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PRESENTATION

Operator

Ladies and gentlemen, good morning, thank you for standing by and welcome to the Accenture Digital conference call.

(Operator Instructions)

And as a reminder, this conference is being recorded.

I would now like to turn the conference over to our host, Ms. KC McClure. Please go ahead.

KC McClure *- Accenture - Managing Director of IR*

Thank you, Tom, and thank you, everyone, for joining us on today's conference call to discuss Accenture Digital, including highlights from our 2014 Technology Vision. As Tom just mentioned, I'm KC McClure, Managing Director of Investor Relations. With me today are Paul Daugherty, our Chief Technology Officer, and Mike Sutcliff, Group Chief Executive of Accenture Digital.

Before we get started, let me remind you that some of the matters we will discuss today may include forward-looking statements that involve risks, uncertainties and other factors that could cause actual results to differ from those expressed in the call including, without limitation, those in our most recent annual report on Form 10-K and other documents filed with or furnished to the SEC.

I would also like to remind you that we will not be providing you with an update for or making comments related to our third-quarter fiscal 2014 or the business outlook for the rest of this fiscal year. Now let's get started. And there will be time for Q&A later on the call. So with that let me turn it over to Paul.

Paul Daugherty *- Accenture - CTO*

Thanks, KC. I'm going to start off talking about our technology strategy and specifically the role that our technology R&D function, our research and development function, plays in shaping our differentiation in the marketplace.

As you all know, technology is accelerating at an unprecedented rate with a tremendous amount of change on the horizon. And because of the incredible pace of change, being a leader in the technology space means you always have to be looking ahead. It's not enough to be an expert in the key areas of technology today or even what's going to be around a year from now, you really have to be looking several years ahead and thinking about how emerging technologies will change business models and impact industries overall. And Accenture has been taking that perspective and very much looking ahead.

One way we do that is through our dedicated research and development group, Accenture Technology Labs. For more than 20 years, we've been exploring the future of technology through our Accenture Technology Labs and we've been increasing our focus in some areas like Silicon Valley significantly in recent years in response to the changes in technology. Our Lab is an incubation group where we test new technologies and also pilot them with pioneering clients.

We also have an open innovation strategy where we team with a number of important constituencies in the ecosystem. We team with venture capitalists, entrepreneurials, startups, university labs and corporate R&D labs as well so that we can tap into not just the best thinking in Accenture but the best thinking in the entrepreneurial world, the investment world, the university world and again among our corporate partners.

Now what we do each year is we take all those insights and our experiences and we publish our Accenture Technology Vision, and I hope some of you have had a chance to see that and the materials all available out there on the Web digitally. The Technology Vision identifies the technology trends that we believe will shape businesses in the next three to five years. And we use this to identify trends that we believe will become our offerings in the future, so it also shapes our business and our technology strategy.

For example, in the early 2000s our Vision introduced concepts like enterprise mobility and virtualized infrastructure, identified those as key trend areas. Today we know those areas as they've evolved as mobility and cloud, which have both become mature Accenture businesses. So those are great examples of us being ahead with R&D, identifying future trends, getting on top of them early with our clients and then building significant businesses. And you'll hear more from Mike on this as he talks about our Digital growth platform and how we've grown that business.

So with that as context, I'll spend some time talking about our Technology Vision with the focus on why the trends are important for clients and what trends we're currently focused on and how they shape our current technology strategy. So we've been publishing our Vision for the last eight years and one of the things that makes our Vision unique, there are others that produce visions, but one thing that makes our Vision unique is the fact that we put that technology in business terms so that our clients can understand the impact of the technologies on their business. And that we look at the trends in terms of an action plan for businesses, what can you do as a business if you want to take advantage of these technologies. And that resonates very well in the marketplace with our clients.

The key theme last year of our Vision was "Every Business is a Digital Business." We intentionally kept that theme in this year's Vision as well because every business still is a digital business and we're still early in the adoption of digital business as Mike will talk about. But there's one important nuance that we see this year with our Vision that we call out which is "Big is the Next Big Thing." Again, "Big is the Next Big Thing."

And what we're focusing on with this theme is that we've seen a change where large companies are going digital in big ways. It's not just about the startups and the emerging digital companies, but large companies are moving from becoming digitally disrupted to becoming disruptors in their own right. And we're seeing that with many of our large clients. They're no longer just responding to the change from the startups, but they're incorporating digital technology, digital strategy and digital transformation in surprising ways and driving disruption in their industry and even disrupting others.

And we believe our big clients as we look at this have tremendous advantages and this creates a great opportunity in terms of the size, scale, talent and other attributes they have to become leaders in the next wave of what's happening with digital. And just a couple of examples to paint this out for you. First would be Tesco, the UK grocery retailer who is now offering online and mobile services and driving over 20% of their grocery orders via online channels. And they've even launched their own tablet so that they can create an end-to-end digital experience for their consumers. So a grocer, Tesco, disrupting their market through digital.

Another great example is GE, General Electric, who's investing heavily in the industrial Internet. We have a joint venture with GE Aviation called Taleris. Through it we're using the industrial Internet to manage the reliability of airplanes so that we can reduce delays on unscheduled maintenance and increase efficiency. For example Taleris sensors mounted in planes can do more than warn an operator of an impending engine failure, they also enable the carrier to optimize the route network and flight plans to minimize disruption, streamline spare parts logistics and reduced downtime fuel cost and passenger inconvenience. So great benefits by applying digital technology in a big company again. So "Big is the Next Big Thing" is the theme.

