Topic: Outsourcing and Offshoring Trends in the Oil & Gas Sector

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Market Report: September 2013 – Preview Deck
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### Market Vista
Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

<table>
<thead>
<tr>
<th>Information technology</th>
<th>Finance &amp; accounting</th>
</tr>
</thead>
<tbody>
<tr>
<td>BFSI¹</td>
<td>Procurement</td>
</tr>
<tr>
<td>Healthcare information technology</td>
<td>Human resources</td>
</tr>
<tr>
<td>Information technology</td>
<td>Recruitment process</td>
</tr>
<tr>
<td>Cloud Vista</td>
<td>Contact center</td>
</tr>
<tr>
<td><strong>Global sourcing</strong></td>
<td>Service provider intelligence</td>
</tr>
<tr>
<td>PricePoint</td>
<td>Transaction Intelligence</td>
</tr>
</tbody>
</table>

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**Custom research capabilities**

- Benchmarking | Pricing, delivery model, skill portfolio
- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio
- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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1 Banking, financial services, and insurance
Background and scope of the research

Background of the research
- The economic slowdown and political environment have impacted the oil & gas industry significantly. Additionally, technical advancements and uncertain industry dynamics have created several pressure points on players in this industry.
- Global sourcing is being looked at, by buyers, as one of the levers to address these pressures. At the same time, these pressures are also affecting the pace and pattern of adoption of global sourcing in the oil & gas industry.
- Service providers have also evolved their capabilities to meet the changing needs of the industry.

In this research, we analyze global sourcing trends in the oil & gas industry. We focus on:
- Evolution and current level of adoption of global sourcing.
- Sourcing strategies across leading players of the oil & gas industry:
  - Function mix
  - Locations leveraged
  - Sourcing models used
- Landscape of Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) service providers in the industry:
  - Capability development
  - Mergers and Acquisitions (M&A), industry dynamics among service providers
- Perspectives on potential themes and opportunities that are likely to influence outsourcing and offshoring in the future.

The scope and methodology of this research include:
- **Secondary research:** Everest Group tracks major transactions happening in the oil & gas industry across globe. This information forms the basis of the analysis on buyer adoption. Additionally, it also maintains a GIC database, providing a well-rounded perspective of the global sourcing adoption in this sector.
- **Services scope:** BPO (voice and non-voice), ITO (applications development and maintenance), and KPO (e.g., reporting and analytics), Engineering services and Research and Development (ES R&D).
- **Focus (buyer geography):** Global
- **Service provider landscape:** Global, Indian-heritage, and regional/specialist service providers providing range of ITO, BPO.
# Table of contents (page 1 of 2)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Background and scope</td>
<td>6</td>
</tr>
<tr>
<td>Summary of key messages</td>
<td>7</td>
</tr>
<tr>
<td>Section I: Oil &amp; gas industry overview</td>
<td>10</td>
</tr>
<tr>
<td>- Summary</td>
<td>11</td>
</tr>
<tr>
<td>- Overview of industry</td>
<td>12</td>
</tr>
<tr>
<td>- Overview of global sourcing in oil &amp; gas industry</td>
<td>21</td>
</tr>
<tr>
<td>Section II: Trends across buyer adoption and sourcing models</td>
<td>26</td>
</tr>
<tr>
<td>- Summary</td>
<td>27</td>
</tr>
<tr>
<td>- Functions sourced</td>
<td>29</td>
</tr>
<tr>
<td>- Locations of sourcing</td>
<td>35</td>
</tr>
<tr>
<td>- Sourcing models adopted by buyers</td>
<td>38</td>
</tr>
<tr>
<td>Section III: Service provider landscape</td>
<td>43</td>
</tr>
<tr>
<td>- Summary</td>
<td>44</td>
</tr>
<tr>
<td>- Key service providers and their capabilities</td>
<td>45</td>
</tr>
</tbody>
</table>
# Table of contents (page 2 of 2)

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section IV: Future outlook of global sourcing</td>
<td>50</td>
</tr>
<tr>
<td>• Key outsourcing-related trends to watch</td>
<td>51</td>
</tr>
<tr>
<td>• Opportunities and imperatives for service providers</td>
<td>53</td>
</tr>
<tr>
<td>• Key GIC-related trends to watch</td>
<td>54</td>
</tr>
<tr>
<td>Appendix</td>
<td>55</td>
</tr>
<tr>
<td>• Glossary of key terms</td>
<td>56</td>
</tr>
<tr>
<td>• GS research calendar</td>
<td>58</td>
</tr>
<tr>
<td>• References</td>
<td>59</td>
</tr>
</tbody>
</table>
Overview and abbreviated summary of key messages

This research examines global sourcing trends in the oil & gas industry. Analysis include the evolution and current level of global sourcing of services, sourcing strategies as adopted by leading firms in this sector, and perspectives on opportunities likely to influence global sourcing demand in the future. The research also provides an introduction to the service provider landscape for oil & gas industry.

