

UI/UX and Digital Transformation

JANUARY 2017

AVENDUS[^]



Note to Reader

Dear Reader,

The fast-growing internet-connected ecosystem has impacted nearly every facet of the daily life of consumers—from carrying out complex analysis to conducting mundane daily tasks and the functioning of organizations, from creating value through new products and improvements in client communication to enhanced tools for improving operating efficiency. The consumer-buyer behavior is changing with the increasing use of internet-connected devices, leading to a growth in e-commerce sales. The ability to provide a consistent customer experience across all channels and to employ evolving technologies to improve customer acquisition and retention would be the key differentiators for companies. This is where e-commerce technology & services and digital marketing technology & services play a key role for companies.

E-commerce technology, back-office operations and digital marketing environment are developing rapidly, creating significant opportunities for the associated technology & service providers. As a result, we believe it is critical for IT & service providers to focus on changing and evolving their business model and operations. As companies focus on keeping up with the pace of technology along with controlling costs, we believe it will spur outsourcing within ecommerce IT and BPO services and digital marketing technology & services. Indian BPO and IT services are specifically poised to benefit from both growth in services from global retail companies and Indian e-commerce firms.

We thank Copal Amba for their assistance in developing the report. This report is an attempt to assess the market for e-commerce technology and back-office operations, and digital marketing technology and services. Further, we have worked towards evaluating the potential of outsourcing within e-commerce IT and BPO services and digital marketing technology & services. Finally, we have considered the potential of outsourcing for Indian IT and BPO service providers. We hope that you will find this report useful and look forward to your feedback and continued patronage.

Warm Regards,
Puneet Shivam
Executive Director
Avendus Capital Inc.

Disclaimer

This report is not an advice/offer/solicitation for an offer to buy and/or sell any securities in any jurisdiction. We are not soliciting any action based on this material. Recipients of this report should conduct their own investigation and analysis including that of the information provided. This report is intended to provide general information on a particular subject or subjects and is not an exhaustive treatment of such subject(s). This report has been prepared on the basis of information obtained from publicly available, accessible resources. Company has not independently verified all the information given in this report. Accordingly, no representation or warranty, express, implied or statutory, is made as to accuracy, completeness or fairness of the information and opinion contained in this report. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. Any decision or action taken by the recipient based on this report shall be solely and entirely at the risk of the recipient. The distribution of this report in some jurisdictions may be restricted and/or prohibited by law, and persons into whose possession this report comes should inform themselves about such restriction and/or prohibition, and observe any such restrictions and/or prohibition. Company will not treat recipient/user as customer by virtue of their receiving/using this report. Neither Company nor its affiliates, directors, employees, agents or representatives, shall be responsible or liable in any manner, directly or indirectly, for the contents or any errors or discrepancies herein or for any decisions or actions taken in reliance on the report.

Executive Summary

Digital consumerism on a rise

- » Recent industry trends and changing consumer dynamics are impacting e-commerce & digital marketing technology space
- » Consumers are becoming more & more digital friendly with rapid proliferation of internet connected devices
- » As the markets are maturing, customer experience is becoming an important service differentiator across industries
- » Seamless omni-channel experience is gaining traction as customers are getting more empowered & informed than ever before

Increased focus on E-commerce & Digital Marketing

- » Firms are investing in developing their digital presence & capabilities to serve new age consumers
- » E-commerce & Digital Marketing are emerging as new investment priorities for firms across the globe
- » CMOs leading the digital transformation -> 62% of B2C firms across the globe are investing in omni-channel presence

High growth potential for service providers

- » Overall market for e-commerce technology & back office operations is expected to reach USD 58 to 60 bn by 2017, growing at a CAGR of 20%; Overall market for digital marketing technology & services is expected to reach USD 600 bn by 2017, growing at a CAGR of 23%
- » North America's share in tech spend is about 30 - 40% while Central & Eastern Europe, Latin America and APAC are the fastest growing regions

Imperatives for service providers

- » With changing business dynamics, service providers need to move towards new age business models with hybrid pricing structure & hub-spoke delivery models
- » Focus is on collaboration & consolidation based growth strategies as the market is growing

High M&A activity in the sector

- » Out of 400 Indian technology M&A transactions in 2014, ecommerce accounted for 75% of the total deal value
- » Mobile commerce, marketing automation, analytics etc. fueled with changing consumer dynamics are driving M&A activity

Preface

APPROACH TO THE PROJECT

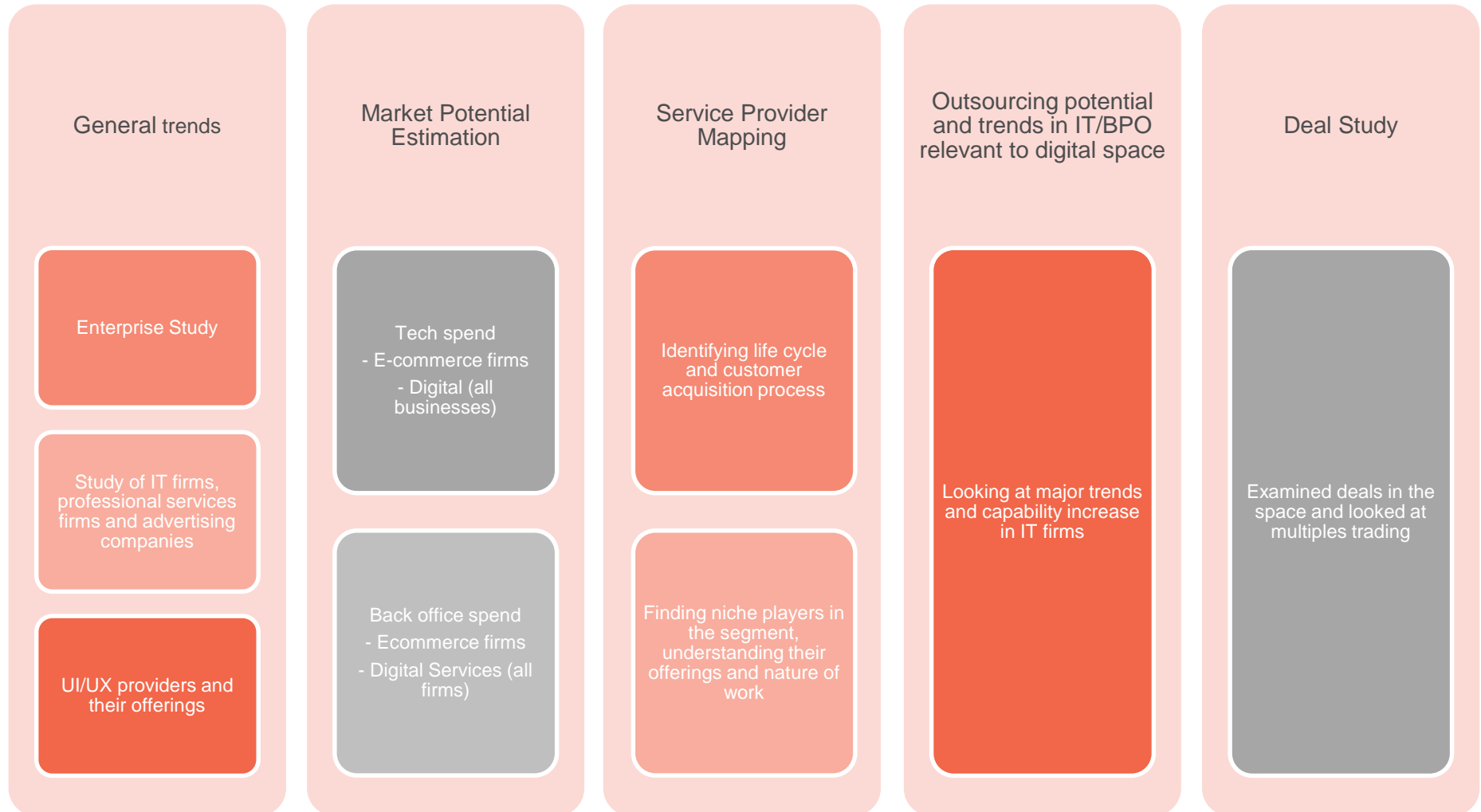


Table of Contents | Ecommerce and Digital Marketing Technology



Introduction

6-13



Overview of Component Architecture

14-24



Market Potential for Service Providers

25-50



Challenges & Growth Imperatives

51-55



Deal Activity

56-66



Appendices

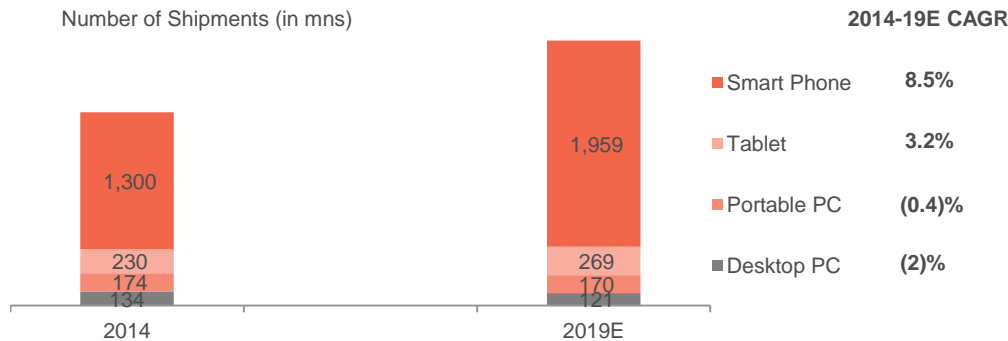
67-73

Section 1: Introduction

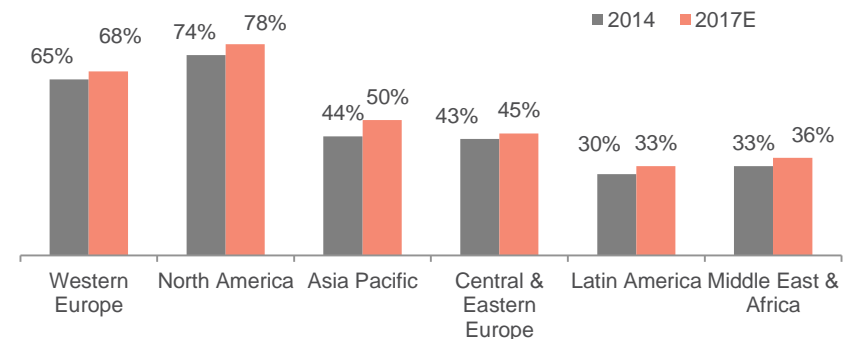
Changing consumer dynamics and enterprise orientation driving digital transformation

Digital Literacy on a Rise among Consumers with Increasing Smart-phone & Internet Penetration






GLOBAL SMART DEVICES SALES



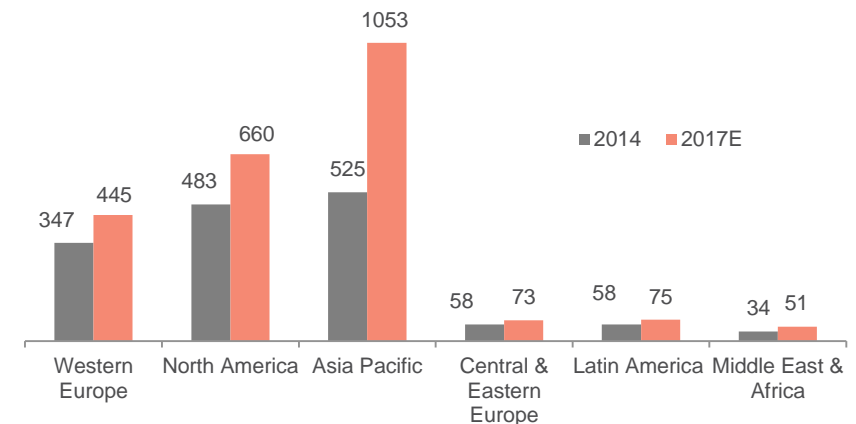
DIGITAL BUYER PENETRATION¹



AVERAGE TIME SPENT ON INTERNET (HOURS PER DAY), FOR SELECTED COUNTRIES, 2014

Countries		Time Spent on Internet through Laptop/Desktop	Time Spent on Internet through Mobile Device	Time Spent on Social Media
USA		4.9	2.5	2.7
UK		4.0	1.9	2.2
Italy		4.5	2.2	2.5
France		3.9	1.3	2.0
India		5.1	3.4	2.5

GLOBAL B2C E-COMMERCE SALES (USD BN)



Key Notes

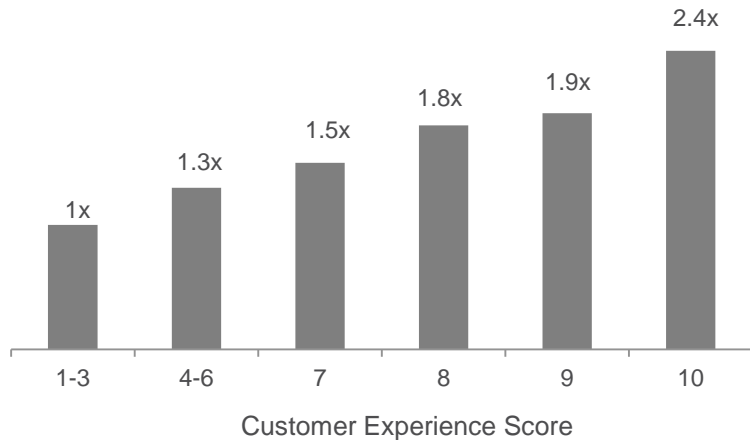
- » With the advent of new age devices like Tablets, Phablets, Internet of Things, etc., consumers' digital literacy is increasing at a faster pace
- » Asia-Pacific will contribute the most new dollars to B2C ecommerce sales in coming years with sales in Indonesia, China & India growing at a very fast rate

Note: ¹Digital buyer penetration includes internet users above the age of 14 having made a purchase online in the previous year

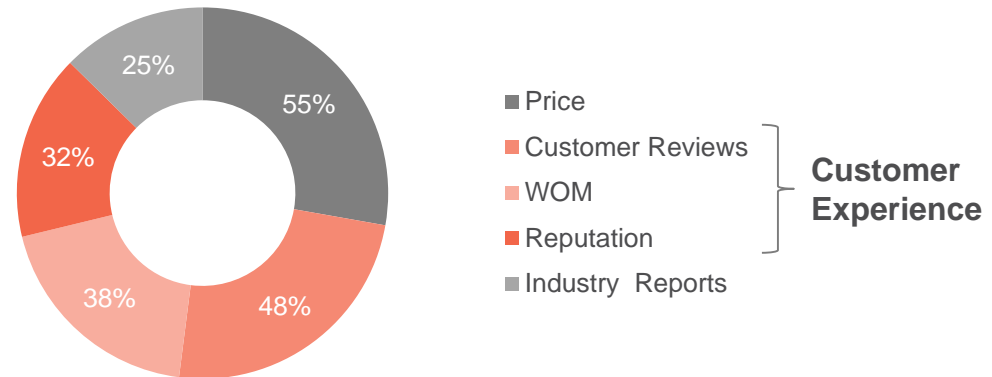
Source: IDC, e-marketers reports, IDC Worldwide Quarterly Smart Connected Device Tracker, March 20, 2015, statista.com, We Are Social, PwC reports

Customer Experience is Becoming an Important Service Differentiator | Price & Product to Lag Behind

ANNUAL REVENUE INCREASE PER CUSTOMER



FACTORS DRIVING ONLINE PURCHASE DECISIONS*



The more loyal the customer is...

- » 6-7X more costly to attract customers than retaining them

The higher the perceived value...

- » 94% customers who have a low effort service experience buy from the same company again
- » 81% customers willing to pay more for better customer experience & service

The more is likelihood to recommend..

