Magic Quadrant for Custom Software Development Services, Worldwide

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Initiatives: IT Sourcing Strategy Development and Execution; Build and Deliver New Digital Products/Experiences to Drive Business Results; Software Engineering Practices

> This Magic Quadrant evaluates providers' capabilities in custom software development to support digital transformations and build new products. Sourcing, procurement and vendor management leaders can use this research to identify and select potential providers.

This Magic Quadrant is related to other research:

Critical Capabilities for Custom Software Development Services, Worldwide

View All Magic Quadrants and Critical Capabilities

Strategic Planning Assumptions

By 2026, more than 70% of enterprises negotiating with vendors based on labor rate cards will fail to meet business expectations for accelerated digital adoption and innovation.

By 2027, 50% of enterprise software engineers will use machine learning-powered coding tools, up from less than 5% today.

Market Definition/Description

Gartner defines custom software development (CSD) services as development of software in rapid increments and iteration of custom applications and software products specifically for an organization to satisfy its unique business needs. It usually entails business requirements gathering and coding the application from inception, or building it on a PaaS, or assembling it from existing web services or other reusable pieces of code. Services marketed as "software product engineering" or "digital product development" are likely to be good examples of the category Gartner defines as "custom software development services."

CSD services support digital transformations and help clients build new products. Sourcing, procurement and vendor management leaders can leverage CSD services through the following use cases:

■ **Unique user experience**: This use case focuses on software that will be used not by the buyer's employees, but by the buyer's customers. Examples include dynamic websites, personalization of content and promotions, smartphone apps, tablet applications, and interactive voice and text responses. This use case is common in consumer-facing industries such as retail, financial services and entertainment. Businesses in these verticals seek to differentiate themselves through the digital experience they offer their customers.

■ **Unique operational processes**: This use case focuses on software that operates or automates business processes that only exist at the buyer. These processes increase the effectiveness of the business. The new processes improve operating efficiencies by streamlining the regular operations of a business and increase productivity by eliminating the variability of human and systematic error. Examples include payment processing providers to process millions of transactions a day, and telecommunications — operational support systems that provision new customers and manage networks and government agencies. This use case may require specialization in industry verticals and their regulatory environment.

■ **Unique products**: This use case focuses on a new product or service that the buyer will sell, which has differentiating features, to increase revenue and alternative channels for growth. These are driven by demand from consumers and require a good understanding of the market and competitors. This use case may require specialization in specific technologies, such as industrial Internet of Things (IIoT), augmented reality/virtual reality (AR/VR), AI/machine learning (ML) or embedded systems. These services would require rapid prototyping, experimentation, hypothesis-based development and close collaboration with clients to create a product implementation roadmap. Examples include infotainment systems in the automotive sector and digital platforms in entertainment, media and gaming sectors.

The must-have capabilities for this market include:

■ Software engineering approaches: the use of agile and DevOps methods in diversified, inclusive and multidisciplinary teams.

- Design (user and customer experience): ability to enable rich user interface (UI) design and user experience (UX) interaction functionality for custom software or products that translate into meaningful and relevant user experiences.

- Technology capabilities: for example, partnerships with cloud providers (Amazon Web Services [AWS], Google Cloud Platform, Microsoft Azure) and API management platforms (Dell Boomi, Google Apigee, MuleSoft).

- Testing, integration/API, data migration, analytics and AI/ML activities only specific to the development of custom software solutions.

- Workforce strategies: delivering from onshore, "nearshore," or offshore development centers. Some will offer innovative resourcing solutions such as crowdsourcing, hire-to-order, build-operate-transfer or captive center purchases.

- Commercial models: per hour or per day is most common ("time and materials" or T&M), but a few offer more accountable deal structures, such as fixed price per sprint or business outcome contracts.

- All activities not related to implementing and maintaining enterprise commercial off-the-shelf application suites (e.g., Oracle, Salesforce, SAP, Workday).

The standard/should-have capabilities for this market include:

- Business requirements gathering and coding the application from inception, or building it on a PaaS, or assembling it from existing web services or other reusable pieces of code.

- Integration of the developed application with other systems within the enterprise or with external partner systems.

- Incident resolution and support at Level 2 (in-depth technical support) and Level 3 (expert product and service support), correction of defects in the software, and refactoring of technical debt for the developed software as it moves into production.

- Reusable industry assets and preconfigured and automation tools to accelerate delivery of CSD engagements.

- Technology capabilities: for example, AI and/or ML models, analytical and business intelligence (BI) tools and interactions across a variety of digital touchpoints (e.g., web, mobile apps, chatbots, AR/VR, wearables), using a combination of interaction modalities (e.g., no-touch, voice, vision, gesture) in support of seamless and consistent digital user journeys.

Magic Quadrant

Figure 1: Magic Quadrant for Custom Software Development Services, Worldwide

Source: Gartner (November 2023)

Vendor Strengths and Cautions

Accenture

Accenture is a Leader in this Magic Quadrant. This full-service provider is headquartered in Ireland, and Gartner estimates its CSD service revenue growth at 86% year over year (YoY) through December 2022. Of this revenue, 90% came from larger clients and 10% from midsize clients. Accenture's CSD services revenue breakdown is 39% from North America, 5% from LATAM, 38% from EMEA and 18% from APAC. The top five industries in terms of its clients are retail, banking and investment services, telecommunications, consumer products and the public sector. Accenture's current and future focus is on engaging with clients to develop an industry-led approach to custom software to deliver on value realization based on predictable and reliable outcomes.

Strengths

- **Breadth and depth across services**: Accenture provides a comprehensive suite of services that blend strategy, development, change management, technology know-how, large-scale application delivery and design solutions to provide tailored user experiences and solutions to complex client requirements, particularly when the requirements demand a balance of traditional and emerging capabilities.

- **Industry specificity in offerings**: Accenture combines industry and technical expertise to provide its clients context to their industry, and what is relevant and differentiating to tailor a solution that delivers competitive market advantage. Clients also appreciate Accenture's industry-specific intellectual property (IP) and assets (e.g., myWizard, myNav), often leveraged to achieve digital product engineering outcomes.

- **Superior customer experience**: Accenture uses its proprietary 360° Value framework to quantify and qualify client value in six dimensions: talent, inclusion and diversity, client, financial, sustainability, and experience. Accenture uses discovery sessions and ideation workshops, then pilots and scalability, to define problems and validate solutions with an experience-led approach.

Cautions

- **Capabilities in nearshore markets**: While Accenture has a strong presence in North America and Western Europe, its reliance on offshore service delivery has increased. Accenture is planning and investing to scale its nearshore presence in LATAM, Eastern Europe and the Middle East. Clients that do not want to rely heavily on offshore capabilities should evaluate Accenture's nearshore strategy and operations carefully.

- **Poor fit for cost-conscious clients**: While Accenture's strategy is to reduce total cost of ownership by using proprietary methodologies and assets, client feedback indicates premium pricing and unclear process for transition. Clients solely focused on hourly rates should consider other providers.

- **Not suited for clients with tactical needs**: Accenture's goal is to lead with cutting-edge thinking and solutions to address clients' requirements according to their maturity and phase in the transformation journey. Clients with strictly operational needs (such as staff augmentation without an overarching transformation agenda) or smaller SMB clients may find Accenture's offerings a poor fit.

CI&T

CI&T is a Niche Player in this Magic Quadrant. This full-service provider is headquartered in Brazil, and Gartner estimates its CSD service revenue growth at 64% YoY through December 2022. Of this revenue, 50% came from larger clients, 45% from midsize clients and 5% from small clients. CI&T's CSD services revenue breakdown is 42% from North America, 45% from LATAM, 9% from EMEA and 4% from APAC. The top five industries in terms of its clients are banking and investment services, healthcare, retail, telecommunications, and tech providers. CI&T's current and future focus is on advancing clients' software delivery capabilities and increasing velocity through end-to-end services from strategy to design and engineering.

Strengths

- **Continued investment in growing the practice**: CI&T made significant investments in four acquisitions (Somo [U.K.] — digital product agency; Box1824 [Brazil] — research and strategy consultancy focused on behavioral trends; Transpire [Australia] — digital product agency; and NTERSOL [U.S.] — digital solutions to banks and financial institutions). It has invested in AI to augment software delivery capabilities such as semiautomatic user story generation and acceptance criteria.

- **Provides services from ideation to operation**: CI&T has evolved its product organization model to provide services such as business-oriented value streams and platform teams. It also coaches clients on defining product organizations and setting up cross-functional teams to enable speed and agility. It has developed assets, such as an AI accelerator platform called CI&T/Flow, which includes agents to improve productivity across the entire digital production life cycle.

- **Positive client relationships with existing customers**: The client relationship is paramount to CI&T. Existing clients consistently praise CI&T for execution, flexibility, technical competence and commitment to clients' success.

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Cautions

- **Limited resource coverage outside LATAM:** Currently, over 85% of CI&T's resources are based in LATAM and 6% in NA. While CI&T plans to continue its expansion into other regions, clients should validate the availability and capability of its resources outside LATAM.

- **Certification needs improvement:** CI&T has a high percentage of certified resources in technical architecture and cloud. However, compared with other providers, CI&T has a low percentage of certified resources in design/user experience, API and integration, multiexperience development, and data science and AI. Potential clients should ensure the resources offered meet their experience and skills requirements.

- **Targeted large industry focus:** While CI&T focuses on large client organizations (50% of implementation projects were for clients with over 10,000 employees), its customers are concentrated in a few sectors. Currently, it is mainly focused on customer-facing organizations, namely banking, healthcare and wholesale. Buyers should assess CI&T's capability in delivering industry expertise outside its core industries.

Cognizant

Cognizant is a Challenger in this Magic Quadrant. This full-service provider is headquartered in the U.S., and Gartner estimates its CSD service revenue growth at 4% YoY through December 2022. Of this revenue, 95% came from larger clients and 5% from midsize clients. Cognizant's CSD services revenue breakdown is 74% from North America, no revenue from LATAM, 20% from EMEA and 6% from APAC. The top five industries in terms of its clients are banking and investment services; wholesale trade; insurance; manufacturing and natural resources; and retail. Cognizant is expanding its investment in AI and automation IP, modern skill development and augmenting productivity.