Some of the key findings in this report, among others, are:

**U.S. oil & gas market overview**
- Oil & gas are the major contributors to global energy generation and are expected to remain so in future
- Oil & gas firms are battling with lower profitability margins and rising cost of exploration
- Volatility in prices is also a challenge for the oil & gas sector firms

**Trends across buyer adoption and sourcing models**
- While player-wise variations exist, leading oil & gas firms are predominantly leveraging the GIC model
- Asia Pacific and Central and Eastern Europe are the key sourcing geographies both from the GIC and service provider’s context
- Europe based oil & gas firms are leaders in terms of outsourcing their services and IT based services have been most frequently outsourced

**Service provider landscape and emerging trends**
- Service providers in the oil & gas sector are enhancing their capabilities by developing partnerships, acquisitions or by investing in gaining domain expertise
- Service providers are expected to witness significant opportunities in this sector due to
  - Challenge faced by oil & gas firms due to ageing workforce
  - Adoption of disruptive technologies by firms in this sector
  - Integration of operational technology with information technology

**Key future trends to watch**
- Outsourcing deals worth several billion dollars are coming to their end in near future and hence present immense opportunities for service providers
- Multiple dynamics (e.g., new oil field discoveries, consolidation across global GIC portfolio) in the oil & gas sector are expected to shape the development of outsourcing / global sourcing trends in this space
This study offers four distinct chapters providing a deep dive into key aspects of oil & gas global sourcing market:

### Oil & gas industry overview

#### Financial performance of top 10 oil & gas companies

- **Revenue**
- **Operating profit**

![Graph showing financial performance of top 10 oil & gas companies](image)

**Oil discovery cost**

US$ per barrel

![Graph showing oil discovery cost](image)

### Overview of global sourcing landscape

- **Distribution of FTEs by sourcing model**
  - Number in '000s
- **Distribution of GIC FTEs by delivery location**
  - Number in '000s

![Pie chart showing distribution of FTEs by sourcing model and delivery location](image)

Source: Everest Group (2013)

### Trends across buyer adoption and sourcing models

**Adoption of global sourcing by oil & gas majors across diverse functions**

- **IT services**
- **BPO services**
- **Engineering and R&D**
- **Customer care**
- **Finance**
- **HR**

![Heatmap showing adoption of global sourcing across diverse functions](image)

### Key future trends to watch

- **Total Contract Value (TCV) of deals nearing end-of-term**
  - US$ billion
- **Major oil & gas sector transactions reaching end-of-term in coming months**

![Bar chart showing total contract value and major transactions](image)

Source: Everest Group (2013)
# GS research agenda

<table>
<thead>
<tr>
<th>Topic</th>
<th>Release date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global In-house Center (GIC) Landscape in Costa Rica and Trends in Offshore GIC Market</td>
<td>April-2013</td>
</tr>
<tr>
<td>Driving Impact through Collaboration: Collaboration in the GIC-Parent, GIC-Vendor, and GIC-GIC Ecosystem</td>
<td>April-2013</td>
</tr>
<tr>
<td>The Classic Sourcing Model Conundrum – Global In-house Center (GIC) vs. Third-party Provider</td>
<td>May-2013</td>
</tr>
<tr>
<td>Delivering Value Beyond Savings in the GIC Model – A Survey of Organizations with GIC Operations</td>
<td>June-2013</td>
</tr>
<tr>
<td>Two Sides, One Story – Value Beyond Savings from Global In-house Centers (GICs)</td>
<td>July-2013</td>
</tr>
<tr>
<td>Outsourcing and Offshoring Trends in the Oil and Gas Sector</td>
<td>September-2013</td>
</tr>
<tr>
<td>Global Trends in the Captive Landscape. Focus geography – Malaysia</td>
<td>Q3-2013</td>
</tr>
<tr>
<td>Viewpoint on Location Concentration Risk</td>
<td>Q3-2013</td>
</tr>
<tr>
<td>Global Locations Compass: Poland</td>
<td>Q3-2013</td>
</tr>
<tr>
<td>Global Locations Compass – Mexico</td>
<td>Q4-2013</td>
</tr>
<tr>
<td>Viewpoint (Hallmarks of mature GICs – Learnings to stay ahead)</td>
<td>Q4-2013</td>
</tr>
</tbody>
</table>
Additional research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest:

1. **IT Outsourcing in Healthcare Payer Industry – Annual Report 2013: Taking the Debate Beyond the Reforms Mandate**
   (EGR-2013-12-R-0894); 2013. This report provides an overview of the ITO market for the healthcare payer industry. Analysis includes key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and implications for key stakeholders. The report also provides specific updates on the readiness of the various stakeholders from the perspective of payer reform mandates.

2. **IT Outsourcing in Banking – Annual Report 2013: Banking For the Next Generation**
   (EGR-2013-11-R-0893); 2013. This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2012 with regards to such large banking AO deals.

3. **Global Sourcing Trends in the U.S. Mortgage Industry**
   (EGR-2012-2-R-0767); 2012: This research provides an in-depth analysis of outsourcing and offshoring in the U.S. mortgage industry, with focus on the buyer adoption of global sourcing and service provider landscape.

For more information on this and other research published by Everest Group, please contact us:

**H. Karthik**, Vice President – Global Sourcing:
**Sakshi Garg**, Practice Director:
**Prabhat Pant**, Senior Analyst:

h.karthik@everestgrp.com
sakshi.garg@everestgrp.com
prabhat.pant@everestgrp.com

Everest Group
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240

Phone: +1-214-451-3110
E-mail: info@everestgrp.com
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### Dallas (Corporate Headquarters)
info@everestgrp.com  
+1-214-451-3000

### New York
info@everestgrp.com  
+1-646-805-4000

### Toronto
[canada@everestgrp.com](mailto:canada@everestgrp.com)  
+1 647-557-3475

### London
[unitedkingdom@everestgrp.com](mailto:unitedkingdom@everestgrp.com)  
+44-207-129-1318

### India / Middle East
[india@everestgrp.com](mailto:india@everestgrp.com)  
+91-124-284-1000

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