So to dive down one more layer, I'll dive into two of the six trends in the Vision, there's six trends overall but let me just focus on two of them to give you a sense of the Vision and some of the key trends. The first trend I'll highlight and dive into is digital-physical blur. The key point here is that things like wearable devices, sensors, drones, autonomous cars and the like are blurring the lines between the digital and physical world and providing us with real-time intelligence to inform our decisions both at home and work. From health monitoring devices like the Jawbones or fuel bands that many of you may wear, to sensors in manufacturing plants, the physical world is coming online changing behaviors and expectations and disrupting entire industries.

This is a big area that our Digital business is focused on and Mike will talk about this a little bit later on. A good example of this is the work that Accenture's doing related to the industrial Internet and Internet of things with Magneti Marelli which is part of the Fiat Group. Magneti Marelli provides high-tech systems and components for the automotive sector. We're collaborating with Magneti Marelli to develop and manage their digital entertainment and communications solutions and services. This includes the entertainment, or infotainment services as well as GPS navigation, in-vehicle tracking, security, diagnostic systems and the like. All this improves the onboard driving experience for the consumers.

And it's really about combining our industry knowledge along with our knowledge of creating the digital experience for the driver and the passengers in the car and then combining that with the industry experience of how to put that all together in terms of end-to-end processes and businesses for our clients. And it's great example of the digital-physical blur and the kind of transformation and disruption that we see when big companies move to digital.

Now you think about what this means for our clients as a lot of opportunities for more intelligence, more information but it also creates some sticky challenges. And it's things like we saw our clients face with prior waves of technology, they have to figure out what value all these new technologies can provide and then engineer their business processes to integrate them in a useful way and really transform their workforce and their business. And they have to rethink their technology platforms and their skills and how they deliver these complex transformations and solutions.

And that complexity, that integration, that transformation puts it squarely in the middle of Accenture's sweet spot and pulls together the expertise that we've got in Strategy, in Digital, in Technology integration and Operations as we help our clients build digital transformations as they move to the Vision of the digital-physical blur.

And we're ahead of other technologies that are making the digital-physical blur a reality. We're doing a lot of work in our Labs looking ahead again to the next few years in things like augmented vision through Google Glass and other vision technologies, artificial intelligence which is moving very fast in terms of creating virtual agents and related capabilities, drones, autonomous drones, robotics applied to digital manufacturing and many other technologies that are really at the heart of the changes that we see happening with the digital-physical blur.

So that's one trend. Now a second trend that I'll touch on briefly is the data supply chain. And the data supply chain is about thinking about your data differently because what we're seeing as we help clients with digital business and with this digital Vision is that data is often their key limitation. One in five companies, based on the research we've done, only one in five companies integrates data across their enterprise. And while 80% of our clients in our high-performance IT survey say they're investing in analytics, 80% are investing in analytics, 40% of our clients are getting the value they want. So half the clients aren't getting the value that they expect off analytics which is a huge opportunity and a lot of it comes back to data.

And in the Vision what we're talking about is a new view that's required around data to help you get the value out of it. It's the notion of the data supply chain. So rather than thinking about a static warehouse, it's important to think about new technologies and applying technologies differently to get to the notion of a supply chain where you're continuously evaluating your data, cleansing your data, applying machine learning and analytics to improve the value of the data. And also continually ingesting and discovering the capabilities of new types of data that you can bring into the enterprise. And that's a very different view around data, it requires different thinking, different governance in the organization around data and different technologies that are applied and we think that that creates a big opportunity for our clients going forward.

So a quick view of our Vision overall. Every business is a digital business with "Big is the Next Big Thing" as our big clients move to become the disruptors in digital. And you've heard about two of the trends, the digital-physical blur and data supply chain.

In summary, we're seeing big companies embrace digital and lead in disrupting their markets and digital has become fundamental to our clients business and technology strategy and is pivotal to how they're competing, innovating, expanding at the center of discussions that we're having in the executive suite. In fact our recent high-performance IT research, that's also available on our website or we can send that to you as well, found that the high-performers, those that are performing at a higher level than peers in their industry are moving to digital much faster than other organizations. Anywhere from 50% to 100%, so twice as fast as other organizations.

So high-performers are moving to digital more quickly and seizing this advantage to become disruptors and create the advantages around being a digital business. So our clients are embracing digital in a big way, they realize it's not just about digitizing their enterprises but it's about transforming the organization, looking at their strategy and looking where the new business opportunities come along. With that I'll hand it over to Mike to share how we're helping them on that journey and how we're investing in Accenture Digital.

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

Well thank you, Paul, I appreciate that. We believe that digital technologies are fundamentally changing the way that organizations are operating - from how they interact with their customers, their citizens, patients or students to enable new experiences, to how they enable employees to collaborate with suppliers, how they execute business processes more efficiently and how they grow their business and expand their footprint with smarter versions of products and services.

So we believe it's about doing things differently. But it's also about doing different things than they've been able to accomplish in the past. The application of digital technologies has created an entirely new set of opportunities and challenges for our clients. And as a result, it's created a new set of opportunities for Accenture to help them create value.

Our focus is to help our clients change the way the world works and lives. Working with these digital technologies allows us to help our clients imagine the future and then develop new sets of capabilities to create that future. We focus on delivering better customer experiences, patient outcomes, better citizen services and better education in addition to delivering reductions in cost and improvements in products. We created Accenture Digital to integrate and further expand the extensive capabilities that we've developed in digital marketing, mobility and analytics to help clients unleash the power of these digital technologies to transform their businesses.

As you would expect, we work closely with our experts from Accenture Strategy, cloud computing, software as a service and security to develop these new digital solutions for our clients. So we're also working closely with our industry teams, combining our digital capabilities with our extensive industry expertise. We are focused on helping our clients realize the value of digital. In every industry we are trying to deliver the value of digital at speed and at scale.

