

Magic Quadrant for Custom Software Development Services

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This Magic Quadrant evaluates systems integrators on their ability to build new products leveraging design, Generative AI, APIs and expertise in other technologies. Sourcing, procurement and vendor management leaders can use this research to identify and select potential service providers.

Strategic Planning Assumptions

By 2027, 80% of IT services contracts that do not call for responsible use of generative AI will fail to deliver desired outcomes.

By 2028, 60% of IT services will be powered by the trifecta of generative AI, hyperautomation and metaverse, radically changing the services buyer landscape.

By 2025, 75% of developers will use generative AI to learn new software development skills, compared with 30% in 2023.

By 2028, the use of generative AI will reduce the cost of modernizing legacy applications by 30% from 2023 levels.

By 2026, demand for IT development talent will stabilize as application implementation and managed services will be impacted by use of generative AI.

Market Definition/Description

Gartner defines custom software development (CSD) services as those that develop software in rapid increments and iterate custom applications and software products to meet

an organization's unique business needs. CSD services entail gathering business requirements and coding applications from inception, building applications on a platform as a service (PaaS), or assembling applications from existing web services or other reusable pieces of code. Services marketed as "software product engineering" or "digital product development" are likely to be examples of the category Gartner defines as CSD services.

Sourcing, procurement and vendor management leaders can leverage CSD services through one of the following use cases:

- **Unique user experience:** This use case focuses on software that will be used not by the buyer's employees, but by the buyer's customers. Examples include dynamic websites, personalization of content and promotions, smartphone apps, tablet applications, and voice and text interactions. This use case is common in consumer-facing industries such as retail, financial services and entertainment. Businesses seek to differentiate themselves by offering their customers best-in-class user experiences.
- **Unique operational processes:** This use case focuses on software that operates or automates business processes that exist only at the buyer organization. These processes improve operating efficiencies by streamlining the regular operations of a business and increase productivity by eliminating the variability of human and systematic error. Examples include enabling payment processing providers to process millions of transactions a day, and providing operational support systems for telecommunications providers that provision new customers and manage networks and government agencies. This use case may require specialization in industry verticals and their regulatory environments.
- **Unique products:** This use case focuses on a new product or service, with differentiating features, that the CSD buyer will sell to increase revenue and alternative channels for growth. Consumer demand drives these products, which require a thorough understanding of the market and competitors. This use case may require specialization in specific technologies, such as industrial Internet of Things (IIoT), augmented reality/virtual reality (AR/VR), AI/machine learning (ML) or embedded systems. These services would require rapid prototyping, experimentation, hypothesis-based development and close collaboration with clients to create a product implementation roadmap. Examples include infotainment systems in the automotive sector and digital platforms in the entertainment, media and gaming sectors.

Must-Have Capabilities

The must-have capabilities for this market include:

- Software engineering approaches: The use of agile and DevOps methods in diversified, inclusive and multidisciplinary teams.
- Technical architecture and cloud: Ability to design a new software solution and scalable infrastructure that grows with the client's business.
- Delivery capabilities: Delivering from onshore, nearshore or offshore development centers. Some will offer innovative resourcing solutions such as crowdsourcing, hire-to-order, build-operate-transfer or captive center purchases.

Should-Have Capabilities

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

- Business acumen: Ability to understand the client's business issues and operations, and articulate desired business outcomes to help shape a vision and product roadmap for new custom software.
- Design (user and customer experience): Ability to enable rich user interface (UI) design and user experience (UX) interaction functionality for custom software or products that translate into meaningful and relevant user experiences.
- Analytics and business intelligence (BI): Ability to offer best practices, strategies and implementation services for analytics and BI tools, applications and packaged solutions as part of custom software.
- API and integration: Implementation of technologies and solutions that integrate, share and govern data in the same or different systems, ensuring the real-time exchange of data and events, along with monitoring.
- AI/ML and multiexperience development: Ability to embed AI and/or ML models as part of a custom software solution and ability to leverage for customers various modalities, digital touchpoints, apps and devices to design and develop optimized and seamless experiences for multiple personas.

Optional Capabilities

An optional capability is relationship and customer experience. This is the ability to work effectively with other systems integrators and partners to deliver value and build long-lasting

relationships with client stakeholders.

Magic Quadrant

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



Vendor Strengths and Cautions

This document was revised on 4 November 2024. The document you are viewing is the corrected version. For more information, see the **Corrections** page on gartner.com.

Accenture

Accenture is a Leader in this Magic Quadrant. This full-service provider is headquartered in Ireland. Gartner estimates its CSD service revenue growth at 7% year over year (YoY) through December 2023. Of this revenue, 90% came from larger clients and 10% from midsize clients. Accenture's CSD services revenue breakdown is 43% from EMEA, 35% from North America, 19% from Asia/Pacific (APAC) and 3% from Latin America (LATAM). The top three industries by number of clients are: manufacturing and natural resources; banking and investment services; and communications, media and services. Accenture's current and future focus is on making every enterprise a world-class software organization by delivering differentiated and innovative services across industry lines, technologies and markets.

Strengths

- **AI-infused engineering:** Accenture is rapidly investing in enhancing its AI capabilities and offerings. It has delivered more than 700 generative AI (GenAI) client implementations, upskilled its data and AI practitioners, and expanded its AI academy. It has evolved its myWizard platform to GenWizard, which uses GenAI to boost productivity throughout the development life cycle.
- **Ecosystem partners:** Accenture has an alliance of 240 partners, and it continues to expand its ecosystem. It also partners with growth-stage companies, industry-specific platforms, and early-stage startups through Accenture Ventures. Clients benefit from integrated architecture, go-to-market teams and the preagreed commercial models that Accenture has with its partners.
- **Focus on innovation:** Accenture blends strategy development, technical knowhow and industry knowledge with modern engineering principles to design and deliver innovative solutions for clients using more than 100 innovation centers and studios. It adopts a progressive modernization approach to help clients in their transformation journey to build a digital core using cloud, data and AI. Clients appreciate the engineering expertise and thought leadership Accenture brings to engagements.

Cautions

- **Expansion to other regions:** Accenture has a large presence in North America, LATAM, Western Europe and APAC and has been making acquisitions in other regions. Given the demand for nearshore talent in this market, clients should evaluate Accenture's presence in Eastern Europe and the Middle East.

- **Competition from pure-play providers:** Accenture is facing competition in the market from pure-play custom development companies that are able to deliver cheaper and faster. Clients focusing on pure-play outsourcing or traditional staff augmentation may not find Accenture the best fit.
- **Long-term support:** Some clients highlighted that implementations were difficult to scale and support once the project was over. Potential customers should inquire about long-term, cost-efficient support options and knowledge transfer offerings to maintain the new system while contracting for the development phase to ensure appropriate alignment.

Cognizant

Cognizant is a Challenger in this Magic Quadrant. This full-service provider is headquartered in the U.S., and Gartner estimates that its CSD service revenue declined by 2% YoY through December 2023. Of this revenue, 80% came from larger clients and 20% from midsize clients. Cognizant's CSD services revenue breakdown is 72% from North America, 21% from EMEA, 7% from APAC and no revenue from LATAM. The top three industries by number of clients are: communications, media and services; banking and investment services; and manufacturing and natural resources. Cognizant's current and future focus is on partnerships with large organizations with complex IT architectures, particularly those that need end-to-end transformations and that are shifting to platform-based services.

Strengths

- **Investment to improve service delivery:** Cognizant has developed a risk and quality management framework that includes legal, security, privacy and regulatory compliance. It has invested in alliances, for example, with Google on healthcare large language models (LLMs), open-source tools and platforms (DevSecOps, FinOps, Flowsource, Skygrade and Neuro), and integrating GenAI to enhance managed services.
- **Flexible and performance-based deal structures:** Cognizant has been implementing more accountable deal structures that are aligned to productivity and delivery efficiencies leveraging flexible and different types of commercial models. For example, beyond time and materials (T&M) pricing, it offers clients fixed-price, managed-capacity and outcome-based pricing models.
- **Long-term software engineering partner:** Cognizant establishes long-term relationships with its clients to support transformations from concept to scale. It uses line-of-business "product pods" to transform technology, and ensures critical operations. Recent

acquisitions that have increased its technical capabilities include: Mobic (a U.K.-based IoT services company), Thirdera (a U.S.-based company with ServiceNow low-code capabilities) and Belcan (a U.S.-based engineering services company).

Cautions

- **Limited LATAM coverage:** Cognizant uses onshore and offshore locations in new engagements, but has the smallest percentage of LATAM resources in this research. LATAM clients, or those trying to leverage LATAM nearshore services, should validate the skills and continued availability of key individuals allocated to their pods.
- **Decreased headcount:** Cognizant's number of full-time equivalent (FTE) employees has dropped by 7% in the last year, and it has reduced its investment in reskilling and training. Clients engaging with Cognizant should review its resource planning to ensure capacity and skills needs can be met.
- **Not focused on smaller organizations:** Cognizant focuses on large end-to-end partnerships with clients from build to run. Of Cognizant's implementation projects, 80% were for clients with over 10,000 employees, and a further 15% for clients with over 2,500 employees. Small and midsize businesses (SMBs) may not find Cognizant to be a good fit.

