Global In-house Center (GIC) Landscape among UK Enterprises – Riding the Nearshoring Wave

Global Sourcing (GS)
Market Report: June 2015 – Preview Deck

EGR-2015-2-PD-1468

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1 Banking, financial services, and insurance

Background and scope of the research

Background of the research

- The global sourcing market has grown steadily to reach US$150 billion in 2014, with the GICs contributing ~25% to the market and rest is being contributed by service providers
- While United States is the leading parent geography for GIC model adoption, United Kingdom comes second at ~11% share in the overall GIC setups. Further, the share of UK-based enterprises is gradually increasing in the overall GIC market as more verticals are adopting the model for delivery of global services
- Adoption of the GIC model by buyers in United Kingdom shows interesting variations in their shoring strategy. While offshore locations continue to dominate the market landscape, there is an uptick in the nearshore activity, more so in certain specific verticals

The scope and methodology of this report

- The first section of this report analyzes the overall GIC landscape of UK-based buyers in terms of growth, buyer portfolio, scale, functions supported, and key delivery locations
- The report also provides trends in the GIC landscape of UK-based buyers in the last 48 months (2011 to 2014). This has been compared with the cumulative GIC activity to bring forth the key areas of differences
- The third section compares the GIC market characteristics across nearshore and offshore delivery locations
- The fourth section is a deep-dive into the UK-based buyers across key verticals and functions
  - Verticals: Banking, Financial Services & Insurance (BFSI), Manufacturing, Distribution & Retail (MDR), telecom, and professional & legal services are the key verticals covered in this report
  - Functions: Coverage across Business Process Services (BPS), Information Technology (IT), and R&D / engineering services
- The fifth section talks about Service Delivery Automation (SDA) and the likely impact of its adoption on the GIC strategy of UK-based firms
- This report is based on Everest Group's proprietary GIC database that is updated quarterly with new setups, expansions/contractions of existing GICs, divestitures, and capability additions along with ongoing interactions with GICs and parent stakeholders

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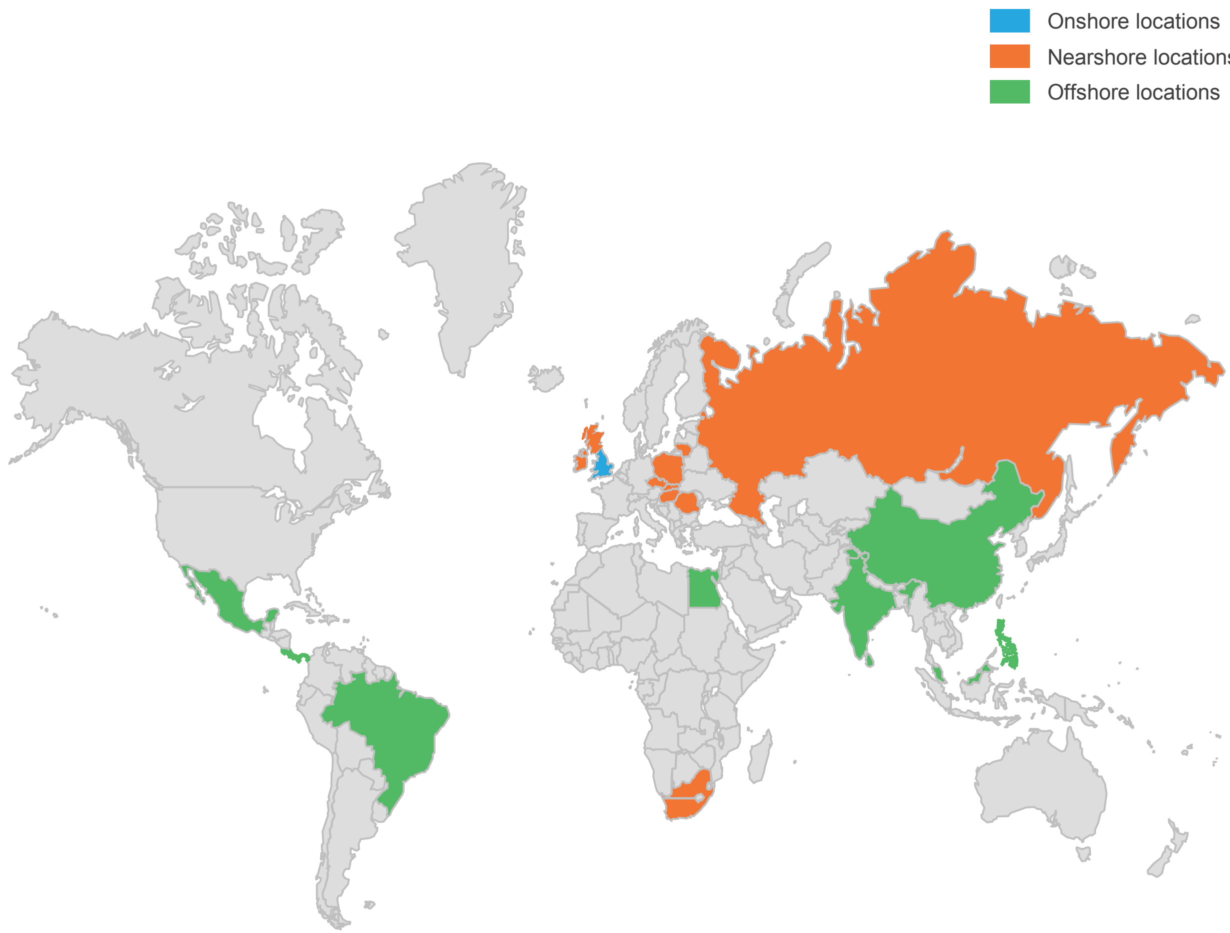
Key definitions

