



U.S. Onshore Delivery Puzzle – Demystifying Location Selection

Locations Insider (LI)
Market Report: October 2014 – Preview Deck

Our research offerings for global services

Subscription information

- The full report is included in the following subscription(s)
 - **Locations Insider™**
- In addition to published research, a subscription may include analyst inquiry, data cuts, and other services
- If you want to learn whether your organization has a subscription agreement or request information on pricing and subscription options, please contact us:

Corporate Headquarters

Office: +1-214-451-3000

info@everestgrp.com

European Headquarters

Office: +44-207-129-1318

unitedkingdom@everestgrp.com

Market Vista™

Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

BFSI¹ information technology

PricePoint™

BFSI¹ business process

Finance & accounting

Healthcare information technology

Procurement

Information technology

Human resources

Cloud Vista™

Recruitment process

Global sourcing

Contact center

Locations Insider™

Transaction Intelligence

Custom research capabilities

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

¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

The last few years have witnessed an increase in interest for Business Process Service (BPS) delivery from onshore locations in the United States. This has been guided by change in regulations, customer demands, as well as market dynamics. As players think about location options to set up onshore delivery centers, they are faced with trade-offs on cost, talent, and local market maturity. This report aims to help companies by highlighting the key factors to be considered during location selection for onshore delivery center establishment.

In this research, we analyze locations within the United States for onshore BPS delivery, across various dimensions:

- Operating cost
- Talent pool availability
- Business process services landscape
- Business environment

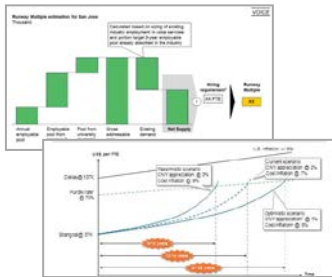
The scope of the analysis includes:

- Non-voice BPS delivery from in-house centers as well as third-party service providers from locations in the United States
 - Trends in industry verticals such as Banking, Financial Services, and Insurance (BFSI), healthcare, and pharma; as well as horizontals such as contact center, finance & accounting, procurement, and human resource services
- Key location types and associated trade-offs
- Assessment of select cities in the United States for delivery center set-up

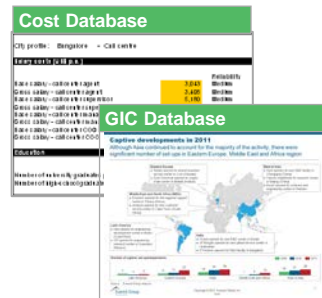
Methodology – Everest Group's extensive databases, proprietary market intelligence, and inputs from market participants formed the foundation for this report

- Proprietary intelligence
- Market thought leadership
- Actionable and insightful research

- 1** Robust definitions and frameworks – location assessment, sustainability, and scalability



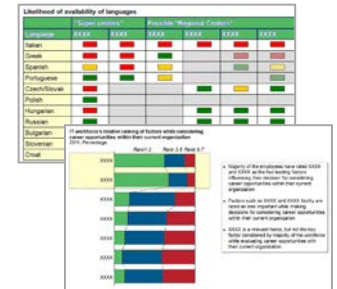
- 2** Proprietary databases (global in-house centers, service providers, market activity, cost/labor, and transaction intelligence)



- 3** Diverse set of touch-points with key global- services stakeholders for on-the-ground perspectives



- 4** Fact-based research adequately informed by deep domain expertise and experience



- A dedicated team for global sourcing research, comprehensively supporting all location-related requirements of clients (information, strategy, tracking, etc.)
- Comprehensive, year-round tracking of global sourcing activity across outsourcing transactions, locations, Global In-house Centers (GICs), and service providers
- More than 20 years of advising clients on global sourcing decisions spanning strategy, optimization, and implementation
- Executive-level relationships with buyers, service providers, country/industry associations, and other industry stakeholders (recruiters, real estate firms, and legal firms)