Deloitte

Deloitte is a Leader in this Magic Quadrant. This global full-service provider comprises multiple member firms serving local markets in different regions. Gartner estimates that its CSD service revenue grew by 20% YoY through December 2023. Of this revenue, 85% came from larger clients and 15% from midsize clients. Deloitte's CSD services revenue breakdown is 45% from North America, 26% from EMEA, 25% from APAC and 4% from LATAM. The top three industries by number of clients are: government; healthcare and life sciences; and banking and investment services. Deloitte's current and future focus is to help clients transform their businesses by leveraging CSD services empowered by business advisory and industry-specific insights.

Strengths

- **Show versus tell:** Deloitte's dedicated engineering practice relies on collaboration, industry knowledge and technology — as well as prototypes and demos — to create viable solutions for its clients. Deloitte's strategy includes transcending "tech for tech's

sake,” demanding provable and contextualized concepts and solutions. Its persona-led thinking also helped it to stand out from others in this research.

- **End-to-end transformation partner:** Deloitte’s approach is to help clients in their transformation journey from Phase 0 strategy, through implementation and into Deloitte’s “Operate to Innovate” model, which focuses on evolutionary business value. Central to Deloitte’s value proposition, and reflected in its positive client feedback, is a strong focus on industry-specific use cases and solutions based on the strategic business objectives of actual clients.
- **Comprehensive GenAI solutions:** Backed by a \$4 billion multiyear investment, Deloitte has convincingly integrated GenAI and other modalities of AI into its proprietary solutions and approach, including IndustryAdvantage, Ascend, AI Assist and GenAI Studio, all of which enable rapid software design and development. Included in this strategic investment are 18 acquisitions that are providing GenAI and product engineering capabilities. Deloitte is also training almost 90% of its developer staff on these proprietary AI platforms.

Cautions

- **Asymmetrical approach to partnering:** Deloitte is less focused on strategic, collaborative partnering with smaller and midsize partners than others in this research. While this can be understood as a function of its large size, it may limit its ability to quickly address accelerating and volatile areas of new tech.
- **Premium pricing:** Deloitte’s prices reflect its position as a premium service provider. Clients cite cost as a caution on commodity services. Enterprises prioritizing value spending should consider optimizing their spend on Deloitte’s services toward commercially differentiating services rather than commodity ones.
- **Not ideal for pure-play CSD:** Those looking for pure-play outsourcing, staff augmentation or with needs in specific geographies where Deloitte’s custom software development presence is limited (for example, LATAM or Eastern Europe), should consider other vendors that might be a better fit.

DXC Technology

DXC Technology is a Niche Player in this Magic Quadrant. This full-service provider is headquartered in the U.S. Gartner estimates its CSD revenue growth at 2% YoY through

December 2023. Of this revenue, 94% came from larger clients, 4% from midsize and 2% from small clients. DXC's CSD services revenue breakdown is 49% from Western Europe, 31% from North America, 19% from APAC and 1% from LATAM. The top three industries by number of clients are: government; automotive and manufacturing; and healthcare and life sciences. DXC continues to focus on application and infrastructure modernization, including containerization, microservices and APIs.

Strengths

- **Diverse industry expertise:** DXC supports 17 of the world's top 20 banks, collaborates with 90% of car makers and has extensive expertise in these sectors. Strategic partnerships with Amazon Web Service (AWS), Microsoft and SAP enhance DXC's capabilities and market presence as well as its service delivery.
- **AI and automation:** DXC differentiates itself with AI-enabled development and testing, demonstrated in high-profile projects with automotive clients. The company's Intelligent Testing as a Service (ITaaS), and accelerators like the LXA platform, reduce costs and improve efficiency, providing clients with rapid, high-quality solutions.
- **Global delivery network and innovation hubs:** DXC's regional innovation hubs and global delivery networks enable agile, efficient and effective collaboration at cost-competitive prices. These hubs, combined with design studios and data and analytics, ensure that DXC can deliver quality work worldwide. The integration of Luxoft into DXC further strengthens its engineering talent and service offerings.

Cautions

- **Limited onshore model:** While DXC has a global presence, its service delivery often relies on nearshore and offshore locations. This approach may be well-suited for commoditized services but could present challenges in providing highly customized support or rapid responses for complex projects. Some clients have noted potential difficulties in project initiation and a reliance on offshore teams.
- **Growth concerns:** DXC has recently faced some challenges to growth, which can be attributable to its focus on maintaining existing client relationships, as well as larger macroeconomic dynamics at play. Potential clients may want to assess DXC's suitability for long-term partnerships.
- **Limited focus on large deals:** DXC has 47% of its reported CSD deals falling below \$500,000, the highest share among all service providers in this research. Clients seeking

large-scale, complex solutions translating to large total contract value may want to evaluate DXC's experience in handling such projects.

Encora

Encora is a Niche provider in this Magic Quadrant. This CSD pure-play provider is headquartered in the U.S. Gartner estimates that its CSD service revenue grew by 27% YoY through December 2023. Of this revenue, 37% is from small clients, 33% from midsize clients and 30% from larger clients. Encora's CSD services revenue breakdown is 75% from North America, 13% from APAC, 7% from EMEA and 5% from LATAM. The top three industries by number of clients are: communications, media and services; banking and investment services; and healthcare and life sciences. As a pure-play CSD provider, Encora is focused on providing scaled and distributed agile engineering and DevSecOps services to both technology and enterprise clients.

Strengths

- **A go-to provider for digital-native companies:** Encora's cloud-first, data-first, AI-first digital engineering has served digital-native tech companies since its inception in 2003. These companies claim to value Encora's scaled and distributed agile engineering and DevSecOps capabilities. Emphasizing the tech-native connection, 70% of buyers of Encora's CSD services are chief information officers (CIOs) and chief technology officers (CTOs).
- **Experienced staff:** Of Encora's 7,000+ agile CSD resources, 43% have between five and 10 years of experience, above the average in this cohort. They deliver from centers around the world, primarily balanced between India and LATAM, with growing resource bases in Europe and Southeast Asia. Encora has redesigned its talent operations to improve talent attraction, engagement and retention.
- **High Net Promoter Score (NPS):** Encora impresses with its high NPS, 82.4 in 2024, which is evidence of its ability to weave client centricity and productive value into its services.

Cautions

- **Predominantly aligned to digital natives:** Encora's position as a go-to provider for digital-native tech companies means it primarily works with clients with high CSD maturity. The expansion to focus on enterprise clients indicates the growing inclusion of clients with lower CSD maturities. Enterprises that require significant infusion of agile/DevOps and

other modern engineering practices should check availability of frameworks and methodologies. Potential clients should check that Encora's services correspond with their needs.

- **Limited presence in some markets:** Encora primarily serves clients in North America though its delivery resources are in all regions. Clients needing services in LATAM, EMEA and/or APAC should carefully evaluate Encora's ability to serve these markets.
- **Less focused on design and multiexperience:** Encora's strength in software engineering is reflected in its talent, which is comprehensively focused on software engineering and agile methods. However, compared to the cohort in this research, it is underrepresented in both design and multiexperience skills. Potential clients prioritizing those skills should specifically assess whether those needs can be met by Encora.

Endava

Endava is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in the U.K. Gartner estimates its CSD service revenue growth as 2% YoY through December 2023. Of this revenue, 58% came from larger clients, 26% from midsize and 16% from small clients. Endava's CSD services revenue breakdown is 59% from EMEA, 33% from North America, 8% from APAC and no revenue from LATAM. The top three industries by number of clients are: payments; communications, media and services; and banking and investment services. Endava is investing in both nearshore and offshore operations through acquisitions to scale its engineering services helping clients accelerate their digital initiatives.

Strengths

- **Proficiency in payments and modernization:** Endava focuses on solutions that depend heavily on complex data structures and quality engineering. It invests in its delivery framework, providing an integrated client engagement model and proven engineering practices. It supports less-mature clients in agile delivery and has a strong payment partner ecosystem. It continues to invest in innovation, including PCI certification for financial services.
- **Agile software engineering at scale:** Endava's proprietary delivery model — The Endava Agile Scaling framework (TEAS) and software assessment (Chronos) — provide product-oriented delivery and are tailored to the client's needs around agile maturity. TEAS' transformation strategy, adoption approach and implementation guidelines support

change toward an agile state. Its design-thinking training enables a design-first approach to user and customer experience.

- **Global delivery:** With both nearshore and offshore investments, its workforce is now in 27 locations. Recent APAC acquisitions can combine with its Australian businesses to create delivery teams at scale. Endava has made specific hires and investments to ensure that these acquisitions are fully integrated and act as extensions of the Endava global delivery model.

