



TechSectorViews

# ECS acquisition by GlobalLogic oozes logic

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## Not a surprise, but surprise timing

In November, it was announced that London headquartered, ECS, had been acquired by GlobalLogic. Terms of the deal were not made public.

GlobalLogic is headquartered on California and is privately owned and funded by **CPP Investment Board** and **Partners Group**. It was founded in 2000 and has 19,000 members of staff and 400 customers across 14 countries. It has 200+ UX/UI designers and developers, and three Method Design Studios around the globe - including one in London. The acquisition of ECS is a strategic move and an important steppingstone for that strategy.

ECS's key propositions are in *Data & Analytics*, *Customer Experience (CX)*, and *Digital Engineering*. It is very established in the UK banking sector, where its brand is well known and well regarded. It has also built a name for itself as an **Amazon Web Services (AWS)** partner - in particular around *Amazon Connect*, the disruptive call centre play. During the first period of national lockdown in the UK, its ability to rapidly roll out this technology for clients in the banking sector proved invaluable as staff were rapidly moved from call centres to home offices (or kitchen tables). Indeed, throughout the pandemic, the financial performance (revenue and profit) across the board remained strong with the revenue mix continuing to improve.

TechMarketView has been tracking the progress of ECS closely over the recent past and has observed as management has improved the firm's focus, breadth of leadership, and shifted the mix of revenue towards higher growth/margin areas. We had considered the company to be an attractive target for an acquirer looking to scoop up a player with data/digital engineering/CX capability combined with an established presence in highly regulated sectors (primarily Financial Services). What took us by surprise was the timing and the question must be asked as to whether ECS sold too soon (in order to maximise the price of the transaction)? Possibly. However, the upside of becoming part of GlobalLogic right now means it will get substantial backing for its own ongoing evolution. Given the impact the pandemic has had on the pace of (and attitude towards) digital transformation in the market, TechMarketView is encouraging suppliers to consider bold moves that underpin material progression. In light of that, ECS might just have got its timing spot on.

## Ambitious expansion programme

Our most recent estimates put ECS at c£75m in revenue (all UK), meaning the purchase will do little to shift GlobalLogic's top line needle in the first instance. However, this is a very strategic purchase for GlobalLogic, and our view is that ECS will be the critical foothold for an ambitious expansion programme across the UK and Europe.

ECS has built a track record as an Amazon Web Services partner and is a certified Advanced Consulting Partner, Managed Services Partner, and one of only three EMEA Amazon Connect Service Delivery Partners. It is also one of a small number of UK-headquartered businesses to be awarded the DevOps competency partner status by AWS.

We strongly suspect GlobalLogic was not the only interested buyer, but ECS will have been attracted to its capability around digital front-end transformation and its capacity to enable its own global ambitions. In addition, there would have been certain 'red lines' when it came to choosing a 'suitor'. ECS has been improving its own revenue mix around its key proposition areas (having also [divested of its security business](#) that was no longer deemed strategically core). Joining forces with a new parent company that had considerable revenue in low/no growth markets would not have been a no-go.

## A British gem that will be 'polished'

One of the first questions we asked ECS CEO, Mark Farrington, after the acquisition was announced was how it might impact customers. The firm has an impressive set of customers in the retail banking market where it has been present for some time and where its brand is well known. This customer base is crucial to GlobalLogic, which has minimal penetration into the Financial Services sector. ECS believes that with the addition of GlobalLogic's pureplay digital design and development capability are "*hugely complementary*" and sit very comfortably with its own DevOps and cloud skills.

*"Being part of GlobalLogic gives us the opportunity to go further and faster."*

For clients looking to do more outside of their UK operations, GlobalLogic's global capability starts to open up opportunities for ECS to deliver work outside of the UK. Over time, we would not be surprised to see additional acquisitions in Europe, which would further extend the options for clients.

Where we do not expect to see any change is around how ECS people engage with clients. The nature of DevOps work means it requires a degree of proximity and understanding. There is no likelihood of strategic front-end work being shifted offshore (GlobalLogic has capability in India). Farrington says ECS will gain access to high grade engineering capability which the firm will only use "appropriately". The offshore capability will continue to be used for design, IP, and accelerators rather than front end engagement.

## What impact on the ECS CX proposition?

One of the interesting aspects of the acquisition is what impact it will have on ECS's Customer Experience (CX) proposition. Organisations' move to a hybrid office environment that includes long-term remote working should help drive fundamental (and long overdue) changes that CX has been crying out for – not just at the front end of services but end-to-end transformation even among firms and sectors that have been traditional laggards.

This direction of travel should play well to ECS's strengths and particularly its CX proposition based on Amazon Connect's "CRM in a box". Solutions such as Amazon Connect pose a real threat to incumbent customer service providers in a market already squeezed by commoditisation, and we expect to see an acceleration of solutions like this post COVID-19. Here, ECS has already had success with the likes of [South East Water](#) where in response to COVID ECS set up a call centre in just 48 hours to enable agents to work from home and provide an enhanced service to customers.