Our approach is to work with clients on delivering better business outcomes starting with Accenture Strategy professionals who can help clients understand how and where these digital technologies will enable disruption within and between industries. Then we apply a comprehensive portfolio of business and technology services to help clients change how they create new products and services, how they market, sell and deliver against their missions to serve the customers, their citizens, their patients or their students. We expect all at Accenture to understand how we will help clients deliver change using these digital technologies.

But Accenture Digital will be the coordination point as we bring to bear the full capabilities of Accenture including our expertise in business and technology strategy, our deep experience in customer insights, our leading capabilities in systems integration and enterprise applications, and our scale and excellence in global delivery and operations to help our clients realize the power of digital.

Accenture Digital started by bringing together about 23,000 professionals across the company who had wide ranging skills and deep experience and expertise in developing, delivering and managing digital strategies and solutions. We believe that this creates the world's largest digital capability. But we're really just getting started. Accenture Digital will enable us to quickly assemble specialized skills and form integrated teams that can serve each clients specific needs. Most importantly, we're able to do that at scale and anywhere in the world.

We have two broad sets of discussions with clients who are interested in leveraging these digital technologies to impact their performance. The first conversation is around digital customers channels and markets. This is about designing and enabling improved multi-channel customer experiences, digital customer interaction, digital sales and digital channel distribution capabilities. It leverages our expertise in multi-channel customer experience, service design, social media and social network, digital sales, digital marketing, e-commerce and mobile e-commerce platforms, including mobile offers and connected customers.

The second set of conversations is around how digital technologies enable the digital enterprise. This is about enabling new operating models and business processes, connected product platforms, analytics and collaboration capabilities to enhance productivity. This leverages our expertise in digital corporate services, digital manufacturing, digital operations, digital supply chains and connected products. So we see this as being applied across industries in areas such as smart water, smart grid, smart building, smart cities, intelligent pipeline, digital utilities, digital plants, and lots of other industrial Internet applications.

But we believe that the combination of connectivity and computing creates an incredible set of new opportunities around connected devices, connected machines and connected people to create new services and attract new customers. In fact, we have a great example of our work related to the connected vehicle. Recently in Barcelona at the Mobile World Congress, we demonstrated our connected vehicle capabilities, which bring together both consumer electronics and automotive devices where drivers and passengers can both connect with their preferred social network or Internet content providers through their smart phones in their vehicle head units. It also includes the tablet in the car concept, which is a fresh and upgradable user interface and set of applications. We're working with many automotive manufacturers now to bring this concept to their customers.

Finally, it leverages our connected device platform to continuously deliver information to the car and pull information from the car to monitor vehicle performance. Accenture Digital has continued to invest in our industry and our technology capabilities to further differentiate us in the marketplace, particular in areas where we see new waves of growth.

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In our previous calls, we talked about the acquisitions that we've made in the last 18 months, to strengthen our capabilities in digital marketing, mobility and analytics. And it's included companies like avVenta, Fjord, Acquity, NewsPage, Apigee, Crittercism, Neo Metrics. And this morning we just announced another acquisition to help build our analytics capability.

Together with our ecosystem partners, we have been on the leading edge in innovations in these areas. For example we did form a strategic global alliance with GE to develop technology and analytics applications to help companies across a wide range of industries take advantage of the massive amounts of industrial-strength data generated through their business operations. Accenture Digital provides expertise that sits squarely at the forefront of these trends that we believe will be critical to our clients businesses going forward including these connected devices, the industrial Internet, telematics and machine-to-machine computing, among others.

Let me share a couple of examples. We're helping Thames Water prove the benefits of smart monitoring capabilities, conducting an 18 month pilot leveraging Accenture's Smart Grid services powered by Accenture Analytics for Thames Water. We're using real-time data to monitor their assets in an efficient way so we can deliver improved performance. We'll also implement advanced analytic capabilities to enable more efficient water sourcing and a remote monitoring of their assets. The information and the data will help the utility anticipate equipment failures and respond in more real time to critical situations such as leaks or adverse water events. And we're now looking to take this innovative solution to market to help other clients in the same space.

We have another example in our work with Adidas, where our team is working with the Adidas organization to help them expand the success of miCoach as a platform of smart technology to help fit the lifestyle and the behaviors of their runners. Adidas wanted our Fjord organization to help them transform the miCoach experience from the web and the smart phone applications to the wrist device without compromising the functionality and the features previously designed for their online and their smart phone applications.

That meant that our Fjord team would step into largely uncharted territory because there are very few examples of companies successfully designing small wearable touch screens. But we were able to map the interactions with the existing miCoach designs and render them on a tiny 26 x 26 millimeter screen. The result of this micro design - Fjord created a smart watch that could be likened to having a personal trainer encouraging you from your wrist. The device achieved a completely wireless solution while maintaining maximum connectivity to the miCoach servers.

Perhaps the biggest measure of success was during the user testing when the users were impressed with how intuitive the design was despite it being the first time they had operated such a small screen. The compact design has no cords or extraneous bulk of a smart phone, so runners love it. But the smart watch is really meant for any athlete who wants to simplify their workout accessories.

So from these examples you can see how digital technologies are becoming fundamental to how our clients think about business and technology and how they're going to use those technologies to compete, innovate and expand their businesses moving forward. I'll share one final example with you. We're helping the team at Ducati Motors redesign their dealer communication and operating model, processes and tools and align them to industry practices which enhance their operations with dealers and their interactions with customers in a powerful dynamic way through the use of mobile devices. Accenture helped launch the program with an extensive core function assessment and mobilized a team to design, develop, test and implement and then rollout a new dealer communication application for Ducati dealers worldwide leveraging both SAP and Siebel technologies. With our help, Ducati's progressed on it's journey to high performance with a global solution that serves users worldwide in seven languages. By leveraging this new dealer communication system, Ducati is able to capture and consolidate local and global sales activity, spare parts, warranty and service activity, improving their ability to respond daily to their changing consumer demand.