Cautions

- **Commercial models:** Endava continues to derive the bulk of its CSD revenue (82%) through a T&M model, and has very limited revenue from a business-outcome-based commercial model. This is below group average. Clients seeking an outcome-based commercial model must proactively discuss and indicate their preference upfront with Endava.
- **Less focus on AI and business intelligence (BI):** Compared to the cohort in this research, Endava is underrepresented in AI and BI in terms of capabilities and deals. Clients prioritizing AI and BI need to specifically assess if their needs can be met.
- **Cost arbitrage:** Endava's business model hinges on extensive nearshoring of CSD services. Though it is expanding its presence in offshore operations, Endava's ability to leverage lower labor costs and thereby offer significantly reduced pricing compared to some of the other providers in this research may be challenged. This is also reflected in some client feedback citing high costs. Clients should evaluate Endava's plans to compete with low-cost service providers if cost optimization is an important requirement.

EPAM

EPAM is a Leader in this Magic Quadrant. This pure-play provider is headquartered in the U.S. Gartner estimates its CSD revenue declined 3% YoY through December 2023. Of this revenue, 82% came from large clients, 17% from midsize clients and 1% from small clients. EPAM's CSD services revenue breakdown is approximately 59% from North America, 35% from EMEA, 11% from APAC and no revenue from LATAM. The top three industries by number of clients are: communications, media and services; retail; and banking and investment services. EPAM focuses on service delivery using DevOps, Agile methodologies and data analytics. It has invested significantly in GenAI to enhance its service delivery.

Strengths

- **Composable software:** EPAM creates adaptable business software using reusable components and low-code/no-code technologies. Its developers quickly model new elements, while business architects translate needs into requirements and select the right components for custom solutions, which dramatically decreases time to market.
- **Continued strong focus on GenAI:** GenAI is central to EPAM's custom software development process, with its delivery, engineering, testing, and DevOps teams assessing performance and integration with existing tools. Its R&D team refines use cases and develops proprietary solutions, while its legal framework manages IP, security and misuse risks. EPAM has partnerships with AWS, Google and Microsoft for advancements and collaboration. This makes EPAM a one-stop shop for clients with CSD-related GenAI needs.
- **Positive client experience:** EPAM's track record for delivery excellence, high productivity, high levels of stakeholder satisfaction, and adherence to commitments is a unique point of differentiation. Backed by a strong suite of proprietary products, EPAM's ability to help clients build the right products is applauded by some clients.

Cautions

- **Reduced workforce:** EPAM has undergone a 10% workforce reduction that, combined with revenue decline, may impact its ability to scale and deliver services in the long term. Clients should be aware of EPAM's capacity and timeline to serve. Compared to larger providers, EPAM's "bench" is not as deep, potentially delaying onboarding for urgent requirements.
- **Restrictive commercial model:** EPAM does not commit itself to large-scale, outcome-based contracts where business outcome is hard to measure, and no initial customer investment is affordable. Customers having such requirements may have to consider other service providers covered in this research.
- **Limited geographic presence:** EPAM's limited FTE presence in LATAM (9%) and North America (7%) may result in slower resource allocation, less localized support, and potential challenges with communication and market-specific expertise for clients in these regions. Potential clients with strong onshore CSD delivery services requirements must carefully review EPAM's resource-provisioning plans and delivery model before embarking on a formal engagement.

Globant

Globant is a Challenger in this Magic Quadrant. This pure-play provider is headquartered in Luxembourg. Gartner estimates that its CSD service revenue grew by 7% YoY through December 2023. Of this CSD services revenue, 59% came from larger clients, 26% from small clients and 15% from midsize clients. Globant's CSD services revenue breakdown is 59% from North America, 22% from LATAM, 15% from EMEA and 4% from APAC. The top three industries by number of clients are: telecommunications and tech services; manufacturing and natural resources; and banking and investment services. Globant is focused on creating a global presence with a recurring customer base, building expertise in emerging technologies, rapid revenue growth, and acquiring and integrating complementary bolt-on acquisitions.

Strengths

- **Structured approach to expand domain knowledge:** Globant has 44 specialized studios that focus on specific capabilities, in addition to more than 70 delivery centers across the globe. It has a strong emphasis on adopting AI across various sectors including a focus on AI in its innovation centers in multiple global locations — an organizing principle that helps the company to rapidly increase its skills and knowledge acquisition.
- **Strong software engineering skills:** Globant's PODs engagement model offers an agile team with blended skills. These agile teams are composed of three to 10 resources who emphasize delivery excellence and consistently deliver high client satisfaction. An NPS of 83 is proof of this. Clients also cite the ease of expansion and scaling of Globant's PODs methodology. Globant leverages its proprietary GeneXus toolset to accelerate development and reduce time-to-market, while also enabling rapid prototyping and iteration.
- **Clear focus on accessibility:** Globant demonstrated a commitment to accessibility in software development and a notable investment in user research. This focus is woven into its PODs methodology, which uses continual user research to identify pain points and opportunities, feeding into product-line features that reflect the client's business objectives.

Cautions

- **Limited midsized clients:** Globant's clients are either very large or very small. Its larger clients are typically blue-chip enterprises with over 10,000 FTEs, while smaller clients are often tech start-ups with under 500 FTEs. Although this pattern shows demand for both Globant's software engineering skills and its PODs methodology, it is also a sign of split focus. Clients in the midmarket space should assess the fit of this for their purposes.
- **Limited experience:** 85% of Globant's talent has less than five years of experience. An overwhelmingly young workforce may speak to a possibly strong future, but also means a lack of deep industry experience when compared to other vendors included here. Some clients note challenges with talent turnover.
- **Reliance on transactional commercial models:** While Globant posted positive growth in this market, it continues to show an overreliance on highly transactional commercial models such as T&M, and has limited outcome-based models.

HCLTech

HCLTech is a Leader in this Magic Quadrant. This full-service provider is headquartered in India. Gartner estimates that its CSD service revenue grew by 10% YoY through December 2023. Of this revenue, 71% came from larger clients, 25% from midsize and 4% from small clients. Gartner estimates that HCLTech's CSD services revenue breakdown is 55% from North America, 31% from EMEA, 13% from APAC and 1% from LATAM. The top three industries by number of clients are: communications, media and services; manufacturing and natural resources; and healthcare and life sciences. HCLTech's CSD services focus on training the workforce, promoting collaboration and reinventing business models to create new revenue streams.

Strengths

- **Product-based delivery:** HCLTech's operating model delivers all scaled agile capabilities (lean-agile leadership, team and technical agility, agile product delivery and lean portfolio management), one of the few in this research to do so. It offers differentiated engagement models with outcome-based execution that is focused on transforming sustainably and responsibly.
- **Scaled-AI competency:** HCLTech has introduced a GenAI-powered solutions suite called AI Force that is focused on accelerating time to value in the software development and engineering life cycles. HCLTech enables its clients to scale and accelerate their AI ambitions with flexible commercial models, innovation labs, design and consulting

services, organizational change management, strategic ecosystems, and a customer advisory board.

- **Organized for delivery excellence:** HCLTech has unified its sales team and has built a central practice team for custom apps, data and AI. Its talent strategy reflects consolidation of past acquisitions and is bringing all of its services under common leadership. HCLTech has also invested in U.S. and European nearshore centers to deliver talent close to customers and to strengthen its global delivery.

Cautions

- **Limited coverage in LATAM and the Middle-East:** HCLTech continues to have limited ability to translate its CSD services into revenue outside of North America and Europe, and its earnings from LATAM and the Middle East are below peer average. Clients in these geographies that have a requirement for onshore CSD delivery should review HCLTech's local services.
- **Resource management challenges:** Some clients cited that they faced time-difference and communication challenges with HCLTech's overseas resources. Some also faced dependency issues with key individuals. Clients should clearly review HCLTech's resourcing strategy and ensure that the responsibilities are well spread across resources and not concentrated on one or two key individuals.
- **Low CSD revenue from banking and investment services:** HCLTech clients across banking and investment services represent only 13.5% of the company's CSD revenue, significantly less than other leaders. Clients should scrutinize HCLTech's ability to provide industry-specific competencies, specifically in this sector.

Hexaware

Hexaware is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in India. Gartner estimates that its CSD service revenue grew by 22% YoY through December 2023. Of this revenue, 68% came from midsize clients, 19% from larger clients and 13% from small clients. Gartner estimates that Hexaware's CSD services revenue breakdown is 60% from North America, 27% from EMEA, 11% from APAC and 2% from LATAM. The top three industries by number of clients are: banking and investment services; insurance; and healthcare and life sciences. Hexaware's current and future focus is to deliver industry-specific solutions while building strong client relationships.

Strengths

- **Established partner ecosystem:** Hexaware's strong partnerships allow it to offer integrated and comprehensive CSD solutions to meet diverse client needs. The ecosystem is categorized into strategic partners (such as AWS, Google Cloud and Microsoft), vertical-focused partners (such as Backbase and Guidewire) and next-level partners (such as Adobe and Appian).
- **Rapid new logo addition:** 35% of Hexaware's CSD engagements are from new clients, the highest among service providers in this research. This can be partly attributed to Hexaware's sales and marketing, its mind share with clients, and its ability to easily match client business needs.
- **SMB market fit:** Hexaware gets a high percentage of CSD revenue from SMB clients, which is higher than peer group average. Given its size, agility and nimbleness, Hexaware is able to showcase quantifiable differentiation with SMB clients compared to some of the larger full-service providers.