Strengths

- **Expanding delivery model:** Cognizant continues to evolve and refine its product and platform engineering strategy and has made acquisitions, such as AustinCSI, Devbridge, Mobica, and Utegration, to expand its cloud and product development capabilities. It also leverages three shore models to provide the best combination of client intimacy and cost-efficiency.

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- **Building tools and accelerators:** Cognizant has developed multiple assets such as Skygrade (multihybrid cloud), Neuro IT Operations (AI platform), Neuro AI (accelerator) and Cognizant Modernization Acceleration Platform (multiexperience). It is further investing in emerging architecture, machine intelligence, experience transformation, hyperautomation and sustainability.

- **Collaboration and technical expertise:** Some clients appreciated the accountability and collaboration of Cognizant resources and its high levels of familiarity with the technology stack. It has received positive feedback with solid retention from its large customer base.

Cautions

- **India-based delivery model:** Even though Cognizant operates in multiple countries, 79% of its resources are based in India. Some clients cited time zone issues, making synchronous collaboration with the development team harder. While Cognizant plans to continue its expansion into other countries, clients should validate the availability and capability of its resources outside APAC, especially if global enterprise transformations require onshore and nearshore presence.

- **Difficulty with talent retention:** Although most providers have experienced attrition in the past few years, Cognizant continues to have higher attrition than its peers in this research. Some clients also cited turnover challenges in the project. Cognizant continues to focus on reducing attrition through career progression programs, merit increases and its grassroots innovation program (Bluebolt).

- **Low international growth:** Cognizant earns a majority of its revenue from North America (74%) and the U.K. and Continental Europe (19%), and there is opportunity to expand to other regions, especially APAC. Although Cognizant continues to invest in studio expansion, organizational restructuring, sales and account management, and marketing programs under the new leadership, clients looking for local presence in APAC may find a better fit with other providers.

Deloitte

Deloitte is a Leader in this Magic Quadrant. This full-service provider comprises multiple member firms headquartered in different regions, and Gartner estimates its CSD service revenue growth at 20% YoY through December 2022. Of this revenue, 85% came from larger clients and 15% from midsize clients. Deloitte's CSD services revenue breakdown is 50% from North America, 5% from LATAM, 23% from EMEA and 22% from APAC. The top five industries in terms of its clients are government; banking and investment services; healthcare and life sciences; communications, media and services; and manufacturing. Deloitte's current and future focus is on helping its clients reimagine and realize their business through product strategy, value stream alignment, software engineering and outcome-driven deal structures.

Strengths

- **Business outcome-focused:** Deloitte engages early in clients' transformation journey, combining deep insight and understanding of business by applying methods such as value stream alignment and user experience to deliver business outcomes. Deloitte uses analytics and evaluative research to measure and refine the outcome.

- **Focused industry expertise:** Deloitte combines deep industry experience with its ability to design and build custom solutions across several sectors in each industry. Clients can expect a clear understanding of industry trends and how custom solutions can be leveraged to support these trends. Clients appreciate Deloitte's ability to leverage its experience from other clients and markets.

- **Systematic, structured approach for software engineering operating model:** Deloitte brings an integrated set of capabilities, including a software engineering operating model that enables clients to meet constantly shifting market needs. Its methodology prioritizes the understanding of client's business needs, and then aligns the software development journey and engineering capabilities leveraged by human-centered product design, product roadmap, platform engineering and AI/ML.

Cautions

- **Limited staff presence in LATAM, Eastern Europe and Japan:** Deloitte's presence outside North America and Western Europe is limited even though it is growing in LATAM. Clients should ensure to get suitably experienced resources allocated to, and committed for, the duration of the project.

- **Best-suited for transformational work**: Deloitte uses its global practice to deliver cross-border business initiatives that require new investments in technology and tech-enabled processes and result in value creation and cost savings. Clients looking for pure-play outsourcing or traditional staff augmentation might not find Deloitte the best fit.

- **Price-premium provider**: Deloitte is a premium service provider and prices accordingly. Several clients reported that Deloitte is not the best service provider for those seeking commodity services with a focus on cost and contract negotiation. Its process is not always easy or fast, as every region seems to work as a separate entity within the organization.

DXC Technology

DXC Technology is a Visionary in this Magic Quadrant. This full-service provider is headquartered in the U.S. Due to DXC's operating model change at the time this research was being conducted, Gartner could not estimate the YoY growth rate for its CSD business. Of its 2022 CSD services revenue, 94% came from larger clients and 4% from midsize clients. DXC's CSD services revenue breakdown is 33% from North America, 1% from LATAM, 48% from EMEA and 19% from APAC. The top five industries in terms of its clients are banking and investment services; manufacturing and natural resources; government; retail; and communications, media and services. DXC's current and future focus is on helping its clients optimize existing run environments and build new digital products leveraging modern techniques and technologies.

Strengths

- **Digital life cycle management focus**: DXC has well-developed capabilities oriented toward the increasing embedding of software into physical "things" (e.g., cars, buildings, industrial machines) and the subsequent requirement to consider the entire life cycle of the "thing" (i.e., from inception to operation and continuous enhancement).

- **Key supplier in the automotive industry:** Working with a number of Tier 1 car manufacturers, Luxoft, a DXC Technology company, has developed unrivaled expertise in helping its clients turn "things" into "smart objects."

- **Consumer-grade design capabilities**: Via another acquisition, argodesign in 2018, DXC has well-developed design and design-thinking competencies, which allow it to be attractive to clients that are seeking to develop contemporary and leading-edge customer experiences. Allied with its DLM capabilities, this combination should be of interest to clients looking to innovate but with risk mitigation in mind.

Cautions

■ **Integration risks from acquired capabilities:** As DXC now looks to leverage Luxoft more fully into the parent company and use its differentiated methodologies and philosophies (via its Nexus platform) across the broader organization, clients should be sensitive to the progress and success of this undertaking.

■ **Ongoing financial concerns:** During a period of intense demand for CSD, DXC Technology has grown noticeably more slowly than some of its direct competitors. Clients should conduct detailed financial due diligence when looking to work with DXC to establish a comfort level commensurate with the commitment they are making with their choice of provider.

■ **Traditional contractual preferences:** DXC has less flexibility in its contracting approaches than a number of its competitors. Clients looking to work with a partner in a nontraditional manner, such as gain sharing or a value-based pricing model, should make those requirements explicit early in their discussions with DXC to ensure appropriate alignment.

Endava

Endava is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in the U.K., and Gartner estimates its CSD service revenue growth as 36% YoY through December 2022. Of this revenue, 58% came from larger clients, 26% from midsize and 17% from small clients. Endava's CSD services revenue breakdown is 34% from North America, no revenue from LATAM, 63% from EMEA and 3% from APAC. The top five industries in terms of its clients are payments; communications, media and services; banking and investment services; transportation; and insurance. Endava is investing to build its assets and IP base and expand its CSD offerings by offering engineering talent to deliver quality engagements with deeper product understanding.

Strengths

■ **Nearshore partner for the U.S. and European clients across all sizes:** With consistent delivery capabilities across Central and Eastern Europe and LATAM, Endava is a strong and viable nearshore partner for a broad range of clients in the U.S. and Western Europe, from hypergrowth startups and scaleups to the largest global enterprises.

- **Steady organic and inorganic growth:** Since inception, Endava has steadily increased its delivery capabilities through a suite of acquisitions from Concise (U.K.-based IT consultancy) to Lexicon (Australia-based consulting, design and engineering firm). It also has planned investments in building proprietary assets/IP such as Endava DevOps Model, Endava Taskmate, and others. As a result, Endava routinely challenges clients' incumbent service providers as evidenced in its recent client wins.

- **Mostly project-based SOW-type engagements:** Endava reports 90% of its revenue from project-based SOW engagements, making it the second highest among the vendors analyzed for this Magic Quadrant. Client feedback reflects Endava's proactive accountability for key outcomes that earns Endava its clients' trust with end-to-end product and technology transformations covering many streams of work.

Cautions

- **Limited client engagement and delivery in APAC:** A majority of Endava's revenue and client engagements at the time of this study were from North America and Western Europe. Endava has increased its strategic focus in APAC and has made some targeted acquisitions in the region. APAC clients are encouraged to carefully review how well these acquired capabilities are integrated into the parent business.

- **Overly focused on payments:** Endava has reported maximum revenue from payments, financial services, mobility, media and gaming, and retail, where it has the deepest expertise. But clients in government, manufacturing and utilities should evaluate Endava's industry-specific assets and competencies aligned to their verticals.

- **Limited emerging commercial constructs:** Eighty percent of Endava's reported revenue is from the time and materials (T&M) commercial model. However, Endava is increasingly developing new commercial models that also include outcome-based pricing. Clients seeking more creative and emerging commercial models may have to proactively indicate their preference to Endava.

EPAM

EPAM is a Leader in this Magic Quadrant. This pure-play provider is headquartered in the U.S., and Gartner estimates its CSD service revenue growth at 38% YoY through December 2022. Of this CSD services revenue, 80% came from larger clients and 20% from midsize clients. EPAM's CSD services revenue breakdown is 60% from North America, no revenue from LATAM, 38% from EMEA and 2% from APAC. The top five industries in terms of its clients are telecommunications and tech services, retail, financial services, healthcare and insurance. EPAM's current and future focus is on building best-in-class new systems for leading-edge clients.

Strengths

- **Pioneering DevOps**: EPAM continues to demonstrate leadership in all aspects of CSD. As a pioneer in the DevOps movement, EPAM has a strong track record of working with sophisticated clients on highly complex next-generation software challenges.

- **Popular with leading innovative organizations**: From its inception, EPAM has focused on working with leading-edge organizations (particularly "digital natives") on their leading-edge challenges. One recent example is an engagement with a leading online game manufacturer to develop the next generation of its successful gaming platform.