- » 90% consumers claim that positive online reviews influenced buying decisions
- » 33% consumers share good experiences with 5+ people, 87% share with 1+ person(s)

The more it translates into returns

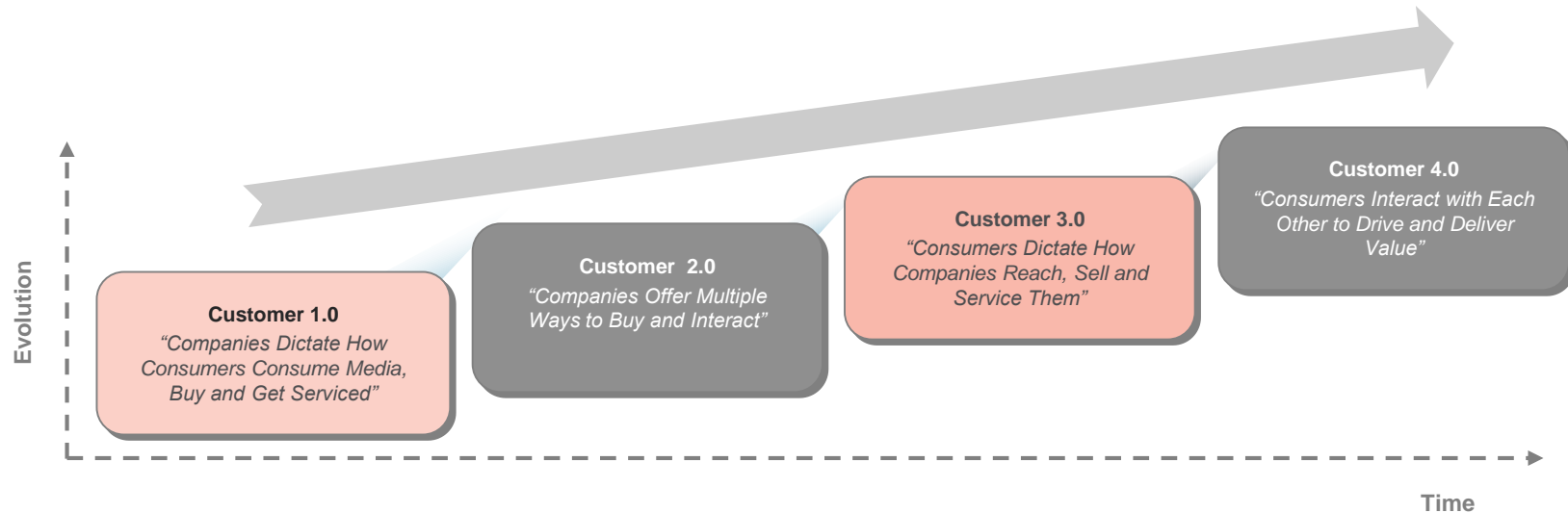
- » CX leaders gained 22% in market returns over last 5 years; laggards lost 46%

Key Notes

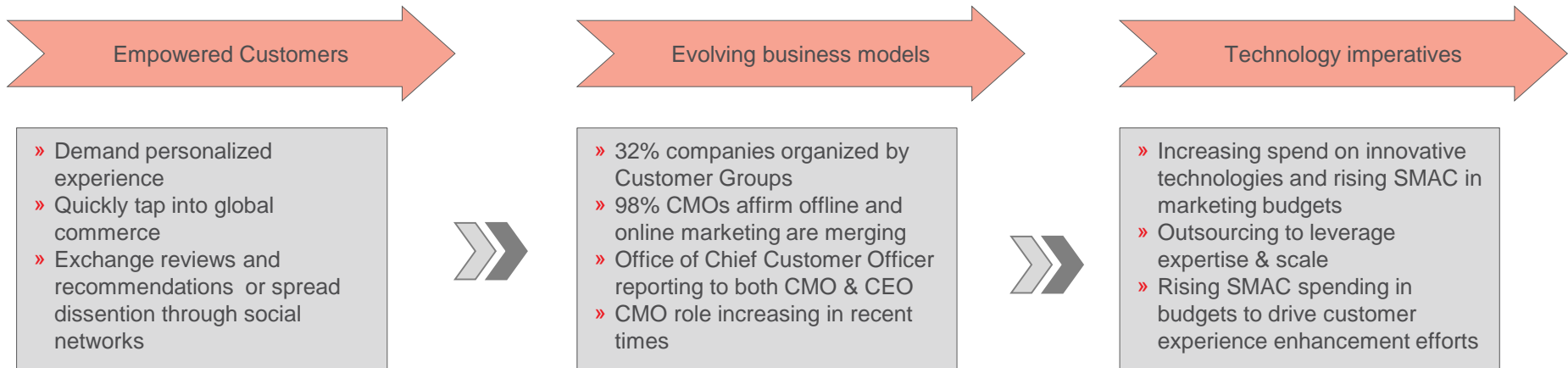
- » 56% CMOs ranked Customer Experience as one of the top 5 priority areas of technology investment
- » 36% CMOs expect improvement in Customer Retention over 1 year horizon but do not consider it to be their core strength
- » The revenue impact from a 10 percentage point improvement in a company's customer experience score can translate into more than USD 1 billion
- » In 2016, 89% of the companies plan to compete primarily on the basis of customer experience to generate sustainable competitive advantage

Device Ownership & Experience Expectations Translating into Informed & Empowered Consumers

CUSTOMER EXPECTATIONS AND CONSEQUENTLY EXPERIENCE HAVE UNDERGONE A PARADIGM SHIFT



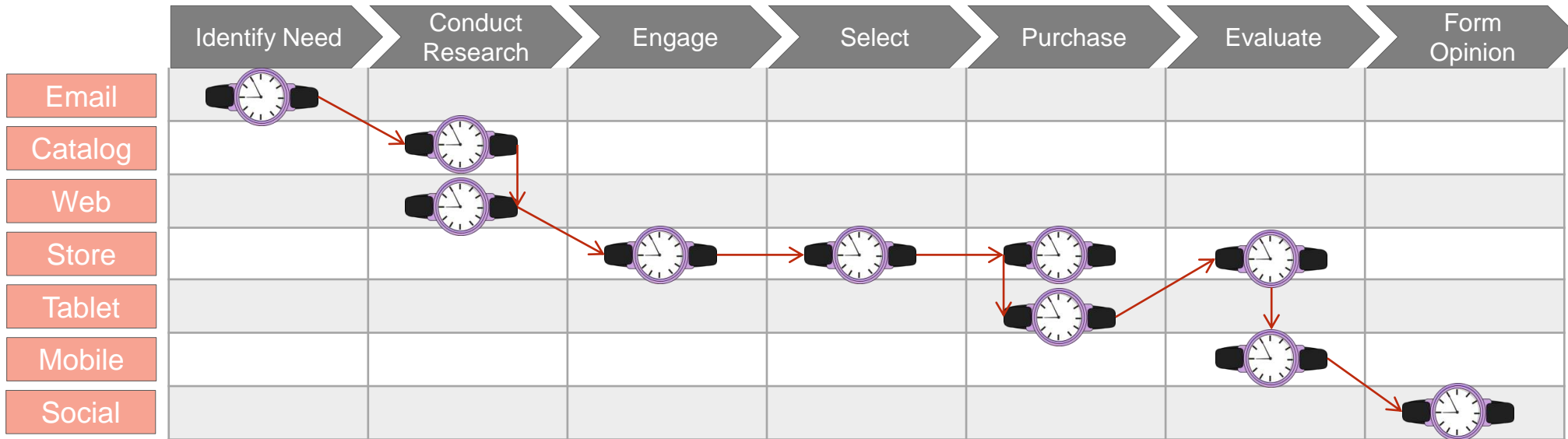
Firms need to revisit their business models & invest in technologies for better customer engagement & retention



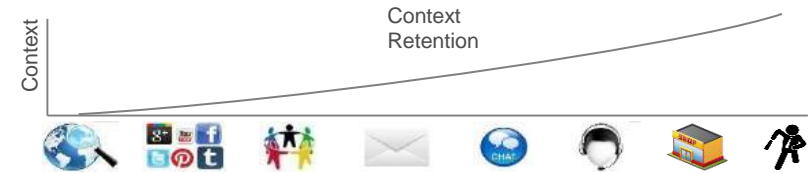
Source: CMO Survey Report (Feb. 2016), Gartner CMO Spend Survey (2015-16), Gartner reports

Omni-Channel Experience Gaining Traction with New Age Consumers| Need for Digital Transformation

OMNI-CHANNEL CUSTOMER PURCHASE PROCESS



Consumers traverse across different channels for resolution of service issues and expect context retention of the issue as they move across channels

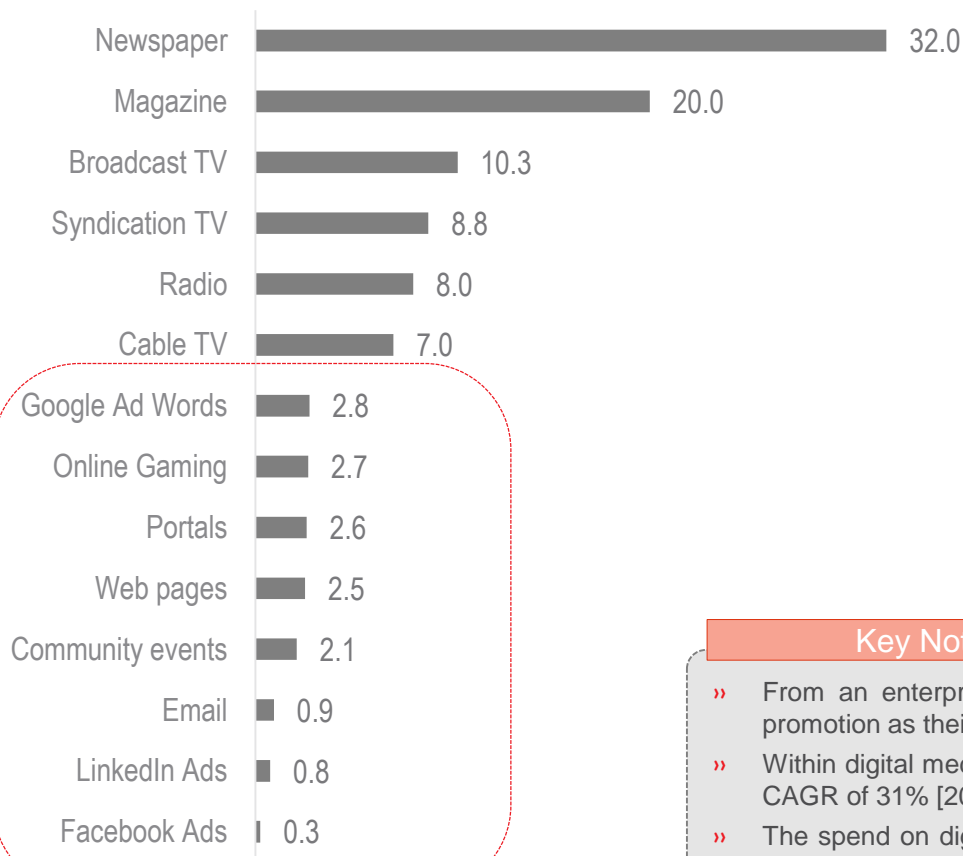


Key Notes

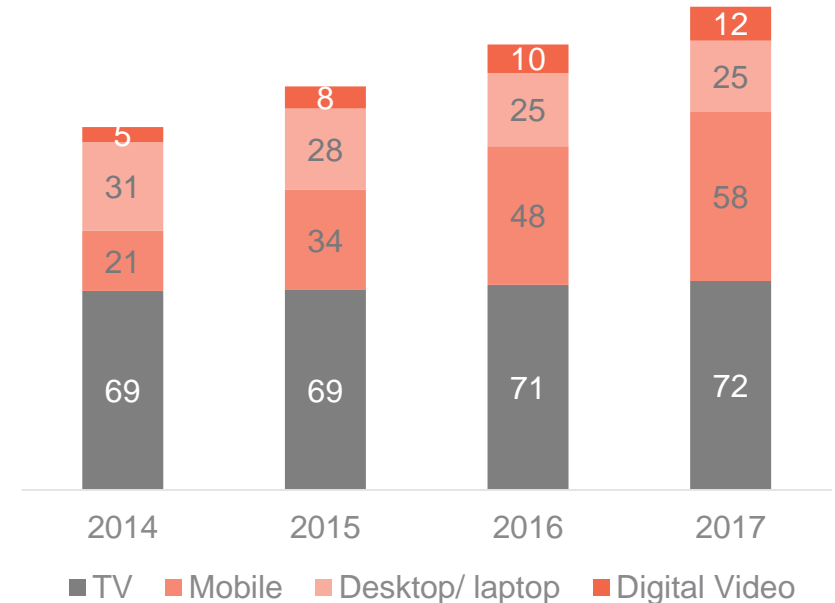
- » 74% of the B2B sellers driven to invest in omni-channel strategies for meeting customer expectations
- » 62% of the B2C companies worldwide currently have or plan to implement an omni-channel strategy in near future
- » Retail, Banking & Telecom are the major industries investing in omni-channel strategies

Low Digital Media CPMs are driving increased expenditure in digital ad media

COST PER 1000 IMPRESSIONS OF DIFFERENT ADVERTISING MEDIA (USD)



AD SPEND BY MEDIA TYPE (USD MN)

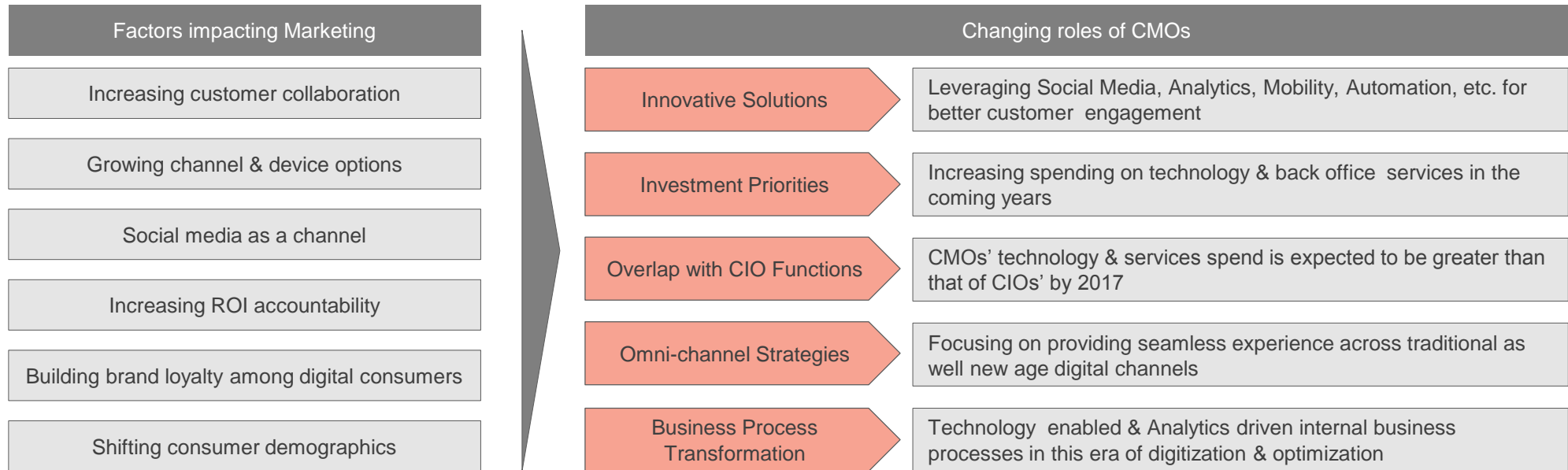


Key Notes

- » From an enterprise perspective, digital media are emerging as attractive channels for promotion as their CPMs are much lower than traditional advertising channels
- » Within digital media, mobile is growing at a CAGR of 41% and digital video is growing at a CAGR of 31% [2014-2017]
- » The spend on digital advertising is expected to equal the spend on traditional advertising media by the end of 2017 and exceed the same by 2018
- » Growth in cloud capabilities have enhanced ubiquity of digital media further making the case for leveraging digital marketing for customer outreach

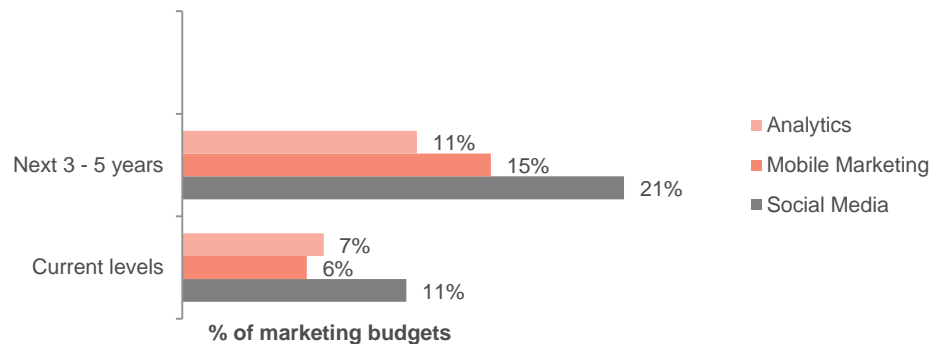
Sources: Various news articles, Emarketer, American Marketing Association

CMOs Acting as Change Agents, Leading the Digital Transformation to Align with Changing Consumer Needs



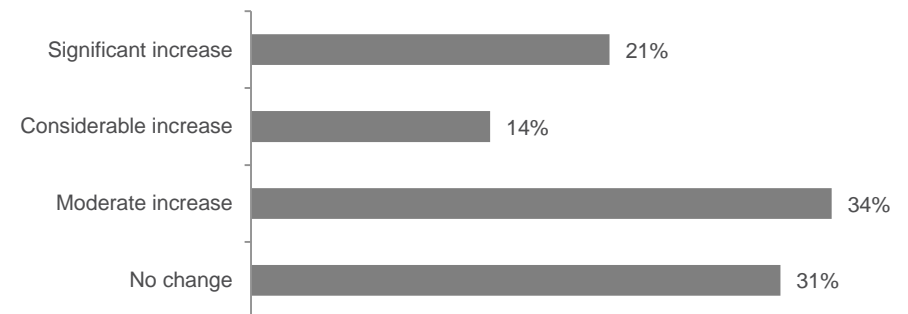
CMOs' SPEND ON TECHNOLOGY AND SERVICES

What % will be spent on technology and services for next 3 years?