ECS is already making good traction here in CX and the potential post COVID-19 is clear. It will be interesting to see how GlobalLogic takes ECS and CX forward and to what degree investment and synergies follow. For example, GlobalLogic has its own user experience offer that includes the London-based digital design business Method, which itself possesses an enviable client base including the likes of Hitachi, BBC, MacDonald's, TED, Nike and Costa. GlobalLogic also has expertise in a broader range of vertical markets that could help ECS get traction in a broader range of end user industries.

In terms of the user experience, one of the (very) quick wins for ECS is access to those Method design studios. This is where customers can be brought to envision what solutions might look like. For example, the experience of using a new mobile app - which is an area where Method has some material experience under its belt with some household names.

## Talent retention and development: Positives and challenges

As much as can be done during a due diligence process conducted entirely via video calls, ECS made an assessment of its cultural fit with GlobalLogic prior to agreeing to the deal. Farrington and team liked what they saw in terms of the value their potential new owner placed on its people. In addition, he observed that GlobalLogic was leveraging individual people skills in a similar manner to ECS.

It's crucial that ECS retains both people and customers, and from what we have observed, staff have responded positively about the impact of the acquisition. Indeed, given its lack of UK presence, ECS now becomes the UK hub for this global firm, with staff members playing a critical role in the foundations of future development. Over time, opportunities to deliver work in other geographies or in other technology areas could emerge, which we think could help to retain the right staff. In addition, ECS is currently on a big hiring push. We do not anticipate that this will be stifled by the acquisition, indeed we sense the expectation from its new parent will be to move as quickly as possible on this.

The **Forest** and **QAWorks** acquisitions made by ECS enabled it to bring in some impressive – and sought after – tech talent. That in turn created some momentum around attracting additional staff as the firm was able to play on its being "cool and small" position. Clearly, the latter will not apply now as ECS becomes part of a much bigger company. However, we understand the work ECS has done to raise its brand profile amongst certain professional communities will continue. Furthermore, news of the acquisition itself could be a useful way of raising the brand profile amongst tech professionals.

As we have reported previously, ECS has been building out its leadership team. [James Jarvis \(Chief Sales and Marketing Officer\)](#) and [Marc Turner \(Customer Experience Sales Director\)](#) were announced in July. And in November of last year, ECS appointed former **RBS** Customer Experience (CX) lead, [John Ing](#), to help accelerate its push into the contact centre market. Mike Gorard has also recently joined as Chief of Staff, freeing up Farrington to focus on key developments. More broadly, we understand additional go-to-market hires have been made and that more senior hires are on the cards. This work will prepare the company nicely for the extra work around integration and defining/implementing the next steps.

The opening of the firm's new (and stunningly positioned) riverside offices in London was somewhat dampened by the onset of the lockdown, with staff never having the opportunity to fully move in. However, we consider these to be a real attraction to staff (and potential staff) that need/want to be Capital-based.

## History points to more acquisitions

Both ECS and GlobalLogic have a history of making acquisitions. Indeed, GlobalLogic has made 13 purchases in the past 14 years. ECS acquired QAworks (technical software testing) in 2017 and Forest Technologies (a London-based DevOps consultancy) in 2016 - showing that it too is not afraid to make purchases. Given this history, and the fact that ECS (plus the design lab from the Method acquisition) is GlobalLogic's only presence in the UK, we strongly suspect that another acquisition will be made in the UK.

**Table 1. GlobalLogic's acquisitions**

Date	Company Name	Description	Country
OCT 2020	ECS Group	Data & Analytics, CX, Digital Engineering; AWS and Financial Services specialist.	UK
APR 2020	Meelogic Consulting	Software engineering services firm with a focus on Healthcare.	Germany
OCT 2019	Assign Group	Software engineering with a focus in Automotive, IT and Aerospace	Sweden
SEP 2019	Skookum	UX Design & Software Engineering with a focus on Fintech	USA
Jan 2016	REC Global	Embedded software engineering with a competency in Automotive and Semiconductor	Poland
SEP 2011	Method	Experience design firm	USA
MAY 2011	Rofous	Product engineering and content engineering services	India
FEB 2010	Cubika	Software R&D services	Argentina
OCT 2008	InterObject	Software R&D services	Israel
MAY 2008	3CIS	3CIS 3CIS is a software product development company.	China
FEB 2008	Validio Software	Software development	USA
APR 2006	Lambent Technologies	Software R&D services	India
2006	Bonus Technology	Software R&D services	USA/India

**Source: TechMarketView**

ECS will become the global lead for Financial Services and Amazon Web Services within the GlobalLogic business, giving it a very strategic and strong position in the new parent company. Financial Services is currently a relatively small vertical for GlobalLogic and we foresee activity to grow this vertical in terms revenue and capability. The opportunity for acquiring additional operations in the UK in this sector is limited, and we therefore expect Europe to become the target market for future FS purchases. That does not mean there will not be further acquisitions in the UK. However, we expect these to be about extending technology capability rather than being industry focused.

Existing UK customers should be aware that there will be a level of distraction as ECS moves forward on its strategy. However, with the broader leadership capability now in place (further supported by the team at GlobalLogic), coupled ECS's prior experience acquisition/integration, we believe it is well positioned to minimise disruption to clients.

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