Cautions

- **Revenue concentration in North America and EMEA:** Over 60% of Hexaware's revenue came from North America and 27% from EMEA. While Hexaware plans to continue its growth and expansion into other geographies, clients looking for comprehensive global services may need to carefully evaluate Hexaware's delivery capabilities outside North America and EMEA.
- **Limited applied GenAI engagements:** GenAI did not appear to be widespread across Hexaware's client engagements, as evidenced in the examples it presented to Gartner for this research. However, Hexaware has created RapidX 2.0, an AI-infused build platform that enables an AI-assisted software development life cycle (SDLC) through a collection of GenAI subject-matter experts. Clients exploring the potential of AI/GenAI for their requirements must evaluate Hexaware's ability to deliver on complex projects.
- **Limited industry expertise:** Hexaware's revenue is largely derived from banking and financial services; healthcare and hi-tech; and professional services. It reported either negligible or no revenue from the government; oil and gas; and power and utilities. Clients in these sectors should carefully review Hexaware's ability to bring industry-specific competencies for their needs.

IBM

IBM is a Leader in this Magic Quadrant. This full-service provider is headquartered in the U.S. Gartner estimates that its CSD service revenue grew by 5% YoY through December 2023. Of this CSD services revenue, 88% came from larger clients, 10% from midsize clients and 2% from small clients. IBM's CSD services revenue breakdown is 39% from North America, 30% from APAC, 28% from EMEA and 3% from LATAM. The top three industries by number of clients are: banking and investment services; communications, media and services; and manufacturing and natural resources. IBM's current and future focus is to provide transformation to clients harnessing GenAI, lean startup, Agile, DevSecOps and product engineering best practices.

Strengths

- **GenAI-infused services:** IBM is extensively leveraging GenAI to improve software development processes through assets and AI assistants. These assets span across cloud, microservices, quality engineering and platform engineering. IBM's watsonx platform is used for training, tuning and deploying AI models, and scaling AI workloads to create responsible and transparent AI workflows. Given IBM is so deeply entrenched in client organizations, its GenAI capabilities will be useful for those clients.
- **New commercial models:** IBM offers flexible commercial models (such as t-shirt-based pricing for squads and factory models) for custom development services to increase client options, expand scope and provide risk-mitigation options. It has worked with a few clients on asset-based relationships, and client feedback suggests they are receptive to vendors offering risk-sharing models.
- **Strategic acquisitions:** IBM has made several acquisitions including Apptio (FinOps), StepZen (APIs and data integration), StreamSets (DataOps and data ingestion), Equine Global (cloud consulting) and Agyla SAS (cloud, DevOps and security). These acquisitions have helped IBM expand its offerings by adding specialized tools and capabilities. It is also leveraging Red Hat open-source technologies to build and deploy applications across on-premises and cloud infrastructures.

Cautions

- **Focus on large technology buyers:** IBM has traditionally maintained strong relationships with CIOs and CTOs in large enterprises and secures the majority of its revenue from complex transformation programs. While IBM is actively diversifying its client base and

has expanded its focus to include midsize and emerging businesses, very little of its revenue comes from this category.

- **Junior resources:** Over 75% of its resources have less than five years of experience in CSD services. While it prioritizes continuous learning and rapid skill development through training programs and AI tools, clients should validate the experience level and skills of its resources during the contracting process.
- **Engagement issues:** While clients appreciated the design and technical expertise that IBM brings, they reported some issues with project delivery schedules. Clients looking for new CSD engagements should ensure that they engage early to specify design, planning and solutioning approaches.

Infosys

Infosys is a Challenger in this Magic Quadrant. This full-service provider is headquartered in India. Gartner estimates that its CSD service revenue grew by 3% YoY through December 2023. Of this revenue, 72% came from larger clients, 25% from midsize, and 3% from small clients. Infosys' CSD services revenue breakdown is 68% from North America, 20% from EMEA, 14% from APAC and no revenue from LATAM. The top three industries by number of clients are: manufacturing and natural resources; communications, media and services; and banking and investment services. Infosys is focused on leveraging product engineering practices, Agile DevOps across the value stream, AI offerings and cloud assets to accelerate client transformation initiatives.

Strengths

- **Agile and DevOps:** By adopting a product-focused and data-first engineering approach with its accelerators, Infosys clients can align to value stream and scale Agile and DevOps. Its comprehensive suite of platforms includes DevSecOps and Infosys Live Engineering, which provide support from advisory to execution ensuring increased productivity and customer centricity.
- **Expanded footprint:** Infosys has expanded its nearshore services to help accelerate AI and scale digital initiatives with new delivery centers in Europe, namely in Sofia, Bulgaria and in the Nordics in Norway. It has also expanded in Canada, Brazil, Mexico and a few other countries in LATAM.
- **Continued investment in research:** Infosys is investing in delivery accelerators and platforms that use GenAI. These include the Infosys Live Enterprise Application

Development Platform, which is part of Infosys Cobalt and Infosys Topaz. As a result, Infosys offers a set of AI assets, models, platforms and a “responsible by design” approach that attempts to mitigate the risks of ethics, privacy, security and regulatory compliance while ensuring enhanced efficiency and improved quality.

Cautions

- **Not suited for SMB clients:** Infosys is very focused on deals with large organizations (72% of its revenue is based on companies with more than 10,000 employees). Small enterprises implementing digital products and platforms might not find Infosys a good fit.
- **Delivery gaps:** Although satisfied with Infosys and its ability to deliver operations, some reference clients cite the need to improve product roadmap planning and change management.
- **Low multiexperience capabilities:** Although Infosys has strong engineering talent, it is underrepresented in engagements where clients require seamless user experiences across multiple devices or interaction modalities. Its certifications are below average for many cloud technologies (including AWS, Jenkins, Git and Microsoft Azure) and API management. Clients prioritizing those technologies must specifically assess if those needs can be met.

Infosys did not respond to requests for supplemental information. Gartner's analysis is therefore based on other credible sources.

NTT DATA

NTT DATA is a Challenger in this Magic Quadrant. This full-service provider is headquartered in Japan. Gartner estimates its CSD services revenue growth at 92% YoY through December 2023. Of this revenue, 53% came from larger clients, 30% from midsize and 17% from small clients. NTT DATA's CSD services revenue breakdown is 48% from APAC, 23% from North America, 19% from EMEA and 10% from LATAM. The top three industries by number of clients are: banking and investment services; government; and healthcare and life sciences. NTT DATA's focus is on enabling digital business transformation in its key industries with custom software solutions at scale for its global enterprise clients.

Strengths

- **Composable platform engineering:** NTT DATA is focused on delivering technology and business outcomes through holistic approaches to software design, development and

delivery. Its composable platform engineering approach enables flexibility to scale and supports continuous modernization. Multiple clients cite NTT DATA's strong expertise in platform and software engineering.

- **Sustainability and AI ecosystem:** NTT DATA's global positioning around tackling software sustainability, extensions of "phyigital" programming, and the frontiers of GPU, CPU, and transmissive technologies, is part of what NTT DATA uses to differentiate itself in the market. NTT DATA has committed over \$4 billion to invest in AI and GenAI, which coupled with its investment in training and in assets, puts it at the high end of the cohort for investments.
- **Co-innovation and collaboration commitment:** Reflecting its long technology and engineering heritage, NTT DATA prioritizes partnering with startups, software providers, hardware providers, hyperscalers and other service companies. NTT DATA extends the culture of collaboration to clients, co-innovating to build assets, IP, tools and market-leading products and platforms. Clients cite the culture of collaboration and responsiveness as key to their relationships and, ultimately, value delivery.

Cautions

- **Overly focused on technical expertise:** While NTT DATA gains positive feedback from many clients for its collaborative approach, some clients note an overreliance on technical expertise and less on business acumen. Some clients note gaps in communication regarding the project execution, and alignment with business stakeholders and business strategy.
- **Full postmerger integration in process:** The full legal merger of NTT DATA and NTT Ltd was completed in April 2024. Now, the consolidated company needs to turn its attention to building a streamlined global delivery architecture with enhanced resource sharing and cost planning. Clients should expect this process to be in progress for the near to medium term.
- **Targeted industry focus:** NTT DATA continues to report less percentage of revenue per industry than the group average. Customers with service requirements for deep vertical expertise and service context should evaluate NTT DATA's depth in the relevant areas.

Persistent

Persistent is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in India. Gartner estimates its CSD services revenue growth at 12% YoY through December 2023. Of this revenue, 62% came from larger clients, 32% from midsize clients and 6% from small clients. Persistent's CSD services revenue breakdown is approximately 79% from North America, 11% from APAC, 10% from Western Europe and no revenue from LATAM. The top three industries by number of clients are: communications, media and services; banking and investment services; and healthcare and life sciences. Persistent is focused on expanding its business consulting capabilities and nearshore presence to differentiate itself from competitors.