- **Onshore delivery:** Refers to delivery of services from the source market itself, United Kingdom in this case
- **Nearshore delivery:** Refers to delivery of services from locations in close proximity of the source market (United Kingdom) or close cultural affiliation (South Africa). For this report, nearshore UK locations comprise Scotland, Northern Ireland, Ireland, South Africa, and Central & Eastern Europe
- **Offshore delivery:** Refers to delivery of services from locations significantly far away from the source market; may fall in the same time zone and provide significant cost arbitrage. e.g., India, Philippines, Costa Rica, Egypt, and Malaysia



Source: Everest Group (2015)

Overview and abbreviated summary of key messages

This report provides a an in-depth coverage of the GIC strategy of UK-based buyers and an analysis of the trends in the last 48 months (2011 to 2014), and compares them with the trends in the overall GIC activity for UK-based buyers. The research also brings forth key variances in market characteristics across nearshore/offshore locations, key verticals, and functions and concludes with an assessment of the impact of service delivery automation on GICs of UK-based firms

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

Overview of the GIC landscape	• In terms of GIC model adoption UK-based firms account for an 11% share in the overall GIC market and are second only to US-based firms (>50% share) • While India still occupies the major share in terms of delivery geography, other geographies are fast catching up
Recent trends in the GIC landscape	• The GIC set-up activity saw moderate growth during the last 48 months, and it is expected to remain the same in the near future, driven by increased adoption by emerging industry verticals, and growing contribution of small-scale firms (revenue <US$1 billion) • There was no divestiture in the last few years (2012-2014), signifying increased confidence in the GIC model by the UK-based buyers
GIC characteristics across nearshore and offshore	• Growth in the offshore locations has been relatively subdued in the past few years but nearshore locations have seen increased activity offsetting the low growth in offshore locations • Nearshore locations provide distinctive advantages such as geographical & cultural proximity, multi-lingual support, and overlapping time zones
Key verticals and functions	• Firms in the BFSI vertical typically operate large-scale GICs (more than 1,000 FTEs) whereas MDR and professional & legal services firms operate small-scale GICs (less than 500 FTEs) • BPS is the dominant function across all leading verticals, adoption of IT services is higher in case of the BFSI firms
Impact of SDA adoption	• The adoption of SDA is likely to cause a major change in the global sourcing market across various sourcing constructs such as GICs, service providers, and hybrid sourcing • Adoption of SDA is likely to affect cost structure, headcount, and location preference of UK-based buyers for their GIC model

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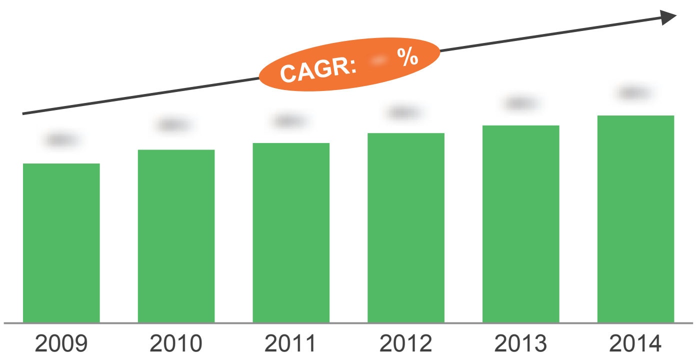
This study offers five distinct chapters providing a deep dive into key aspects of GIC market; below are four charts to illustrate the depth of the report

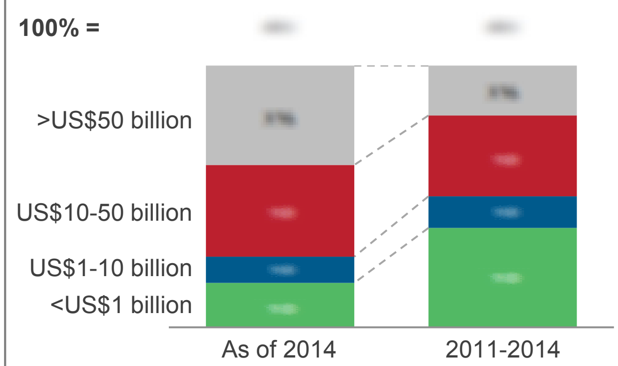
Overview of the GIC landscape of UK-based buyers