So as Paul described a moment ago when we talked about Accenture's Technology Vision, the impact of the changes brought about by digital will only intensify in the near future, disrupting the business models across both commercial and public service industries. And we expect leading clients across each industry to continue setting the pace as they apply digital capabilities to create the future. That's why we have created Accenture Digital. We're focused on providing all of the support our clients needs for their decisions, their actions and their investments required to become a digital business. So with that, I'll turn it back to KC and we can move on to questions.

KC McClure - *Accenture - Managing Director of IR*

Thanks, Mike. Tom, would you provide instructions for those on the call, please?

QUESTION AND ANSWER

Operator

(Operator Instructions)

Joe Foresi, Janney Montgomery Scott.

Joe Foresi *- Janney Montgomery Scott - Analyst*

I was wondering could you start off by giving us some idea of the type of clients that are moving into this digital vertical, maybe you can give us the growth rate of the client or the profile that they share?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

I guess I would say that we're seeing Accenture Digital demand increase across each one of our industries and in fact across all of our geographies. It's one of the most pervasive demands that we've seen across the industry in a very long time. So it would be difficult to pick out a specific type of client.

What I would tell you is we've seen some industries move into digital a little earlier. So our Consumer Products and Retail customers, some of our Communications and High-Tech customers and Financial Services customers were kind of earlier to the party. But when we look today we're seeing significant demand increasing really from the Resources industries as well as Public Service.

So it's a little tough to tell you that there's a particular profile or type of customer. What I would tell you we're seeing lots of movement in the industry and customers are coming at it from different angles. Sometimes they're starting with that discussion around digital customers, channels and markets, sometimes they're asking how they can be more efficient with internal operations. And sometimes they're just asking how they can connect to the ecosystem and play a little differently than they have in the past.

Joe Foresi *- Janney Montgomery Scott - Analyst*

Okay and then one second one. What does a typical project look like, is it larger than your average project? And who do you usually compete with for that business or are these more on the sole source side? Thank you.

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

Good questions. The first thing I would say is, from the competitive footprint, as with the rest of the Accenture's business we compete with lots of players in hardware and software providers, different service providers from different industry perspectives. And I expect that that will continue to broaden over time. So we compete with lots of different people.

In terms of the type of projects, we see everything from the small, short strategy projects where we're trying to help clients think through the disruptions that's occurring in the industry or disruption that they would like to create. But we also see large industrial strength projects where we're either building new e-commerce platforms or developing new analytics applications for deploying new mobile capabilities that haven't existed in the past. And those can be multi-year projects that take lots of energy. So there's the full gamut as you would expect across the Accenture business from strategy to technology to operations and those projects can range from weeks to years.

Joe Foresi *- Janney Montgomery Scott - Analyst*

Thank you.

Operator

Sara Gubins, Bank of America Merrill Lynch.

Sara Gubins *- BofA Merrill Lynch - Analyst*

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I'm wondering if the client -- the contact at the client is changing much within digital and in particular I'm wondering if more of the conversation and projects are being sponsored by chief marketing officers or does most of this still reside more with the IT department? Thanks.

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

That's a great question, in fact I think we got a point of view paper out on the Internet about that specific topic because we are seeing the chief marketing officer who is worried about this question around digital customer channels and markets and how they're interacting with customers and creating customer experiences, as a major, major topic. And absolutely we're spending a lot of time -- that's why we built Accenture Interactive as a business to start with. We were really focused on serving the chief marketing officer and the needs of the entire customer service organizations that are clients.

So lots of work there. We also see a lot of work coming through the traditional technology component of the business because of course they are being asked by their business to be responsive to these new demands.

And then interestingly we're also seeing different buyers across the organization whether they're in manufacturing or supply chain or operations, as they're thinking about how to apply these digital technologies to enable them to be more efficient in the things they've done in the past, but much more interestingly to enable them to do things they haven't been able to do in the past. And when you think about 3D printing or some of the concepts that are being applied now in supply chain and operations, we are actually seeing different buyers who are really not information technology buyers but more operation technology buyers.

Sara Gubins - *BofA Merrill Lynch - Analyst*

Great, thanks. And then with this kind of spend, do you think that this is budget shifting from prior areas of focus in IT or is this really additive and new budgets that are spending through digital?

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

Well again I would say this is a situation where we're seeing both. What we are seeing is that some of these technologies are good substitutions which allow the IT organization to dramatically reduce spend that they've had in the past and refocus that money. For example, on one of our financial services illustrations we actually saw one of our clients dropp there cost of storage by 99% because they were actually using a new solution that was just fundamentally more efficient. They took the money that they saved in the storage space and they applied it to doing some new analytics work that they thought was important in moving the business forward.

But we're also seeing budgets come from outside of IT where we've got other people in the business who see a way to create value and they're willing to invest other budgets, not necessarily the budget they had thought about as their technology budget, to try and create that new value. So I would say is both, it's a bit of a shift in the internal technology spend. And I think that shift will actually continue to accelerate away from some of the things they had been focused on in the past as they all asked themselves how they're going to develop these new technology capabilities to support the business. And as I referenced a minute ago, I think we're going to see a bit of a convergence between operational technology and information technology spend within our companies.

Sara Gubins - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

Bryan Keane, Deutsche Bank.

Bryan Keane - *Deutsche Bank - Analyst*

Want to follow up on the same lines. The question that often comes up is that work in digital cannibalize some of the traditional Accenture business lines and would like to get your thoughts on that.