GROWING ROLE OF CMO IN THE TRADITIONAL TECHNOLOGY SPEND

How has the role of CMOs grown in the CIO spending and decision-making?



Industry Leaders Driving the Change in E-commerce & Digital Marketing Space

E-COMMERCE STRATEGY: CASE STUDIES

Flipkart, online retail giant

Improving user experience by avoiding “failed deliveries”

- » Tied up with 300+ Apollo pharmacy outlets for delivery and pickup, looking to solve problem of “failed delivery” and improve user experience
- » Launched FBE (Fulfilled by Ekart) initiative to tap merchants selling goods on other e-tailers, improving efficiency of logistics

Reddit, online bulletin board system

Launches mobile apps suitable for both iOS and Android to improve UX

- » Developed mobile app with much reduced size of just 4.8 MB thus improving user experience through reduced download speeds
- » Focus on enhancing user experience by providing “card view” option for better showcasing of rich media content

Nitro, document productivity solutions

Optimized purchase process & improved analytics

- » Implemented global e-commerce optimization solution based on factors such as the number of process steps, graphical elements on the page and selling tools employed in the cart
- » Instituted real time analytics & in-app ordering process leading to 22% increase in cross-sell revenue

Ebay, e-tailer and online auctioneer

Uses abandoned cart email updates for enhancing sales and CX

- » Amazon devised a new system of sending email alerts on abandoned carts to its customers
- » This has enabled what were earlier lost sales to be converted into a successful transaction

DIGITAL MARKETING STRATEGY: CASE STUDIES

Volvo, Swedish automobile and bus giant

Created a lavish digital showroom for virtual launch of XC90 car

- » Engaged in digital campaign that positioned XC90 as a luxury car
- » Created virtual showroom and enabled virtual driving using Oculus Rift at the Paris Motor Show
- » Campaigned extensively and sold all its cars within 48 hours of opening of the web shop

Thompson Reuters, Business data providers

Invests in better UI/UX for its financial services platform

- » Improved its omni-channel presence by designing mobile and desktop products with better experience and functionalities
- » Developed a platform that integrated data from multiple sources in real time and made the same available to clients, improving their experience

Dell, US based computer technology company

Uses social media platform to resolve customer complaints

- » Launched @DellCares, a program using social media platform to address customer questions and socially listen to their tweets
- » 85% of social media assisted customers who had a negative initial opinion of Dell reported a positive experience following the support experience and reduced need for Customer Complaint Centres

Mini USA, US based automaker

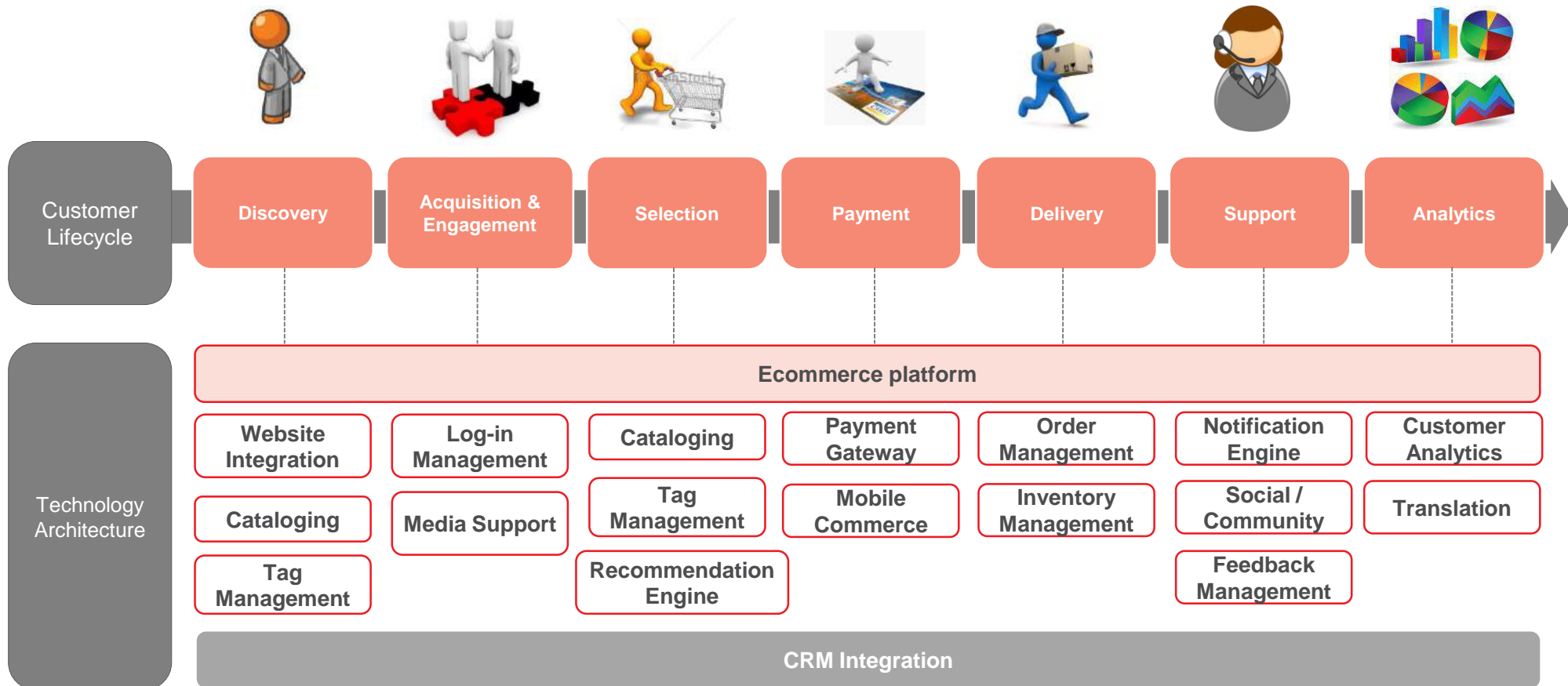
Search marketing for increasing customer connect

- » Uses search marketing, social marketing and user-generated content to connect to the customers
- » Search belongs in the new mix of social tools available to marketers and that social now resides in the toolkit of search marketers

Section 2: Overview of Component Architecture

Understanding key components of E-commerce & Digital Marketing technology space

Key Ecommerce Technology Components



Ecommerce Technology/Service Categories (1/5)

	Website Integration (including Mobile)	Cataloging	Tag Management
Offerings	<ul style="list-style-type: none"> » Graphic Design, UI / UX Design, Search Engine Optimization, Coding, Mobile Web design, Application design, etc. 	<ul style="list-style-type: none"> » Display of specific product content based on user search » Highly customized 	<ul style="list-style-type: none"> » Management of Product & User tags » Helps in analytics, social sharing & targeted marketing
Key Players	<ul style="list-style-type: none"> » Web.com Group Inc., Wix.Com, weebly.com. The Design People, Zinavo Technologies, Immenso etc » Highly fragmented industry 	<ul style="list-style-type: none"> » Dominated by a few players, such as Microsoft, Oracle, IBM, Stibo Systems, Hybris, Contenix, Teleretail, etc. 	<ul style="list-style-type: none"> » Key players include Google Tag Manager, TagMan, Ensighten, Adobe, Tealium and Krux. » Google Tag Manager has a major and substantial market share
Comments	<ul style="list-style-type: none"> » No single web design firm accounts for more than 5% of total industry revenue » Upcoming low-cost web design tools allow users to design and develop websites without writing the code 	<ul style="list-style-type: none"> » Players include pure Product Information Management service providers, Master Data Management service providers & Hybrid service providers » Mostly SaaS based solutions 	<ul style="list-style-type: none"> » 50% of the leading websites are expected to be using tag management by 2017 » The current tag management market is dominated by client-side solutions

Ecommerce Technology/Service Categories (2/5)

	Log-in Management	Media Support	Recommendation Engine
Offerings	<ul style="list-style-type: none"> » Password generator, Identity management, social log-in, Auto-fill, Auto-save, Encryption 	<ul style="list-style-type: none"> » Provides rich media content including audios and videos for better customer engagement 	<ul style="list-style-type: none"> » Provides recommendations to user on products, services, etc based on a complex algorithmic analytics on user preferences & transaction history
Key Players	<ul style="list-style-type: none"> » Password Genie and Logmeonce are some of niche firms » The industry is highly scattered and small players contribute the most revenue to this segment 	<ul style="list-style-type: none"> » Key players include Kaltura, Media platform, Qumu, Inxpo, Polycorn, etc. 	<ul style="list-style-type: none"> » Key players include Amadesa, Avail Intelligence, Magiq Dynamic Personalization Software, Rich Relevance, Baynote, Certona and MyBuys
Comments	<ul style="list-style-type: none"> » Strict regulatory compliance, growing cloud market, & increasing social identity integration are the driving factors » SaaS based solutions outpacing traditional software / service based solutions 	<ul style="list-style-type: none"> » HTML5 has led to an end in the dominance of flash-based videos as it allows the development of rich content without the use of third-party add-ons » HTML6 and CSS4 are slated to release soon which has advanced features like more security, easy to express tags, low document size etc. 	<ul style="list-style-type: none"> » Intelligent recommendations based on customer transactions, social profiling, location analysis, etc

Ecommerce Technology/Service Categories (3/5)

	Payment Gateways	E-commerce Platforms	M-commerce Portal
Offerings	<ul style="list-style-type: none"> » Electronic payment acceptance, processing & confirmation » Payment modes include credit/debit cards, net banking, loyalty points, etc. 	<ul style="list-style-type: none"> » SaaS Portals – Multiple clients using the same technology and hosting environment » Custom Portals – As per the exact specifications of firms 	<ul style="list-style-type: none"> » Buying & selling of goods enabled through mobile devices like phones, tablets, etc.
Key Players	<ul style="list-style-type: none"> » PayPal has ~60% market share. Authorize.net and Google Checkout are the other key players » PayLane, EBS, SecurePay.com are some other niche players. 	<ul style="list-style-type: none"> » Demandware dominates the SaaS market; IBM, Hybris and Oracle are the market leaders in licensed solutions; Intershop & cleverbridge provide niche offerings 	<ul style="list-style-type: none"> » Fragmented market and key players include Amazon, Apple, Google, Adobe, PayPal, Madmobile, Mobify, Square and Level Up
Comments	<ul style="list-style-type: none"> » First mover advantage because of high costs associated with switching » Regulatory compliance & data security are also important factors » Revenue is generally charged as a % of the successful transaction value 	<ul style="list-style-type: none"> » Growing trend of ecommerce platforms providing integrated solutions has been noted » Key focus areas for retailers and brands are ecommerce platforms and omni-channel operations 	<ul style="list-style-type: none"> » Recent developments in this market are “mobile back-end-as-a-service” platforms that offer means to integrate apps with services such as cloud storage, push notifications and social networks

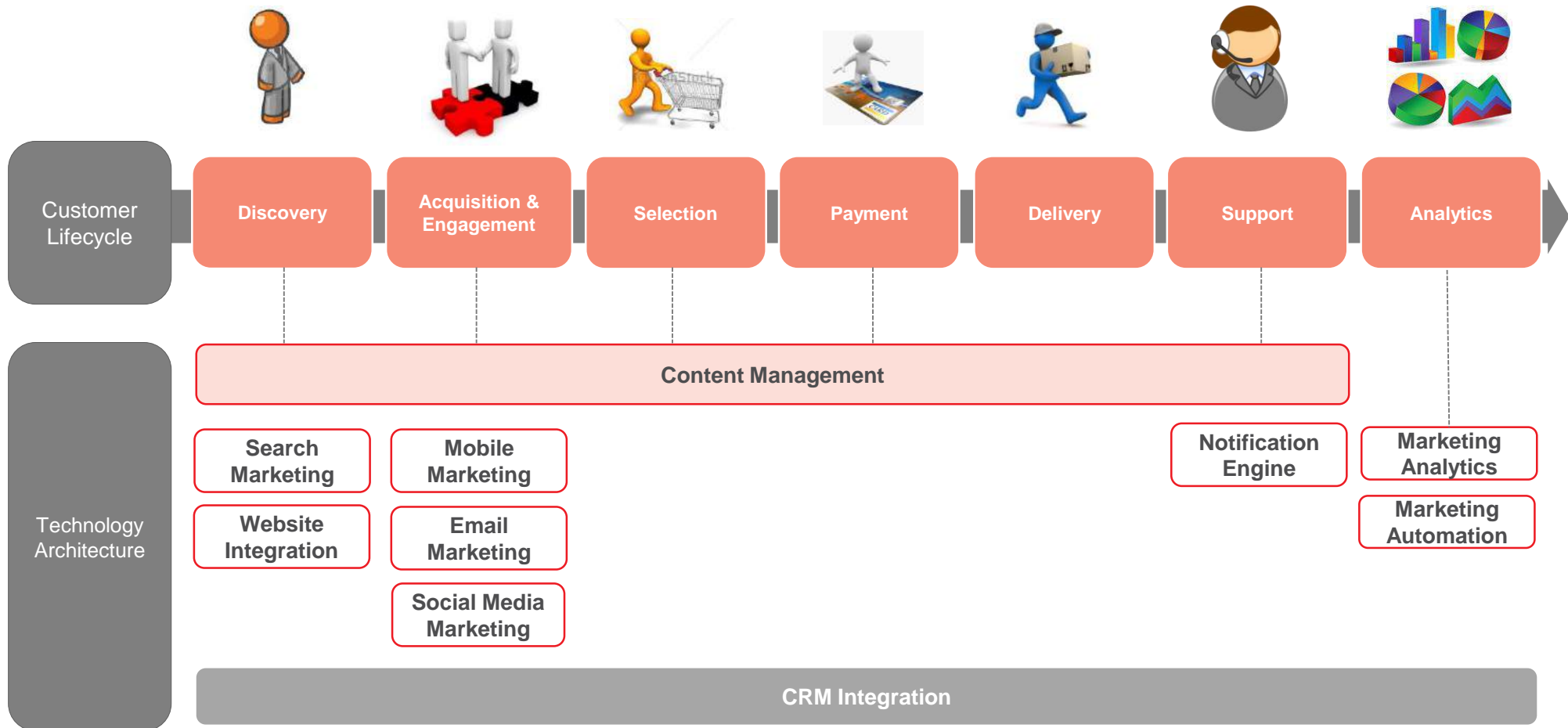
Ecommerce Technology/Service Categories (4/5)

	Order & Inventory Management	Notification Engine	Social / Community
Offerings	<ul style="list-style-type: none"> » Order delivery & fulfillment process » Support in ERP, CRM, Work order management & back-office operations 	<ul style="list-style-type: none"> » Mass marketing communications and notifications to customers through multiple modes 	<ul style="list-style-type: none"> » Low cost customer service modes which promote peer to peer support & collaboration » Also helps in crowdsourcing
Key Players	<ul style="list-style-type: none"> » Few players in this segment are TradeGecko, BizSlate, Ordoro, Orderhive, and Carta are some of the players which offer cloud-based and SaaS solutions. 	<ul style="list-style-type: none"> » Cisco, Athoc, Honeywell, Tyco, United Technologies are the major service providers » Niche players include scriptura engage, Isis papyrus, etc. 	<ul style="list-style-type: none"> » IBM has more than 10% market share; key vendors include Jive (9%), Communispace (8%) and Telligent (6%). Socious, Beevolve, Appinions, etc. are niche players
Comments	<ul style="list-style-type: none"> » Segment is poised to grow with the burgeoning growth expected in E-Commerce sales » Sophisticated tools for work order management are proliferating the market 	<ul style="list-style-type: none"> » North America is expected to be the biggest market in terms of revenue contribution, while the European regions expected to experience increased market traction, in due course 	<ul style="list-style-type: none"> » Highly fragmented market and excludes many typical software vendors creating opportunity for independents and consolidators » Community support is still in its nascent stage while many firms already have a social presence

Ecommerce Technology/Service Categories (5/5)

	Feedback Management	Customer Analytics	Translation Software
Offerings	<ul style="list-style-type: none"> » Customer feedback – automated & customer initiated » Market research surveys » Employee satisfaction measurement 	<ul style="list-style-type: none"> » Analyze traffic on e-commerce platforms » Intelligent customer insights based on their traversal paths 	<ul style="list-style-type: none"> » Content translation software enables smooth and efficient translation of web and app content as it is being created
Key Players	<ul style="list-style-type: none"> » Leading players in this segment include Attensity, Nice, e-gain, IBM, Opinionlabs, setmatrix, etc. 	<ul style="list-style-type: none"> » Google Analytics has ~60% of the market share » This market is controlled by a few large players, including Adobe, IBM, Optimizely and Webtrends 	<ul style="list-style-type: none"> » SDL is the market leader in the translation software market » Other players include Smartling and Speaklike
Comments	<ul style="list-style-type: none"> » Organizations are becoming more customer centric & data focused, leading to increased growth for this segment » Natural language processing, Machine learning & system enabled analytics are some of the new age features 	<ul style="list-style-type: none"> » Digital parameters are increasingly being added to gauge the performance of a website » Companies are expected to leverage big data to draw insights on consumer behavior 	<ul style="list-style-type: none"> » In the coming years, technical innovation and new business models are expected within the language translation market