Table of contents

Topic	Page no.
Background and methodology	4
Summary of key messages	6
Section I: Increased focus on onshoring in the United States	11
• Summary	12
• Drivers of onshoring	13
• Trends in industries and functions witnessing onshoring	19
Section II: Location options for onshoring	23
• Summary	24
• Types of location options – key characteristics and trade-offs	25
• Operating costs	30
• Availability of talent pool	34
• Assessment of incentives	37
• Leverage of tier-3 cities for onshore delivery	41
• Location assessment for select cities	43
Appendix	53
• LI research calendar	54
• References	55

Overview and abbreviated summary of key messages

This report provides an overview of leverage of delivery locations for non-voice Business Process Services (BPS) from the United States. In this report we highlight the key factors to be considered during location selection for onshore delivery center establishment. It provides insights on key location types available within the United States for onshore BPS delivery and the associated risk-reward trade-offs. The report also includes an in-depth analysis of select tier-1, tier-2, and tier-3 cities within the United States, for onshore BPS delivery.

Key findings in this report

Overview of onshore Business Process Services (BPS) delivery in the United States

- Onshore service delivery is an important component of location portfolio for both global enterprises as well as service providers
- The last few years have witnessed an increase in interest for Business Process Service (BPS) delivery from onshore locations in the United States. This has been guided by change in regulations, customer demands, as well as market dynamics
- Processes witnessing increase in onshore presence are mostly those which require working on confidential financial or health information, complex processes which need significant business context e.g., analytics and customer interaction-intensive processes

Types of location options and location selection framework

- Several location choices are available within the United States for onshore delivery centers establishment. To simplify location analysis, cities can be classified into three categories (tier-1, tier-2, and tier-3) based on their socio-economic status and maturity for delivery of business process services
- Selecting the best-fit location requires careful assessment of operating cost, talent pool availability, player landscape, and business environment

