agenda, if there is a chance of succeeding in its **Grand Challenges** (see [Industrial Strategy: Focus up to Grand Challenges](#)). Earlier this week, the Department for Education (DfE) announced that Higher Education and Further Education providers would be able to compete for their share of a £170m capital fund to create new institutions to help bridge the country's **AI** and technical **AI** gap. These new Institutes of Technology, which are set to open in 2018 and represent just one of the **AI** initiatives outlined by Education Secretary Justine Greening (pictured last month).

This is a positive step. But it is not the only step that must be made. As we highlighted a couple of weeks ago, changes must be made much earlier in the education system - right back at primary schools level (see [How do you best prepare your child for the future?](#)). The Industrial Strategy gave some promise the introduction of the new T-level qualification for 16-19 year olds to be introduced in 2023, the extension of the Teaching for Mastery maths programme - to reach 114 secondary & primary schools by 2022, and £500m for every maths school to deliver the specialist maths subject award. But as can be seen by the headline, the **AI** gap will take some time to fill in the meantime, our **Breaking the Boundaries** theme will continue to be very relevant, as organisations compete hard for **AI**.

Posted by [Georgina O'Hara](#) at 10:57 - Tagged: [education](#), [AI](#), [policy](#), [AI](#), [reform](#)



# Opportunity or threat?

## Burning Platform?

Acceleration in digital transformation projects – only way to go!