Strengths

- **Investment in talent:** Persistent has been focusing on its talent strategy by identifying upskilling and cross-skilling opportunities, refining its talent supply chain process, hiring local resources, and relocating resources to onshore and nearshore centers. It has developed an L&D center in Pune, hired microvertical specialists, increased its headcount in North America and increased its resource utilization rate.
- **GenAI focus:** Persistent has developed a GenAI-based engineering framework (ExtenSURE.AI) that covers all aspects of the CSD life cycle. It also has a few other GenAI-based solutions such as SASVA, iAURA and WingMate to speed delivery and increase productivity. It has worked on more than 80 GenAI engagements in the last 12 months.
- **Growth momentum:** Persistent has reported sustained growth over 16 quarters since FY20 — including 12% growth in 2023 — despite tough macroeconomic conditions. It has also secured contracts with leading software companies and deepened partnerships with hyperscalers, bolstering its market credibility and service offerings.

Cautions

- **Large deals:** Persistent generates much of its revenue from technology buyers and reported fewer deals above \$10 million than other providers in this research. While it continues to invest in expanding its reach to a diverse set of large buyers, clients seeking a provider for very large deals should evaluate Persistent's experience and expertise.
- **Offshore focused delivery:** Persistent's service delivery is predominantly based in India, which may limit its ability to provide localized support and quick response times in other regions. While there are plans to enhance operations in Eastern Europe, LATAM and North

America, the company's current delivery model may pose challenges in meeting diverse client needs.

- **Limited experienced CSD personnel:** More than 80% of Persistent's reported CSD FTEs carry less than 10 years of experience. In other words, the percentage of CSD FTEs having more than 10 years of experience is less than the cohort average. Clients that need the involvement of senior resources should carefully evaluate Persistent's plans to commit senior FTEs.

SoftServe

SoftServe is a Challenger in this Magic Quadrant. This pure-play provider is headquartered in the U.S. Gartner estimates its CSD services revenue growth to be flat YoY for 2023. Of this revenue, 35% came from larger clients, 36% from midsize clients and 29% from small clients. SoftServe's CSD services revenue breakdown is approximately 82% from North America, 15% from Western Europe, 2% from APAC and no revenue from LATAM. The top three industries by number of clients are: communications, media and services; healthcare and life sciences; and banking and investment services. SoftServe offers a comprehensive range of technology and engineering services, with a strong focus on both emerging and mature high-impact technologies including machine learning, cloud and DevOps engineering, and digital transformation.

Strengths

- **GenAI focus:** SoftServe has created a suite of embedded proprietary GenAI assets. GenAI Industrial Assistant is a factory-floor solution that supports workers with real-time root-cause analysis, advice and guidance. Softserve's chatbot kit facilitates rapid creation of GenAI virtual assistants, complete with a configurable multimodal UX/UI front end and a composable multiple-LLM back end. This goes some way to demonstrating its expertise in utilizing GenAI in client solution development.
- **Client-centricity:** SoftServe's client-centric, agile service delivery model features a flat organizational design, ensuring that each client is central to operations. Specialized, autonomous client success leadership units provide comprehensive services, make rapid decisions, and adapt to client needs. Each unit manages a limited client portfolio, focusing on swiftly and effectively driving value.
- **Quality of resources:** Client feedback applauds SoftServe's ability to provide a high-quality, skilled, motivated and creative workforce. Clients also appreciate SoftServe's

ability to quickly onboard new talent and work well amid short timelines and rapid scope changes.

Cautions

- **Flat growth and decline in FTEs:** SoftServe's overall performance, which indicates flat growth and FTE decline is more an indication of macroeconomic confidence. While customer satisfaction is high this may lead to reduced capacity and project delays. Clients should thoroughly verify SoftServe's plans to bounce back as well as its ability to scale and adapt to market demands.
- **Restrictive engagement model:** SoftServe's focus is on long-term, high-impact projects that require significant collaboration and innovation. Its engagement model is not suited for transactional and low-touch engagements. Clients with such requirements may be better served by other providers.
- **Legacy technology:** With expertise that is better aligned to modern, cutting-edge solutions (AI, low-code or microservices, for example), SoftServe pursues these opportunities over maintaining legacy systems. While it offers these services, clients having such needs may need to evaluate if SoftServe is the right fit.

Softtek

Softtek is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in Mexico. Gartner estimates that its CSD service revenue grew by 20% YoY through December 2023. Of this revenue, 59% came from larger clients, 37% from midsize and 4% from small clients. Softtek's CSD services revenue breakdown is 46% from North America, 27% from LATAM, 23% from EMEA and 4% from APAC. The top three industries by number of clients are: banking and investment services; manufacturing and natural resources; and communications, media and services. Softtek is focused on maximizing the end-to-end value of engagements through nearshore composable services, enterprise Agile DevOps and GenAI.

Strengths

- **Agile delivery hubs:** Softtek helps clients to build co-managed, dedicated digital delivery hubs to scale specialized functions or engineering practices. Softtek is also a SAFe Gold Partner, is the first SAFe program consultant trainer in LATAM, and has trained over 7,000

agile practitioners. It continues to invest in talent by partnering with universities in Colombia, India, Mexico and the U.S.

- **Nearshore partner:** Softtek is a strong nearshore partner and it has received employer of choice awards in nearshore countries such as Mexico, Argentina, Brazil and Colombia. Clients appreciate its response time and flexibility as it is a key nearshore partner in North America and Western Europe.
- **Investment in AI:** Softtek offers FRIDA Generative Engineering Suite — a set of tools including a design assistant for UI/UX design, AI-assisted coding, FRIDA ITA for automated testing, and FRIDA AIOps for intelligent monitoring of applications. It has trained its engineers on GenAI SDLC accelerators, and has leveraged these in client engagements.

Cautions

- **Resources with less experience:** While Softtek increased its workforce by 14% in 2023, 64% of its workforce is based in LATAM, and more than 50% of its resources have less than five years of experience. While it continues to expand to other countries like India and China, potential clients should validate the experience level and skills of its resources during the contracting process.
- **Concentrated industry focus:** While Softtek focuses on large client organizations, and has go-to-market strategies for 10 industries, its customers are concentrated in a few sectors. Currently, it is mainly focused on banking, manufacturing, communication, media and services and transportation. Buyers should assess Softtek's ability to deliver industry-specific expertise outside its core clientele.
- **Certification needs improvement:** Softtek has a high percentage of certified consultants in quality engineering. However, compared to other providers, Softtek has a low percentage of certified resources in design/user experience, API and integration, data analytics and AI. Potential clients should ensure the resources offered meet their experience and skills requirements.

TCS

TCS is a Leader in this Magic Quadrant. This full-service provider is headquartered in India. Gartner estimates that its CSD service revenue grew by 10% YoY through December 2023. Of this revenue, 83% came from large clients, 15% from midsize clients and 2% from small clients. TCS' CSD services revenue breakdown comprises 51% from North America, 32% from

EMEA, 16% from APAC and 2% from LATAM. The top three industries by number of clients are: banking and investment services; retail; and healthcare and life sciences. TCS is focused on accelerating large digital transformations across various industries using strategic partnerships in AI and cloud, and a wide set of frameworks.

Strengths

- **Strong partner ecosystem:** TCS' extensive partner list includes AWS, DELL, Google, IBM, Microsoft and NVIDIA. Its Co-Innovation Network (COIN) includes partners from top academic institutions, niche technology companies and startups. Clients benefit from this comprehensive ecosystem with faster time-to-market, modern technologies and enhanced risk management while receiving tailored software engineering services.
- **Long-term client relationships:** TCS has a large number of long-standing client relationships demonstrating its client centricity and commitment to balancing the delivery of value-added services with competitive pricing models. It provides end-to-end delivery ownership including product management, global rollout and a DevOps factory service. Clients note its strong sense of accountability.
- **Agile delivery and innovative partnerships:** TCS clients claim it is a trusted partner and uses its assets and wide set of accelerators based on AI/ML, LLMs, low-code/no-code and GenAI. TCS has formed an AI.cloud unit to leverage the best of AI, GenAI and cloud ecosystem and software development practices. TCS Pace and TCS Agile Innovation Cloud scale co-creation initiatives to complement delivery and support clients in new business models. It is also investing in quantum computing and design studios.

Cautions

- **Limited nearshore presence and engagements:** TCS' presence and engagement in Eastern Europe, LATAM and Southeast Asia are limited. When compared to others in this cohort, it has a shortage of local professionals and active projects in these areas. Clients seeking nearshore expertise in these regions may need to either explore alternative delivery options with TCS, or consider other providers.
- **Not a good fit for staff augmentation:** TCS is focused on business-outcome-based engagements that establish transformative partnerships. Those needing staff augmentation or with no requirements for large-scale digital adoption and business transformation (in other words, minimal involvement from business stakeholders) should look elsewhere.

- **High percentage of junior resources:** TCS is actively investing in training and certifications, but it hires staff with less than five years of experience at a significantly higher volume (50%) than others in this research. Clients engaging with TCS should validate the experience and continued availability of key individuals.

Thoughtworks

Thoughtworks is a Visionary in this Magic Quadrant. This pure-play provider is headquartered in the U.S. Gartner estimates that its CSD service revenue declined by 13% YoY through December 2023. Of this revenue, 63% came from larger clients, 20% from midsize clients and 17% from small clients. Thoughtworks' CSD services revenue breakdown comprises 37.1% from North America, 34.3% from APAC, 24.9% from EMEA and 3.7% from LATAM. The top three industries by number of clients are: communications, media and services; retail; and banking and investment services. Thoughtworks' focus is to offer the AI-first solutions, services and tools required to restructure, drive cost-efficiencies, and improve client service.