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

Well I guess the way we view it is, Accenture's job is to help our clients change their business to be more productive. And we absolutely see them shifting their spend from some of the legacy environments or the ERP platforms that they had been working on in the past. But frankly we are very, very large alliance partners with many of the large providers like Oracle, SAP, et cetera, Salesforce, and we see those companies shifting their technology solutions to match the needs of the customers at the same time.

So there's a lot of movement going on in terms of how CIOs are planning to spend their money. Both Accenture and many of our technology partners are very proactively moving our business towards a new spend pattern. So we don't really think of it as cannibalization as much as we think of it as changing the way we're supporting the clients. We all think the clients are going to spend more money on technology in the future, not less. And we plan to be a big part of helping them do whatever they think is most important for their business.

Bryan Keane - *Deutsche Bank - Analyst*

And does this move -- is this move towards digital is this like in the first inning of a nine inning game or are we started progress a little further? And then how many years is this exponential growth going to take place, is this a 10-year phenomenon where exponentially the growth rates in digital in your head count is going to grow at a quicker rate?

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

So first of, our perspective on the market is we are in early stages of the market development and we do see a decade of significant growth ahead of us. In terms of -- it's a headcount, I won't comment on that because we think of Accenture Digital as a capability inside of Accenture, but all of Accenture will become digital over the next several years as the market continues to mature. I'll ask Paul to comment on the multi-year perspective because Paul and our Accenture Technology Labs are really taking a look into the future and probably have a perspective on the change they see coming next.

Paul Daugherty - *Accenture - CTO*

Yes, thanks, Mike. Yes I'd say it's I think still the early days, I'd say we're in the early innings if we use the baseball analogy. Because if you think about some of the things that I talked about that Mike was talking about, there's -- we can -- we have clear line of sight to some of the changes that are happening with digital now and we talked about some examples on the call.

But then you start -- if you start looking at new innovations that are just coming into the mainstream like 3D printing, advanced manufacturing, you look at some of the things we talked about earlier with increasing use of more center technology out on the operations side of our clients businesses they're still a lot more innovation that's going to come and impact or more parts of our clients businesses and open up more opportunity for them to transform to be digital. So we're still in the early days with a lot more innovation to come on these fronts.

And as Mike said, it really -- it opens up a broader market because more-- there's more and more technology spending in our clients like take the smart water example Mike mentioned earlier on the operations side of a water company investing in technology to run water operations more effectively. That's an area that wouldn't have spent technology types of dollars previously that's now opened up to the kind of services that Accenture can provide. So it expands the clients technology spending in the addressable markets that we can serve.

Bryan Keane - *Deutsche Bank - Analyst*

Last question for me, do you need to see discretionary spend pick up to push this further or is this becoming a core part of everybody's budget? Thanks so much for the call

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

Yes, sure that's another good question. When we talk to CIOs, they're all telling us that they're very carefully balancing the challenge of reducing their spend on a legacy environment and shifting their budget towards these new capabilities. So yes an increase in discretionary spend would be helpful. But even if that doesn't happen,

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as I said we're also seeing other members of the management team decide to invest in digital capability because it helps them grow their business or improve their operations.

So if we're thinking about the traditional view of IT spend and the discretionary versus non discretionary, I think it's becoming core and they're managing that shift very carefully because it's a tough balance to achieve in the short term. But as we look out into the future, all of the CIOs that we're talking to recognize that a significant majority of their spend has to shift to these new platforms, architectures, infrastructures and applications, that's what they're going to need to do to support their business.

Bryan Keane *- Deutsche Bank - Analyst*

Great, thanks so much.

Operator

Darrin Peller, Barclays.

Darrin Peller *- Barclays Capital - Analyst*

I want to see if there's a way you can size this opportunity at all. Or I don't think it was mentioned on the call yet, but maybe give us a sense of how large this for Accenture now, I don't know if it's possible in this call setting or not. And then a growth rate you're seeing in terms of how it's affecting your business? And then as a follow-up question as well around the types of deals in terms of what happens after the design and development work, what kind of work can follow on to that?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

Sure, so let me start by telling you what we've said in the past. We already at scale with our digital businesses both in terms of revenue and headcount. And while we can't provide an update today on the actual revenue number, what we previously said about our strategic growth initiatives that we pulled together to form Accenture Digital is that in 2012, in our investor and analyst conference we told you that Accenture Analytics was about a $2 billion business. Accenture Mobility had just crossed the $1 billion mark and Accenture Interactive was on the cusp of becoming $1 billion- business.

We updated that in 2013 where we described that we were pleased to see these strategic growth initiatives continue to accelerate with most of them contributing over $1 billion of revenue and also generating double-digit growth rates. What I can say without giving you specific numbers is that those trends continue. This is a significant business for Accenture and we expect it to be a significant growth opportunity in the future as the general market for digital expands.

The question in terms of what happens with the projects is I think these are very similar to what we've seen in the past. With different projects across Accenture, we have some projects where clients are asking us to do very short -- sharp pieces of work to help them think through and strategize around a particular topic and that's it. They needed insight of bringing cross industry, cross technology points of view to the table. Sometimes they're asking us to do very concise and specific application development around a mobile application or an analytics application. And then sometimes they're actually asking us to create a new service which will be a multi-year operation that is offered to them as a service over time and scales with their business.

So we've had all types of commercial constructs embedded inside the work we're doing across the Accenture Digital projects and we expect that that will continue to mature over time, much like we've seen in the rest of the work we do across the company.

Darrin Peller *- Barclays Capital - Analyst*

All right, that's helpful. So you'd say it's pretty -- it's similar in the traditional sense of a strategy or a design development work leading as a spear and then followed by some sort of a maintenance or longer term arrangement with the client that could drive long-term revenues?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

Yes, absolutely. And if I look at our pipeline today, we see all those opportunities existing across industries across geographies

THOMSON REUTERS

Darrin Peller - *Barclays Capital - Analyst*

That's great, one last follow and then I'll turn it back to the queue. On the industry side, where do we stand in terms of some verticals versus others? Obviously I know financials has talked a lot about digital in certain areas around getting it online. But can you give us a little color on, are there certain areas that are less competitive for you guys that you really own the verticals or are there certain areas that are really just early adopters or other s have a long way to go?