Key Digital Marketing Technology Components



Digital Marketing Technology/Service Categories (1/3)

	Content Management	Search Marketing	Website Integration
Offerings	<ul style="list-style-type: none"> » It involves all technology/tools for all marketing formats for the creation or sharing of content for the purpose of engaging with customers 	<ul style="list-style-type: none"> » Increasing visibility in search engine results pages through optimization and advertising 	<ul style="list-style-type: none"> » Web graphic design, interface design, authoring, including standardized code and proprietary software and user experience design
Key Players	<ul style="list-style-type: none"> » Key players include Acquia, SDL, IBM, HP, Episerver, Adobe, Sitecore, Curata, SpringCM, etc. 	<ul style="list-style-type: none"> » Key players include RioSEO, Brightedge, Conductor, SEOmoz, etc. 	<ul style="list-style-type: none"> » Web.com Group Inc., Wix.Com Ltd, weebly.com, Moovweb, Movyo, etc. » Highly fragmented industry
Comments	<ul style="list-style-type: none"> » High growth expected in the content creation and management domain » Other components like Social marketing, email marketing etc. also depend on content management 	<ul style="list-style-type: none"> » Moving from text based SEO to different platforms, including video, podcasts, pictures, and social media » With internet traffic becoming an important parameter, SEO & SEM are gaining importance among CMOs 	<ul style="list-style-type: none"> » Demand for websites that are supported on different devices, will increase in future » Important technologies like parallax scrolling etc, are gaining traction

Digital Marketing Technology/Service Categories (2/3)

	Mobile Marketing	Email Marketing	Social Media Marketing
Offerings	<ul style="list-style-type: none"> » Promotional activity designed for mobile devices like cell phone, tablets, etc. » Includes text, graphic & voice messages 	<ul style="list-style-type: none"> » Electronic mail to communicate advertising and promotional messages to a large audience » Highly cost effective but poor impact 	<ul style="list-style-type: none"> » Using social networks like FB, twitter and customer communities for customer outreach, engagement, awareness & marketing
Key Players	<ul style="list-style-type: none"> » Key players include Appboy, Applause, Banjo, IBM, SAP, Salesforce, Thinknear, Aislelabs, Vibe, Talkto, etc. 	<ul style="list-style-type: none"> » Key players include Strongview, Oracle, Salesforce, Epsilon, Yesmail, Silverpop, Contactlab, etc. 	<ul style="list-style-type: none"> » Key players include Blab, Falcon social, Oracle, Salesforce, Adobe, Sprinklr, Mass relevance, Rival IQ, Social Flow, etc.
Comments	<ul style="list-style-type: none"> » Mobile marketing market is expected to rise to 220 USD bn by 2025 » Emerging technologies include hyper-targeting, location based marketing & usage of QR codes 	<ul style="list-style-type: none"> » Email marketing roughly generates revenues of USD 40 for every USD 1 invested » Market for email marketing is moving in the direction of hyper-targeted emails and smart automation that curate and proliferate content based on subscriber's needs 	<ul style="list-style-type: none"> » More than one quarter of world's population is active on social media platforms and this number is increasing constantly » S-commerce, integrated social marketing, private messaging, etc are gaining popularity

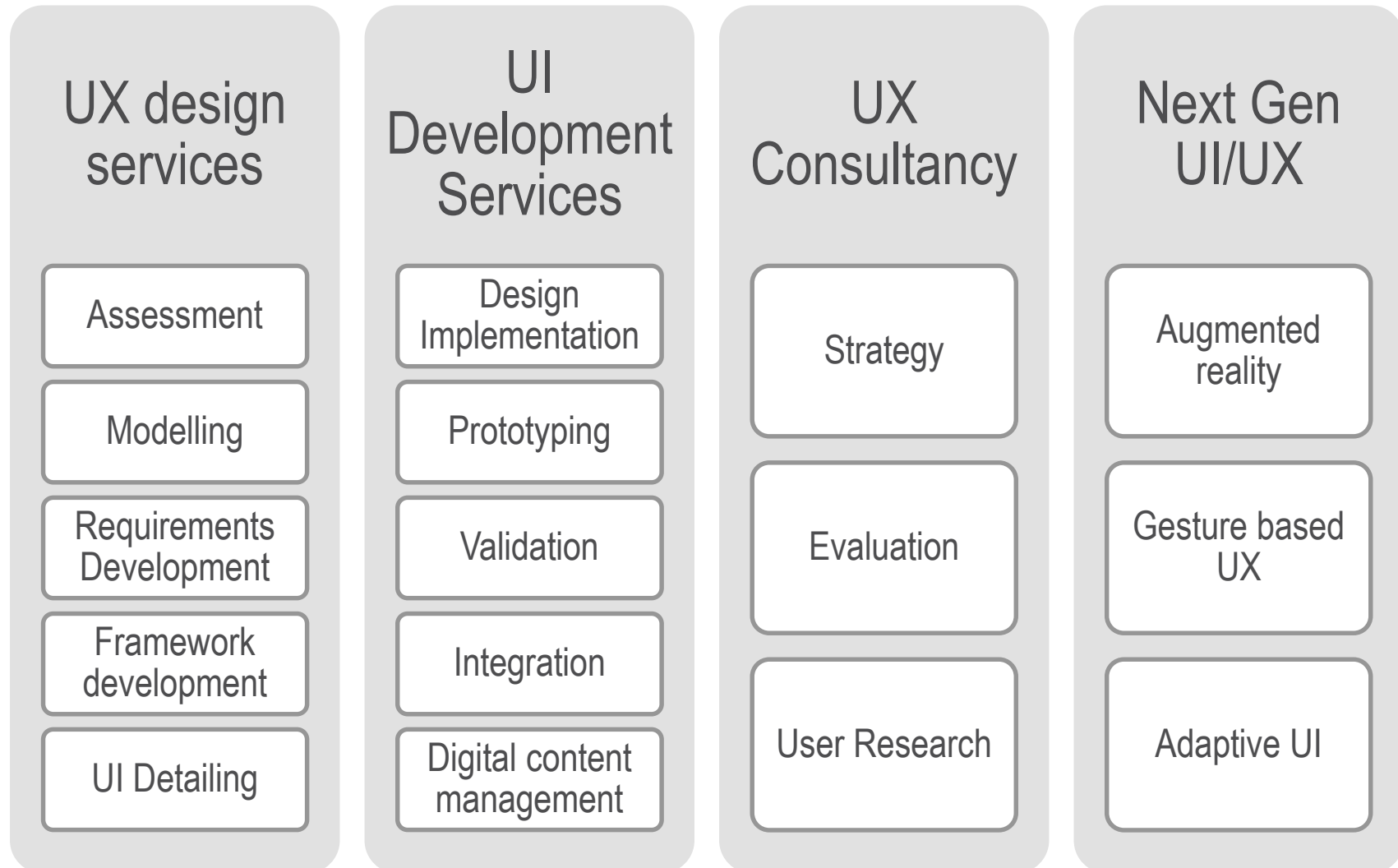
Digital Marketing Technology/Service Categories (3/3)

	Notification Engine	Marketing Automation	Marketing Analytics
Offerings	<ul style="list-style-type: none"> » Mass marketing communications and notifications to customers through multiple modes 	<ul style="list-style-type: none"> » Automated landing page and forms development, campaign execution, lead management, visitor management & reporting 	<ul style="list-style-type: none"> » Set of marketing and technical activities that define, create, collect, verify or transform digital data into reporting, analyses & recommendations
Key Players	<ul style="list-style-type: none"> » Cisco, Athoc, Honeywell, Tyco, United Technologies are the major service providers » Niche players include Scriptura Engage, Isis Papyrus, etc. 	<ul style="list-style-type: none"> » Few players in this segment are Oracle, Marketo, Salesforce, IBM, Callidus Cloud, Adobe, Act-on, eTrigue, etc. 	<ul style="list-style-type: none"> » Major players include DataRPM, Decisyon, Geofeedia, Peoplelinx, Sementria, Adobe, AT Internet, Webtrends, Mintigo, Sailthru, etc.
Comments	<ul style="list-style-type: none"> » With customer experience becoming an important service differentiator, firms are investing on sophisticated notification systems to meet predefined SLAs and improve customer satisfaction 	<ul style="list-style-type: none"> » The proliferation of digital channels has created both opportunities and challenges for marketing automation » Marketing automation market is expected to grow from USD 3.7 billion in 2014 to USD 5.5 billion in 2019, at a CAGR of 8.5% 	<ul style="list-style-type: none"> » Due to the scarcity of talent, many organizations outsource their analytics services while initiating big data strategies » Customer insights have become very important for providing personalized experience and relevant recommendations

Section 3: Market Potential for UI/UX Agencies and Service Providers

Digital transformation leading to high growth in E-commerce & Digital Marketing technology market

Offerings by UI/UX agencies and service providers



Sources: Major websites for UI/UX designers

The UI/ UX Process (1/3)

Assessment

Brand Analysis

Understanding the brand and its value and significance

Industry Benchmark

Understanding the brand and the industry in which the entity operates

Competitive Benchmarking

Evaluating the peers of the brand and positioning vis a vis competitors



Modelling

Persona Building

Creating a brand personification and brand prism

Contextual Inquiries

Performing inquiries about platform and requirements from the client

Surveys

Undertaking customer surveys to understand the experience and potential problems faced by customers



Requirements Development

Scenario Construction

Assessing what may happen based on input assumptions

Experience Attribute Identification

Identifying major attributes that influence UX

Moodmap Development

Documentation and mapping of the emotional and mental responses of consumers to the proposed scenarios



Framework Development

Information Architecture

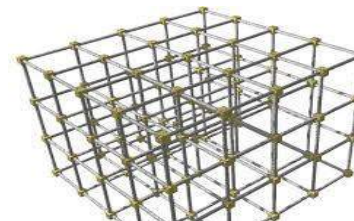
Organizing and labelling content in an effective manner

Wireframe and content development

Constructing skeletal framework of the website or app

Style guide creation

Contain all information that is relevant for construction of website or mobile app such as logo placement, color palette and font etc.



UI Detailing

HiFi Prototyping

Designing prototype with nearly identity to actual product

Design specifications

Laying down the design specifications that developers need to meet

Test reports

Testing the prototype and documenting the results of the process



The UI/ UX Process (2/3)

Design Implementation

Visual design

Focusses on aesthetics by implementation of graphics

RIA Theming

Rich internet application themes provide powerful pre-set themes

RIA Graphics

Provide rich graphics which are aesthetically appealing and ensure that the website is appealing

Prototyping

HTML/ CSS development

Developing web pages in HTML and CSS

Front-end scripting

Designing the JavaScript or other for the user interface

RIA development

Ensures that Rich Internet Applications are incorporated in the user interface

Validation

W3C validation

Ensures technical quality of web pages and allows checking HTML/ XHTML

Accessibility checks

Ensuring that the web page or app is accessible to the end user

Browser Compatibility

Ensuring compatibility across different browser platforms such as Safari, Mozilla and Netscape and mobile compatibility

Integration

Prototype Integration

Demonstrate practical use of the prototype and ability to support web pages

Tech support

Providing and ensuring IT infrastructure is in place to ensure seamless UI/UX

Digital content management

Updation of content

Ensuring frequent updates to content listed on company web page

Content migration

This arises when we need to move information to different systems

Content maintenance

Ensuring no unauthorized updates are made to data stored on the website



Source: Infosys website

The UI/ UX Process (3/3)

Strategy

UX strategy and standards

Determining the strategy for UX and laying down KPIs for the UI and UX and minimum specifications

Competitive Benchmarking

Performing competitive intelligence of UI and UX and evaluating performance of competitors

Evaluation

Heuristic evaluation

Examination of UI and judging its compliance with recognized usability principles

Usability testing

Doing black box and white box testing of the user interface

User Research

Ethnography

Systematic study of demographics and culture and perceptual mapping

Web Analytics

Based on customer browser history and social media offering solutions that can be used in UI/UX

Augmented Reality

Live, direct or indirect, view of a physical, real-world environment whose elements are augmented by computer-generated sensory input such as sound, video, graphics or GPS data

Gesture-based UX

User interface which corresponds highly with the gestures and incorporates gesture recognition and gesture based interactions within the interface

Adaptive UI

UI which changes layout and elements according to needs of the user and also enables user to alter the interface as per his choice

Major firms in UI/UX service providers space



- London based company with studios in New York and Malmo, Sweden. Has employee strength of 250+
- Major clients of this one stop studio include Google, Sky, Adidas, Deepmind, Jaguar Land Rover



- Creator of digital products, experiences and services that define great brands with employee strength of 128
- Major clients include Youtube, Aldo, Marriott, TripAdvisor, TMZ, NBA and Target



- A design company with 60 professionals that designs integrated brand, product, and service experiences
- Major clients include Nokia, Reuters, Rogers Communication, Google, Nissan and AgVera



- IPG backed digital agency with an impressive UX portfolio and personnel strength of 350
- Major clients of this agency are American Express, Gucci, Lowe, Diageo, Morgan Stanley, Pfizer, Eurosport



- Boston based studio which offers mobile app development services with UI/UX focus
- 50+ employees with major clients being Bloomingdale's, Macy's, SITA and Schneider



- Strongly focused Chicago based firm with offerings in UI/UX design and consultancy
- Has employee strength of 75 and a good clientele with names like Jones Lang Lasalle, Enliven, Aon and Exilon

UI/UX firms with focused offerings



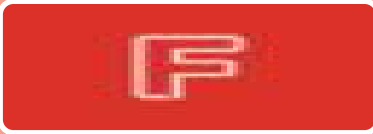
- Strong focus on augmented reality and retinal display, with 200+ employee strength
- Touted as one of the startups to watch out for by Forbes



- UX design and consultancy with strong focus on healthcare and 100+ headcount
- Major clients include Siemens Healthcare, Avaya, Infocare, TELUS Health, Novari Health & Materialize Dental



- Highly focused company offering UI/UX design and consultancy for banking and financial technology companies
- Capabilities in banking, fintech, payments, forex, CFD, fast loans and charity



- Five Design Studios offers design driven mobile app development with UI/UX focus
- 95-member team with presence in USA and Croatia. Major clients are Sandoz, Allianz, Rhapsody, MTV Wyatt



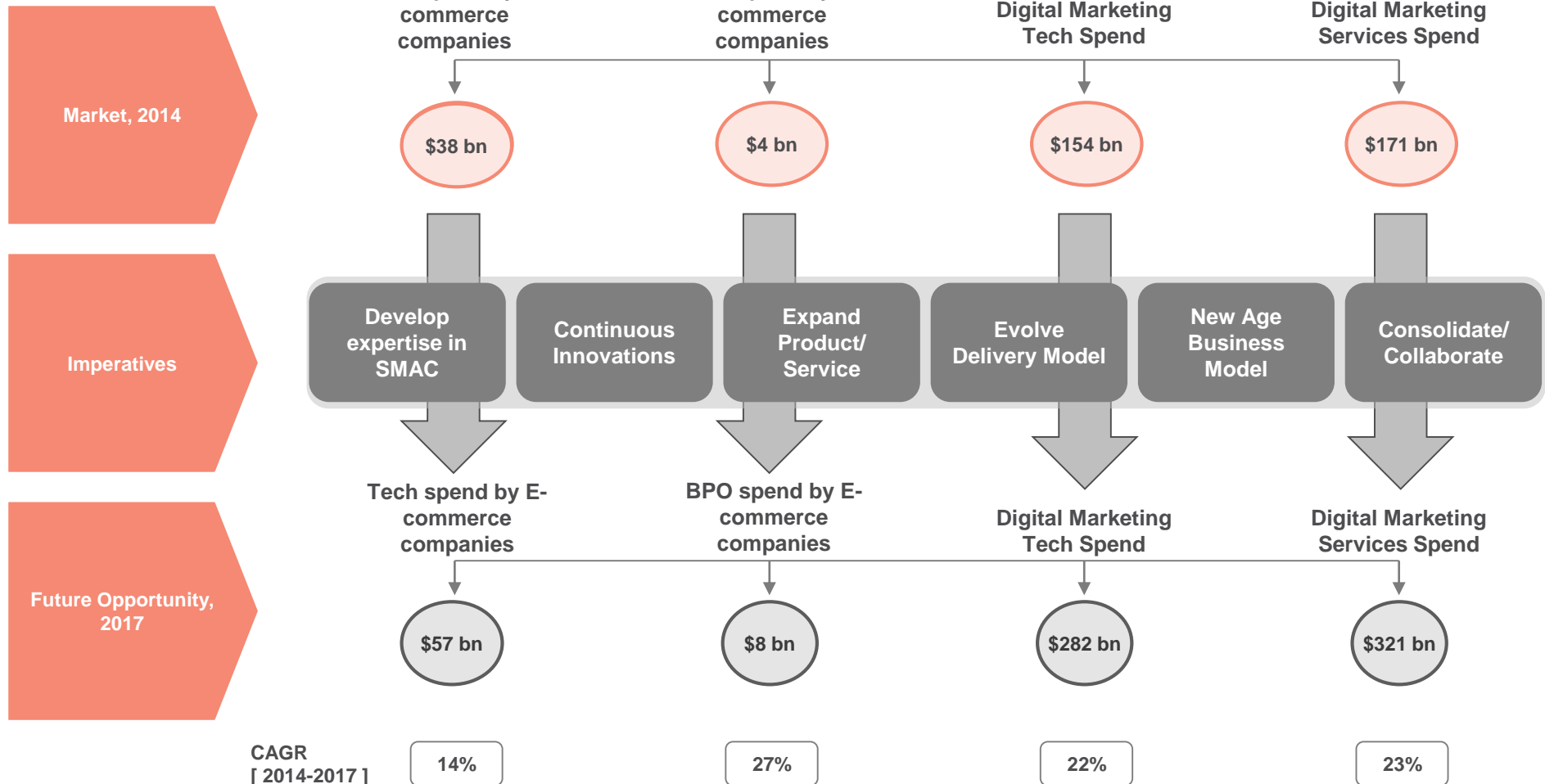
- Boston based studio which offers mobile app development services with UI/UX focus
- 50+ employees with major clients being Bloomingdale's, Macy's, SITA and Schneider