- **GenAI focus**: EPAM has (rightly) been quick to appreciate the opportunity and challenges that GenAI presents to the CSD market. More than any other vendor analyzed for this research, it has considered the strategic implications and acted to leverage GenAI in its production-level code, with demonstrable impacts.

Cautions

- **Specialist services, premium pricing**: As a specialist in CSD, clients looking for broad, full IT services-type support should be mindful to match their specific requirements against EPAM's core strengths. Similarly, customers looking for value-based pricing should assure themselves that their price expectations are realistic.

- **Bandwidth and timelines**: Although EPAM (along with most other vendors covered in this research) experienced a softening of demand in 1H23 (and is proactively managing its bench), clients looking to work with EPAM should be attuned to understanding EPAM's capacity and timeline to serve. Relative to other, larger providers, EPAM's "bench" is not as deep. Clients with urgent requirements may take longer than expected to onboard staff.

- **Long-term talent pipeline development**: EPAM's differentiated offering is to a significant degree a product of its heritage and history. With recent geopolitical disruptions in its originating region (where many of its senior executives, including its founder and current CEO, are from), prospective customers should undertake due diligence to understand EPAM's strategy for continuing to grow its employee numbers — while maintaining its distinct culture and capabilities.

GlobalLogic

GlobalLogic is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in the U.S., and Gartner estimates its CSD service revenue growth at 35% YoY through December 2022. Of this revenue, 49% came from larger clients, 27% from midsize and 24% from small clients. GlobalLogic's CSD services revenue breakdown is 58% from North America, 2% from LATAM, 37% from EMEA and 3% from APAC. The top five industries in terms of its clients are high tech; life sciences; automotive; telecommunications and banking. GlobalLogic's current and future focus is on helping clients design new digital experiences, engineer digital products, and build digital service platforms by integrating experience design, complex engineering and data expertise.

Strengths

- **Strong consulting-led offerings**: GlobalLogic has developed an array of proprietary digital accelerators to serve clients with a range of custom software requirements. Of particular importance is how it has positioned its Digital Advisory and Assessment portfolio with offerings like CX Value Chain Assessment, AWS Well-Architected Review and TAO Digital Maturity Assessment, making it a good fit to take on large consulting-led transformation programs.

- **Expanding geographical presence**: In the last 12 months, GlobalLogic increased its presence in several geographies by opening offices and delivery centers in Mexico and Poland. GlobalLogic has also built a presence inorganically in Romania (Fortech — digital engineering company) and LATAM (Hexacta — digital and data engineering company).

- **Integrated delivery approach**: GlobalLogic takes a "jobs-to-be-done" approach to assess requirements/design and creates a product vision and roadmap that incorporates best practices for achieving the best market fit. This follows modern architectural patterns for distributed systems, using an API-first approach in establishing platform foundations that has helped several clients create unique user experiences and specific workflows.

Cautions

- **Service delivery issues**: GlobalLogic received below-average scores from customers in a variety of parameters, such as business outcome delivery, contracting flexibility, and innovative approach to solution-building, compared with many other service providers covered in this research. Clients are encouraged to evaluate GlobalLogic's abilities in these criteria for their custom software requirements.

- **Not suited for large multiyear transformative deals**: In the previous year's reported data, GlobalLogic did not report any engagements greater than U.S. $10 million in deal size. It may therefore not be the best fit for large transformative deals. Clients seeking a provider for very large deals should carefully evaluate GlobalLogic's capabilities.

- **Reliance on offshore delivery**: Some client feedback reflected on GlobalLogic's excessive reliance on offshore delivery resulting in time zone issues. Clients are encouraged to discuss delivery model challenges with GlobalLogic upfront to avoid governance and timing issues later on.

Globant

Globant is a Challenger in this Magic Quadrant. This pure-play provider is headquartered in Luxembourg, and Gartner estimates its CSD service revenue growth at 37% YoY through December 2022. Of this CSD services revenue, 64% came from larger clients, 14% from midsize and 18% from small clients. Globant's CSD services revenue breakdown is 64% from North America, 22% from LATAM, 12% from EMEA and 2% from APAC. The top five industries in terms of its clients are high tech; communications, media and services; banking and investment services; insurance; and healthcare and life sciences. Globant is focused on building a global presence with a recurring customer base, building expertise in emerging technologies, rapid revenue growth, and acquiring and integrating complementary bolt-on acquisitions.

Strengths

- **Strong agile capabilities**: Globant continues to expand its capabilities and offerings across industries and helps clients with agile and product-centric delivery. It launched Globant X (Globant's division of next-gen products and platforms), Globant Ventures and 38 studios across different technologies.

- **Inorganic growth**: Globant has made over 15 acquisitions in the past few years to expand its regional and services coverage. It acquired a healthcare-focused digital transformation consulting company (ExperienceIT) and France-based digital company (Pentalog) in 2023. These acquisitions have augmented Globant's presence in North America, Europe and LATAM and enhanced its delivery capabilities.

- **Flexible and trusted partner**: Many of Globant's clients approved of its ability to be a reliable and trusted partner and use global studios to promote innovation. They appreciate its ability to provide highly collaborative and responsive teams across multiple geographies. It has a one-of-a-kind Be Kind Tech Fund to mitigate the negative effects of technology by investing in startups focused on tackling issues like screen time abuse.

Cautions

- **Focused on subset of large clients**: Though Globant continues to expand its client base, it has a revenue concentration risk with a small set of clients. Prospective customers should undertake due diligence to understand Globant's strategy to grow its client base.

- **High focus on T&M model**: Globant has shown strong revenue growth in the past few years, though most of the contracting is based on the traditional T&M model. It makes limited use of outcome-based or revenue-at-risk vehicles that clients are beginning to move toward.

- **Pricing and resourcing issues**: Globant has strong relationships with its clients, but clients find its pricing above market average and struggle with getting resources. Clients engaging with the provider should be prepared to negotiate with market knowledge and factor additional time into their sourcing cycle.

HCLTech

HCLTech is a Challenger in this Magic Quadrant. This full-service provider is headquartered in India, and Gartner estimates its CSD service revenue growth at 24% YoY through December 2022. Of this revenue, 70% came from larger clients, 27% from midsize and 3% from small clients. Gartner estimates that HCLTech's CSD services revenue breakdown is 56% from North America, 1% from LATAM, 30% from EMEA and 13% from APAC. The top five industries in terms of its clients are manufacturing and natural resources; communications, media and services; banking and investment services; healthcare and life sciences; and insurance. HCLTech's current and future focus is helping its clients digitally transform all aspects of their operations.

Strengths

- **High-quality strategic acquisitions**: HCLTech acquired Hungary-based data engineering services firm Starschema in 2022. Along with software engineering and financial services domain expertise, Starschema brought a number of prestigious client accounts with it.

- **Sophisticated staffing model:** HCLTech has focused on changing the traditional "pyramid" model of staffing to lessen dependence on junior personnel. HCLTech pairs inexperienced and experienced staff in engagements (Dreyfus model), which, in a competitive labor environment, has enhanced HCLTech's attractiveness as an employer of choice.

- **Alignment with value stream mapping**: HCLTech positions its software development activities toward distinct value streams (e.g., a "customer journey" or of "circular product sustainability"), which facilitates more reuse of preexisting business model architectures, and can accelerate development cycles and lower clients' costs.

Cautions

- **Limited technical architecture-certified engineers**: HCLTech has a low proportion of certified consultants versus its peers in SAFe, SCRUM and technical architecture, even with continued investments. Clients should ensure that resources offered have the needed certifications in different agile methodologies and technologies such as low-code/no-code, microservices, cybersecurity, front-end technologies and open-source orchestration tools to support deliverables.

- **Limited coverage of LATAM and APAC markets**: HCLTech's CSD business has experienced average growth; however, its business outside NA and Europe is below the peer average and has a lower percentage of revenue from new clients than its evaluated peers. HCLTech plans to hire consultants in Brazil in the next few years. Clients verify that resources are experienced and committed for the full project. Some clients reported challenges in turnover of resources and resourcing lead times.

- **Management consulting capabilities**: While HCLTech is well-aligned with value mapping, it is still focusing on developing greater depth and breadth in its management consulting capabilities. Clients seeking very deep knowledge of the business issues in their industry should seek assurance that HCLTech fully understands the challenges and can offer material advice and guidance.

IBM

IBM is a Visionary in this Magic Quadrant. This full-service provider is headquartered in the U.S., and Gartner estimates its CSD service revenue growth at 13% YoY through December 2022. Of this CSD services revenue, 90% came from larger clients, 8% from midsize clients and 2% from small clients. IBM's CSD services revenue breakdown is 49% from North America, 2% from LATAM, 30% from EMEA and 19% from APAC. The top five industries in terms of its clients are banking and investment; communications and media; public sector; insurance; and retail. IBM's current and future focus is on implementing AI-first intelligent workflows, applying design thinking and product engineering to build a resilient enterprise.

Strengths

- **Product engineering capabilities**: IBM has expanded its product engineering capabilities through acquisitions such as Dialexa, Octo and StepZen. IBM Garage model has also been expanded for value orchestration and business driver prioritization. IBM Consulting offers agile coaching and DevSecOps advisory and transformation, and uses its own framework (DVF) to move enterprises from a project- to a product-centric model.

- **Strategic partner for emerging technologies**: IBM continues to be a strategic partner for clients to adopt technologies such as GenAI, quantum computing, and hybrid cloud. It provides end-to-end offerings spanning platforms, applications, business processes, data and user experience. It offers industry expertise through industry-specific solution patterns, industry clouds and ecosystem partnerships.

- **Certification and partnerships**: IBM has invested heavily in reskilling its workforce with more than 96,000 agile and IBM Garage professionals. It has built a multidisciplinary cloud skill set and deep functional expertise by certifying professionals, and built partnerships on major hyperscalers, enterprise applications and automation. It continues integration and planning for more acquisitions to expand capability and client expansion.