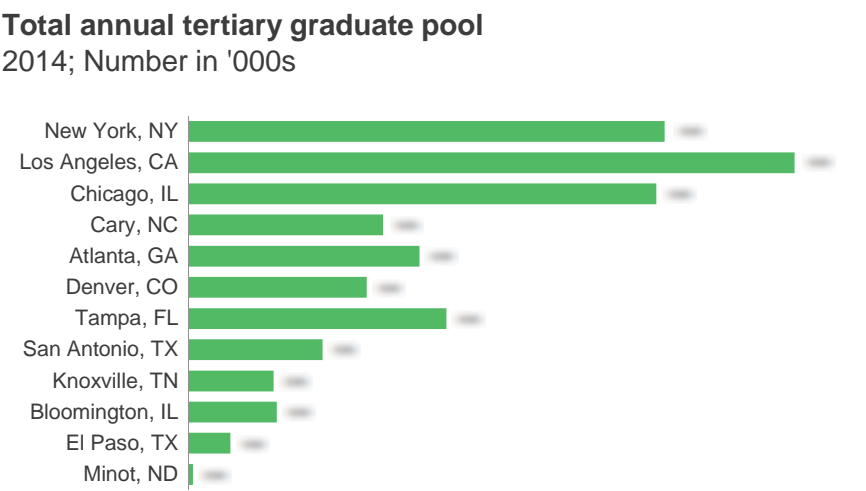
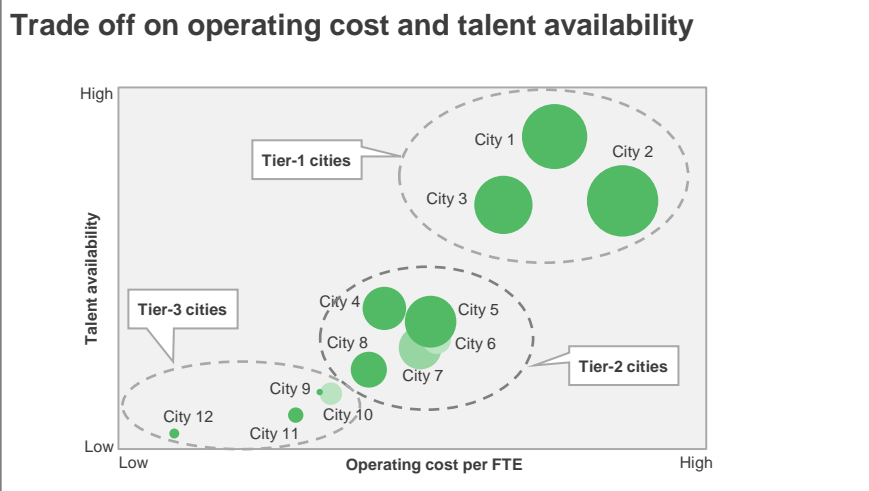
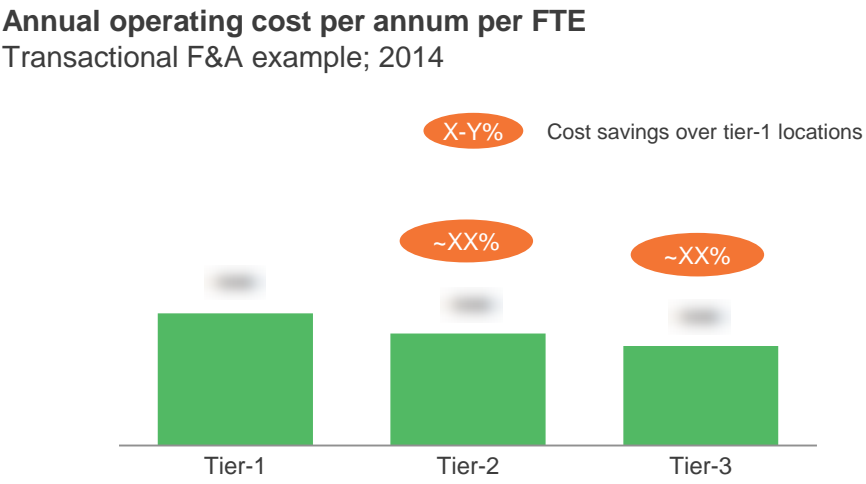
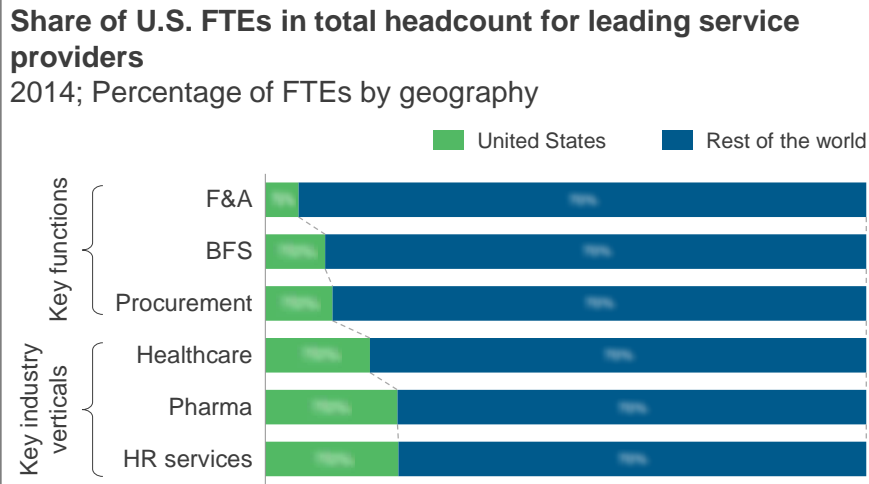
Trade-offs associated with location categories

- Tier-2 and tier-3 locations have lower operating cost primarily due to lower compensation and facilities cost
- While tier-1 and tier-2 locations offer a large entry-level and experienced talent pool, availability of experienced talent pool in tier-3 locations is limited due to low market activity
- Tier-2 cities are favored for large scale centers as they offer the twin advantage of low operating cost and high availability of talent