- Strongly focused Chicago based firm with offerings in UI/UX design and consultancy
- Has employee strength of 75 and a good clientele with names like Jones Lang Lasalle, Enliven, Aon and Exilon

Significant Opportunities for UI/UX Service Providers in the E-commerce and Digital Marketing space

MARKET OVERVIEW



Source: Avendus Estimates, Forrester Thought Leadership papers, Gartner reports

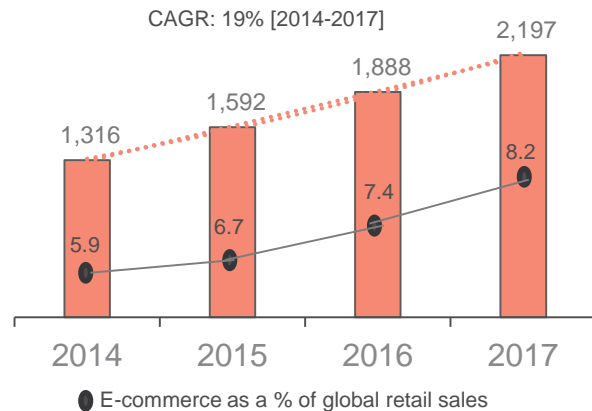
Section 3A: Technology and BPO service provider outlook – E-commerce

1. *Market potential*
2. *Key growth drivers*
3. *E-commerce Vendor mapping*
4. *Niche players – E-commerce*

Surge in E-commerce Sales Driving Growth in E-commerce Tech and Outsourcing Segment

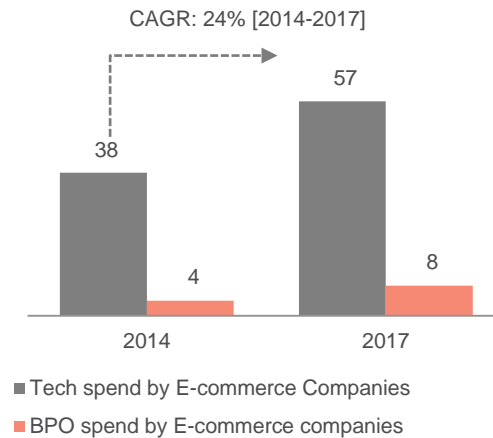
INCREASING SHARE OF E-COMMERCE IN GLOBAL RETAIL SALES

Figures in USD Bn



GROWING TECH AND BPO SPEND BY E-COMMERCE COMPANIES

Figures in USD Bn

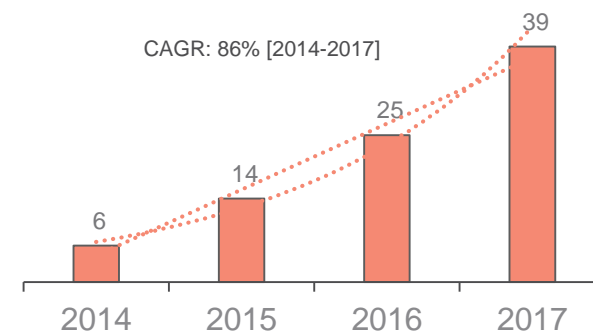


Key Notes

- » Tech spend by E-commerce Commerce companies
 - Includes expenditure on application, maintenance, operation and platform development, tech infra expenses, category expansion, and content management and maintenance, website development and sitecore development and integration
 - Does not include expenditure incurred on proprietary software and on software intended for internal usage
- » BPO spend by E-commerce companies:
 - Includes expenditure incurred on customer service centres, tech support, payment processing, order processing
 - Excludes expenditure incurred on 3PL, warehousing, order packaging and supply chain management

INDIAN E-COMMERCE SALES TO GROW MORE THAN 6X BY 2017

Figures in USD Bn



Key Growth Drivers – E-commerce Space

1

E-commerce Sales Growth

- » Increasing online spending by consumers is one of the major driving factors for ecommerce spend
- » Ecommerce sales in developed countries to grow to \$1.64 trillion by 2018

2

Ecommerce Re-platforming

- » In-house platforms represent a significant scalability & compliance risk and are expensive to operate due to high maintenance cost
- » About 32% of the companies were considering to re-platform in the coming years while ~ 20% were already in the process of re-platforming

3

Integration by E-commerce Solution Providers

- » Customized platforms with multiple service offerings including inventory management, supply chain management, and customer relationship management
- » Companies with more than 5bn in online revenues tend to build a customized solution

4

Mobile based E-commerce

- » Companies seek ecommerce platforms with the flexibility to handle orders from consumers buying from smartphones, tablets and other mobile devices
- » Worldwide smartphone penetration is more than 25%; the same is 75% for USA market

5

Shift to SaaS based offerings

- » Outsourcing the burden of support, scalability and software upgrades to the commerce software platform vendor
- » Software-as-a-service ecommerce will account for more than two-thirds of total ecommerce software spending by 2019

6

New offerings in UI/UX space

- » There have been increased offerings by the UI/UX designers with new products like Next Gen UX, Haptic feedback, Adaptive UI
- » Large IT firms worldwide are investing in new age UI/UX offerings to offer one-stop solutions demanded by E-commerce clients
- » E-commerce companies willing to spend on improving UI/UX









Ecommerce Technology & Service Providers Mapping



Note: Ancillary services include social community, feedback , analytics, translation, etc.

Niche players providing e-commerce implementation services



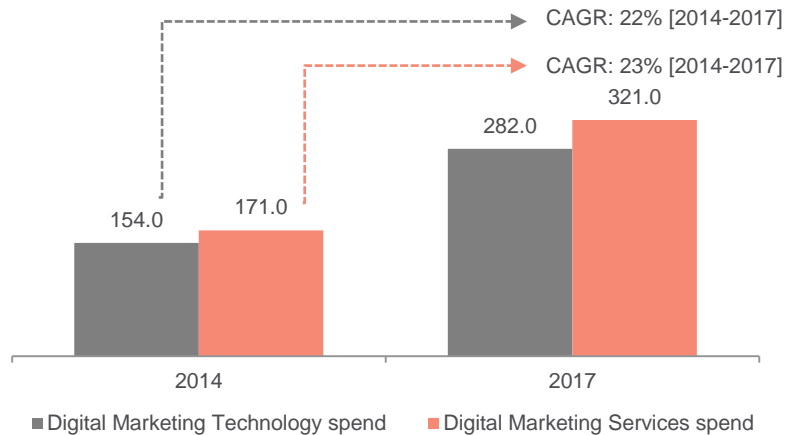
Company Name	Description
	End-to-end e-commerce solutions provider offering e-commerce platform implementation services players with strong capabilities in both Magento and Hybris ('Gold partner' for both)
	Provides global e-Commerce solutions that combines integrated technologies, professional services, and a logistics infrastructure to deliver unique and branded customer experiences
	Global digital agency with focus on creative, content and commerce. Provides B2B & B2C implementations for Hybris, Demandware, Magento, and Netsuite
	Digital agency specializing in e-commerce, mobile app development and custom application design. They are official Magento Solution Partner with one of the largest collections of Magento Certified Plus developers
	Digital commerce partner offering core eCommerce and mobile to omni-channel and multi-channel experiences. They are a key integration partner of Demandware, Hybris and Magento
	eCommerce system integration partner who provides strategic planning, design, robust development, and ongoing optimization using the best technology to ensure client success
	eCommerce agency dedicated to help retailers and brands achieve revenue growth through data-driven design, development and optimization. It is a Demandware LINK Solution Partner and a Magento Gold Solution Partner
	Specializes in developing and implementing a variety of Web-based and software integration solutions such as: enterprise portals, eCommerce, information and self-service systems, SOA and Legacy-to-Web integration, outsourcing and expert consulting services

Section 3B: Growth Potential – Digital Marketing Technology & Service Providers

1. *Component wise growth*
2. *Geography wise growth*
3. *Industry wise growth*
4. *Outsourcing potential*
5. *Key growth drivers*

Digital Marketing Technology and Services Witnessing High Growth with a CAGR of 23%

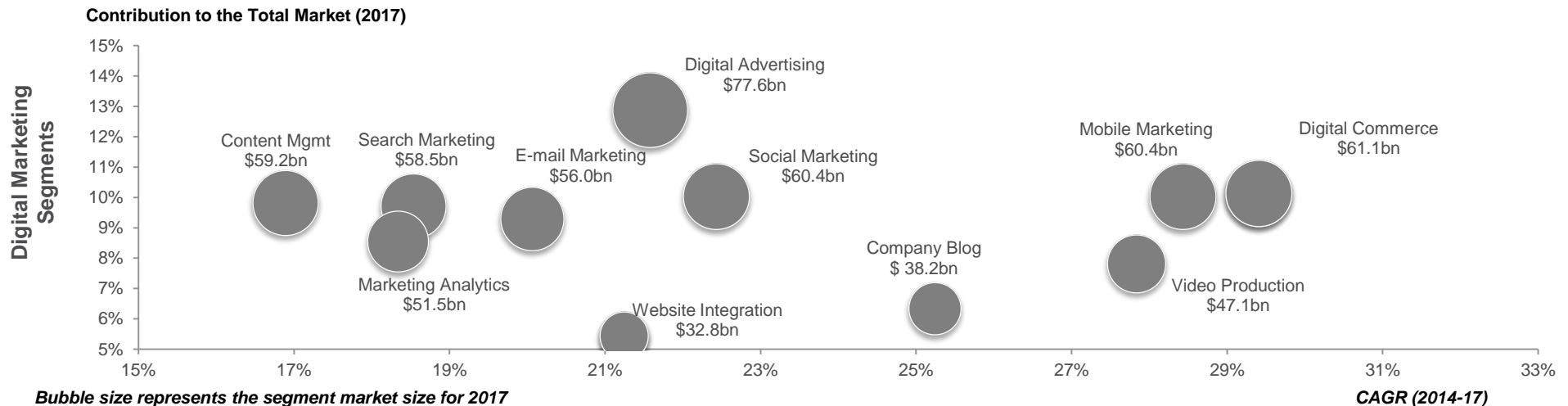
DIGITAL MARKETING TECHNOLOGY/SERVICES CURRENT MARKET (USD BN)



Key Notes

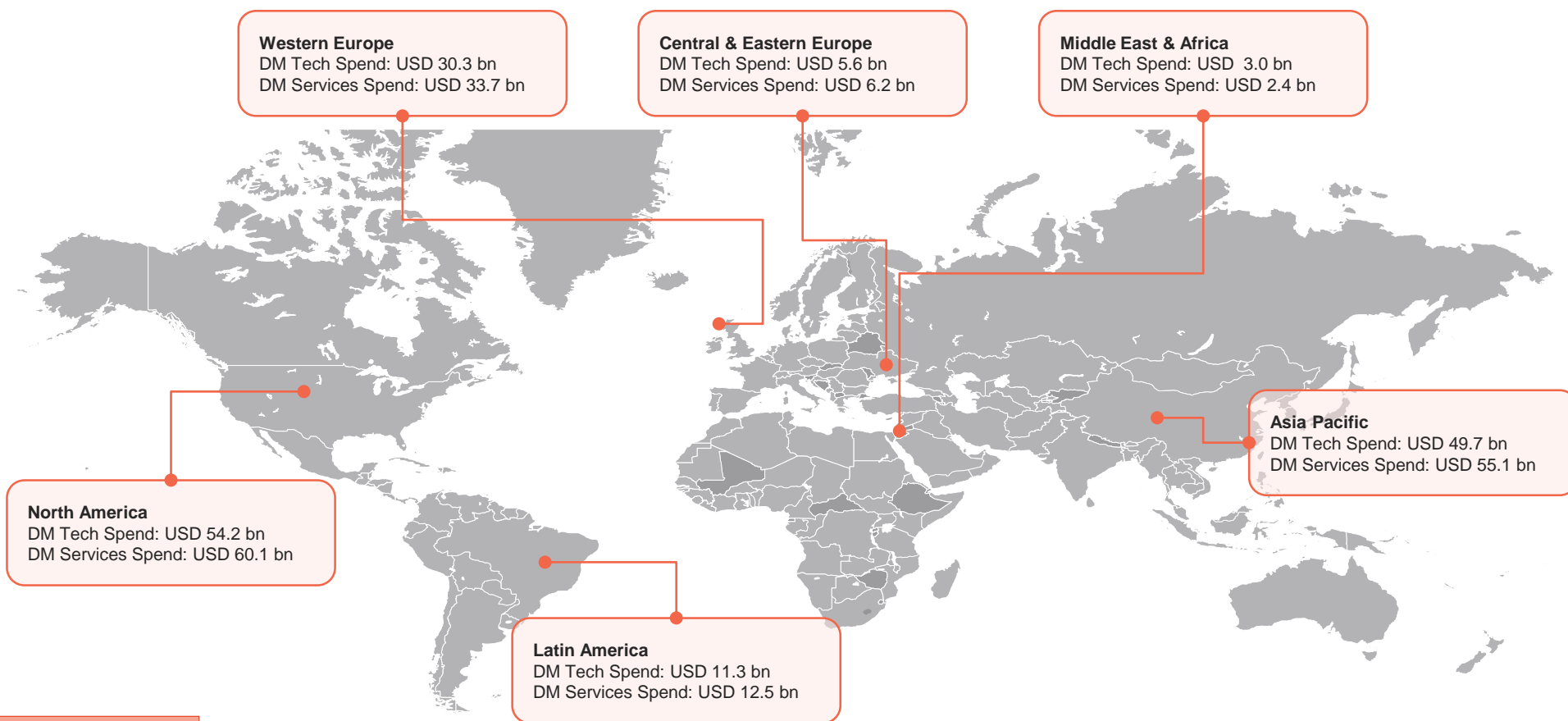
- » Digital marketing technology spend includes website design, & analytics, while digital marketing services include digital advertising, digital commerce, company blog, video production, etc. Social media marketing, mobile marketing, email marketing, content management, etc. have technology as well as service components
- » Analytics, social marketing and mobile marketing constituted approximately 50% of the total technology spend in 2014

DIGITAL MARKETING TECHNOLOGY & SERVICES FUTURE MARKET, 2017 (USD BN)



North America & APAC Leading in Digital Marketing Technology & Services Spend

DIGITAL MARKETING TECHNOLOGY & SERVICES SPEND BY REGION, 2014



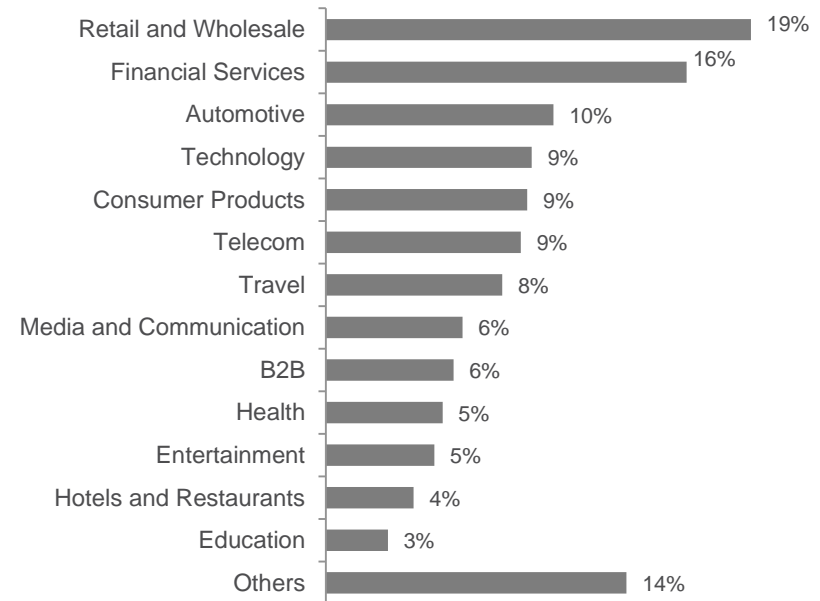
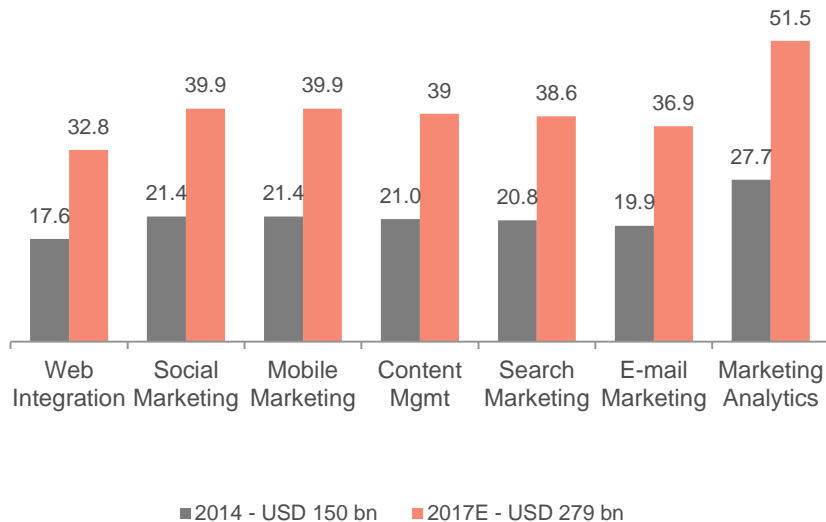
Key Notes

