

Capgemini Demonstrates Ability to Engineer Solutions – and Business Results – for Modern Challenges Across Industries

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***ISG** Provider Lens™

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Summary

In September 2021, at the ISG Executive Provider Summit in Chicago, Capgemini presented to teams of ISG executives, analysts and advisors. The event included a keynote speech by Capgemini's CEO, Aiman Ezzat, and breakout sessions led by company leaders in the manufacturing, life sciences, banking, energy and consumer goods sectors. Ezzat's presentation emphasized Capgemini's core values, and that message was unobtrusively reinforced during the breakout sessions. Ezzat also highlighted how the acquisition of Altran has already paid

dividends and will be an important asset toward achieving Capgemini's vision in the future.

Capgemini is completing a reorganization where it shifted from a go-to-market orientation around traditional service lines to a more flexible structure with six principal lines of business: Invent; Applications; Business Services; Cloud Infrastructure Services; Insights & Data; Engineering & R&D. Also, in April 2021, it named Jim Bailey as the new CEO for the Americas. The unified go-to-market was evident to ISG.

Briefing Notes

Capgemini is a giant (270,000 employees and operations in more than 40 countries), with a wide scope of services and the ability to innovate, yet consistently shows its flexibility. This is important in the current services market, clients value industry and process expertise, seek best-of-breed solutions from providers and are increasingly willing to engage with innovative but relatively unproven startups. Capgemini responds to this competitive environment by continuing to engineer customized services, solutions and contract terms for individual customers as needed. The term "engineer" applies both literally and figuratively. Capgemini can provide traditional engineering services to help clients develop new components or products, as it does in the automotive and other industries. The company has been creative in helping clients with new revenue-producing digital services, and in engineering new terms of engagement, including shared risk-reward contracts and even joint ventures, to support clients' goals and needs.

Engineering Heritage a Key to Future Ambitions

Ezzat emphasized that engineering is the core of Capgemini's culture and reported that the company's engineering organization has around 52,000 employees working in 30 countries and represents 19 percent of its total headcount. The €3.6 Billion Altran acquisition has added strength to strength. In the full year before the acquisition,

Altran had more than 50,000 employees and €3.2 Billion in revenue. The deal closed in April 2020 and added more product engineering expertise in automotive, aerospace and defense, among other industries to Capgemini's portfolio. The move was complemented by the 2021 acquisitions of frog design, a digital design and strategy consulting company. These investments were partially motivated by Capgemini's ambition to lead in Intelligent Industry, which it describes as "the next generation of digital transformation, enabling businesses to drive new revenue streams and increased efficiency from smart connected products, new business models and intelligent, sustainable operations."

Capgemini is not a newcomer in this area; it has long provided product development, engineering support and related services to manufacturing and other clients. For example, Capgemini was a collaboration partner and key contributor to Coca-Cola's Coke Freestyle program, including helping to develop related equipment that lets consumers customize their fountain beverages. Coke Freestyle is a reminder that opportunities for innovation through engineering are not limited to industrial companies.

A client engagement with CSL Behring illustrates how Capgemini can draw on its digital, engineering and traditional service strengths to win in the market by creating tailored solutions. CSL Behring is a biotech company that develops therapies for rare diseases. It relies on human blood plasma for its research, and



therefore, competes with other life sciences companies and the Red Cross for people willing to sell or donate their plasma. That means while focusing on being a cutting-edge scientific research organization, CSL Behring must also excel at consumer engagement and marketing.

After acquiring Seqirus, CSL Behring sought a service provider to rationalize IT organizations and originally intended to award the project to its incumbent. However, the project was later opened for bids, and Capgemini caught CSL Behring's attention in part because of product engineering work it had done for the company that makes the plasma-separating machines CSL Behring uses. Capgemini's product engineering expertise together with its vertical experience and cybersecurity competency helped it win the new engagement.

In its proposal, Capgemini not only showed the cost-out savings the client was looking for, but also offered to create a fund for innovation. Capgemini showed flexibility in subsequent contract negotiations by offering to rebadge the client's employees that were losing jobs in the transition, and by shifting from proposed offshore service from India to nearshore delivery from Poland to meet the client's wish of keeping operations in Europe.

Capgemini won the bid and a three-year innovation engagement. As a part of the deal, it led a digital transformation of the process for attracting and retaining plasma donors. The companies conducted customer journey mapping, optimized donor experience and fine-tuned CSL Behring's processes for identifying and engaging with potential donors. Plasma collections have increased by an average of 17,000, per week, since the program was rolled out. CSL Behring and Capgemini have since expanded their work together, with Capgemini providing IT services related to SAP S/4HANA development and digital procure-to-pay (P2P) on the BPO side.

This engagement demonstrates Capgemini's ability to integrate ITO, BPO, cybersecurity, transformation for customers and highlights effectiveness of its revamped go-to-market approach, from traditional service lines to client-centric structure. While the engagement was impressive, it does not appear to be an outlier.

Other breakout speakers gave numerous examples of Capgemini delivering differentiated results to clients, even in somewhat commoditized service lines. Some of the examples include:



Helping Rockwell Automation, create new revenue streams for services by integrating IoT capabilities into its products.



Co-developing anti-collision technology products for trains with Alstom.



Strategizing and undertaking product development work for electronics maker Belden to help integrate more digital technologies into products.



