

IT Services – UK – February 2021

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This report looks at the following areas:

- How the COVID-19 impact has accelerated corporate digital development.
- The continued rate of growth of the market despite the widespread economic disruptions.
- How cloud computing is impacting the market.
- How IT infrastructures were not developed or designed for the level of remote working seen in 2020.

The IT services sector is surprisingly fragmented despite the domination of the very large and internationally active consultancies. In part this is explained by the large number of companies offering customisation of off-the-shelf software, a factor which is particularly relevant to database usage. It is also a feature of the sector that there are myriad small companies with niche capabilities and niche appeal. Such companies often feed the merger and acquisition activity so prevalent at the top end of the market.

COVID-19 has had the impact of accelerating the digital programmes of companies, partly reflecting the issues created by lockdowns and remote working. This has provided some added growth to the IT services sector in 2020 and is continuing into 2021.

There are few threats to the industry in total. By far the biggest issue in the short term is the considerable disruption caused by COVID-19 to the end-use markets, and there will inevitably be large numbers of corporate casualties. The diverse client base of the largest IT services companies will provide some protection from the development, while the smaller companies that are over-reliant on a few large contracts may be seen to be vulnerable. This too is likely to lead to further merger and acquisition activity.

The trend towards digitisation is an irreversible process, and will be further enhanced in the wider recovery period as efficiency and productivity become



“COVID-19 has forced an even more rapid migration to digital processes. The IT services market has continued to grow. One impact is that the pandemic has permanently changed the way companies operate but the growth in cloud computing and digitisation has accelerated with new issues arising such as the major growth in remote working and internet-based communication tools.”

Terry Leggett, Senior Analyst
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critical features of corporate survival and development. The migration to cloud computing also appears an irreversible process that is gaining momentum.

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