- » North America and APAC region are the biggest spenders on digital marketing technology & services, constituting more than 65% of the market; Central & Eastern Europe, Latin America and APAC regions are the fastest growing regions, with CAGR of 26%, 26% and 25%, respectively

Shift from Traditional to Digital Channels Force Re-allocation of Marketing Budget to Digital Segments

DIGITAL MARKETING TECHNOLOGY SPEND BY SEGMENT (USD BN)

DIGITAL MARKETING TECHNOLOGY SPEND BY INDUSTRY, 2014

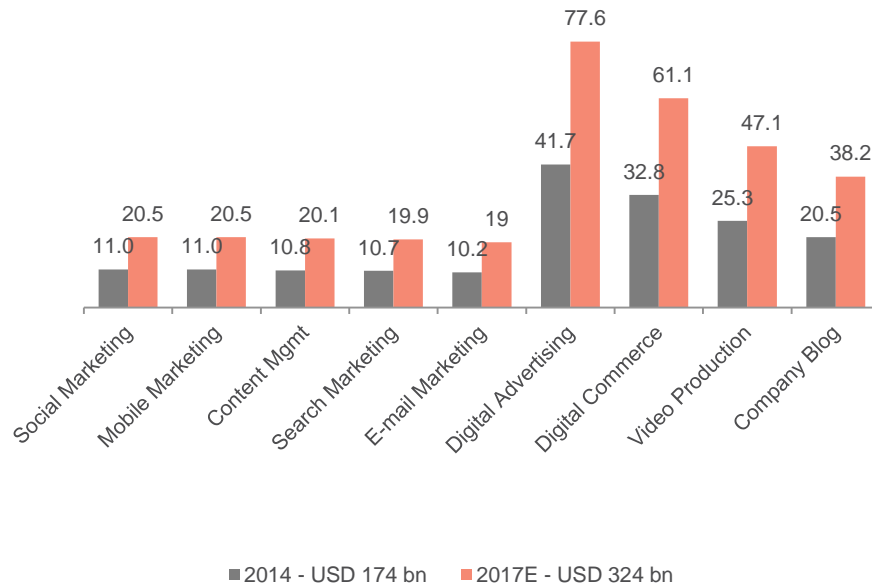


Key Notes

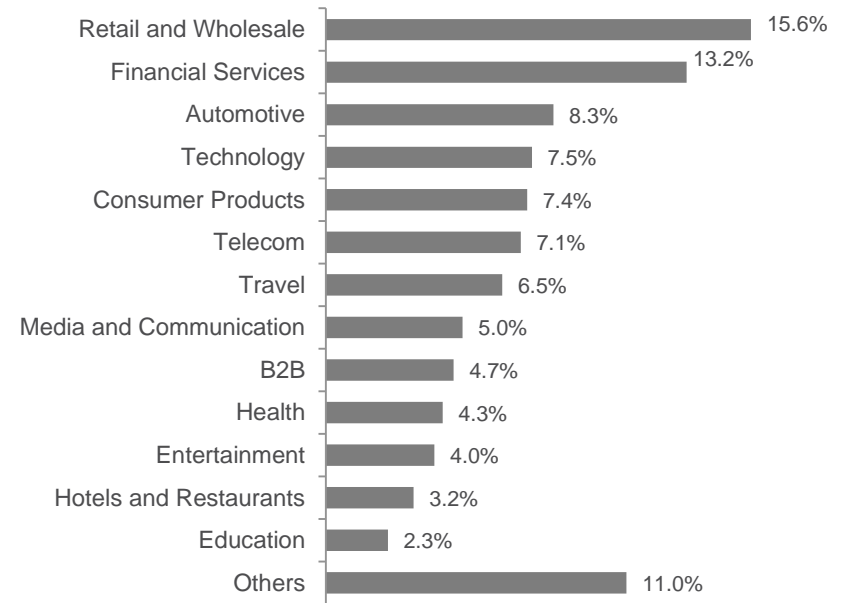
- » Marketers are shifting their focus from traditional marketing channels to digital marketing channels and therefore leading to rise in digital marketing technology spend, which is expected to register a CAGR of ~22% during 2014-2017
 - Due to the high prevalence of smart-phones, mobile marketing is the fastest growing segment, estimated to grow at a CAGR of ~28% for 2012-2017
 - Analytics, mobile marketing and social marketing-related technology constituted 45%-50% of the total technology spend in 2014
- » The rising digital marketing budget is coming from sources such as reinvestment from other marketing programs, incremental increases to the overall marketing budget and reduction in the sales budget

Firms Increasing Digital Spend to Stay Relevant to Digital Consumers

DIGITAL MARKETING SERVICES SPEND BY SEGMENT (USD BN)



DIGITAL MARKETING SERVICES SPEND BY INDUSTRY, 2014

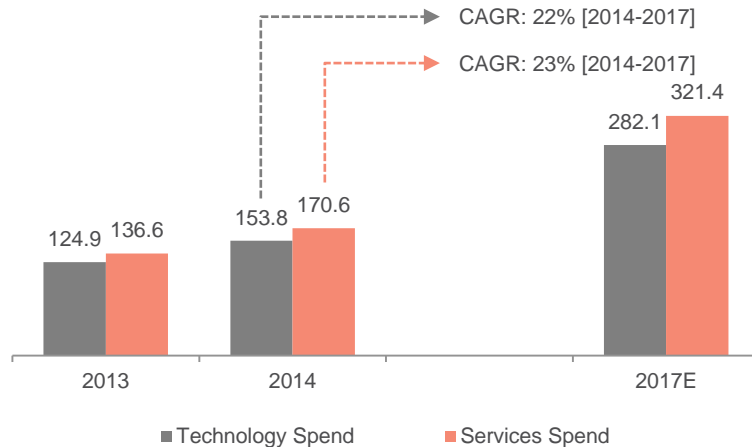


Key Notes

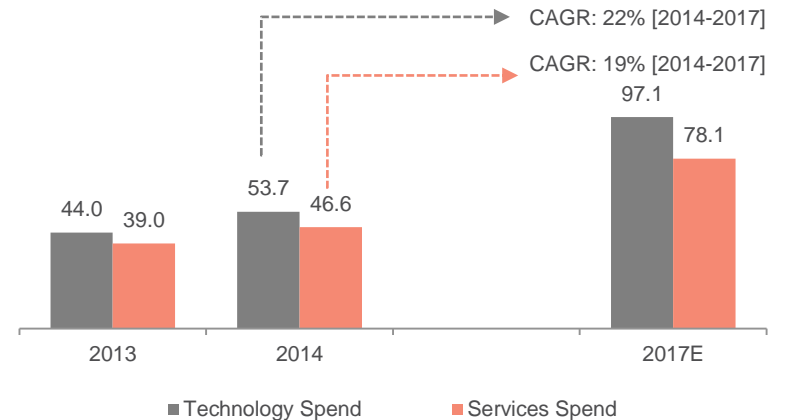
- » Marketers allocate approximately 12% of the total digital marketing budget and ~24% of the digital marketing services spend to digital advertising
 - Digital commerce accounts for the second-largest share (19%) of the total digital marketing services spend in 2014
 - Digital advertising, digital commerce and video production constitute more than 55% of the total digital marketing services spend in 2014
- » Retail & wholesale, financial services and automotive industries were the largest spenders on digital marketing services, constituting more than 35% of the total digital marketing services market

Increasing Focus on Core Activities Drive Companies to Outsource Digital Marketing Activities

DIGITAL MARKETING TECHNOLOGY & SERVICES MARKET (USD BN)



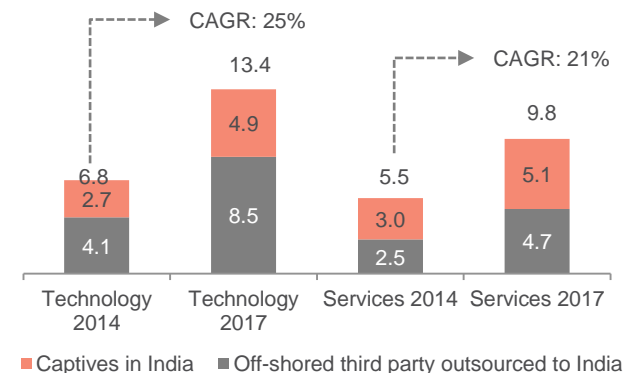
DIGITAL MARKETING THIRD PARTY SPEND (USD BN)



Key Notes

- » Digital marketing technology:
 - Of the total technology spend, 30%-35% of the technologies are outsourced
 - Of the total outsourcing market, off-shoring to India is nearly 9%-12%
- » Digital marketing services
 - Of the total services spend, 20%-25% of the services are outsourced
 - Of the total outsourcing market, off-shoring to India is about 8%-10%

DIGITAL MARKETING TECHNOLOGY & SERVICES INDIA POTENTIAL (USD BN)



Source: Gartner Estimates, Nasscom reports

Key Growth Drivers – Digital Marketing Solutions

1

Need for Integrated Solutions

- » Information is widely distributed between different components – CRM, Analytics Platform, Marketing Automation, etc.
- » Marketers are looking for solutions that are well integrated & present a unified view post bridging the gaps between different data sources

2

Mobile Optimization

- » Marketers want to connect with digital consumers since smart devices penetration is on a continuous rise
- » Marketers look for solutions that help them improve targeting, customization, and connections online and offline in order for them to deliver valuable user-experience in all types of mobile devices.

3

Hyper - targeted Marketing

- » Using extensive data analytics for better understanding of customers leading to more relevant & personalized communications, recommendations & engagement
- » Solutions that can help identify trends and ideas that resonate well with the target customers

4

Marketing as a Service

- » Firms are looking for solutions that enable efficiencies, scale, consistency and replication without compromising creativity and personalization
- » IBM's Bluemix & Google's Material Design are the leading solutions in this segment

5

Multi-channel Integration

- » Consumers demand consistent experience across different digital and physical touch-points
- » To enable such seamless transition across channels, companies are investing in technologies that are well integrated, even with emerging channels like social & communities

6

Rise of Content Marketing

- » With consumers moving beyond the traditional price based purchase process, delivering right content is becoming important
- » Most companies are still gathering the right tools for content marketing to improve customer experiences and these functions will bring greater value in the years to come

Digital Marketing Technology & Service Providers Mapping



Niche players providing specialized offerings – Digital Marketing (1/2)

Content Mgmt



Empowers firms to create, organize and share relevant content for all marketing campaigns; Clientele includes firms like Genpact, Alcatel Lucent, Xerox, etc.



Cloud based enterprise content management to help organizations with streamlined processes & workflow automation; Facebook, Enova, Auction.com, etc. are some of the client firms

Search Marketing



Provides SaaS-based local search automation solutions across multiple devices and patented SEO reporting tools ; Covario, Performics, Advance Auto Parts, etc. are part of the clientele



BrightEdge SEO platform is used by over 8,500 brands, 1,000 direct customers, and 30% of the Fortune 100; SaaS technology enabled platform for driving organic search

Mobile Marketing



Uses proprietary algorithms and location-filtering technology to reach a unique audience driven by location leading to more relevance in advertising



Rich & personalized in-mobile experience coupled with marketing automation, dash-boarding and reporting

Email Marketing



Innovative, contextually relevant enterprise-class email marketing platform enabled with drag and drop marketing automation; Yahoo, Dowjones, IHG are some of the clients



Provides advanced management of transactional emails for e-commerce sites, CRM and agency systems like registration confirmation emails, password recovery, etc.

Social Media Marketing



A unified platform for social listening, conversation, engagement and analytics; Clientele includes major brands such as Coca cola, Mentos, Toyota, Carlsberg, etc.



Manages distribution of owned and earned content across social media platforms through advanced algorithmic analysis; Pepsi, Walmart, L'Oréal, etc. are some of the major clients

Niche players providing specialized offerings – Digital Marketing (2/2)

Marketing Automation



Marketing automation software platform with email marketing, lead nurturing, lead scoring, CRM integration, social media & tracking tools ,designed specifically for small to mid sized organizations



Innovative features like anonymous visitor tracking, real time lead alerts, landing page editor, dynamic progressive forms, etc; Clientele includes firms like Cisco, Shell, Intradyn, etc.

Marketing Analytics



Data capturing from sources across the digital space to present a unified view of customer, reporting down to individual level, predictive intelligence to optimize customer lifetime value



Mintigo helps marketing leaders such as DocuSign, SmartBear, SolarWinds, and ReadyTalk to find buyers faster using predictive lead scoring using thousands of attributes

Advertising and Media Firms are potential investors in UI/UX space

Focus on Digital

Full Service Agencies (Limited to Medium Digital Presence)

Pure play Digital Marketing Firms

Multi- National Presence*

National Presence



Geographic Presence

Full service advertising firms and digital marketing agencies are actively looking at developing and/or enhancing their UI/UX capabilities so that they can offer one stop solutions to clients

Section 4: Challenges & Growth Imperatives

Re-inventing business models for growth

Key Trends & Challenges Driving the Technology Landscape

KEY INDUSTRY DRIVERS LEADING THE CHANGE

Outdated Business Models

- » Traditional pricing models (based on Time & Material) are getting outdated as quality is becoming important
- » Onshore delivery is expensive & offshore delivery is not feasible for complex tasks

Limited Service Offerings

- » In this era of digital consumerism & SMAC, service providers need to revamp their portfolio to cater to wide array of clients' needs – cross border payments, real time analytics, verticalized offerings, etc.
- » Focus is on cross industry knowledge transfer and end-to-end integrated offerings through bundled deals

Technology Disruptions

- » Increasing automation & digitization is making geographical outsourcing irrelevant as the technology is continuously replacing humans
- » Cost & skill arbitrage opportunities will be lost in the coming future
- » IT/ BPO providers likely to be heavily impacted by disruptive effects of robotics process automation and BPaaS²

Highly Fragmented Industry

- » HHI index for global IT industry is about 400-500 (Industry is said to be concentrated for HHI values > 1500)¹
- » In India itself, more than 16,000 IT/BPM focused firms exist; 1000+ GIC/MNCs and 4200+ startups focusing on e-commerce/ web solutions³

GROWTH IMPERATIVES

New Age Business Models

- » Hybrid pricing models and fixed price model chosen over outcome based pricing models
- » Hub & spoke delivery model to leverage scale & reduce risk

Organic & Inorganic Capability Enhancement

- » Hiring of skilled staff with expertise in niche areas to develop innovative solutions
- » Cross-sector specialization to develop new age technologies to stay relevant e.g. Social Targeting
- » Acquisition of small players that are addressing niche market opportunities e.g. MangoPay
- » Acquisition or alliances to leverage technologies that are difficult to build on your own

Evolving Business Models for Better Alignment with Changing Business Dynamics

TRADITIONAL PERSPECTIVE

- » Labor & Cost Arbitrage
- » Mix of offshore & onshore locations
- » Transfer of projects to offshore locations
- » Multiple locations for risk management

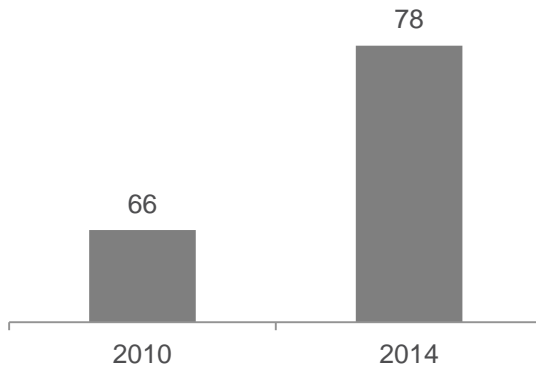


EMERGING PERSPECTIVE

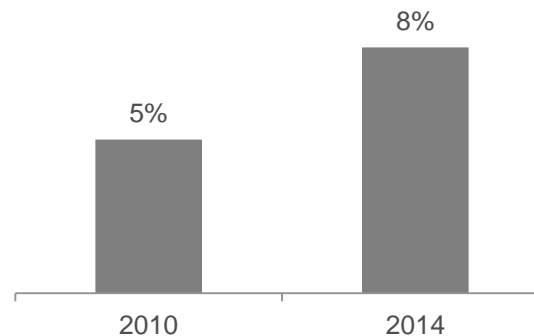
- » Hub & Spoke model with hub acting as a client interface location
- » Leveraging location advantages like access to best talent
- » Average deal sizes in IT/BPO sector have been showing a fast-growing upward trend
- » Simultaneous execution of projects at multiple locations
- » Easy to manage complex projects which require high client interaction
- » Cultural affinity for better client engagement
- » Favorable tax structures at select locations