Implications for buyers and service providers

- Service providers need to have onshore delivery capabilities to meet buyers' demands and regulatory requirements. As the onshore service delivery increases, service providers will witness an increase in revenue but a decrease in profit margin due to the higher cost associated with onshore operations
- While presence in tier-1 cities is important in order to attract talent for high complexity processes, tier-3 cities can be leveraged for delivery of transactional services due to their lower operating cost

This study provides insights on key location types available within the United States for onshore BPS delivery and associated trade-offs on cost, talent, and local market maturity; below are four charts to illustrate the depth of the report



Source: Everest Group (2014)

LI research calendar

Topic	Release date
"Next-wave" location profile: Guatemala	November 2013
"Next-wave" location profile: Cebu	November 2013
Finance & Accounting in Latin America (LATAM)	December 2013
"Next-wave" location profile: Bulgaria	June 2014
"Next-wave" location profile: Peru	June 2014
"Next-wave" location profile: Romania	July 2014
"Next-wave" location profile: Chengdu, China	July 2014
"Next-wave" location profile: Vietnam	August 2014
"Next-wave" location profile: Nicaragua	August 2014
"Next-wave" location profile: Kenya	September 2014
"Next-wave" location profile: Latvia	September 2014
"Next-wave" location profile: Jaipur	September 2014
"Next-wave" location profile: Uruguay	September 2014
"Next-wave" location profile: Sri Lanka	September 2014
Tier-2/3 Locations in India for Offshore IT Services Delivery – Does Reality Meet the Hype?	September 2014
Is Philippines Stepping Up to Lead the Industry into the Next Horizon of Global Services?	October 2014
U.S. Onshore Delivery Puzzle – Demystifying Location Selection	October 2014
Global Locations Annual Report	Q4 2014
Locations for delivery of multilingual F&A services in Central and Eastern Europe	Q4 2014
Locations for delivery of English-language contact center services in Central America and Caribbean	Q4 2014

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. **Tier-2/3 Locations in India for Offshore IT Services Delivery – Does Reality Meet the Hype?** ([EGR-2014-2-R-1234](#)); 2014. This report provides an in-depth analysis of Indian tier-2/3 cities as destinations for offshore IT services delivery for global companies, across various dimensions of market assessment, IT talent pool availability, and cost assessment with detailed analysis of seven key tier-2/3 cities. The report provides a perspective to buyers and service providers on multiple benefits and dimensions to be considered for operationalizing a delivery center in tier-2/3 locations for offshore IT services delivery. It concludes with providing insights on challenges associated with tier-2/3 city delivery
2. **Is Philippines Stepping Up to Lead the Industry into the Next Horizon of Global Services?** ([EGR-2014-2-R-1251](#)); 2014. The Philippines has emerged as the second largest offshore location for global services, driven by cost arbitrage, abundant English-speaking talent pool, strong cultural affinity with the United States, and the need for geographic risk diversification beyond India. In this report, we take stock of the Philippines' IT-BPS market – both the established and the emerging IT-BPS segments, tier-2/3 locations, and uncover opportunities and potential risks for the Philippines, as it gears-up to lead the industry into next horizon of global services.

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

Anurag Srivastava, Practice Director – Global Sourcing:

anurag.srivastava@everestgrp.com

Prashray Kala, Senior Analyst – Global Sourcing:

prashray.kala@everestgrp.com

Hrishi Raj Agarwalla, Analyst – Global Sourcing:

hrishi.agarwalla@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com



At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
- Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches
- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

New York

info@everestgrp.com
+1-646-805-4000

Toronto

canada@everestgrp.com
+1-647-557-3475

London

unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi

india@everestgrp.com
+91-124-284-1000

Stay connected

Websites

www.everestgrp.com
research.everestgrp.com



Twitter

@EverestGroup
@Everest_Cloud



Blog

SHERPAS
IN BLUE SHIRTS

www.sherpasinblueshirts.com