

# Demand for AI Solutions may Put Pressure on IT Deals Pricing

Uncertain macroeconomic situation may force IT firms to offer cheaper rates to clients who are trying to optimise their costs

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**Mumbai:** Rising demand for automation and artificial intelligence solutions will lead to pricing pressure by next year, IT firms feel. The issue is accentuated by an uncertain global macroeconomic situation, which is putting additional pressure on companies to offer better rates to clients who are trying to optimise their costs.

Speaking at a JP Morgan analyst conference last week, HCLTech chief executive C Vijayakumar said pricing discussions, based on automation and AI-related offerings, are

likely to start coming up next year. "I don't think we want to hesitate to drive more automation and share it with our clients because if you don't do it, somebody else is going to do it," he said. However, he said, clients have not pushed for price reduction based on AI and automation usage yet.

"It (pricing discussions) is likely to come in the next year or so. But most of the conversations are around how AI can help business processes of customers," Vijayakumar said. He said customers are looking to reduce costs through more automated solutions.

**Cost Factor**  
Highest pricing growth has been in the nearshore location of Mexico which has increased by **5.1%**



Pricing power differentiation is not entirely linked to the size of the IT firm  
**Abhishek Sharma**, partner, Everest Group

**C VIJAYAKUMAR**  
CEO, HCLTech



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This comes as IT majors like Tata Consultancy Services, Infosys and HCLTech are vying for large vendor consolidation deals in a market

where technology clients are trying to control costs.

While data from Everest Group suggest an improvement in prices over the past year, the research firm expects lower price increases over the next 12 months due to higher scrutiny on technology spending. Over the next 12 months, it expects prices in offshore hubs India and the Philippines to dip 0.2% and other locations to see flat to 1.1% growth for standard IT services, it said.

"The pace of change (in IT pricing) has decreased over the last two quarters, due to economic uncertainty and relative easing of talent availability," said an Everest Group report. Pricing of standard IT services

has increased across locations in the previous 12 months till July, even for skills where pricing had been stagnant for a few years. Delivery of IT services from the onshore locations in the UK and US has improved by 4.1% and 2.6%, respectively; while the offshore locations of India and Philippines have seen an increase of 3.1% and 1.9%, respectively. The highest pricing growth has been in the nearshore location of Mexico, which has increased 5.1%.

"However, we anticipate rising pricing pressure due to market uncertainty and negative market sentiment which could drive price decreases across a few locations in the next 12-month period," it said.