Providing managed services and PLM, CAD, MES, cloud and digital transformation support to TE Information Solutions (TEIS), over several years. Combining with Altran helped secure a four-year renewal.



Improving the digital patient experience to improve population health for Blue Cross and Blue Shield of Louisiana.



Creating new gainshare-oriented commercial constructs for services agreements, including a royalty program and a joint venture for Coca-Cola and CONA, one of its largest bottlers.



Serving as a technology partner to the Kingdom of Saudi Arabia to help it introduce a national, next-generation payments platform.



Scaling a service developed for one client to drive PSD2 Open Banking adoption worldwide.



Innovation Extends to Environmental Issues

The examples above show how Capgemini translates its company values of engineering and innovation into actual solutions and day-to-day services. The company does the same with sustainability. Its internal research found that 50 percent of enterprises have a sustainability plan, but only 18 percent have a sustainable IT plan. To help bridge that gap Capgemini developed a calculator that shows companies what the carbon footprint will be for each of their applications, depending on the hosting environment. It is granular to the specific hyperscale cloud provider level. The tool has helped some clients overcome internal resistance to move applications to the cloud by enabling the organizations (in some cases) to demonstrate that they could reduce their corporate carbon footprint by migrating. The calculator is now available as a part of Capgemini's economic Application Portfolio Management (eAPM) offering.

In one engagement Capgemini helped an oilfield services company reduce its carbon footprint from field operations. With the learnings it provided, the client created new environmental sustainability

services for its end customers – major oil and gas producers under pressure to improve their environmental stewardship. Capgemini also cited successful sustainability engagements outside heavy industries. These include product development support for a biodegradable, plant-based bottle for a beverage producer, and multiple sustainability projects in the banking industry.

Future Focus

Capgemini is pursuing market opportunities and applying the solution approach it envisioned when it undertook reorganization, leadership changes and acquisitions a few years ago. Those efforts are largely settled, and the company now appears poised to place more emphasis on partnerships to progress in its six market segments. In May 2021, it announced a partnership with Orange and Microsoft to create Bleu, a hyperscale public cloud company intended to meet sovereign data requirements in France. Other recent partnerships include those with Qualcomm to accelerate 5G deployment and with Verkor for digital factory development. Geographically, Capgemini is prioritizing growth in Asia and the Americas, the latter described by Ezzat as, "My biggest bet for progress in the next five years."

ISG Placement and Recognition

ISG Provider Lens™ positioning: Capgemini has earned dozens Leader recognitions in following ISG Provider Lens™ reports in 2021, including the ISG Provider Lens Quadrant and Archetype reports for: Cybersecurity Solutions and Services; Digital Finance and Accounting Outsourcing; Enterprise Service Management; Internet of Things Services and

Solutions; Mainframe Services & Solutions; Microsoft Ecosystem; Next-Gen Application Development and Maintenance; Next-Gen Private/Hybrid Cloud – Data Center Services; Procurement BPO and Transformation; Retail Software and Services; Salesforce Ecosystem; SAP HANA Ecosystem Services; ServiceNow Ecosystem and Utilities Industry Services and Solutions.



Key Takeaway

Capgemini is operating from a position of strength but still faces several company-specific and market-wide challenges. With the expansion of its solutions, capabilities and market, Capgemini will need to retain its individual customer focus. The company has solutions to challenges that customers are yet unaware of, offering them much more than what they are looking for when they put out RFPs. For example, Vamshi Rachakonda, Capgemini's VP and head of manufacturing in North America, said most of the company's clients are "dabbling" in smart factory concepts. Capgemini's offerings are far beyond "dabbling" on the maturity scale; therefore, the company must be careful not to oversell and continue to tailor offerings closely to customer requirements. It faces a similar challenge for its sustainability offerings. While no client will say that it is against the environment, support does not equate demand. ISG advisors have noted that client demand for sustainability services or components in sourcing

agreements varies greatly by region and industry, and of course, by company. Balancing the demand pull from clients against the capabilities Capgemini can push will be an ongoing challenge.

Winning against an expanding and evolving competitive set is another challenge. Capgemini can do a lot in ITO and BPO, therefore it has many competitors. With clients showing a preference for specialization, Capgemini must be able to communicate its leadership positions in individual services, industries and technologies, and avoid being perceived as a corporate monolith.

Capgemini's customer centricity and track record suggest that it is up to meeting these challenges. The desire for innovation is driving demand in the services industry, and Capgemini has demonstrated innovation in digital transformation, product development, traditional ITO and BPO services, sustainability and commercial constructs.

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John Burnell has worked in the sourcing industry since 2008 and has additional experience in automated data collection, enterprise mobile and wireless computing and healthcare automation. He contributes original research analysis on outsourcing contract developments and supports ISG Provider Lens™ research across a wide variety of topics. Burnell specializes in developing content to educate enterprise buyers about new technology and processes, and previously was an award-winning journalist and event organizer covering automatic identification and data collection (AIDC) and other industrial information technologies.



Summary Facts



Capgemini is headquartered in **Paris**



Industry Groups are **Consulting, Digital Transformation, IT Management, Engineering and Product Development Support and BPO**, among others



The company has a **Global** market.



The company's competitors includes **IT Services Firms, Product Development and Engineering Services Companies, BPO Providers and Large Systems Integrators**



The company's revenue is **€15.8 Billion in 2020**





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