Cautions

- **Focused on large customers**: IBM gets 90% of its CSD services revenue from large enterprises. While midsize and small clients are not excluded from IBM's intended market, traditionally very little of its revenue comes from this category. This is because IBM focuses on large business transformation programs. Thus, midsize and small enterprises may not find IBM to be a good fit.

- **Premium pricing:** While clients appreciate the technical expertise that IBM brings, they reported premium pricing and longer lead times for change requests. Clients engaging with the provider should be prepared to negotiate with market knowledge and put additional time in their sourcing cycle.

- **Resourcing and skill set:** Even though IBM has a high number of resources certified in CSD technologies, some client feedback noted resourcing and retention concerns. Clients looking for new CSD engagements should ensure the resources offered are suitably experienced and ask for better resource management.

Infosys

Infosys is a Challenger in this Magic Quadrant. This full-service provider is headquartered in India, and Gartner estimates its CSD service revenue growth at 22% YoY through December 2022. Of this revenue, 72% came from larger clients, 25% from midsize and 3% from small clients. Infosys' CSD services revenue breakdown is 66% from North America, 0.1% from LATAM, 20.3% from EMEA and 13.6% from APAC. The top five industries in terms of its clients are banking and investment services; communications, media and services; manufacturing and natural resources; retail; and insurance. Infosys is focused on scaling investment in digital engineering services, expansion in client markets, and leading the cloud ecosystem.

Strengths
- **Product-centric delivery:** Infosys helps clients with product-centric delivery and offers experience design, leveraging WongDoody design studios, and product management with over 1,400 certified and trained product managers. It offers product and platform engineering with full-stack engineers, as well as platforms and tooling with Infosys Live Engineering Platform and SRE Automation platform for digital delivery.

- **Expanding capabilities:** Infosys has invested in assets and platforms such as Infosys Topaz (pretrained AI models and use cases) and Infosys Cobalt (cloud assets) to expand its delivery capabilities. It also acquired BASE, oddity, Carter, and GEIM, and set up design studios and living labs to showcase experiences that cut across emerging technologies and industries, such as GenAI and cybersecurity.

- **Talent attraction and reskilling**: Infosys has focused on hiring locally in several countries such as the U.S., U.K., Canada, Japan and Australia, and has established innovation hubs and digital design studios across geographies. It has extended its learning platform (LEX) to over 50 clients and partners, partnered with universities, and provided a free platform (Infosys Springboard) for digital skilling under its ESG commitment.

Cautions

- **Lower revenue from new clients**: Infosys has a lower percentage of revenue from new clients than other providers in this Magic Quadrant. It is focused on winning large and extra-large deals with existing clients, and therefore may not be the best fit for some SMB clients.

- **Use of nearshore model**: Infosys has most of its resources located in APAC and North America. It has a much smaller presence in other regions such as LATAM and Eastern Europe, relative to other providers in this Magic Quadrant, and some clients cited concerns in utilization of nearshore hubs. Clients looking for nearshore delivery in these markets should validate the skills, experience and continued availability of key individuals allocated to their project.

- **Resourcing issues**: Some of the clients cited getting new resources onboarded and transition of new employees coming onto the project as a concern. Although Infosys is extensively investing in talent attraction and reskilling, clients should ensure there is sufficient knowledge documentation that will minimize impact.

NTT DATA

NTT DATA is a Visionary in this Magic Quadrant. This full-service provider is headquartered in Japan, and Gartner estimates its CSD service revenue growth at 18% YoY through December 2022. Of this revenue, 54% came from larger clients, 25% from midsize and 21% from small clients. NTT DATA's CSD services revenue breakdown is 23% from North America, 3% from LATAM, 19% from EMEA and 55% from APAC. The top five industries in terms of its clients are banking and investment services, insurance, healthcare and life sciences, manufacturing and natural resources, and government. NTT DATA's current and future focus is on enabling digital business transformation in its key industries with custom software solutions at scale for its global enterprise clients.

Strengths

- **Full-stack provider across geographies**: NTT DATA reported a good share of full-time equivalents (FTEs) across all geographies and revenue from all major geographies, with the highest from APAC. Therefore, NTT DATA can balance the delivery model, pairing local market intimacy with global delivery while being a full-stack provider across the complete information and communications technology (ICT) stack for complex integrated solutions at a global scale.

- **Talent attraction, development and retention**: NTT DATA reported the lowest attrition rate of 6% compared with other vendors in this Magic Quadrant. NTT DATA is able to attract, develop and retain most of its technical talent due to a smart combination of leadership programs and internal best practices like DEI-focused campus recruitment and career coaches.

- **Creative commercial constructs**: NTT DATA reported 36% of its revenue from fixed-fee-per-sprint commercial models, the highest among the providers in this Magic Quadrant. It is also increasing use cases for outcome-based contracts where outcomes can be defined and measured and where all parties have elevated visibility.

Cautions

- **Organizational integration challenges**: NTT DATA is focused on integrating recent acquisitions and recently merged NTT Ltd. into cohesive practices and complementary capabilities. While strategically a great fit, there could still be service and IT integration challenges over the next 12 months, which clients need to proactively identify and discuss with the vendor.

- **Applied AI/ML expertise**: While NTT DATA continues to advance partnerships in AI/ML and compute capabilities, it is behind its peers in developing and applying its own IP in client engagements. Clients seeking vendor proprietary IP should discuss the matter with NTT DATA to understand how the expertise in AI/ML services and AI-augmented assets can be proactively applied in the engagement.

- **Limited vertical footprint in small industry sector**: NTT DATA has reported revenue from less verticals than the group average, according to Gartner's industry segments, and is continuing to grow by leveraging its full service provider heritage and synergy. Customers interested in exploring new digital business models and architectures should evaluate NTT DATA's experience, if applicable to their industry, when considering NTT DATA for digital business transformation initiatives.

Persistent

Persistent is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in India, and Gartner estimates its CSD service revenue growth at 40% YoY through December 2022. Of this revenue, 60% came from larger clients, 20% from midsize clients and 20% from small clients. Persistent's CSD services revenue breakdown is 81% from North America, no revenue from LATAM, 8% from EMEA and 11% from APAC. The top five industries in terms of its clients are communications, media and services; banking and investment services; healthcare and life sciences; insurance; and retail. Persistent is focused on expanding its industry expertise and delivery footprint, increasing investment in the development of IP and assets, and winning large deals.

Strengths

- **Building digital engineering expertise:** Persistent is investing in building digital engineering expertise by expanding its partnership with hyperscalers to build multicloud capabilities, and acquired two companies (MediaAgility and Data Glove). It continues to invest in building IP and accelerators focused on design thinking, cloud automation, blockchain and an AR-based intelligent assistant, and has established a GenAI task force.

- **FTE growth:** Persistent has recently increased its new talent by over 4,000, and it is focused on reducing attrition. It has 7,000 certifications across hyperscalers (AWS, GCP, IBM and Azure). Thirty-one percent of Persistent's employees are women, and it has provided special development forums for women. As part of its talent attraction strategy, it is setting up office locations in Tier 2 cities across India and nearshore locations in Eastern Europe, LATAM and Canada.

- **Agility and flexibility:** Some clients lauded Persistent's ability to be flexible, agile and responsive to client needs. Some clients also appreciated good collaboration and communication skills, especially its 24/7 emergency availability commitment.

Cautions

- **Limited consulting capability:** Persistent has limited capability to deliver industry-specific consulting and continues to invest in building these capabilities. Large organizations looking for industry practices or interested in exploring new digital architectures should carefully evaluate Persistent's industry experience for a successful transformation.

- **Overly India-centric delivery:** Currently, over 92% of Persistent's resources are based in APAC, and most clients are located in North America. While it plans to expand in other countries, clients should validate the availability and capability of its resources outside APAC, especially if they plan to use nearshore resources for better time zone alignment.

- **Resourcing issues:** Some clients cited issues with attrition, resource onboarding time and communication skills. Some clients also had concerns about requirements gathering and handling change requests. Clients engaging with Persistent should validate the delivery locations and continued availability of key individuals allocated to their project.

SoftServe

SoftServe is a Challenger in this Magic Quadrant. This pure-play provider is headquartered in the U.S., and Gartner estimates its CSD service revenue growth at 30% YoY through December 2022. Of this revenue, 32% came from larger clients, 27% from midsize clients, and 41% from smaller clients. SoftServe's CSD services revenue breakdown is 86% from North America, 13% from EMEA and 1% from APAC. The top five industries in terms of its clients are communications, media and services (mainly software and hi-tech companies); healthcare and life sciences; retail; manufacturing and natural resources; and banking and investment services. SoftServe is investing in the deployment of modern software development approaches for clients seeking innovation and next-generation-related solutions.

Strengths

- **Engineering heritage and specialization:** SoftServe has a strong culture of math, computer science and software engineering, which makes it a solid choice for clients looking to work with, and learn from, high-quality specialists.

- **Focus on talent management innovation:** SoftServe has one of the most sophisticated and advanced approaches to talent development among the vendors in this research. With an emphasis on continuous learning — including its New Experience Board, a learning platform that facilitates access for junior staff to more senior mentors working on different client accounts — SoftServe is well-placed to scale its differentiated culture and methodology.

- **Alignment with independent software vendors and tech companies**: SoftServe is notable for working with other technology companies, including software vendors and IT consultants. This vote of confidence from other leading technology practitioners gives SoftServe advanced expertise into trends and advancements/products that will impact other nontechnology companies over time.

Cautions

- **A specialist, not an IT services generalist**: As a CSD specialist, SoftServe's capabilities in other non-software-engineering-related disciplines are less developed than many of the other vendors analyzed within this research. Clients looking for partners with broad IT service portfolios, where software development is simply one element of a larger engagement, should ensure their requirements are well-matched to SoftServe's expertise.