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

Yes, first of all I'd say nobody owns any of the verticals because there's lots of action going on globally. And when we look at what's happening in the Eastern European markets versus the Western European markets for the Asian markets versus the Latin American markets, the industries really are at different maturity levels even within single industry across each of those different geographies. So as I said earlier in the call, I think the product industries can move more aggressively as you would expect in consumer products in retail, they were early adopters on many of these digital technologies and continue to be on the front end of the innovation curve. In financial services it's been more about payments frankly than anything else. But we're starting to see analytics become a much bigger opportunity for these financial services clients. And then when we look at communications and high-tech, that industry is really the enabler of a lot of these digital capabilities. And we're starting to see the communications and high-tech companies apply these digital capabilities to their own businesses.

So those would be the three that I would have said came out of the gate the fastest. But we are also seeing public service, government, education, healthcare verticals continue to move fairly aggressively. And then even when I look insider our metals and mining, our chemicals, our energy, our utilities businesses, we have lots of activity going on across those businesses as well. And so it's -- for me, it's a really interesting phenomenon in that there's no part of the Accenture business that we look at that we don't see substantial activity and substantial growth opportunity moving forward.

Darrin Peller - *Barclays Capital - Analyst*

Very helpful, thanks, guys.

Operator

Alex Tout, Arete.

Alex Tout - *Arete Research - Analyst*

A few quick ones, if I may. Could you confirm whether all analytics within Accenture is now being put within the Accenture Digital umbrella or is that mainly newer type analytics, big data, Hadoop, No-SQL type analytics as the first question? Second one, if you could give us an idea of the offshore onshore headcount split within that 23,000? And then if you maybe or if you're able to on this call give us an idea of the margin profile that you're seeing within these digital businesses and whether it's a truly global management and P&L structure within Accenture Digital?

Mike Sutcliff - *Accenture Digital - Group Chief Executive*

So several good questions there. So I'll start with the analytics question, so there's a core set of what I would call performance management score carding and basic descriptive analytics that we consider to be a core part of our existing business. So we did not pull those into Accenture Digital the same way we didn't pull cloud or some of the other core capabilities in because we think those are mature and frankly pervasive across all of the work that we do.

The work that we moved into Accenture Analytics is the work that we consider to be the leading edge data science where we're trying to do predictive and prescriptive analytics. But we work very closely of course leveraging the capabilities that we built over the past 20 years around the core analytics score cards and descriptive analytic capabilities. So I hope that answers your first question.

Second question I think you wanted to know the balance of the onshore offshore work inside of Accenture Digital. So we have 23,000 people inside of Accenture Digital. The rough balance in terms of onshore offshore actually differs between Accenture Interactive and Accenture Mobility and Accenture Analytics based on the fact that those businesses they're growing at different rates and in different profiles. So we really aren't that concerned with the balance. What we see is significant

demand for both onshore capabilities that are co-located with our clients in their onshore core business operations. But we also see significant demand to support them in the centers of excellence around the world.

And the reason I don't really have a number for you, some of our centers of excellence for analytics and mobility actually sit in the United States or UK or France or Spain or other places. So they're not onshore or offshore, they're just centers of excellence for us that operate in a global factory model. So what you'll see with our mix is it'll continue to change to meet the needs of the business. And frankly I expect to see fairly balanced growth in onshore and offshore, I don't expect to see one heavily weighted against the other. Was there a third question there as well?

Alex Tout *- Arete Research - Analyst*

Yes it was on the margin profile that you're seeing within Accenture Digital and whether it's a truly global management and P&L structure around those 23,000 people?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

Well so no, it's not a management and P&L structure in our Accenture Digital. Our management and P&L structure is by industry and that's how we manage the business. Our job at Accenture Digital is to be at the leading-edge set of capabilities that we use to support the work that the rest of Accenture is doing. And as I said earlier, we think all of Accenture will be digital. So our job is to help the rest of Accenture accelerate our progress in applying these digital capabilities across each of our industries and each of our geographies.

In terms of the question on the margin that we've guided in this kind of work, again it differs between finding strategy work, technology work, operations work, differs depending on whether we've got a long-term project where we're sharing risk with the client or one where we're not. So I wouldn't be able to describe the margins as hitting a specific profile. It really does matter what kind of work we're doing.

Alex Tout *- Arete Research - Analyst*

Right I just meant really how does it compare to the group average if you can give us an idea on that?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

I really can't.

Alex Tout *- Arete Research - Analyst*

Okay, no problem, thanks.

Operator

Daniel Perlin, RBC Capital Markets.

Daniel Perlin *- RBC Capital Markets - Analyst*

So in this digital world it sounds like half of the business or some portion of that is very much on the industrial side. And the other part is very much consumer facing as you talk about some of these leading industries that started this wave. My question is what is it that your practice people in DC are telling you about the framework from which you can work under these -- this digital context in terms of privacy and security? I would imagine that you guys or is it attuned to that as anything and I'm wondering what you're telling clients is the boundaries that you can push?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

Well great question, I'll ask Paul to chime in in a minute here because I'm sure he's got an additional perspective. But our perspective is -- starts with the fact that our clients are trying to serve their customers. And they're trying to create value for their customers and in many cases that does require inventing new things with them and trying things for the first time. What we encourage is that they actually ask clients to opt in and to be very aware of how information is being collected, how it's being used to support them and what our clients are doing to protect their information over time. But Paul I know you spent a lot of time thinking about data privacy, security with different technologies that people are using, so I'll ask you to chime in.