## Rabbit in headlights?

Risk aversion kicks in – caution due to difficult operating environment



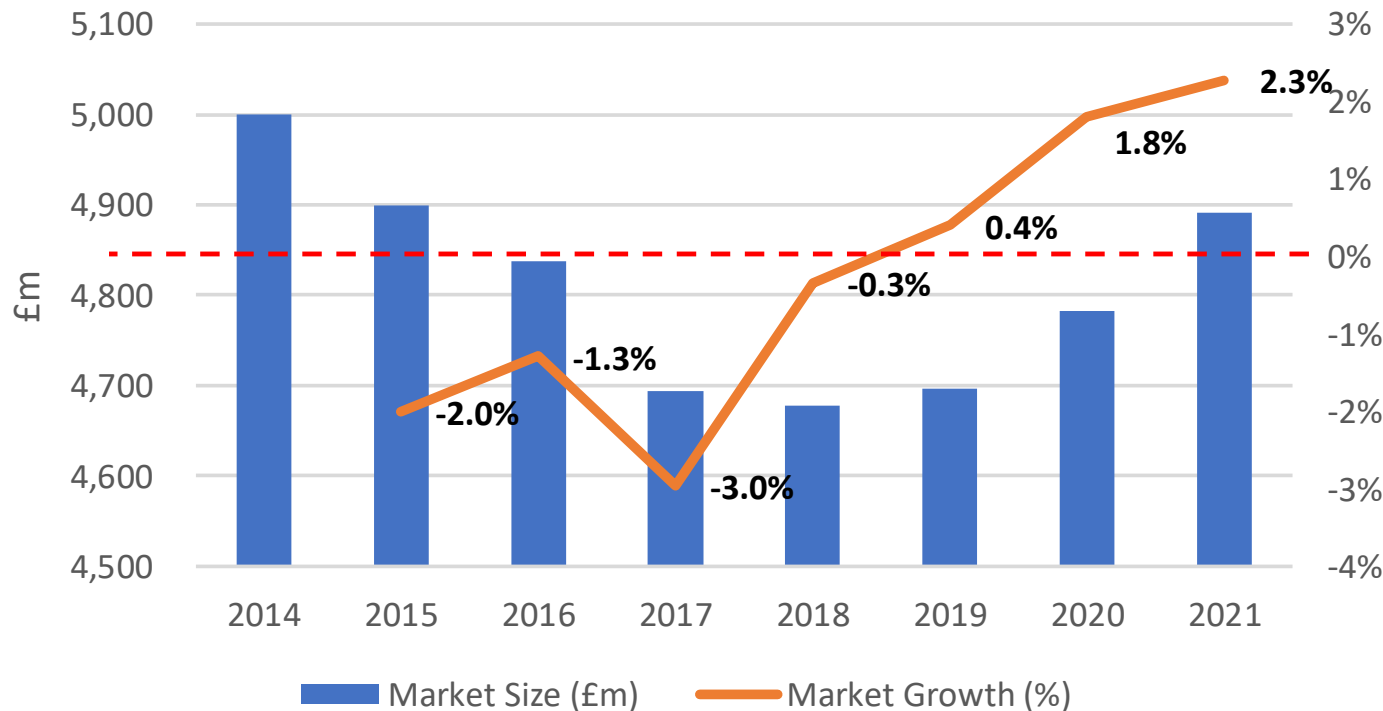
## Reality: A diverse reaction

Impacts organisations and sectors in different ways



# Slow growth market...

UK Central Government SITS Market Size & Growth



- Central government SITS: **c£5b market**
- In decline since 2015: consistently underperforming rest of PS
- 2017 a particularly bad year: 3.0% decline – down £143m
- Dragged down by legacy renewals/insourcing, pricing pressure & shift to cloud
- CAGR of just 1.0% 2017-2021 (real terms decline)
- Boosted by Brexit-related activity in latter years but subdued due to resources issues – both people and money

**But not the whole story! Winners & losers...**

# Central government: the policies



## So far:

- Contract disaggregation
- Insourcing agenda
- Support for SMEs/new entrants
- Promotion of procurement frameworks
- Digital by default
- Cloud First approach
- Government-as-a-Platform
- Common Technology Services
- Open data & data sharing agenda

**ICT & digital at heart  
of Government  
transformation  
strategy**



# Key Whitehall\* challenges

\* British civil service & government (central government)

- Push-pull scenario:
  - Need to invest/innovate to attain increased efficiency & productivity, fighting against...
  - **Need to control budgets in the short-term**
- Struggling with digital skills shortage. ***Hamstrung by public sector pay restraints.***
- Desire to leverage emerging technology. ***Fighting against resource constraints/lack of references.***
- Faced with legacy complexity. ***Low hanging fruit already picked.***
- Dealing with increasing complexity of supplier/contractual environment. ***Slowing progress.***
- Sees benefits of extracting value from data. ***Limited progress on determining how.***
- Battling with Government silos. ***Cultural, political, legal barriers remain, limiting collaboration.***

Suppliers must position to support Whitehall organisations to face these challenges