Emergence of new business models in both Indian as well as Global markets

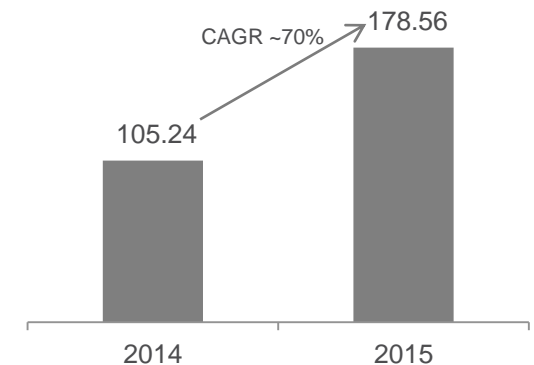
GLOBAL LOCATIONS – GLOBALIZATION TO GLOCALIZATION



FOREIGN NATIONALS – ACQUIRING GLOBAL SKILLS



AVERAGE DEAL SIZE – IT/ BPO SECTOR (USD MN)



Note : Chart 1 & 2 represent Indian market while chart 3 represents global IT-BPO contracts
Source : Nasscom Reports, KPMG Deals tracker

Organic & Inorganic Growth Strategies to Optimize Portfolio of Services

STRATEGIES

Organic Capability Enhancement

- » Cross-sell & up-sell driven growth
- » Cross-pollination of resources to develop expertise along different enterprise areas
- » Capture entire value chain of IT / BPO requirements
- » Extend offerings around products, horizontals & verticals
- » Innovation & Intellectual property linked growth

Joint Alliances

- » Decreased costs related to operations & management
- » Business growth due to internal transfers
- » Shortened learning cycles & increased efficiencies
- » Reduced Go to Market time
- » Lesser risk as compared to acquisitions
- » Quick and measurable return on investment by improving productivity and reducing costs

Mergers & Acquisitions

- » Synergy benefits - costs & revenue
- » Integrated service offerings to retain customers
- » Capitalize on new opportunities created through convergence of disruptive technologies
- » Expand offerings across products & geographies
- » Expand partnership opportunities through acquisitions

ADVANTAGES

INDUSTRY EXAMPLES

TechM – Saral Rozgar

- » Innovative mobility based service
- » Online job portal for blue-collared employee segment
- » Multilanguage support and scalable platform

Cognizant - Monetise

- » Cognizant's financial services expertise coupled with Monetise's mobile money platform
- » Lower costs & new revenue streams

Accenture – avVenta Worldwide

- » Full range of services (Interactive Marketing)
- » Cost effective & quick solutions
- » Strengthened Accenture's market position

IT and Professional Services firms are looking to increase capabilities in Digital space by investing in UI/UX capabilities

Large IT players with dedicated Digital Transformation verticals



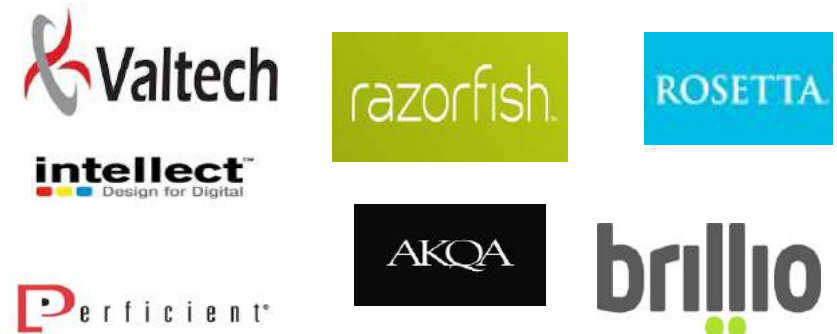
Professional Services Firms with focus on Digital Initiatives



Small and Medium IT Firms with Digital Presence



Pure Play Digital Technology firms

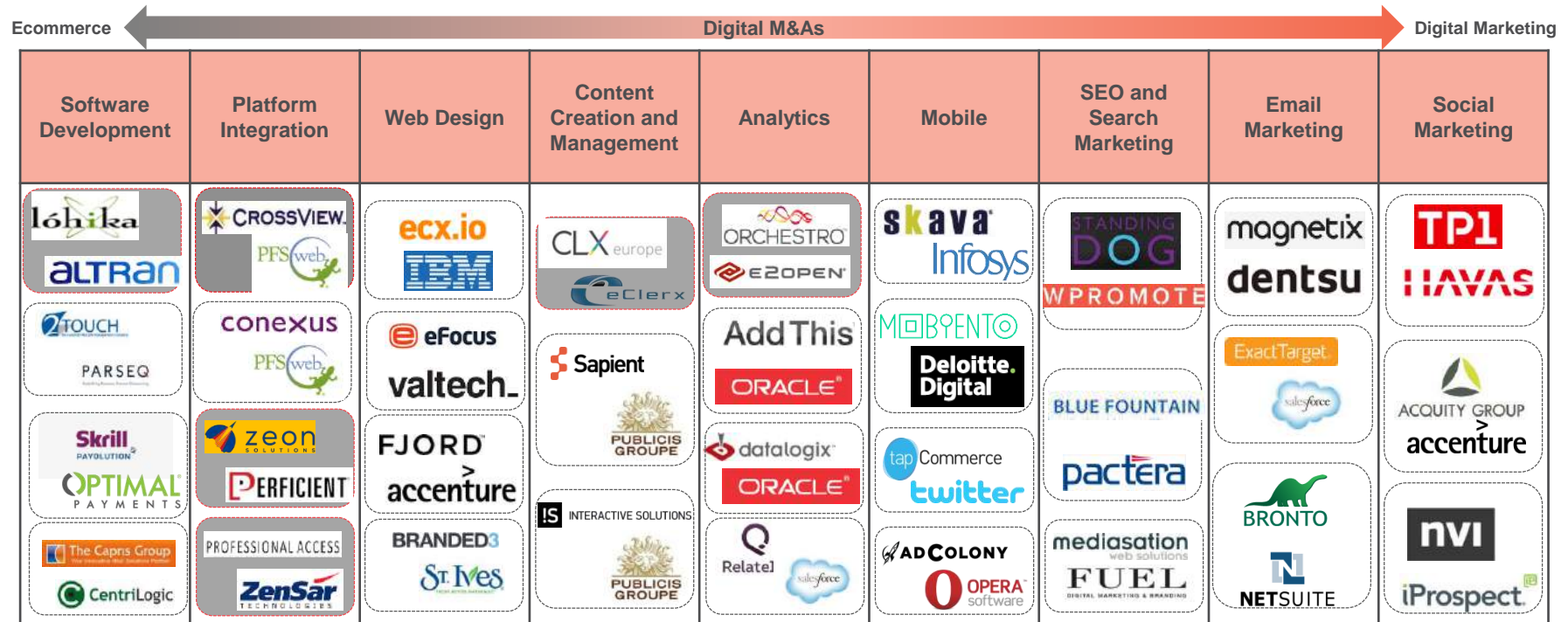


IT consulting firms, Professional Services firms dabbling in digital initiatives and Digital Tech firms are actively looking at developing UI/UX capabilities inorganically by acquisitions to offer one stop solutions to clients on the lines of Wipro's acquisition of Designit

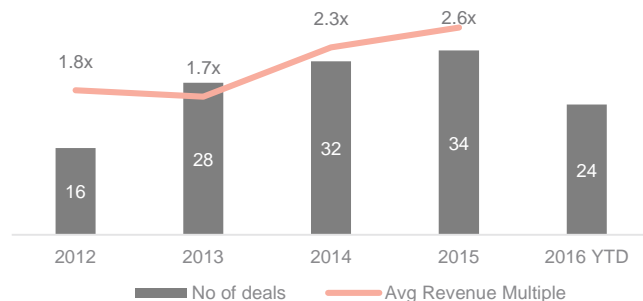
Section 5: Deal Activity

Demand For Comprehensive Solutions is Leading to Market Consolidation

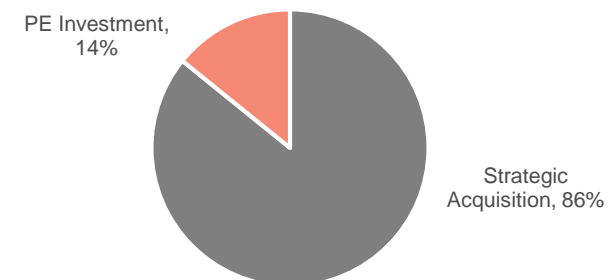
ECOMMERCE AND DIGITAL MARKETING TECHNOLOGY AND SERVICES DEAL ACTIVITY



BOTH VOLUME AND VALUATION OF DEALS IN ECOMMERCE SOLUTION SPACE ON A RISE OVER LAST 5 YEARS¹



MORE STRATEGIC DEALS THAN PE INVESTMENTS IN ECOMMERCE SOLUTION SPACE IN LAST 5 YEARS²



Transactions in Ecommerce and Digital Marketing Services Space (1/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
Apr-16	Agency Oasis	US based digital marketing agency specializing in sitecore development, digital strategy, user experience, and sitecore integrations	Rightpoint Consulting LLC	NA
Apr-16	IMJ Corporation	Japan based website developer and provider of Internet based solutions	Accenture Plc	NA
Mar-16	Scout 24 Schweiz AG (50% stake)	Switzerland based company that operates as an online advertising space provider and also operates a marketing portal website	Swiss Mobiliar Insurance Co. Ltd	NA
Jan-16	Blue Fountain Media Inc.	US based digital marketing agency engaged in the provision of Web design, online marketing, mobile application development and branding services	Pactera Technology Intl	NA
Dec-15	The Pup Group Inc.	US based digital marketing agency with presence in multiple platforms including web, cloud and digital space	Perficient Inc	NA
Nov-15	Fluent Inc.	Headquartered in New York, this US based service provider is engaged in people based digital marketing and customer acquisition	IDI Inc	255
Aug-15	Cross View Inc.	US based digital agency engaged in providing e-Commerce solutions by delivering technology and strategy services to brand manufacturers and retailers	PFS Web Inc	52
Jul-15	Designit A/S	Award winning and global strategic design firm specializing in designing transformative product-service experiences	Wipro Digital	94

Transactions in Ecommerce and Digital Marketing Services Space (2/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
Jul~15	Chaotic Moon	A creative technology studio based out of Austin, Texas that creates and develops user-centred experiences for leading brands	Accenture	NA
Jul~15	PacificLink iMedia	Hong Kong-based interactive digital marketing agency that provides strategic consultancy, eMarketing solutions and pioneering research on emerging media integration	Accenture	NA
Jun~15	Tocquigny Design	US-based digital marketing agency	Archer Malmo	NA
Jun~15	eCommera Global	UK-based technical service provider of e-commerce solutions as well as maintenance and consulting services to retailers	Dentsu Aegis Network	NA
May~15	Mobiento	Is a Swedish mobile marketing agency. It delivers mobile campaigns, portals and loyalty programs	Deloitte Digital	NA
May~15	Weve (66.66% Stake)	UK-based provider of mobile marketing and commerce services	Telefonica UK	NA
Apr~15	Averro	US-based technical services company engaged in providing project management, cloud solutions, business intelligence and digital marketing solutions	Launch Consulting	NA
Apr~14	How Splendid (51% Stake)	UK-based company engaged in experience design and technology consultancy	Creston	46

Transactions in Ecommerce and Digital Marketing Services Space (3/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
Apr~15	Kallidus Inc. (Skava)	Kallidus provides ecommerce solutions like mobile websites, apps, digital catalogues and social commerce offerings through its platform	Infosys Ltd.	120
Apr~15	Bronto Software Inc.	Bronto Software is a cloud-based marketing automation provider with a marketing platform for online and multi-channel retailers to run email marketing and cross-channel marketing campaigns	Netsuite Inc.	200
Apr~15	Ticket Monster Inc. (46% stake)	Ticket Monster is a South Korea-based operator of web based platform for buying and selling of products and services	KKR Asian Fund II L.P.; Anchor Equity Partners Fund I	781
Mar~15	Skrill Holdings Limited	Skrill Holdings Limited (Skrill Group), the UK-based company headquartered in London, is a provider of online payment solutions	Optimal Payments PLC	1206
Mar~15	Paydiant Inc.	Paydiant, Inc is a US-based provider of a cloud-based, white-label mobile wallet, cardless ATM access, offer redemption and loyalty platform for retailers, banks and payment processors	Paypal Inc.	280
Jan~15	DataLogix Inc.	Datalogix is a consumer data collection company, based out of Denver, Colorado. It provides online, direct mail, and mobile services to its clients	Oracle Corporation	1200
Nov~14	Sapient Corporation	Sapient is a marketing and consulting company that provides business, marketing, and technology services to clients	Publicis Groupe SA	3295
Oct~14	Digital River Inc.	Digital River Inc, a listed US-based company headquartered in Eden Prairie, is a provider of end-to-end cloud-commerce, payments, and marketing solutions	Siris Capital Group	840

Transactions in Ecommerce and Digital Marketing Services Space (4/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
Oct~14	Mozido Inc.	Mozido is a US-based company engaged in providing mobile payment, shopping, and marketing solutions to its clients	MasterCard Incorporated; Wellington Management Company LLP	NA
Aug~14	Mad Mimi LLC	A US-based company engaged in offering email marketing platforms focused on robust delivery, easy audience management, tracking and support	Go Daddy	42
July~14	Flurry Inc.	A US-based provider of mobile application analytics and monetization services to mobile application developers	Yahoo Inc.	200
July~14	RelateIQ Inc.	A data automation company that offers a relationship intelligence platform that uses data science and machine learning to automatically capture data from email, calendars and smart-phone calls and provide data-science-driven insights in real time	Salesforce.com Inc	350
June~14	Tapcommerce Inc.	TapCommerce is a US-based mobile technology company engaged in providing mobile retargeting solutions	Twitter Inc.	100
June~14	Adcolony Inc.	Adcolony, a US based company that provides platform for mobile video advertising & marketing	Opera Software ASA	350
May~14	Mercury Payment Systems Inc.	Mercury, a US-based company headquartered in Durango, Colorado is a provider of payments technology and services	Vantiv Inc.	1650
May~14	Convertro Inc.	A US-based company operating as a cross-channel marketing optimization and media attribution engine	AOL Inc.	101

Transactions in Ecommerce and Digital Marketing Services Space (5/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
May-14	2Touch	2Touch offers comprehensive efulfillment services including integrated web services, bespoke reporting suite, integrated mail order/ ecommerce system among others	Parseq	NA
Mar-14	Sofica Group JSC	Sofica Group JSC provide tailored solutions for a full spectrum of IT services. These focus on deployment, maintenance and support of IT operations and processes in Contact Centre space as well as Back Office operations and Enterprise VoIP environments.	TeleTech Holdings Inc	14
Jan-14	Minacs	Minacs is a leading business solutions company that offers customer lifecycle, procurement and IT solutions and services among others	CX Partners	260
Nov-13	Cerebra Communication	South Africa based company headquartered in Johannesburg, operates as an integrated strategic communication agency	WPP	NA
Nov-13	Innotrac Corp	Innotrac Corporation provides order processing, order fulfillment, and customer support contact center services to corporations that outsource these functions	Sterling Capital Ltd	108
Oct-13	Beehive Communications	India based company headquartered in Mumbai, is a communication agency that provides marketing and communications services	Publicis Groupe	NA
Oct-13	Interactive Solutions	Poland based company headquartered in Warsaw, is a digital agency	Publicis Groupe	NA
Oct-13	Acrodea Inc	The Acrodea group of companies provides services and solutions that target mobile devices, and ecommerce fulfillment services. Company also provides integrated provisioning of all ecommerce(EC) fulfillment operations	Oak Capital Corp	73

Transactions in Ecommerce and Digital Marketing Services Space (6/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
Oct-13	Xtify	Xtify offers a hosted platform to track users visit ecommerce websites or mobile applications, alerting possible customers of new content on the site, or sending personalized messages informing users of promotions. The company offers functionalities to follow users across different devices	IBM	NA
Sep-13	TRIO Digital Integrated	China based company headquartered in Shanghai, offers digital marketing services such as brand management, advertising, campaigning, and SEO services	Aegis Media China	10
Sep-13	TPM Communication	Canada based company headquartered in Toronto, provides digital, event, and video services	Publicis Groupe	NA
Sep-13	POKE	UK based company headquartered in London, offers digital advertising services	Publicis Groupe	NA
Aug-13	Emaxol	UK based company headquartered in London, provides online corporate communications services	Addison Corporate Marketing	NA
Aug-13	Jumtap Inc.	US based company headquartered in Boston, Massachusetts, is provider of mobile advertising solutions	Millenial Media	228
Aug-13	Engauge Communication	US based company headquartered in Columbus, Ohio, is a advertisement company providing digital communication solutions	Publicis Groupe	60
Jul-13	ETO SAS	France based company headquartered in Paris, offers marketing services	Publicis Groupe	NA
Jun-13	ExactTarget	US based company headquartered in Indiana, provides cross-channel digital marketing SaaS solutions enabling communication through the interactive channels	Salesforce.com	2,545