Paul Daugherty *- Accenture - CTO*

Yes, really I'd highlight three points around this because it's a very good question, very much on our clients minds and consumers and other minds as well. Three things to think about that we work with clients on. One is we're doing a lot of work with our clients on helping them think through the strategies and how to create the right trusted policies and privacy and security policies for their businesses. So if they're doing in-car information systems or if they're rolling out a new device application to consumers, what are the appropriate policies and technologies they need to do to get the right levels of security and privacy and trust. So there's -- so the strategy and helping our clients think through that is absolutely in the sweet spot of what we do and what we help clients with on many of these programs.

The second part of that is then helping implement the right security policy so that you get the right level of trust so that you don't have the breaches and breakdowns around security and there's a lot of work we're doing in that area. One of our trends in our Vision that I did not talk to today is around resilience and active defense which is a very new mindset around security that we've been working on in our Labs and are now working with many of our technology partners and clients on to put it in place, the right sets of technology to manage services that Accenture can provide, Help our clients operate more secure environments, that's the second area.

The third area is we're engaged with a lot of the stakeholder bodies that are looking at privacy and trust and the direction of that going forward. An example is work we're doing with the European Commission on cloud and data privacy standards. We work with many industry groups on the same sorts of things that we can be -- so we can help influence and be part of the voice of helping shape the right approaches to those type of issues going forward because it's important consideration in terms of how the businesses develop around the new technology.

Daniel Perlin *- RBC Capital Markets - Analyst*

And as you guys are competing in this technology, I'm wondering if those three as an example act as a pretty significant competitive advantage? And are there other pieces of Accenture that are pulling you into this, meaning your policy team pulling you in and then the digital team gets to work? It's an open-ended question but it sounds like there's -- that creates part of your competitive advantage in digital given some of the pace and play in technology today.

Paul Daugherty *- Accenture - CTO*

I think that's true and we get involved in many board level discussion and CEO and C level discussions around these type of issues given the level of concerns. And that often does lead to then discussions how to help implement the right solutions and right practices in different parts of the organization. So I think it is a strength and I think it's going to be increasingly important in the digital world there's more devices, more consumer facing apps, et cetera. So it's only going to become more important and I think the breadth of services, consulting technology operations, managed services that Accenture can provide will really be a differentiator as we look at how those type of opportunities roll out.

Daniel Perlin *- RBC Capital Markets - Analyst*

Excellent, thank you.

Operator

Tien-Tsin Huang, JPMorgan.

Tien-Tsin Huang *- JPMorgan Chase & Co. - Analyst*

I jumped on a little late, but I wanted to ask how do you -- in digital, how do you benchmark your capabilities given it's such a fast changing landscape? I know obviously IBM talks about their capabilities and business analytics. And as a follow on, is the landscape different competitively in terms of what you normally see, meaning is it more niche providers or scale providers like IBM? Thanks.

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

For us it's everything, right. We've got lots of acquisitions that we've done over the past couple of years have been smaller acquisitions where we've gone out and found that there were capabilities we could bring into Accenture to improve our ability to go serve our clients. And those smaller companies come from ecosystems that are generally fairly fragmented and our experience is that they mainly have remained fairly fragmented. So when you look at the digital marketing space or the analytic space or in the mobility space, there are lots and lots and lots of small players that exist today and frankly lots more getting created everyday through pretty significant investments from the incubators and the venture capitalist and the private equity firms.

So we expect it to be -- to remain a very fragmented market with lots of new entrants continually coming in with new ideas, new technologies. This is an area where technology leapfrogs do occur on a pretty regular basis. People come up with fundamentally better answers. And it's also one where prices move very, very quickly. I was just talking earlier to our team about the fact that when we look at Web services and the prices from the major providers of some the infrastructure, we've seen significant price reductions in the past 60 to 90 days. And those allow our clients to do fundamentally different things at very attractive price points.

So we recognized that the large players in the market like Accenture and IBM and many of our alliance partners that we work with are going to continue to develop skills and operate at a global level. But we also recognize that each local market is going to have very interesting new entrants and smaller players that continue to create real value.

I think our acquisition announcement this morning of an analytics company out of Italy is a good example. That was a company that we found that was very active in the European theater, it had some really, really interesting technology capabilities that we think we can apply on a global level. And the fact that they happen to be in Italy was interesting but not particularly unique.

Tien-Tsin Huang *- JPMorgan Chase & Co. - Analyst*

Got you, that makes sense. Did you give us some sense of how much you spend in terms of dollars in R&D into digital?

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

That's another hard one to actually quantify because it's not just Accenture Digital of course that's doing, it's everybody at Accenture who's investing -- you can look at our publicly available information on how much Accenture spends on our marketing, developing -- development and initiatives. But we don't segregate it and say this much is digital, this much is not digital, because I said frankly everything that Accenture is moving into the digital space moving forward.

Tien-Tsin Huang *- JPMorgan Chase & Co. - Analyst*

Right, right, no that make sense. Last one on the selling front going to market with digital, how do you sell the digital solution with the client partners? Is it different from how you attacked other big tech themes or other internal centers of excellence that Accenture has created in the past, curious? Thank you.

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

So broadly the answer is no with the exception that we're not just selling into the technology organizations. If you think about the weight of our business in the past, a lot of the work was with the technology organizations. But when you think about what's happening today as we talked about earlier on the call, the buyers are the chief marketing officers, the business unit leads, the operations leads, we're working with lots of different people across the organization. And so the approach that we take is the exactly the same approach which is we're there to help our clients solve problems and frankly we're trying to bring them fairly proactively ideas that we think will allow them to be disruptors in their own industries.