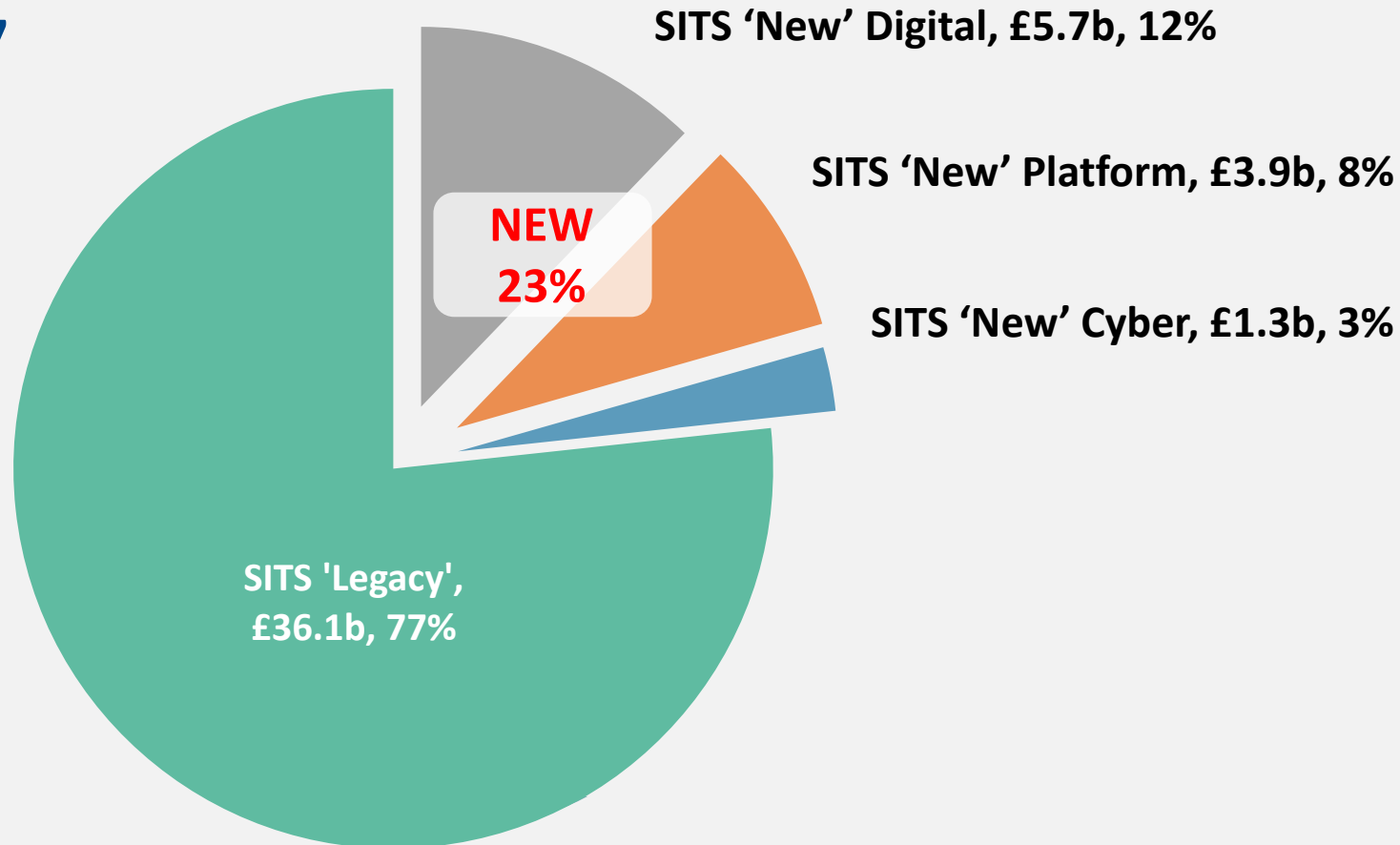
# Central government: the opportunity

Demand Drivers	Suppliers who will benefit
Strong demand in the 'new' (digital, platform, cyber)	Those not dragged down by ITO legacy contract run off
Digital skills shortage & insourcing challenges	Large & small - particularly those willing to work in a collaborative environment and help upskill internal ICT
Brexit challenges: medium-term requirement for new processes & systems	Those who understand complex governmental processes & can work in agile way for rapid change
Shift in focus from 'simple' to 'complex' digital	Those who understand legacy ICT & can de-risk legacy migration
Push on specific emerging technologies & how to scale, led by Government Digital Service	Those with reference case studies on successful deployment of emerging tech & simple propositions
More intelligent approach data – no one size fits all	Those who can navigate complexities of Government data policies & demonstrate ability to extract value
Need to focus on Government transformation for efficiency & productivity	Those who can demonstrate ability to release money from legacy to invest in new transformational tech