- **Limited focus on arbitrage-based pricings**: With few developers outside of its home region — and practically none in India — Softserve is hard-pressed to compete on price against the large full-service providers with strong presence in India. For clients seeking value-based prices, and particularly those looking for support for legacy-based environments, SoftServe's value proposition of premium pricing for high quality might not align effectively.

- **Limited experience with non-traditional-based contracts**: The large majority of Softserve's commercial contracts with its clients are based on T&M. While this is entirely appropriate and legitimate, clients seeking partners experienced with more-innovative approaches to contracting should be aware of Softserve's more traditional approach.

Softtek

Softtek is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in Mexico, and Gartner estimates its CSD service revenue growth at 15% YoY through December 2022. Of this revenue, 62% came from larger clients, 33% from midsize and 5% from small clients. Softtek's CSD services revenue breakdown is 43% from North America, 28% from LATAM, 26% from EMEA and 3% from APAC. The top five industries in terms of its clients are banking and investment services; manufacturing; communications, media and services; transportation; and retail. Softtek is investing in producing software and digital solutions that leverage its nearshore services to improve client's agile programs and create economic value.

Strengths

- **Commitment to results:** Softtek is increasingly offering alternative pricing models to clients, and a large set of its deals use fixed price, including fixed price per sprint and fixed price with revenue at risk. Clients looking for CSD services where the service provider is accountable and responsible for the output will find Softtek a suitable player.

- **Nearshore capabilities:** Organizations looking for nearshore services to scale up their agile programs or diversify their operational risk can leverage Softtek's nearshore engineering capabilities. Softtek is a strong nearshore partner for North American and Western European clients.

- **Solid approach to product development:** Using a nearshore model and product-centric team, and human-centric design services based on its creative agency (LA Moderna), Softtek effectively assists its clients in continuous product development. Softtek offers proprietary tools such as Softtek's FRIDA platform, which utilizes AI/ML, code generators, and cognitive test automation, enhancing agile development speed and quality.

Cautions

- **Lack of new R&D investments:** Softtek has co-innovated with clients and has evolved its intelligent automation platform (FRIDA); however, it hasn't made significant investments in R&D in new assets and industry-focused solutions nor partnered with companies that create innovative technologies. Clients looking for innovative leverage and use of new technologies (e.g., deep AI/ML expertise) should evaluate how Softtek's capabilities match their needs.

- **Limited resource coverage outside EMEA and LATAM:** Over 61% of Softtek's resources are based in LATAM. While Softtek plans to continue its growth and expansion into other countries in APAC, clients should validate the availability of its resources outside LATAM and EMEA. Softtek's commercial presence in Asia is mostly limited to India and China, with the Middle East and Africa lacking commercial and delivery capabilities.

- **Resource consistency and availability to scale up:** Clients have successfully worked with Softtek as a delivery partner rather than a pure staff augmentation provider. However, some clients noted concerns about bench strength and turnover. Clients working with Softtek should consider risks and potential difficulty in attracting resources in certain technologies, and the time and effort required to onboard resources and properly plan for knowledge transfer.

TCS

TCS is a Leader in this Magic Quadrant. This full-service provider is headquartered in India, and Gartner estimates its CSD service revenue grew at 13% YoY through December 2022. Of this revenue, 83% came from larger clients, 14% from midsize clients and 3% from small clients. TCS' CSD services revenue breakdown comprises 50% from North America, 2% from LATAM, 34% from EMEA and 14% from APAC. The top five industries in terms of its clients are banking and investment services; retail; insurance; communications, media and services; and healthcare and life sciences. TCS accelerates its clients' digital transformation initiatives by creating borderless, digital DevOps factories and increasing its commitment on custom software as a service (cSaaS).

Strengths

- **Focus on consulting:** TCS has steadily increased its consulting prowess. It has developed assets, forged partnerships, and acquired capabilities to serve customers needing consulting-led engagement using design principles; undergoing mergers, acquisitions and divestitures; and requiring real-time analytics, AI/ML, IOT and blockchain services.

- **Multiregion, multi-industry dominance:** TCS has a strong suite of capabilities to undertake multiregional transformation programs for clients across industries. Its ability to bring in-country expertise and legislative knowledge, coupled with the flexibility to work as a single, multiservice provider, co-design, and most importantly, deliver on outcomes by utilizing a highly scalable delivery model, makes it a strong fit for enterprise clients.

- **Customer trust and feedback:** TCS enjoys a high degree of customer trust as evidenced by the large pool of its long-term clients. Customer feedback often suggests TCS' strong sense of ownership and accountability with a high prevalence of self-starting behavior, knowledge transfer and constant upskilling of its resources.

Cautions

- **Limited nearshore presence:** TCS does not have a significant number of engagements in specific noncore (TCS-defined) geographies like Eastern Europe, parts of Africa and Association of Southeast Asian Nations (ASEAN). Clients in mature European and APAC regions seeking nearshore expertise may have to evaluate other delivery options with TCS or carefully evaluate alternatives.

- **Departure from staff-augmentation gigs**: Over a period of time, TCS has reported a decrease in the number of pure staff augmentation in one-off projects. It has also reached a status where pure-play technical projects with no/minimal business stakeholder engagement are no longer of strategic importance to TCS. Clients having such requirements may have to discuss alternatives with TCS or consider other service providers.

- **Not suited for small clients**: TCS reported a majority of its revenue from large to very large enterprise clients. Small to lower midsize clients having noncomplex requirements may have to consider other boutique or pure-play custom software development service providers as covered in this study.

Thoughtworks

Thoughtworks is a Visionary in this Magic Quadrant. This pure-play provider is headquartered in the U.S., and Gartner estimates its CSD service revenue grew at 21% YoY through December 2022. Of this revenue, 66% came from larger clients, 19% from midsize clients and 15% from small clients. Thoughtworks' CSD services revenue breakdown comprises 38.9% from North America, 4.3% from LATAM, 24.4% from EMEA and 32.4% from APAC. The top five industries in terms of its clients are communications, media and services; retail; banking and investment services; manufacturing; and government. Thoughtworks' current and future focus is on accelerating organizations to become product-centric and advancing digital capabilities using software engineering excellence and agile practices.

Strengths

- **Competent in technology and product-centric delivery**: Thoughtworks demonstrates extensive experience in successfully delivering software. Clients mention significant depth and breadth of agile, DevOps, product development, user experience and security capabilities. Clients expressed their satisfaction with the expertise, skills and overall quality, as well as consistency of Thoughtworks' deliverables.

- **Positive client relationship with existing customers**: Existing clients consistently praise Thoughtworks and its consultants for their positive client orientation (e.g., partnership approach to scoping and prioritizing the build, helping de-risking implementation and setting the right expectations with business stakeholders on what would be minimum viable product), flexibility and technical competence.

- **Continued investment in growing the practice**: Thoughtworks made strategic acquisitions in design consultancy (Handmade Design in Brazil) to bolster customer experience, product and design, and in an end-to-end product development company (Connected in Canada) to advance capabilities in product-led design processes.

Cautions

- **Limited fixed-price or outcome-based pricing models**: Thoughtworks continues to enhance pricing models to include additional commercial structures, with an intent to replace T&M contracts with more pod-based pricing and business-outcome-based contracts. However, contracting with Thoughtworks is still predominantly based on T&M (85% of contracts) and does not reflect the outcome-based contracts that clients are beginning to move toward.

- **Concentrated in selected sectors**: Thoughtworks has demonstrated its presence in communications, retail and financial services, but is still trying to grow in other sectors. It has made investments in domain capabilities and industry-specific IPs, and in frameworks and accelerators such as open-source software Cloud Carbon Footprint (CCF), conversational commerce, hyper-personalization accelerator and PandoraGAN.

- **Not ideal for those seeking commodity services**: Several clients indicated that Thoughtworks is not the best service provider for clients seeking commodity services with a focus on cost or staff augmentation. Clients managing larger, higher-value projects looking for long-standing partnerships might find Thoughtworks a better fit.

Virtusa

Virtusa is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in the U.S., and Gartner estimates its CSD service revenue growth at 18% YoY through December 2022. Of this CSD services revenue, 82% came from larger clients and 18% from midsize clients. Virtusa's CSD services revenue breakdown is 71% from North America, no revenue from LATAM, 19% from EMEA and 10% from APAC. The top four industries in terms of its clients are communications, media and services; banking and investment services; healthcare and life sciences; and insurance. Virtusa is focused on talent upskilling, delivery diversification, and expanding offerings in full-stack engineering and AI-driven testing.

Strengths

- **Investment in talent**: Virtusa is investing in expanding its workforce in Poland, Canada and Mexico. It has built learning paths at an individual level, enabling employees to choose a career path that aligns to Virtusa's core technologies. It has more than 5,000 agile practitioners, and more than 500 certified Scrum Masters, along with agile coaches and SAFe program consultants. It uses an AI-powered recruitment tool for recruitment, blended with human connection at every touchpoint.

- **Engineering-first approach**: Virtusa focuses on global distributed agile, productization and engineering quality. Virtusa delivers it using the "Engineering First" approach, which includes a feedback loop into design, product or software development, integrated with quality control measures and checks and DevOps, and through autogenerating code and reuse.

- **Technical skills**: Many of Virtusa's clients lauded the strong technical skills, professionalism and commitment of its developers. They appreciate its ability to train new resources to a high level of proficiency so that replaced resources are able to deliver relatively quickly.

Cautions

- **Limited consulting skills**: Virtusa has limited capability to deliver industry-specific consulting, though the company has taken steps recently to deepen focus on consulting-led engagements in specific vertical industries, such as banking. Large organizations looking for industry practices or interested in exploring new digital architectures should carefully evaluate Virtusa's industry experience for a successful transformation.

- **Limited new clients**: Virtusa gets most of its custom development revenue from existing clients and has lowest revenue share from new clients versus other providers in this research. It plans to target clients in geographies outside North America where it gets 71% of its revenue, as well as new verticals such as retail and manufacturing.