Strengths

- **Product-centric delivery:** Thoughtworks owns several product IPs (Product Thinking Playbook, GenAI Product Accelerator), technology IPs (EEBO, CloudFoundation, EMPACT) and AI-first software delivery IPs (GluonMeson, Haiven Team Assistant, CodeConcise) to help clients co-create proofs of concept and minimum viable products. Clients appreciate the company's software engineering quality, strong agile methods and culture, and data and cloud expertise.
- **Acquisitions to grow CSD practice:** Thoughtworks has acquired Itoc, a cloud consulting company based in Australia, to enhance its cloud-native solutions and expand its expertise in managing cloud infrastructure. It has also integrated the technology assets and skills of Watchful, to help organizations accelerate the creation, enhancement and deployment of AI models into Thoughtworks' data and AI service line.
- **Future investments:** Thoughtworks is making significant changes to its delivery model by driving a vertical-led approach — including AI and GenAI — into the current service catalog, enhancing existing assets, creating new assets, and centralizing operational functions to drive efficiencies. It is consistently praised by its clients for its innovation-led approach. It uses research and innovation labs, special projects, innovation incubation festivals, the Thoughtworks AI hub and its future mobility technology center to promote continuous innovation.

Cautions

- **Growth concerns:** Many providers in this research exhibited slow growth due to the macroeconomic environment, but Thoughtworks has shown a greater decline than some. Though Thoughtworks has built a healthy pipeline of projects, clients should conduct detailed financial due diligence.
- **Limited large deals:** In the previous year's data, Thoughtworks reported few engagements greater than \$10 million in deal size as compared to other providers in this cohort. It may, therefore, not be the best fit for clients seeking a provider for very large deals.
- **Elevated pricing:** While clients appreciate the expertise that Thoughtworks provides, they reported premium pricing and high focus on technology-centric delivery. Clients engaging with Thoughtworks should be prepared to negotiate with market knowledge and put additional time into the sourcing cycle.

Virtusa

Virtusa is a Niche Player in this Magic Quadrant. This pure-play provider is headquartered in the U.S. Gartner estimates its CSD service revenue declined by 8% YoY through December 2023. Of this CSD services revenue, 82% came from large clients and 18% from midsize clients. Virtusa's CSD services revenue breakdown is 71% from North America, 23% from EMEA, 6% from APAC and no revenue from LATAM. The top three industries by number of clients are: communications, media and services; banking and investment services; and healthcare and life sciences. Virtusa aims to support client innovation with its CSD services, helping with digital transformation and improving product delivery.

Strengths

- **Notable engineering expertise:** Virtusa focuses on productization, ensuring scalable and user-friendly solutions. Its globally distributed and agile teams improve collaboration and speed up delivery while staying flexible. Its newly launched AI-assisted engineering enhances quality and efficiency, allowing the company to provide rapid and robust products that meet clients' changing needs.
- **Targeted industries:** 86% of Virtusa's CSD revenue is derived from clients in banking/financial services and communications. It's enhancing this through the accelerated rollout of proprietary assets and strategic technology partnerships. Positive client feedback underscores its thought leadership and effective hands-on delivery, establishing Virtusa as a trusted partner in these sectors.

- **GenAI integration across assets:** Virtusa has accelerated the adoption of its flagship GenAI offerings and has integrated GenAI across its proprietary HIVE assets, showcasing a commitment to innovation and responsiveness to market demands. It has also invested in creating Virtusa Helio, bringing focus to its client work, capital investment, talent initiatives, partnerships, and strategic service development to develop tailored GenAI-driven solutions.

Cautions

- **High offshore reliance:** 84% of Virtusa's resources are based in offshore locations like India, which is the highest among all service providers in this research. It has made some strategic acquisitions and organically expanded to diversify its delivery footprint. However, clients requiring on-site/onshore delivery for their CSD requirements need to assess Virtusa's ability to mobilize or hire local resources.
- **High attrition rate:** Virtusa's attrition is above peer average. However, the company has made dedicated talent investments aimed at delivering distinctive employee experiences driven by next-generation tech platforms like GenAI. Clients should verify how these investments have paid off with regards to talent retention while evaluating Virtusa.
- **Scaling concerns:** Virtusa reported a decline in CSD revenue, reflecting the broader macroeconomic trends and market challenges within its target industries. Prospective clients should carefully assess Virtusa's industry-specific plans to scale and adapt to market demand.

Wipro

Wipro is a Challenger in this Magic Quadrant. Headquartered in India, it is a full-service provider. Gartner estimates that its CSD service revenue grew by 2% YoY through December 2023. Of this revenue, 98% came from large clients, 1% from midsize clients and 1% from small clients. Wipro's CSD services revenue breakdown is 61% from North America, 30% from EMEA, 8% from APAC and 1% from LATAM. The top three industries by number of clients are: banking and investment services; communications, media and services; and retail. Wipro's focus is on delivering value to its clients by combining industry knowledge and technology expertise, infusing AI, and bringing together ecosystem features to solve complex problems.

Strengths

- **Complex problem solving:** Wipro creates value for its clients by combining domain knowledge, technology expertise, AI and ecosystem capabilities. It solves complex problems using its proprietary end-to-end business solutions, AI innovation ecosystem (ai360), and Wipro Cloud Studio (an idea incubator and client-engagement lab designed to accelerate business transformation to the cloud).
- **Focus on banking:** More than 50% of Wipro's CSD revenue is derived from the banking and financial services sector. It is a good fit for banking clients due to its ability to deliver on large engagements with complete end-to-end delivery ownership, accountability with engineering services, and its platform built with customer apps.
- **Positive client experience:** Client feedback applauded Wipro's ability to maintain consistent communication with different stakeholders throughout the engagement. In addition, there was positive feedback on Wipro staff's technical abilities, and their professionalism while working with other partners and vendors to orchestrate end-to-end solutions.

Cautions

- **Lacks wide industry expertise:** Outside of banking, communications and retail, Wipro's ability to bring industry-specific solutions to client engagements is somewhat limited compared to others in this research. Clients in government, manufacturing and natural resources, in particular, should carefully evaluate Wipro's vertical expertise before embarking on an engagement.
- **Limited outcome-based commercials:** Wipro's CSD deals are integrative in nature often entangled with other ongoing client projects (application managed services, for example). As a result, Wipro's ability to work on project-specific, business-outcome-based commercial constructs is sometimes limited. Clients particularly keen on engaging with Wipro purely for outcome-based engagements should plan and co-define what outcomes are realistically possible in an integrated engagement.
- **Few small and midsize clients:** 98% of Wipro's CSD revenue is from very large clients (>10,000 FTEs). Most of Wipro's offerings and IP are enterprise-grade and only cater majorly to multinationals and large corporates with CTO/CIO and business heads as majority buyer personas. Clients belonging to small to midsize organizations may have to consider other providers that have a more distinct focus on serving them.

Vendors Added and Dropped

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

Added

The following vendors were added to this Magic Quadrant:

- Encora
- Hexaware

Dropped

The following vendors were dropped from this Magic Quadrant:

- **CI&T** is a service provider headquartered in Brazil and provides services from product strategy and design to software engineering. CI&T was dropped due to not meeting the total CSD application services revenue, FTEs and CSD revenue growth cut-offs for pure-play providers.
- **GlobalLogic** is a service provider headquartered in the U.S. providing engineering, design and digital transformation expertise. GlobalLogic was dropped due to not meeting the total CSD application services revenue, FTEs and CSD revenue growth cut-offs for pure-play providers.

Inclusion and Exclusion Criteria

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

Qualitative Criteria

Enterprise: They must demonstrate that their CSD solutions are in production with clients in all three of the following CSD Use Cases:

- Unique user experience
- Unique operational processes
- Unique products

Capabilities: Service providers must have capabilities in at least five of the following areas:

- **Design (user and customer experience):** Enable rich user interface design and user experience interaction functionality for custom software or products that translate into meaningful and relevant user and customer experiences.
- **AI and GenAI expertise:** Embed AI and/or ML models as part of a custom software solution.
- **Software engineering approaches:** Develop software in rapid increments using methods such as Agile, DevOps and product centricity.
- **Multiexperience development:** Leverage various modalities, digital touchpoints, apps and devices to design and develop optimized and seamless experiences for multiple personas for customers.
- **Technical architecture and cloud:** Design a new software solution and scalable infrastructure that grows with the client's business. It involves establishing a technical design (blueprint), including software building blocks with required functionality and interfaces.
- **Quality engineering:** Provide quality engineering practices to help build custom software with high levels of quality, reliability and maintainability.
- **API integration services:** Focuses on the implementation of technologies and solutions that integrate, share and govern data in the same or different systems, ensuring the real-time exchange of data and events, along with monitoring.
- **Analytical and BI service experience:** Offer best practices, strategies and implementation services for analytical and BI tools, applications and packaged solutions as part of custom software.