# UK market\*: strong demand in the 'new'

\* Public Sector 25% of UK software and IT services market

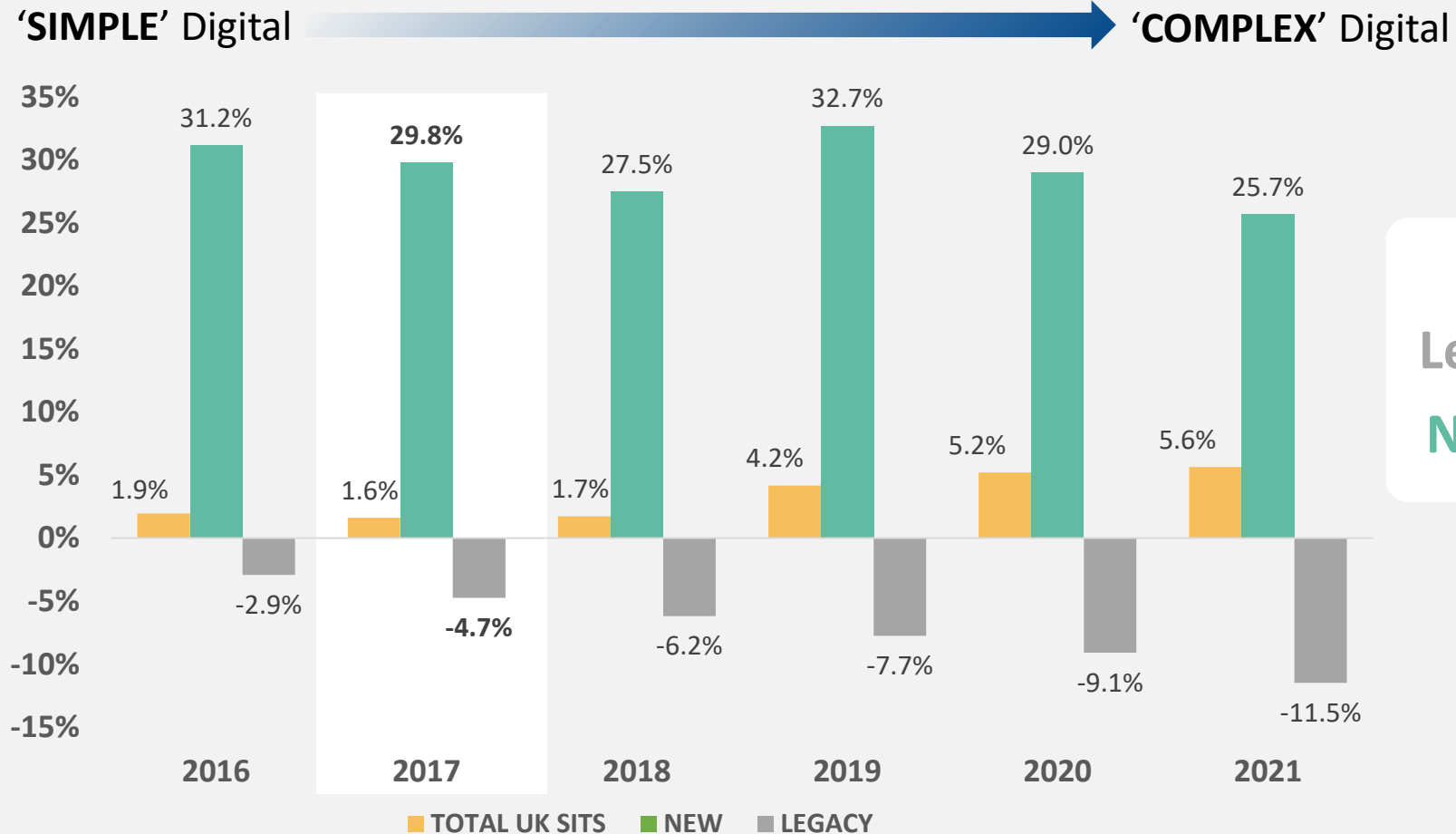
2017



- **Digital:** advisory, design, implementation, integration, run
- **Platform:** cloud – IaaS, PaaS, SaaS, BPaaS
- **Cybersecurity:** related software & services

# 'New' ICT driving the UK market

\* Public Sector 25% of UK software and IT services market



**2017**  
Legacy: -4.7%, -£1.8b  
New: +29.8%, +2.5b

# Digital marketplace: growth in the 'new'

**Digital Marketplace** helps public sector organisations find cloud technology and specialist services for digital projects via 3 frameworks:

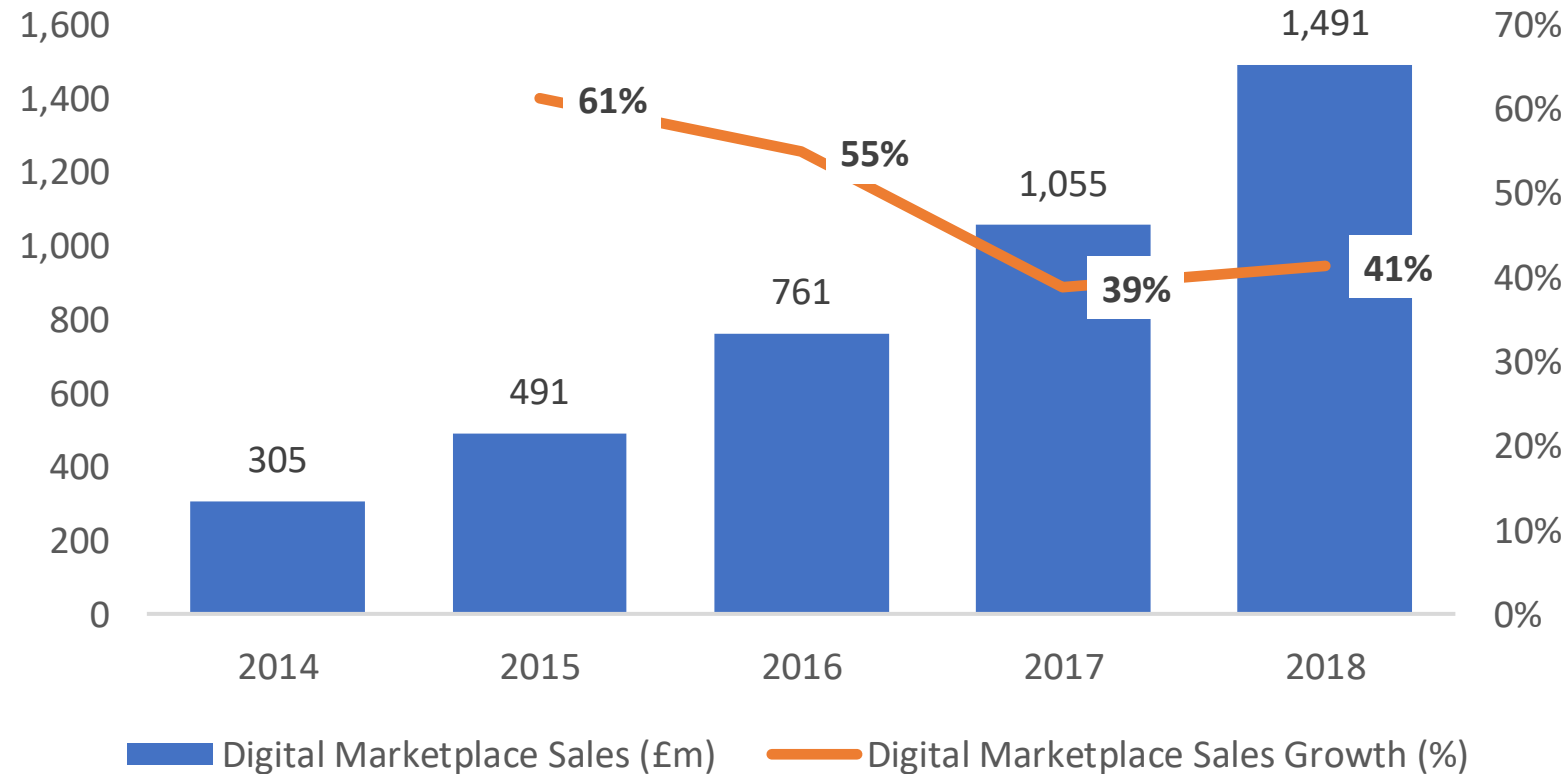
1. **G-Cloud** (since 2012): cloud services including IaaS, SaaS and PaaS
2. **Digital Outcomes & Specialists (DOS)/Digital Services** (since 2013) : outcomes, specialists and user research services for digital projects.
3. **Crown Hosting Data Centres (CHDC)** (since 2015): physical datacentre space for services (sole supplier)