- **Overly offshore-centric delivery model**: Virtusa uses an offshore-centric delivery model with 82% of its delivery resources based in India. Some clients cited communication issues with onshore and offshore resources. Virtusa is actively working on expanding its delivery centers and talent upskilling programs to promote employee career growth.

Wipro

Wipro is a Challenger in this Magic Quadrant. Headquartered in India, it is a full-service provider, and Gartner estimates its CSD service revenue growth at 18% YoY through December 2022. Of this revenue, 96% came from larger clients, 2% from midsize clients and 2% from small clients. Wipro's CSD services revenue breakdown is 58% from North America, 1% from LATAM, 32% from EMEA and 9% from APAC. The top five industries in terms of its clients are manufacturing and natural resources; banking and investment services; communications, media and services; healthcare and life sciences; and insurance. Wipro helps clients improve operational performance via modernized technologies and advanced techniques.

Strengths

■ **Broad IT service capabilities**: Wipro's increasing commitment to CSD remains balanced within a broad IT services portfolio aimed at helping clients with large-scale digital transformation initiatives. Recent investments have aimed at bringing innovation to bear for clients in areas such as automation, 5G and connected products. These services require rapid prototyping, experimentation and close collaboration with clients to create a product implementation roadmap.

■ **Long-term client relationships**: Wipro has a significant number of long-standing client relationships. These relationships demonstrate a client centricity and commitment to balancing the delivery of value-added services with continued price attractiveness.

■ **Openness to contractual flexibility**: Wipro states that 45% of its CSD-focused customer engagements are "co-creative" in nature; that is, not of a traditional fixed statement of work/fixed price or time and materials-type of arrangement. The openness and flexibility of this approach should be attractive to customers looking for more than transactional-style service delivery.

Cautions

■ **Limited consulting skills**: Developing high-value-add business consulting capabilities is still a work in progress for Wipro, with planned acquisitions in key strategic markets to deepen its consulting domain expertise. Clients requiring sophisticated business domain knowledge, particularly in niche specialty areas, should validate that Wipro has those capabilities, and be prepared to stress-test them, before committing to any such initiative.

- **Fewer North America-based resources than other providers**: Wipro's delivery model is based on an offshore and nearshore model and has a smaller percentage of its resources based in North America than its direct competitors. Some clients have shared concerns about resource availability in some locations. Clients engaging with Wipro in North America, LATAM and Western Europe should validate the skills, experience and continued availability of key individuals allocated to their project.

- **Limited next-generation initiatives**: While Wipro has worked on some truly innovative, next-generation solutions for its clients (for example, in its VR offering), these types of engagements are not Wipro's primary focus. Clients focused on support and scale of resources for "outside the box" initiatives should seek assurance that Wipro has relevant, leading expertise and experience.

Vendors Added and Dropped

We review and adjust our inclusion criteria for Magic Quadrants as markets change. As a result of these adjustments, the mix of vendors in any Magic Quadrant may change over time. A vendor's appearance in a Magic Quadrant one year and not the next does not necessarily indicate that we have changed our opinion of that vendor. It may be a reflection of a change in the market and, therefore, changed evaluation criteria, or of a change of focus by that vendor.

Added

The following vendors were added to this Magic Quadrant:

- CI&T

- Endava

- Persistent

- SoftServe

Dropped

The following vendors were dropped from this Magic Quadrant:

- Atos is based in France and focused on delivering end-to-end solutions from portfolio management to development and hosting — covering agile/DevOps, custom software engineering, master data management and application modernization. Atos was dropped from the Magic Quadrant and Critical Capabilities for Custom Software Development Services due to not meeting the total CSD application services revenue, FTEs and CSD revenue growth cut-offs for full-service providers.

- Ciklum is a service provider located in the U.K. and is focused on product engineering work with agile, product-focused clients to build digital products, platforms and data architecture. Ciklum was dropped from the Magic Quadrant and Critical Capabilities for Custom Software Development Services due to not meeting the total CSD application services revenue, FTEs and CSD revenue growth cut-offs for pure-play providers.

- Tech Mahindra is a service provider with headquarters in India. Its focus is to enable scalable capabilities for solving clients' specific business problems through its hyperconverging digital transformation themes. Tech Mahindra was dropped from the Magic Quadrant and Critical Capabilities for Custom Software Development Services due to not meeting the total CSD application services revenue, FTEs and CSD revenue growth cut-offs for full-service providers.

Inclusion and Exclusion Criteria

The criteria for inclusion of service providers in this Magic Quadrant are based on a combination of quantitative and qualitative measures.

Quantitative Criteria:

A full-service provider is a company that derives less than 70% of its revenue exclusively from custom software development services. Full-service providers included in this Magic Quadrant must satisfy two of the following three criteria:

- A minimum of $2.29 billion annual worldwide revenue during the period of January 2022 through December 2022 for CSD services

- A minimum of 30,800 employees dedicated to CSD services in 2022

- A minimum of 22% of CSD revenue growth in 2022 OR a minimum of $11 billion annual worldwide total revenue in 2022

A pure-play provider is a company that derives more or equal to 70% of its revenue exclusively from custom software development services. Pure-play providers includes in this Magic Quadrant **must satisfy two of the following three** criteria:

- A minimum of $650 million annual worldwide revenue during the period of January 2022 through December 2022 for CSD services

- A minimum of 8,000 employees dedicated to CSD services in 2022

- A minimum of 30% CSD revenue growth in 2022 OR a minimum of $1 billion annual worldwide total revenue in 2022

Qualitative Criteria:

- Overall market interest in, and visibility of, the service provider as determined by serious consideration for selection from enterprise clients

- Gartner analysts' interactions with enterprise buyers, which reveal interest in specific CSD service providers

- Demonstrable capability to consistently invest in methodology, frameworks and processes related to CSD and investments in resource development

This Magic Quadrant excludes:

- All activities related to enterprise commercial off-the-shelf application suites (e.g., SAP, Oracle, Workday, Salesforce) including any custom development done, for example, for SAP Business Technology Platform (SAP BTP) or Force platforms

- Stand-alone engagements for testing, integration/API, data migration, analytics and AI/ML.

- Ongoing application management of legacy applications

- All business process outsourcing (BPO)-related activities

- Any product revenue, such as the resale of software licenses and providers' own or third-party products

- Any physical (on-premises and cloud) compute assets associated with revenue

- Advisory consulting on business strategy and technical processes such as agile or DevOps transformation

Honorable Mentions

The criteria for inclusion of service providers in this Magic Quadrant are based on a combination of quantitative and qualitative measures, as noted in the Inclusion and Exclusion Criteria section. Below are several noteworthy providers that did not meet all inclusion criteria but could be appropriate for clients, contingent on requirements. The following is a nonexhaustive list:

- **3Pillar Global** is a product development partner headquartered in the U.S. with operations in 11 countries. The firm delivers short- and long-term value via tailored cross-functional product development teams, including specialized product strategy and management, user experience (UX) design, and software engineering.

- **Apexon** is a digital engineering services and platform solutions company headquartered in the U.S. The company is focused on modernizing and automating digital experiences with analytics, AI, and cloud services, and has offices in the U.S., U.K., India and Mexico.

- **Brillio** is a global technology services company based in the U.S. Brillio is focused on the implementation of digital technologies. It helps clients accelerate their business by leveraging its expertise in agile engineering to bring human-centric products to market at speed.

- **Coforge** is a multinational information technology company based in India and the U.S. It provides digital services, AI, data and insights, digital process automation, cloud and infrastructure management services, cybersecurity, advanced application engineering services, and business process services (BPS).

- **DataArt** is a global software engineering firm located in the U.S. It designs and engineers data-driven, cloud-native solutions that drive progress and create immediate and enduring business value based on the expertise of over 5,700 consultants in more than 30 locations in the U.S., Europe, Asia and Latin America.

- **Devoteam** is a leading consulting firm based in France, and has offices in 18 countries across EMEA and beyond. It is focused on digital strategy, tech platforms, data and cybersecurity.

- **Encora** provides digital engineering and enterprise IT modernization services. The company delivers services that include cloud engineering, DevSecOps, data and analytics, digital experience, and generative AI. Encora is headquartered in the U.S., and has global delivery capabilities in Latin America, Europe, India, and Asia.

- **LTIMindtree** is a multinational IT services company headquartered in India. It has more than 30,400 professionals across 24 countries and is a part of the Larsen & Toubro (L&T) Group. It enables enterprises across industries to drive competitive advantage and customer experiences by harnessing digital and cloud technologies.

- **Mphasis** is a multinational technology services company based in India. It provides application outsourcing services, as well as architecture guidance, application development and integration, and application management services. Its service transformation approach helps clients "shrink the core" using digital technologies.

- **UST** is a global digital transformation solutions provider headquartered in the U.S. It offers end-to-end IT and selected business process services and solutions. It leverages its own set of low-code accelerators for product development and advanced analytics, including an ecosystem of partners to transform products driven by experience, security, improved future readiness and maintainability.

Evaluation Criteria

Gartner evaluates service providers on their Ability to Execute and their Completeness of Vision, as per the definitions below. When the two sets of criteria are evaluated together, the resulting analysis provides a view of how well a provider performs a spectrum of services compared with its peers, and how well it is positioned for the future.

For more information on Gartner's Magic Quadrant research methodology, refer to our Research Methodologies on the Gartner website.

Ability to Execute

Gartner analysts evaluate providers on the quality and efficacy of the processes, systems, methods or procedures that enable IT provider performance to be competitive, efficient and effective, and to positively impact revenue, retention and reputation within Gartner's view of the market.