GICs established by UK-based buyers
2009-2014



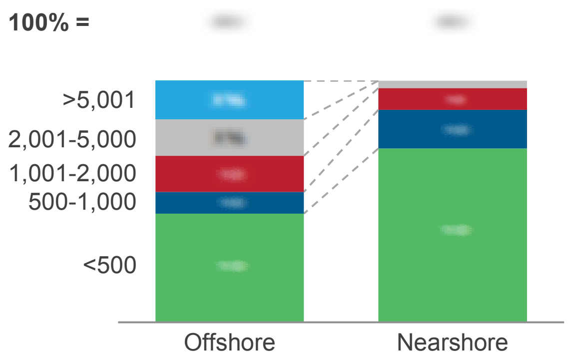
Recent trends in market

Distribution of GICs of UK-based buyers by parent revenue
Number of GICs



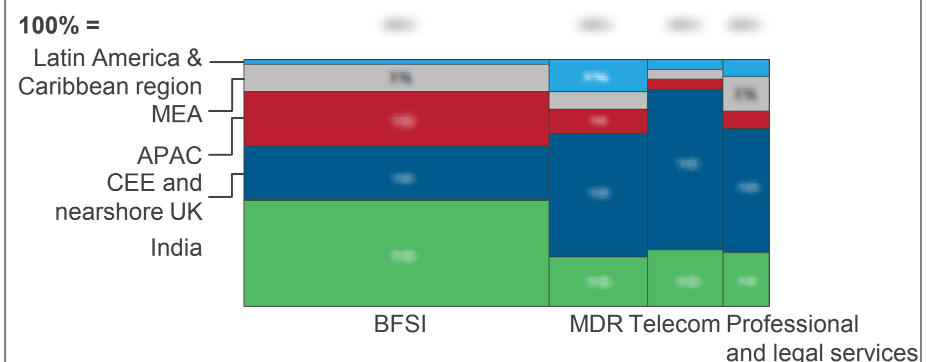
GIC characteristics across nearshore and offshore

Distribution of GICs of UK-based buyers by scale and delivery geography
As of 2014; Number of GICs



Key verticals and functions

Distribution of GICs of UK-based buyers by vertical and delivery geography
As of 2014; Number of GICs



Source: Everest Group (2015)

GS research calendar

Published | Current

Topic	Release date
Evolution of the GIC Model: Do GICs Really Add Value Beyond Cost Arbitrage?	October 2014
Global In-house Center (GIC) Landscape in BFSI Sector	October 2014
How Cost Competitive are Global In-house Centers (GICs)?	October 2014
Webinar Deck: The Business Case for Impact Sourcing	October 2014
Viewpoint: Economies of Scale in Global Services – Realities and Limitations	December 2014
Viewpoint: Cracking the Hybrid Code	December 2014
Viewpoint: Organizational models for governing GICs	January 2015
Global In-house Center (GIC) Landscape Annual Report 2015	March 2015
Adoption of Hybrid Sourcing in GICs – Driving Impact through GIC-Service Provider Collaboration	April 2015
Analytics in Global In-house Centers (GICs): Running Deep and Wide	April 2015
Global Business Services - Unlock Hidden Value from your Shared Services "AND" Outsourcing Models	April 2015
Global In-house Center (GIC) Landscape among UK Enterprises – Riding the Nearshoring Wave	June 2015
Landscape Report: GICs leading the way for enterprise digital transformation	Q3 2015
Landscape Report: F&A services delivery from GICs	Q3 2015
Viewpoint: Impact of risk management regulations on BFSI companies	Q3 2015

Additional research recommendations

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

1. **Global In-house Center (GIC) Landscape Annual Report 2015** (EGR-2015-2-R-1431); 2015. This report provides a deep-dive into the GIC landscape and an analysis of the GIC trends in 2014, comparing them with the trends in last two years. The research also brings out key insights into the GIC market across locations, verticals, and functions. It concludes with an assessment of the hybrid sourcing constructs

2. **Global In-house Center (GIC) Landscape in India – Three Decades of Value Creation for Global Enterprises, Geared Up to Deliver More** (EGR-2014-2-R-1225); 2014. This report provides a deep dive into the GIC landscape in India and an analysis of the trends in the last 42 months (2011 to H1 2014), and compares them with the trends within the overall GIC activity in India. The research also brings out key insights about the Indian GIC market across key cities, verticals, and functions and concludes with an assessment of the strategic opportunities for India-based GICs

3. **Global In-house Center (GIC) Landscape in BFSI Sector – High Adoption for Business Process Services, Will IT Services Follow the Trend?** (EGR-2014-2-R-1265); 2014. This report provides a deep dive into the BFSI GIC landscape and an analysis of the trends across banking, capital markets, and financial services subsectors. The research also brings out key insights about the BFSI GIC market across key delivery locations and functions and concludes with an assessment of the strategic trends observed in BFSI GICs

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

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