## Take care!

- Not everything channelled through these procurement channels is 'pure' cloud or 'pure' digital
- Not everything 'cloud' or 'digital' is channelled through these procurement channels
- But sales are a reasonable guide to how demand is shifting from large end-to-end outsourcing contracts to smaller, shorter, more agile contracts utilising a mix of suppliers for different skills

# Digital Marketplace growth

Digital Marketplace Sales: Central Government



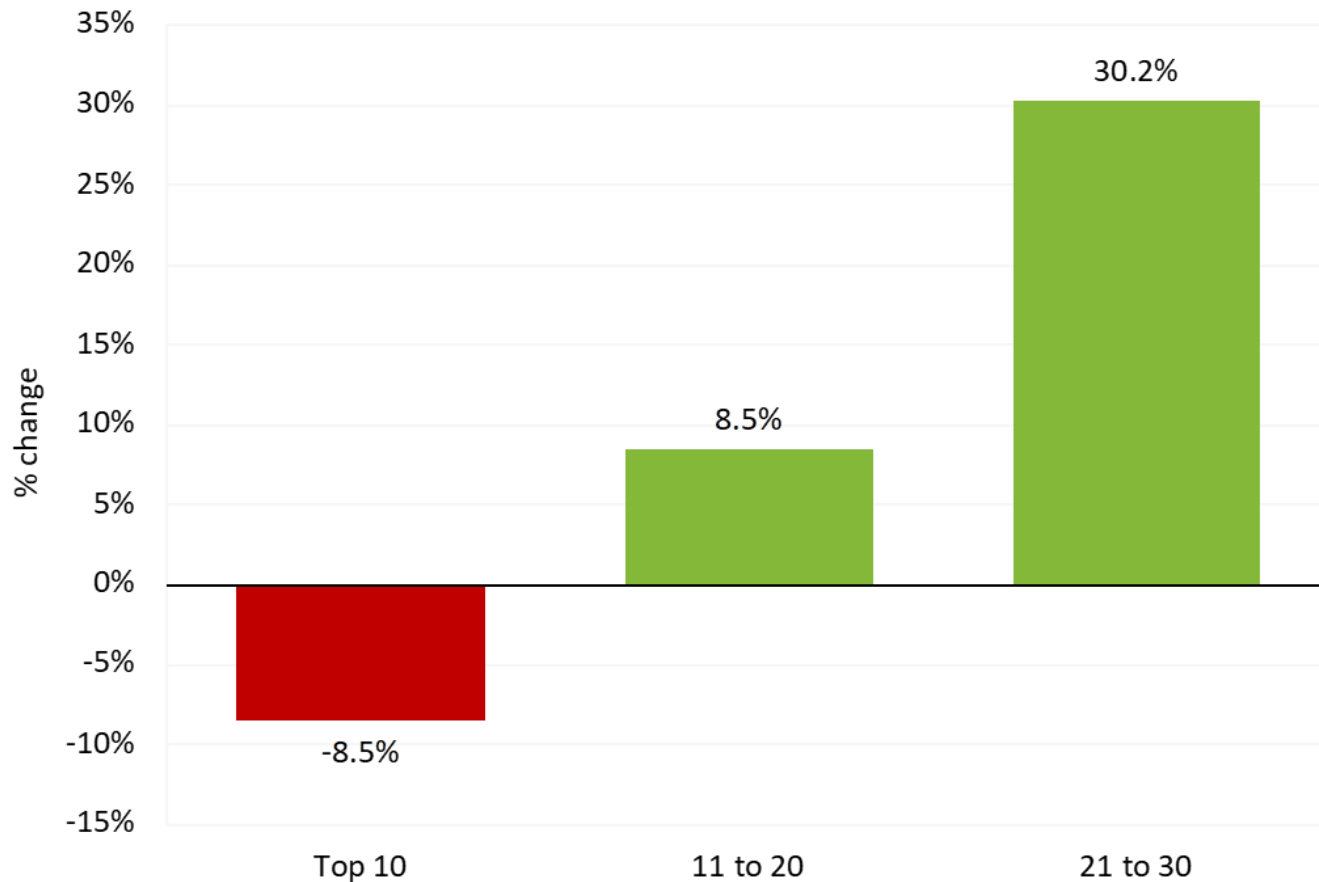
- Digital marketplace sales continue to grow year on year (£5b total)
- Central government 84% of sales in 2018
- Represented 30% of central government SITS market
- Mix of large & SME suppliers (65:35)