Solution/Service: the provider's ability to execute rapid, iterative software engineering methods to ensure that the delivered software is useful and valuable. This includes current service capabilities, quality, feature set, skills, etc. The subcriteria includes the following:

- Client feedback on the provider's demonstration of agile/DevOps behaviors (not just observance of agile/DevOps processes)

- Agile/DevOps certifications held within the organization

- Proportion of employees who hold such certifications

- Use of multidisciplinary fusion teams

Overall Viability: includes an assessment of the organization's overall financial health, as well as the financial and practical success of the custom software development (CSD) business unit. This criterion also includes the ability of the organization to focus its offering on the CSD practice and to continue to evolve and maintain custom-developed software in the long term. The subcriteria include the following:

- Business metrics for the CSD practice such as profitability, utilization, cash flow and funding

- For providers that choose not to share their business performance, a convincing approach to demonstrate to clients that their business is healthy and viable

Sales Execution/Pricing: the provider's ability to effectively understand the business problem, and develop a clear proposal offering a creative solution and attractive pricing. This criterion also includes the provider's track record in sustaining organic growth through a mixture of repeat business from existing customers and winning new customers. The subcriteria include the following:

- Organic constant-currency revenue growth over more than 12 months

- Repeat business percentage

- Growth in billable delivery resources over a period of 12 months

Market Responsiveness/Track Record: This evaluation criterion was not included in the Ability to Execute for this Magic Quadrant. It refers to a provider's ability to respond, change direction, be flexible and achieve competitive success as opportunities develop, competitors act, client needs evolve and market dynamics change.

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, increase awareness of capabilities and establish a positive identification in the minds of customers. This "mind share" can be driven by a combination of thought leadership, referral relationship building and sales activities. The subcriteria include the following:

- Demonstrable branding and thought leadership activity presenting benefit delivery

Customer Experience: the ability of the provider to deliver working software that delights customers and has a positive impact on their business. This includes the ability to understand the client's business goals; its ability to forecast accurately and deliver as promised; the steps the provider takes when problems are found; the usability, reliability and responsiveness of the software it delivers; and the client's overall perception of a provider's contribution to a successful project. The subcriteria include the following:

- Client feedback on the experience working with the provider and whether the provider's work achieved the outcomes the client was aiming for.

Operations: the ability of the organization to attract and retain talent, thus building a capable and motivated workforce. Factors include quality of the delivery organizational structure; work location strategies; reputation in the industry as an employer; recruitment, training and personal development programs; creation of diverse and inclusive work environments; and management of attrition. The subcriteria include the following:

- Approach to on-site, onshore, nearshore, offshore and work-from-home delivery

- Recruitment, training and attrition of personnel

- Attrition rates

- Glassdoor ratings

- Standards and certifications (e.g., ISO, Capability Maturity Model Integration [CMMI] Level 5)

Table 1: Ability to Execute Evaluation Criteria

Evaluation Criteria ↓	Weighting ↓
Product or Service	High
Overall Viability	Medium
Sales Execution/Pricing	High
Market Responsiveness/Record	NotRated
Marketing Execution	Medium
Customer Experience	High
Operations	Medium

Source: Gartner (November 2023)

Completeness of Vision

Gartner analysts evaluate providers on their ability to convincingly articulate logical statements. This includes current and future market direction, innovation, customer needs and competitive forces, and how well they map to Gartner's view of the market.

Market Understanding: This evaluation criterion was not included in the Completeness of Vision for this Magic Quadrant. It refers to the provider's ability to understand buyers' needs and to translate that understanding into products and services.

Marketing Strategy: clear and distinctive messaging consistently communicated to account managers, customer programs and positioning statements. The subcriteria include the following:

- Growth strategy

- Targeted investments to increase presence in new geographies and industries

Sales Strategy: a sound strategy for selling that uses the appropriate networks, including marketing, service and communication. The subcriteria include the following:

- Strategies for selling services, including incentive plans for adding new clients and growing existing clients

- Account management:

    - Structure, roles and locations

    - Proportion of time dedicated to new business development versus delivery/escalations

- Strategy for growth with current clients

- Sales and marketing strategy for acquiring new clients

Offering (Product) Strategy: a provider's vision to deliver a service that develops software using iterative software engineering methods with frequent business feedback and rapid time to value. The subcriteria include the following:

- Understanding, capabilities and IP for agile software development

- Understanding, capabilities and IP for DevOps ways of working

- Understanding, capabilities and IP for product-centric teams

- Understanding, capabilities and IP for design thinking

- Understanding, capabilities and IP for human-centered design, user research, accessibility, value stream mapping, customer journey, product goal and product vision, including sequencing and dependencies

- Methods to ensure the security of the software developed for clients

Business Model: a provider's approach to risk and its attitude toward business models that accept risk in pursuit of client satisfaction, profit and growth. The subcriteria include the following:

- Demonstration of significant revenue streams for custom software development that go beyond charging for effort (use of alternative pricing models)

- Demonstration of willingness to make the vendor dependent on the impact and business outcomes of the software developed

- A clearly visible service line and organization to deliver CSD services and a strategy for how this entity collaborates with other parts of the business to offer clients an end-to-end solution

Vertical/Industry Strategy: the capability to provide development team members or intellectual property specific to a client's industry, and therefore bring to the project depth of understanding of terminology and business processes. The subcriteria include the following:

- Consultants/engineers with experience, training and domain knowledge of a specific industry sector

- IP specific to the client's industry

Innovation: a provider's innovative use of technology such as APIs, data and analytics, artificial intelligence (AI), cloud, and multiexperience. The subcriteria include the following:

- Capabilities and experience with APIs, API management tools and integration technologies

- Capabilities and experience with data analytics and business intelligence

- Capabilities and experience with AI and machine learning technologies

- Capabilities and experience with technical architecture and cloud

- Capabilities and experience with multiexperience development

Strategies to drive innovation initiatives include:

- Investing in startups, software partners and research communities

Geographic Strategy: the provider's strategy to use a global delivery model to collaborate in the same time zone as its clients, while protecting a client's IP and data. The subcriteria include the following:

- Consultants/engineers who have a close cultural fit to the client's team and are located in the same city, country or at least a similar time zone as the provider's target sales region

- Effective use of technology to enable clients and consultants/engineers to collaborate when not colocated

- Approaches to remote and distributed software engineering teams that enable collaboration while ensuring clients' IP and data are kept secure (especially when consultants/engineers are working from home)

- Focus on hybrid delivery models and investing in employee value proposition

Table 2: Completeness of Vision Evaluation Criteria

Evaluation Criteria ↓	Weighting ↓
Market Understanding	NotRated
Marketing Strategy	Low
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	High
Vertical/Industry Strategy	Medium
Innovation	High
Geographic Strategy	Medium

Source: Gartner (November 2023)

Quadrant Descriptions

Leaders

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

Challengers

Challengers execute well today for the portfolio of work selected, but they have a less well-defined view of the market's direction than Leaders do. Consequently, they may be tomorrow's Leaders, or they may not be aggressive and proactive enough in preparing for the future.

Visionaries

Visionaries articulate important market trends and directions. However, they may not be in a position to fully deliver and consistently execute on that vision. They may need to improve their service delivery.

Niche Players

Niche Players focus on a particular segment of the market, such as a particular industry, size of client, functional area (for example, human capital management or supply chain) or geography. Their Ability to Execute is limited to those areas of focus. Their ability to innovate may be affected by their narrow focus.

Many of the providers in this segment received positive client feedback, and many can be considered leading players within their niche market focus.

Context

This Magic Quadrant addresses the CSD service capabilities of providers that meet Gartner's criteria for inclusion.

This Magic Quadrant evaluates 20 providers. It is a point-in-time analysis, with the status of all provider profiles reflected as of July 2023. Quantitative data collected was for a 12-month period ending 31 December 2022. As part of the research, the analyst team generated over 800 separate data points that collectively determined the placement of the dots on the Magic Quadrant.

When considering custom software development, clients are advised not to simply select service providers in the Leaders quadrant. A provider may appear in a particular quadrant based on Gartner's extensive analysis across the full-service life cycle in many industries and other criteria. However, for any given deal, a client company's selection criteria will be narrower and more specific. Consequently, providers in the Challengers, Visionaries or Niche Players quadrants may prove to be more appropriate for the engagement. A more detailed analysis of the service providers' capabilities, with scoring based on use cases, is available in Critical Capabilities for Custom Software Development Services, Worldwide.

Additionally, because the inclusion criteria in the Magic Quadrant result in the analysis of a subset of providers in the CSD services market, clients should not disqualify any potential competitors simply because they do not appear in this research. Other IT service providers not evaluated in this Magic Quadrant may present better alternatives for your business requirements. Consider using a sweet-spot analysis to ensure you have an optimum basis and evaluation criteria to down-select the most suitable providers. A Gartner analyst can help with a shortlist of the most suitable candidates based on client requirements.

About the Vendor Profiles

Each vendor profile includes a summary of key characteristics of that provider's practice, including growth, geography and client size. It also reviews each provider's strengths and cautions regarding CSD services, and emphasizes the areas where the providers are strong and the areas that need improvement.

Participating providers were asked to provide a percentage breakdown of revenue derived from clients of different sizes by number of employees (January 2022 through December 2022).

Gartner has chosen to include information on each provider's practice according to the following areas:

- **Introduction:** This outlines the type and scope of services that service providers are mainly focused on.

- **Growth:** The providers in this Magic Quadrant are estimated to have grown CSD services revenue, as a group, 31% year over year (YoY). Their ability to grow solidly offers an indication of providers' investment, focus and vision in the CSD practice, and their ability to take advantage of opportunities.

- **Client geography:** A breakdown of where each provider's revenue comes from, indicating the regions where the provider is strongest and has the largest number of clients. It is worth noting that the majority of all client revenue is generated in North America and Europe.

- **Industry:** Some providers are industry-agnostic, some are laser-focused on only a few industries, and some are more focused on a set of industries but work with clients in multiple industries. This area serves as an indication of the industries that are more prominent (based on the number of clients and percentage of revenue) for providers, and the industries in which providers have experience (see Note 1). However, a focus on a particular industry does not always mean that other industries are excluded from coverage.

- **Client size:** Participating providers were asked to provide a percentage breakdown of revenue derived from clients of different sizes by number of employees. This information was used to determine the size of the organization that is the provider's "sweet spot." The three segments are: small organizations, with up to 999 employees; small and midsize organizations, from 1,000 to 10,000 employees; and large organizations of more than 10,000 employees.