And our client account leads are the ones that know the business the best, know the industry and understand where the opportunities are. So our job is to support the client account leads serving their customers and creating new value for those customers whether it's for the technology organization or one of the business unit leads or one of the operations leads that doesn't really matter too much to us. We're just looking for the best way to create a value.

Paul Daugherty *- Accenture - CTO*

And I think one thing I'd add on that is as we work through those teams as Mike described, part of the I think the power is looking at how we help our clients address the broad set of challenges they have in moving to digital. And if you think about it, as our clients move to digital, they're layering on a lot of new technology and a lot of new capabilities. They're often not retiring a lot of the technology that they've got.

And often what we can help our clients with is the end-to-end, how to make that all work together, how do you get the legacy in step with the recently implemented technology in step with the new digital technology. For example, at a large retailer we're working with on a major, very large ambitious multi-channel digital consumer engagement involving e-commerce and multi-channel's engagement with the consumer, a big part of the program is dipping into legacy systems to address things like real-time inventory availability and issues like that that are critical to the right digital experience of the customer, require a lot of legacy technology skills to make it happen.

And it's Accenture's ability to combine all that together. So we've got the leading edge digital capabilities, we've also got the understanding of the legacy technologies, we've got the understanding the integration of modernization technologies so we can help the client manage that journey, that transformation across a set of steps that looked very confusing and complicated to them and leveraging those teams that Mike described and understand that broad set of capabilities and challenges our clients have helps position us for the differentiation with a broad set of services that we can offer.

Tien-Tsin Huang *- JPMorgan Chase & Co. - Analyst*

Great, thank you so much.

KC McClure *- Accenture - Managing Director of IR*

Tom, we have time for one more question.

Operator

James Friedman, SIG.

James Friedman *- Susquehanna Financial Group / SIG - Analyst*

I'll ask my final question in two parts, if I could. So the first one was, I think it was Paul who was speaking at the time you had reference that, if I got this right, 80% of your -- of customers in your survey had indicated some adoption of analytics but only 40% had communicated their satisfaction level. I was wondering what the remedies might be for that, what is it that they're disappointed with and what do they intend to do next?

Paul Daugherty *- Accenture - CTO*

Yes, I'll take that one real quickly. That came out of our high-performance IT survey and that's something we can send to you if you're interested which gets more into the reasons. But generally there were two categories of reason for that lack of success with analytics. One was not having the right data or not having the right quality data that when they go to do the analytics they find they don't have the right data to drive the analytic algorithms or the data they got frankly isn't good, bad quality data. Which is a big problem for many organizations, the data is a big problem.

The other part of it that our clients struggle with is the talent side of it, so finding the data scientist who understand how to drive the right analytics and have the right knowledge of their businesses, et cetera. And that's an area where we're stepping in and with Mike's efforts in digital, building those teams of deep data science and analytic practitioners with the right tools who have the industry expertise and specialization to do that for our clients. So some of our clients struggle with the data and there's a set of things we're doing on that product line, struggle with the talent and the data scientist, which we will also help them address.

James Friedman *- Susquehanna Financial Group / SIG - Analyst*

 Okay and then one follow up, back at the investor and analyst day in October, I think it was Brian Whipple had referenced CMO spend and he had given a number but said it was dated that he estimated it was 2% to 3% of customers revenue was being spent by the CMO. Without holding you to that, observations you might have on CMO, is a spend getting distributed better throughout the organization, is it still this amazing acceleration and the CMO authority. May be qualitative observations about who's -- who the purchaser is would be helpful.

Mike Sutcliff *- Accenture Digital - Group Chief Executive*

 And so I would confirm the trend that Brian talked about that the chief marketing officers have always spent a lot of money on advertising, but now they're saying they've got more to do than just advertise and create awareness or consideration. They actually have to be able to deliver the promise of the brand. And the promise of the brand is not just to get somebody to buy it, it's actually what experience are you going to have when you interact with the brand. So the reason that we're seeing the chief marketing officer spend more money on these digital capabilities is because they're trying to create an experience and they're trying to get the company to configure itself to live up to the promise that the brand has made.

Now that's not limited to the purview of the chief marketing officer, it obviously quickly bleeds over into product design, it bleeds over into customer service, it bleeds over into managing supply chain. So there's lots of impact in terms of what the chief marketing officers are trying to achieve. But they move beyond this concept of saying that their job is as a marketing officer to create an image, to create a brand and to create awareness and consideration. They're saying actually our job is to make sure that the company delivers on the brand promises that we're creating and that over time, our customers can trust that the brand promises that we're promising are actually going to be delivered. And if we do that successfully, then we're going to see continued growth in sales as our customers continue to invest in the brand.

So yes the chief marketing officer is spending a lot of money, but it's not always being spent, quote, in marketing. Many times it's being spent to make sure that that brand promise is being delivered across the company.

James Friedman *- Susquehanna Financial Group / SIG - Analyst*

 KC, thanks for doing the call.

KC McClure *- Accenture - Managing Director of IR*

 Great, well thanks, everyone, for joining us today. Two things I want to leave you with, you can find our Tech Vision and digital microsite materials out on the IR portion of the Accenture website. As well as you can access a reply and transcript from today's session, we will post it to our website as well and that will happen over the next few days. So thanks again for joining the call.

Operator

 Ladies and gentlemen, this call will be available for replay starting at noon today and running through July 30 at midnight. You may access the AT&T Executive Playback Service at any time by dialing 1-800-475-6701 and entering the access code of 324259. International participants may dial 320-365-3844. Those numbers once again 1-800-475-6701. International participants dial 320-365-3844. Please enter the access code of 324259. And that does conclude our conference for today. We thank you for your participation and using the AT&T Executive Teleconference. You may now disconnect.