# Dominant SIs suffering in Whitehall

CENTRAL	Company	FY17	FY16	Change	FY16 Position	Change
1	Atos	586	602	-2.7%	2	+1
2	Capgemini	499	648	-23.0%	1	-1
3	Fujitsu	423	425	-0.5%	3	=
4	DXC	320	400	-20.0%	4	=
5	Capita	314	327	-4.0%	6	+1
5	IBM	314	353	-11.0%	5	=
7	Sopra Steria	252	256	-1.5%	7	=
8	CGI	160	169	-5.3%	8	=
9	Computacenter	144	125	15.2%	10	+1
10	Oracle	130	128	1.6%	9	-1
<b>TOTAL</b>		<b>3,142</b>	<b>3,433</b>	<b>-8.5%</b>		

Source: TechMarketView estimates

# Mid-size players (and smaller) thriving



## Ranked 11-20

- Accenture (#11): +22%
- BAE Systems (#12): +32%
- Deloitte (#14): +10%
- Serco (#20): +25%

## Ranked 21-30

- Civica (#21): +56%
- BJSS (#22): +100%
- NTT DATA (#24): +23%
- Advanced (#26): +1300%

## Ranked >30

- CACI (#31): +14%
- Mastek (#41): +33%



# Mastek's winning formula

Not reliant on large  
ICT outsourcing  
contracts

UK HQ'ed but with  
access to offshore  
digital skills

Successful on Government  
frameworks (12th on Digital  
Marketplace in 2018, 8th  
on DOS)

Ability to leverage  
IndigoBlue acquisition  
for consultancy led  
sales

Non-dominant but  
corporately resilient

Relationships with  
Brexit impacted  
departments

Adept at working in  
collaborative client-supplier  
ecosystem development  
environments

Strong relationships  
have allowed 'land and  
expand'

Building relationships  
with UK universities to  
tackle skills gap

Strong capabilities &  
references in digital  
development including  
agile

Only Indian heritage  
company to have made an  
impact in UK public sector

Successful  
diversification to a  
direct sales model

**RESULT:** Steady double digit growth in UK public sector revenues

# UK Government: attractive client?

- Financial challenges intensifying: must act ✓
- Brexit potential to drive digital investment ✓
  - Citizens demanding online public services ✓
  - Looking to expand supplier base ✓
  - Supplier code of conduct/prompt payment: fair treatment ✓
  - Frameworks simplify procurement process ✓
  - Traditional outsourcing out; true partnership in... ✓



# What more is Mastek doing?



- Investing further in raising profile
- Penetrating more new logos (sale & marketing)
- Increasing its consultancy strength for a sharper front end
- Ensuring ability to scale up for new opportunities
- Expanding & maturing partner relationships
- Deepening agile development skills
- Opening up to commercial innovation
- Being adaptable to new Government policy & strategy