Quantitative Criteria

Business and operations: Service providers must satisfy following criteria:

- For full-service providers (companies that derive less than 70% of their revenue exclusively from custom software development services):
 - A minimum of \$2,650 million annual worldwide revenue during the period of January 2023 through December 2023 for CSD services.
 - A minimum of 22,000 employees dedicated to CSD services in 2023.
- For pure-play companies (companies that derive more or equal to 70% of their revenue exclusively from custom software development services):
 - A minimum of \$490 million annual worldwide revenue during the period of January 2023 through December 2023 for CSD services.
 - A minimum of 7,300 employees dedicated to CSD services in 2023.

Geography: Providers must offer implementation services for CSD solutions with:

- The provider must have internal sales and customer account support teams in at least three of five regions (North America, EMEA, APAC, Japan and Latin America).
- A minimum of three of five geographies (North America, EMEA, APAC, Japan and Latin America) with clients headquartered for CSD services.

This Magic Quadrant excludes:

- All activities related to enterprise commercial off-the-shelf application suites (SAP, Oracle, Workday or Salesforce, for example) including any custom development done (for example, for SAP Business Technology Platform [SAP BTP] or Force platforms).
- Stand-alone engagements for testing, integration/API, data migration, analytics and AI/ML.
- Ongoing application management of legacy applications.
- All activities related to business process outsourcing.
- Any product revenue, such as the resale of software licenses and providers' own or third-party products.

- Any physical (on-premises and cloud) compute assets associated with revenue.
- Advisory consulting on business strategy and technical processes such as agile or DevOps transformation.

Honorable Mentions

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

The following is a nonexhaustive list:

- **3Pillar** is an application strategy, design and engineering company headquartered in the U.S. with operations in 11 countries. It has 2,100 consultants that help clients with challenges in application technology strategy, digital product engineering, data and analytics, and artificial intelligence. 3Pillar did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.
- **Apelon** is a digital engineering services and platform solutions company headquartered in the U.S. It has 5,500 digital engineers across 17 global offices focused on AI, analytics, app development, cloud, commerce, DevOps, UX and quality engineering. Apelon did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.
- **Ascendion** is a software engineering company headquartered in the U.S. It has 6,000 technologists who leverage GenAI to provide experience, platform, cloud, data, and quality engineering services to enterprise clients. It has 30 offices, delivery hubs, and GenAI solution labs across the U.S., India, and Mexico. Ascendion did not meet the CSD services revenue cut-off criteria for inclusion in this research.
- **Brillio** is a global technology services company based in the U.S. It has offices in India, Mexico, Romania, the U.K. and the U.S and provides customer experience transformation, data analytics, artificial intelligence, platform and product engineering, cloud and security services to its clients. Billio did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.
- **DataArt** is a global software engineering firm headquartered in the U.S. It helps clients innovate, build, modernize and operate modern digital platforms based on the expertise

of over 5,000 consultants in more than 30 locations in the U.S., Europe, Asia and Latin America. DataArt did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.

- **LТИMindtree** is a multinational IT services company headquartered in India. It has more than 82,000 professionals across 30 countries and is a part of the Larsen & Toubro (L&T) Group. It provides not only software engineering services but also services for interactive, data, cloud and enterprise applications. LTIMindtree did not meet the CSD services revenue cut-off criteria for inclusion in this research.
- **Mphasis** is a multinational technology services company based in India. It is a full-service provider and offers application, cloud, modernization and AI services. It has more than 33,000 employees in 19 countries providing application, infrastructure and business process outsourcing services. Mphasis did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.
- **Tech Mahindra** is a global consulting service and systems integrator with 147,000 professionals in 90 countries. It is headquartered in India and is part of Mahindra Group. It offers a full spectrum of services including custom development, enterprise applications, business process, network and design services. Tech Mahindra did not meet the CSD services revenue cut-off criteria for inclusion in this research.
- **UST** is a global digital transformation solutions provider headquartered in the U.S. It offers end-to-end IT and selected business process services and solutions and has over 30,000 employees in 35 countries. It leverages accelerators for product development and advanced analytics, including an ecosystem of partners to transform products. UST did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.
- **Zensar** is a technology solutions company headquartered in India. It is part of RPG group and provides services through its workforce of 10,500 across more than 30 global locations. It provides services that focus on creating client impact through experience, engineering and engagement continuum, along with application, cloud, infrastructure and security services. Zensar did not meet the CSD services revenue and FTEs cut-off criteria for inclusion in this research.

Evaluation Criteria

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

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

Ability to Execute

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

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

The subcriteria includes the following:

- Client feedback on the provider's demonstration of Agile/DevOps behaviors (not just observance of Agile/DevOps processes).
- Agile/DevOps, technical architecture and cloud certifications held within the organization.
- Proportion of employees who hold such certifications.
- Use of product-centric approaches and multidisciplinary fusion teams (e.g., plan to drive customer adoption from MVP to launching it into production and scaling it).

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

The subcriteria includes the following:

- Business metrics for the CSD practice such as profitability, utilization, cash flow and funding.
- For providers that choose not to share their business performance, a convincing approach to demonstrate to clients that their business is healthy and viable.

Sales execution/pricing: The provider's ability to effectively understand the business problem, and develop a clear proposal offering a creative solution and attractive pricing.

This criteria also includes the provider's track record in sustaining organic growth through a mixture of repeat business from existing customers and winning new customers.

The subcriteria includes the following:

- Organic constant-currency revenue growth over more than 12 months.
- Repeat business percentage.
- Growth in billable delivery resources over a period of 12 months.
- Ability to offer flexible pricing models.

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

Marketing execution: The clarity, quality, creativity and efficacy of programs designed to deliver the organization's message in order to influence the market, promote the brand, increase awareness of capabilities and establish a positive identification in the minds of customers. This "mind share" can be driven by a combination of thought leadership, referral relationship building, and sales activities.

The subcriteria includes:

- Demonstrable branding and thought leadership activity presenting benefit delivery.

Customer experience: The ability of the provider to deliver working software that delights customers and has a positive impact on their business.

This includes:

- The ability to understand the client's business goals.
- The ability to forecast accurately and deliver as promised.
- The steps the provider takes when problems are found.
- The usability, reliability and responsiveness of the software it delivers.
- The client's overall perception of a provider's contribution to a successful project.

The subcriteria includes:

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

Operations: The ability of the organization to attract and retain talent, thus building a capable and motivated workforce.

Factors include:

- Quality of the delivery organizational structure.
- Work location strategies.
- Reputation in the industry as an employer.
- Recruitment, training and personal development programs.
- Creation of diverse and inclusive work environments
- Management of attrition.

The subcriteria includes:

- Approach to on-site, onshore, nearshore, offshore and work-from-home delivery.
- Recruitment, training and attrition of personnel.
- Attrition rates.
- Glassdoor ratings.
- Standards and certifications (e.g., ISO, Capability Maturity Model Integration [CMMI] Level 5).

Ability to Execute Evaluation Criteria

<i>Evaluation Criteria</i>	<i>Weighting</i>
Product or Service	High
Overall Viability	Low
Sales Execution/Pricing	Medium
Market Responsiveness/Record	Not Rated
Marketing Execution	Low
Customer Experience	High
Operations	High

Source: Gartner (November 2024)

Completeness of Vision

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

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

Marketing Strategy: Clear and distinctive messaging consistently communicated to account managers, customer programs and positioning statements.

The subcriteria include the following:

- Growth strategy

- Targeted investments to increase presence in new geographies and industries

Sales strategy: A sound strategy for selling that uses the appropriate networks, including marketing, service and communication.

The subcriteria include:

- Strategies for selling services, including incentive plans for adding new clients and growing existing clients.
- Account management:
 - Structure, roles and locations.
 - Proportion of time dedicated to new business development versus delivery/escalations.
- Strategy for growth with current clients.
- Sales and marketing strategy for acquiring new clients.

Offering (product) strategy: A provider's vision to deliver a service that develops software using iterative software engineering methods with frequent business feedback and rapid time to value.

The subcriteria include:

- Understanding, capabilities and IP for agile software development.
- Understanding, capabilities and IP for DevOps ways of working.
- Understanding, capabilities and IP to help clients co-create products: From product strategy to optimizing operational efficiency through product management.
- Understanding, capabilities and IP for product-centric teams.
- Understanding, capabilities and IP for design thinking.
- Understanding, capabilities and IP for human-centered design, user research, accessibility, value stream mapping, customer journey, product goal and product vision including sequencing and dependencies.
- Methods to ensure the security of the software developed for clients.

- Understanding, capabilities and IP to provide hosting options and cloud services (e.g., cloud-agnostic infrastructure as a code, management and automation of public and private cloud infrastructures).
- Understanding, capabilities and IP to co-build artificial intelligence POCs.

Business model: A provider's approach to risk and its attitude toward business models that accept risk in pursuit of client satisfaction, profit and growth.

The subcriteria include the following:

- Demonstration of significant revenue streams for custom software development that go beyond charging for effort (use of alternative pricing models).
- Joint-ventures, co-investments and IP-based pricing models.
- Demonstration of willingness to make the provider dependent on the impact and business outcomes of the software developed.
- A clearly visible service line and organization to deliver CSD services and a strategy for how this entity collaborates with other parts of the business to offer clients an end-to-end solution.