Transactions in Ecommerce and Digital Marketing Services Space (7/7)

Date	Target	Description	Bidder/ Acquirer	Enterprise Value (US\$ Mn)
Jun-13	OrderDynamics Corp	OrderDynamics Corporation offers a SaaS based ecommerce platform that includes a complete front end website presentation and product merchandising engine integrated with backend systems such as Order Management (OMS), CRM & Call Center, eMail Marketing, and Inventory Control among others	eCommera Ltd	NA
Jun-13	Mediasation Inc	Mediasation, Inc. develops ecommerce software and provides website design, search engine optimization, social media marketing services	FUEL	NA
Jun-13	SJR Group	US based company engaged in providing digital, media, design and market research services	Hill+Knowlton Strategies	NA
May-13	Nvi	Canada based company headquartered in Montreal, is a search engine optimization (SEO) and social media agency	iProspect UK	NA
May-13	Acquity Group	Provides online marketing campaign creation and management, social media marketing, search engine optimization (SEO) and Web design services for businesses globally	Accenture	316
May-13	Branded3	Provides Web design, search engine optimization (SEO), Web and mobile application development, social media marketing, and pay-per-click (PPC) campaign management services for businesses in the UK.	St Ives Group	164
May-13	Fjordnet Limited	UK based company engaged in providing digital service design consulting services	Accenture	NA
Apr-13	Beijing Wonder Advertising	China based company headquartered in Beijing, researches, develops, produces, and sells search engine marketing software, as well as monitors and analyses online advertising	Aegis Media China	142
Mar-13	John st	Canada based company headquartered in Toronto, is an advertising agency	WPP	NA
Mar-13	The Capris Group	Capris specializes in full suite of solutions and building secure ecommerce solution	CentriLogic Inc	9

Section 6: Conclusion

Digital transformation of enterprises is driving growth in UI/UX segment and leading IT and Digital Marketing firms to develop capabilities in UI/UX to offer one-stop solutions to their clients

Conclusion

Digital transformation is now a reality

- » Going digital has become an imperative for enterprises with an increase in use of smart devices and E-commerce
- » Enterprises are looking to be early adopters of digital technology and marketing to reach out to customers
- » The low cost and more focused targeting of digital advertising makes it a cost-effective way to advertise and reach out to customers thus helping in building a better customer experience
- » E-commerce companies have a higher digital focus than other enterprises, but the gap in capabilities is fast diminishing

Why UI/UX is important for an enterprise?

- » User interface is the first customer touch-point for a digital consumer. Investing in good UI/UX ensures better customer engagement and facilitates smoother customer relationship management
- » Increased penetration of social media and community blogs ensures that customers share experiences online. Online reviews increasingly are influencing buying decisions. A poor UI/UX results in unfavorable reviews
- » By 2017, 89% companies will differentiate purely on basis of customer experience

Why the UI/UX provider space is poised to grow?

- » The digital transformation of enterprises is the major driver of the UI/UX services. Enterprises are increasingly looking at service providers who can look after all their digital needs
- » Innovations like Haptic feedback, adaptive UI, gesture driven UI etc. have influenced growth in this segment
- » “SMAC” is an enabler for UI/UX and growing investment in these technologies are driving growth in UI/UX services

Outsourcing potential

- » Digital needs of an enterprise are complex and in-house platforms represent security and scalability risks making it imperative to use third party service providers for digital transformation
- » Enterprises are thus increasingly looking at one-stop solutions for their digital marketing and for digital technology needs

Capability building by Digital Marketing, IT and Professionals Services firms

- » As enterprises are increasingly looking at holistic solutions for their digital marketing needs, it has become imperative for digital marketing companies to invest in UI/UX and digital content creation capabilities
- » Even professional service firms and IT companies need to incorporate UI/UX capabilities whether organically or inorganically to remain relevant in the era of digital transformation

Appendix I- Report Scope and Methodology

Market Size Assessment Methodology

Ecommerce Technology & Back-Office Operation

Base: Gross Merchandise Value of Ecommerce

Technology Spend

- » Spend incurred by e-commerce companies on e-commerce technology and BPO is derived as a % of GMV using three year data available from annual reports of the top 4 E-commerce companies

Market Assessment

- » Market share of the top 4 E-commerce companies by GMV was evaluated using various analyst reports and the spends incurred were extrapolated to calculate total market size
- » The base forecasts was calculated using multiple research reports and data from Gartner

Outsourcing

- » Fulfillment expenses were derived as a % of GMV using three year data available from annual reports
- » 3PL logistics for E-commerce was estimated using various research reports and reasonable assumptions
- » BPO spend is calculated as the difference between the fulfillment and 3PL logistics charges

India outsourcing

- » From various analyst reports determined India's share in the market segment

Digital Marketing Technology & Back-Office Operation

Base Market: Marketing Budget

Base Number

- » Overall spend on digital marketing is derived as a % of total marketing budget

Technology and Services Spend

- » Assessed the digital marketing spend with % spend on various segments i.e. their contribution towards the total digital marketing spend
- » Evaluated the segment wise digital marketing spend on technology and services for each segment

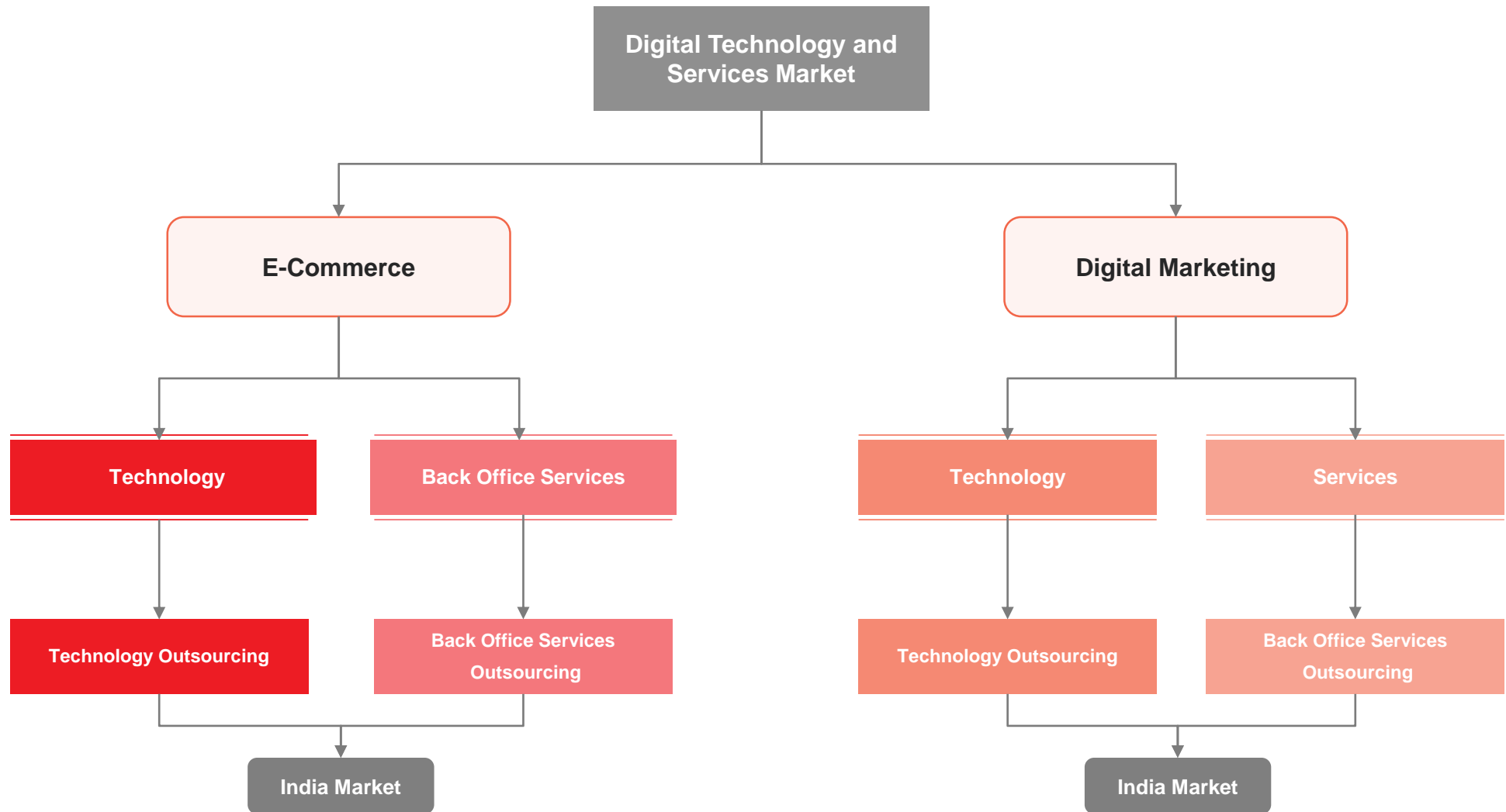
Outsourcing

- » Examined outsourcing within total digital marketing technology and services spend by industry
- » Further segmented, the outsourcing market into captives, third party on-shoring and third party off-shoring

India outsourcing

- » Assessed the captives market with the Indian market share to derive captives market in India
- » Similarly, analyzed the third party off-shoring market with the Indian market share to derive their party off-shoring market in India

Scope of Report: Digital Technology and Services Market in Ecommerce and Digital Marketing



Appendix II- Glossary and Abbreviations

Glossary and Abbreviations (A-D)

Term Used	Brief Meaning
BPaaS	Business Process as a Service, refers to delivery of business process outsourcing (BPO) services that are sourced from the cloud and constructed for multitenancy
BPO	Business Process Outsourcing, contracting of a specific business task to a third party service provider with or without a Service Level Agreement
BPO spend by E-commerce	Expenditure incurred by pure play E-commerce companies on back office operations excluding logistics and warehousing but including customer service centre
BPM	Business Process Management, systematic approach of making organization workflow more effective by use of third party service providers
B2C	E-commerce model, abbreviation for Business To Consumer, involves direct sale by vendor to final consumers
CAGR	Compounded Annual Growth Rate
CIO	Chief Information Officer, officer responsible for allocation of organization IT budget and deciding IT spends
CMO	Chief Marketing Officer, officer responsible for allocation of marketing budgets
CX	Abbreviation for customer experience, CX is the sum of all experiences a customer has with a supplier of goods and/or services, over the duration of their relationship with that supplier. This can include awareness, discovery, attraction, interaction, purchase, use, cultivation and advocacy
Connected devices	Connected devices refer to those devices which are connected to a network or to other Internet enabled or network enabled devices via different wireless protocols, and can operate to some extent interactively and autonomously
Digital Buyer Penetration	Includes Internet users above the age of 14 making a purchase online during the year.
Digital Marketing	Digital marketing, which continues to be integrated with multichannel campaign management, includes addressable branding/advertising, contextual marketing, social marketing and transactional marketing. Digital marketing extends the marketing process through channels such as the Web, video, mobile and social applications, point-of-sale terminals, digital signage and kiosks.

Glossary and Abbreviations (E-R)

Term Used	Brief Meaning
E-commerce	Transacting of goods and services over an online medium such as internet
E-commerce BPO spend	Spend on E-commerce back office solutions and implementation by all major companies from all varied sectors such as BFSI, Telecom, Retail etc. and not necessarily restricted to pure play E-commerce firms
E-commerce Tech spend	Spend on E-commerce technology infrastructure by all major companies from all varied sectors such as BFSI, Telecom, Retail etc. and not necessarily restricted to pure play E-commerce firms
Engineering graduates	Persons holding at a minimum a B.Tech degree conferred by a recognized University, college or polytechnic located in India and who are part of the work force of India
GIC	Abbreviation for Global In-house Centre , include both MNC-owned units that undertake work for the parent's global operations and the company owned unit of domestic firms
Haptic feedback	Use of sense of touch in a user interface design to provide information to an end user
HHI	Herfindahl-Hirschman index (HHI) is a commonly accepted measure of market concentration
IoT	Internet of Things (IoT) is a system of interrelated computing devices, mechanical and digital machines, objects, animals or people that are provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction.
IT/BPM	Abbreviation for Information Technology and Business Process Management industry. IT includes IT enabled services
MNC	Multi National Corporations
Offshoring	Relocation of a business process from one country to another—typically an operational process, such as manufacturing, or supporting processes, such as accounting
Order fulfillment	Complete process from point of sales inquiry to delivery of a product to the customer for an E-commerce enterprise
ROI	Return on Investment
RPA	Robotic process automation (RPA) is the use of software with artificial intelligence (AI) and machine learning capabilities to handle high-volume, repeatable tasks that previously required a human to perform

Glossary and Abbreviations (S-Z)

Term Used	Brief Meaning
SaaS	Software as a service is a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted. It is sometimes referred to as "on-demand software". SaaS is typically accessed by users using a thin client via a web browser.
SMAC	SMAC (social, mobile, analytics and cloud) is the concept that four technologies are currently driving business innovation. SMAC creates an ecosystem that allows a business to improve its operations and get closer to the customer with minimal overhead and maximum reach
Tech spend by E-commerce	Expenditure on technology incurred by companies engaged in E-commerce or E-tailing
GIC	Abbreviation for Global In-house Centre , include both MNC-owned units that undertake work for the parent's global operations and the company owned unit of domestic firms
UI	Stands for User Interface. user interface (UI) is everything designed into an information device with which a human being may interact -- including display screen, keyboard, mouse, light pen, the appearance of a desktop, illuminated characters, help messages, and how an application program or a Web site invites interaction and responds to it.
UX	Stands for User Experience. It refers to a comprehensive set of solutions offered to ensure that customer experience on a technology platform is seamless and includes amongst other things, the User Interface
WOM	Word of Mouth referrals

About Avendus

Avendus Overview

AVENDUS[^]

A Global Financial Services Firm



Investment Banking

M&A Advisory

- » Have closed 72 M&A transactions since 2007, 48 of which were cross-border
- » Market leaders in the IT & BPO segment, both in terms of total deal value as well as number of deals⁽¹⁾ since 2009

Private Equity Syndication

- » Closed 68 PE transactions since 2007
- » More than US\$ 2 Bn raised through PE Syndication since 2007

Structured Finance

- » Add on product to the core Investment Banking business
- » Provide acquisition finance advisory, mezzanine fund raise, Tier II capital etc.
- » Closed 14 deals since 2011

Public Equities

Equity Capital Markets

- » Started the business in 2008
- » Raised nearly ~US\$ 830 Mn for clients in over 13 IPO/QIPs/OFS since 2008
- » Relations with investors in Hong Kong, Singapore, Europe and the US

Institutional Equities*
▪ Equity Research
▪ Sales & Trading

- » Large cap stocks covered across 10+ sectors
- » >40% of BSE 500 covered
- » Empanelled with 90+ domestic and international clients

Alternate Asset Management

Private Equity Investing

- » Recently launched new fund of US\$ 500 Mn in partnership with Zodiuss Capital
- » Fund I fully liquidated and returned to investors with IRR of 13% (1.3x)
- » 2 exits with 3x returns in < 18 months

Wealth Management

Wealth Management for UHNI clients

- » Started in 2010, AUM has grown to US\$ 400 Mn+ with over 150+ families
- » One of the few WM players to have broken into the US market for NRI clients

Avendus Offices

*JV with IL&FS Financial Services; Total team strength 120+ professionals; 1 US\$ = 60 INR

**Avendus Capital Inc. is a registered FINRA member broker dealer. Please note that not all of the services or the locations listed above are services or locations of the FINRA registered BD. For more information about the Avendus group of companies, the details of services provided and the various regulatory jurisdictions, please contact Avendus at us@avendus.com

Contact Details

Amit Singh

Head IT & Co-head Outsourcing Group

Email: amit.singh@avendus.com

Mobile: +91 98864 11118

Landline: +91 80 6648 3601

Puneet Shivam

Head – US & Co-head Outsourcing Group

Email: Puneet.shivam@avendus.com

Mobile: +1 917 554 7030

Landline: +1 646 707 0789

Our Locations

AVENDUS CAPITAL PVT. LTD.

MUMBAI (Registered Office)

The IL&FS Financial Centre
B Quadrant, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai 400051

Tel: +91 22 66480050/0950
Fax: +91 22 66480040/0940

UNITED STATES OF AMERICA

Avendus Capital Inc.
499 Park Avenue, 12th Floor
New York, NY 10022

Tel: +1 646 707 0789
Fax: +1 646 707 0899

CIN: U99999MH1999PTC123358
www.avendus.com

UNITED KINGDOM

Avendus Capital (UK) Private Limited

33, St James's Square,
London SW1Y 4JS

Tel: +44 203 159 4353
Fax: +44 207 661 9400

*Avendus Capital (UK) Private Limited is authorized and regulated by
the FSA*