- **Custom software development focus:** This looks at the proportion of the overall application services business that is dedicated to CSD services.

Note that additional information on suitability for specific use cases, delivery capacity, resources and capabilities — such as for software engineering approaches, technical architecture and cloud, design (user and customer experience), business acumen, AI/ML expertise, API and integration expertise, analytics and BI expertise, multiexperience development, quality engineering and talent operations — can be found in the companion Critical Capabilities for Custom Software Development Services, Worldwide. It is strongly recommended that these two resources be used together to get the best understanding of provider reach, capability and suitability.

Many capable providers were not assessed as part of our analysis due to not meeting this Magic Quadrant's inclusion criteria and methodology (see the Inclusion and Exclusion Criteria section). Thus, noteworthy providers that did not meet all inclusion criteria are presented in the Honorable Mentions section. Some of these may even be a better fit for specific custom software development services engagements, depending on the size and complexity of the engagement, geography, industry and other factors. Clients are advised to speak with a Gartner analyst to narrow down a shortlist of best-fit service providers covered in this Magic Quadrant, and to discuss providers not covered here. Clients should also check the referenceable customers of the providers and customer references on Gartner's Peer Insights platform.

Market Overview

The increase in investment for digital business has pushed demand for digital talent far more than the available supply. Gartner sees a significant crunch of digital talent to deliver digital initiatives.

Gartner forecasts that the IT services market will grow by 8.8% in U.S. dollars in 2023. This growth is being driven by enterprises investing in technology to gain competitive advantage during this period of economic uncertainty. There is an undersupply of desirable talent in the tech sector. This imbalance will continue at least until 2027 based on forecast IT spend. Gartner estimates worldwide spending on IT services at $1.4 trillion in current U.S. dollars in 2023 and expects it to reach $2.1 trillion by 2027. Layoffs are contraindicated for this substantial market challenge. For more information, see Forecast: IT Services, Worldwide, 2021-2027, 3Q23 Update.

Most of the service providers in this research reported high attrition rates (16% average) in a tough labor market. However, the attrition rate has improved from the previous year. For the 20 service providers evaluated, there are almost 1,080,394 resources engaged in custom software development (CSD) projects with an average FTE growth of 25% and the following regional FTE split: 46% in APAC, 25% in EMEA, 11% in NA, 16% in LATAM and 2% in Japan.

The revenue from CSD services for the 20 providers featured in this Magic Quadrant was $75.34 billion for the period of January 2022 to December 2022. Of this revenue, 83% was business done by full system providers, with the remaining 17% done by pure players. Of this total revenue, 18% came from new clients. For the full system providers in this analysis, it was reported that an average of 30% of total IT services revenue came from CSD service engagements. For pure-play companies, CSD services represented 89% of the total IT services. These providers also had a slightly higher percentage of FTE growth than the average presented above. Pure-play service providers reported an average revenue growth of 33% with the following regional revenue split: 56% in NA, 24.5% in EMEA, 8.5% in APAC, 10.7% in LATAM and 0.3% in Japan.

The most common pricing models were time and materials, which represented 56% of the total revenue, followed by fixed price per sprint (28%), business outcome (8%), fixed price with revenue at risk (5%) and unit-based model (5%).

Sixty-seven percent of the CSD revenue was related to large organizations, 20% to midsize organizations and 13% to small clients.

The top industries for CSD services were banking and financial services (23%); communications, media and services (21%); healthcare and life sciences (10%); manufacturing and natural resources (10%); and retail (8%), representing a total of 72% of the overall revenue (see Note 1).

In terms of resource experience, 8% of the providers' FTEs have more than 15 years' experience, 14% between 10 and 15 years' experience, 28% between 5 and 10 years' experience, 27% between 2 and 5 years' experience, and 23% with less than 2 years' experience. Compared to the previous year, there was an increase in the senior experience ranges. The exception was only in the most junior range (i.e., FTEs with less than two years of experience), where this year's percentage was slightly below that of last year. At the same time, attrition has slightly improved, and service providers have continued investing in reskilling and training as the CSD market requires know-how in several new technologies.

Most of the featured providers are focused on providing CSD services using delivery and innovation centers in different regions of the world. In terms of global delivery model and geographical split, 10% of the consultants provided services from onshore, 11% from onshore (remote), 23% from nearshore and 51% from offshore locations. Providers have further invested in innovation to provide reusable industry assets and preconfigured and automation tools to accelerate delivery of CSD engagements.

The main buyers of CSD services were: CIO/CTO (53% of services), head of line of business (18%), CEO (9%) and CMO (6%).

The majority of the CSD deals included the following technologies and capabilities:

- Quality engineering (70%)

- Product design (56%)

- API and integration (49%)

- Design (user and customer experience) (42%)

- Multiexperience development (33%)

- Product vision and strategy (27%)

Software engineering approaches, technical architecture and cloud, API and integration, data science, AI/ML and design (user and customer experience) are the technical areas where service providers have invested more in terms of external certifications, while value stream management, data privacy and cybersecurity are the areas with a smaller proportion of certified resources.

This Magic Quadrant assesses the relative positioning of the providers in delivering CSD services. In the companion Critical Capabilities research, specific use cases have been identified so that the performance in each area can be judged. The three use cases are:

- **Unique user experience**: This use case focuses on the provider's ability to build software that will be used not by the buyer's employees, but by the buyer's customers. Examples include developing dynamic websites, personalization of content and promotions, smartphone apps, tablet applications, interactive voice and text responses. This use case is common in consumer-facing industries such as retail, financial services and entertainment. Businesses in these verticals seek to differentiate themselves through the digital experience they offer their customers. Providing a unique customer experience requires custom-made software.

- **Unique operational processes:** This use case focuses on the provider's ability to develop software that operates or automates business processes, which only exist at the buyer. These processes increase the effectiveness of the business. The new processes improve operating efficiencies by streamlining the regular operations of a business and increase productivity by eliminating the variability of human and systematic error. Providers may bring specialization in industry verticals and their regulatory environment. Examples include payment processing providers to process millions of transactions a day, and telecommunications — operational support systems that provision new customers and manage networks and government agencies.

- **Unique products:** This use case focuses on the provider's ability to build or develop a new product or service that the buyer will sell, which has differentiating features, to increase revenue and alternative channels for growth. These are driven by demand from consumers and require a good understanding of the market and competitors. These services may require specialization in specific technologies, such as industrial Internet of Things (IIoT), augmented reality/virtual reality (AR/VR), AI/ML or embedded systems. These services would require rapid prototyping, experimentation, hypothesis-based development and close collaboration with clients to create a product implementation roadmap. Examples include infotainment systems in the automotive sector and digital platforms in entertainment, media and gaming sectors.

Acronym Key and Glossary Terms

Pure-play company	A company that derives more or equal to 70% of its revenue exclusively from custom software development services

Evidence

Evaluation in this Magic Quadrant is informed by:

- Gartner client interactions — Gartner inquiries from user organization clients on service vendors relating to CSD services and over the 12-month period (September 2022 through July 2023).

- Primary research — Feedback from over 300 Peer Insight submissions.

- Primary research — A 75-minute vendor briefing from each featured service provider addressing capability proof points of each evaluation criterion in the Magic Quadrant.

- Secondary research — Press releases and publicly available information, including company websites and financial reports.

- Other Gartner analysts — Peer review by 20 Gartner analysts. Their views and comments were considered. In addition, this research was reviewed at internal research community sessions.

- Gartner Peer Insights and inquiries — Gartner's analysis in this Magic Quadrant is also based on customer responses, Gartner Peer Insights reviews (at the time of writing) and inquiry interactions. We considered reviews from Gartner Peer Insights posted from September 2022 through July 2023.

In addition, this analysis was presented and defended at the 2 August 2023 Technology and Service Providers and IT Leaders Services Market Research Community meeting.

Note 1: Industries

This Magic Quadrant addresses the capabilities of the included providers in the following 27 industries:

- Aerospace and defense

- Agriculture

- Automotive

- Banking

- Chemicals

- Consumer products

- Defense and security

- Engineering, construction and operations

- Healthcare (providers)

- High tech

- Higher education and research

- Industrial machinery and components

- Insurance

- Life sciences

- Media

- Mill products

- Mining

- Not for profit

- Oil and gas

- Professional services

- Public sector

- Retail

- Sports and entertainment

- Telecommunications

- Travel and transportation

- Utilities and energy

- Wholesale distribution

Evaluation Criteria Definitions

Ability to Execute

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

Overall Viability: Viability includes an assessment of the overall organization's financial health, the financial and practical success of the business unit, and the likelihood that the individual business unit will continue investing in the product, will continue offering the product and will advance the state of the art within the organization's portfolio of products.

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

Market Responsiveness/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 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 initiatives, 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 and so on.

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 to 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 website, advertising, customer programs and positioning statements.

Sales Strategy: The strategy for selling products 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 sets 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 vertical markets.

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.

Document Revision History

Magic Quadrant for Custom Software Development Services, Worldwide - 17 November 2022

Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

How Markets and Vendors Are Evaluated in Gartner Magic Quadrants

Critical Capabilities for Custom Software Development Services, Worldwide

How to Select and Contract for Outsourced Agile Development Services

IT Services Strategic Sourcing Guide

Table 1: Ability to Execute Evaluation Criteria

Evaluation Criteria ↓	Weighting ↓
Product or Service	High
Overall Viability	Medium
Sales Execution/Pricing	High
Market Responsiveness/Record	NotRated
Marketing Execution	Medium
Customer Experience	High
Operations	Medium

Source: Gartner (November 2023)

Table 2: Completeness of Vision Evaluation Criteria

Evaluation Criteria ↓	Weighting ↓
Market Understanding	NotRated
Marketing Strategy	Low
Sales Strategy	Medium
Offering (Product) Strategy	High
Business Model	High
Vertical/Industry Strategy	Medium
Innovation	High
Geographic Strategy	Medium

Source: Gartner (November 2023)