Vertical/industry strategy: The ability to provide development team members or intellectual property specific to a client's industry, and therefore bring to the project depth of understanding of terminology and business processes.

The subcriteria include the following:

- Consultants/engineers with experience, training and domain knowledge of a specific industry sector.
- IP specific to the client's industry.

Innovation: A provider's innovative use of technology such as APIs, data and analytics, artificial intelligence, cloud and multiexperience.

The subcriteria include the following:

- Capabilities and experience with APIs, API management tools and integration technologies.
- Capabilities and experience with data analytics and business intelligence.

- Capabilities and experience with AI and GenAI technologies.
- Capabilities and experience with technical architecture and cloud.
- Capabilities and experience with multiexperience development.
- Capabilities and experience with platforms to facilitate code intelligence, automated testing and CI/CD.

Strategies to drive innovation initiatives include:

- Investing in startups, software partners and research communities

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

The subcriteria include:

- Consultants/engineers who have a close cultural fit to client's team and are located in the same city, country, or at least similar time zone as the provider's target sales strategy.
- Effective use of technology to enable clients and consultants/engineers to collaborate when not colocated.
- Approaches to remote and distributed software engineering teams which enables collaboration while ensuring clients' IP and data are kept secure (especially when consultants/engineers are working from home).
- Focus on hybrid delivery models and investing in employee value proposition.

Completeness of Vision Evaluation Criteria

<i>Evaluation Criteria</i>	<i>Weighting</i>
Market Understanding	Not Rated
Marketing Strategy	Low
Sales Strategy	Low

<i>Evaluation Criteria</i>	<i>Weighting</i>
Offering (Product) Strategy	High
Business Model	High
Vertical/Industry Strategy	Medium
Innovation	High

Source: Gartner (November 2023)

Quadrant Descriptions

Leaders

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

Challengers

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

Visionaries

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

Niche Players

Niche Players focus on a particular segment of the market, such as a particular industry, size of client, functional area (for example, human capital management or supply chain) or

geography. Their ability to execute is limited to those areas of focus. Their ability to innovate may be affected by their narrow focus. Many of the providers in this segment received positive client feedback, and many can be considered leading players within their niche market focus.

Context

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

This Magic Quadrant evaluates 20 providers. It is a point-in-time analysis, with the status of all provider profiles reflected as of July 2024. Quantitative data collected was for a 12-month period ending 31 December 2023. As part of the research, the analyst team generated over 800 separate data points that collectively determined the placement of the dots on the Magic Quadrant.

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

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

About the Vendor Profiles

Each vendor profile includes a summary of key characteristics of that provider's practice, including growth, geography and client size. It also reviews each provider's strengths and

cautions regarding CSD services, and emphasizes the areas where the providers are strong and the areas that need improvement.

Participating providers were asked to provide a percentage breakdown of revenue derived from clients of different sizes by number of employees (January 2023 through December 2023).

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

- **Introduction:** This outlines the type and scope of services that service providers are mainly focused on.
- **Growth:** The providers in this Magic Quadrant are estimated to have grown CSD services revenue, as a group, 7% year over year (YoY). Their ability to grow solidly offers an indication of providers' investment, focus and vision in the CSD practice, and their ability to take advantage of opportunities.
- **Client geography:** A breakdown of where each provider's revenue comes from, indicating the regions where the provider is strongest and has the largest number of clients. It is worth noting that the majority of all client revenue is generated in North America and Europe.
- **Industry:** Some providers are industry-agnostic, some are laser-focused on only a few industries, and some are more focused on a set of industries but work with clients in multiple industries. This area serves as an indication of the industries that are more prominent (based on the number of clients and percentage of revenue) for providers, and the industries in which providers have experience (see Note 1). However, a focus on a particular industry does not always mean that other industries are excluded from coverage.
- **Client size:** Participating providers were asked to provide a percentage breakdown of revenue derived from clients of different sizes by number of employees. This information was used to determine the size of the organization that is the provider's "sweet spot." The three segments are: small organizations, with up to 999 employees; small and midsize organizations, from 1,000 to 10,000 employees; and large organizations of more than 10,000 employees.

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

Note that additional information on suitability for specific use cases, delivery capacity, resources and capabilities — such as for software engineering approaches, technical architecture and cloud, design (user and customer experience), business acumen, AI/ML expertise, API and integration expertise, analytics and BI expertise, multiexperience development, quality engineering and talent operations — can be found in the companion

Critical Capabilities for Custom Software Development Services, Worldwide. It is strongly recommended that these two resources be used together to get the best understanding of provider reach, capability and suitability.

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

Market Overview

The custom software development (CSD) services market in 2024 continues to experience growth, driven by the increasing demand for tailored software solutions that address specific business needs. Organizations across various industries are investing in custom software to enhance operational efficiency, improve customer experiences, and gain competitive advantages. The overall CSD services market grew by an average of 7% as evidenced in the reported revenue from service providers covered in this study. Collectively, the service providers in this research post approximately \$84 billion in revenue from CSD services. However, five providers reported declines in their CSD services revenue due to a combination of challenged macroeconomic sentiment and general slowdown in spending among other provider-specific challenges.

Gartner estimates worldwide spending on total IT services will reach \$1.74 trillion in current U.S. dollars in 2025 and \$2.33 trillion by 2028. For more information, see [Forecast: IT Services, Worldwide, 2022-2028, 2Q24 Update](#). In 2024, growth will not be evenly distributed across segments of the IT services market. Spending disparities, changes in technology, resource constraints and buyer behavior will impact service provider growth plans. The collective realization of a market that is “never normal” is a key acknowledgment for succeeding in today’s market. This is a clear call to action for innovation, a shift to new pricing models, expanding services from IT only to business, and a pivot to firmly focusing on the profound influence of business buyers and their differentiated motivations.

There is substantial disruption in this research, which is a direct consequence of how robustly or passively a provider is investing in or adopting AI and GenAI. There is a bifurcation of the market among providers that are absorbing these new technologies, and some that are getting run over by the competition/market. This market will undergo massive disruption with adoption of GenAI and its impact on driving productivity. Several providers have invested heavily in upskilling resources and developing GenAI assets and orchestration platforms to improve developer and tester productivity. Enterprises vary in their readiness to adapt and adopt GenAI capabilities and hence would need support from providers to identify areas where GenAI can have high business impact, or evolve the ability to build applications with embedded large language models.

Despite the general increase in demand, the custom software development services market faces several challenges including rapid technological changes and the complexity of integrating new technologies. Project management issues, such as scope creep and adherence to timelines and budgets, are common. Ensuring high-quality software through comprehensive testing and managing client expectations can be difficult.

Talent acquisition and retention, along with addressing security and compliance requirements, add further complexity. Additionally, managing costs and providing long-term support pose significant hurdles. Balancing these factors is crucial for successful software development.

Service providers in this market continue to make investments in inorganic growth, talent and developing assets and IP. Many full-service providers and pure-play companies have acquired specialized and boutique companies to expand their technology, design and consulting expertise. Given the increase in demand for highly skilled talent, CSD providers are rapidly investing in upskilling resources through training programs, hiring specialized

talent, and acquiring talent in emerging markets. There is also a focus on building industry-specific assets and IP to expedite custom development processes.

Of the total CSD revenue reported by the service providers covered in this research, 87% was from existing customers. An average of 48% of revenue reported overall is through time and materials models, which is the most common commercial model this year.

Given that this research focuses on large vendors and pure-play vendors, 68% of the CSD revenue was from large organizations, 23% from midsize organizations and 9% from small organizations overall. The top 3 industries for CSD services were banking and financial services (20%); manufacturing and natural resources (15%), and communications, media and services (14%).

Most of the service providers in this research reported average attrition rates (13.7% average), which was comparatively less than the previous year. For the 20 service providers evaluated, there are an estimated 1.08 million resources engaged in custom software development (CSD) projects, a slight decline of 0.05% compared to previous year. Over \$3 billion worth of investment was directed toward AI- and GenAI-related training/reskilling and development of new assets in 2023.

In terms of resource experience, an average of 9% of the providers' FTEs have more than 15 years' experience, 14% between 10 and 15 years' experience, 29% between 5 and 10 years' experience, 26% between 2 and 5 years' experience, and 21% with less than 2 years' experience. Compared to the previous year, there was an increase in the senior experience ranges. The exception was only in the most junior range (that is, FTEs with less than two years of experience), where this year's percentage was slightly below that of last year. At the same time, attrition has slightly improved, and service providers have continued investing in reskilling and training as the CSD market requires know-how in several new technologies.

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

⊕ Evidence

Note 1: Industries

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

- Aerospace and defense
- Agriculture
- Automotive
- Banking
- Chemicals
- Consumer products
- Defense and security
- Engineering, construction and operations
- Healthcare (providers)
- High tech
- Higher education and research
- Industrial machinery and components
- Insurance
- Life sciences
- Media
- Mill products
- Mining
- Not for profit
- Oil and gas
- Professional services
- Public sector
- Retail

- Sports and entertainment
- Telecommunications
- Travel and transportation
- Utilities and energy
- Wholesale distribution

⊕ Evaluation Criteria Definitions

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