



## **PricePoint™: Q2 2015**

### Points to Consider in the Pricing of Outsourcing Services

Preview Deck  
April-June 2015

# Our research offerings for global services

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

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## ▶ Human Resources

## ▶ Recruitment Process

## ▶ Contact Center

## ▶ 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

### Subscription information

- The full report is included in the following subscription(s)
  - **PricePoint™**
- 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**



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<sup>1</sup> Banking, financial services, and insurance

# Introduction

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- PricePoint is a quarterly compendium of key demand- and supply-side trends impacting pricing in Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) deals. It is published by the Pricing Assurance practice at Everest Group that conducts pricing advisory engagements for large global buyers and providers of outsourcing services. PricePoint draws entirely from first-hand information and insights that have been generated from:
  - “Live” advisory engagements
  - Analyst briefings and direct market conversations
  - Proprietary cost- and transaction-tracking tools
  - Financial results published by service providers
- PricePoint focuses on market developments in India and United States, which serve as the key offshore and onshore delivery locations respectively, for outsourced services. Other delivery locations are included as part of “featured research” whenever necessitated by market developments

## **What objectives does PricePoint serve?**

- Supports (re)negotiation efforts
- Assists internal decision-making or calibration as per market dynamics
- Serves as a potential thought-starter on unexplored areas of pricing or spend efficiency

## **What objectives does PricePoint not serve?**

- Comprehensive benchmarking of client-specific resource units, service levels, or delivery metrics
- Customized guidance on optimizing contract fee
- Specific peer intelligence

**Note:** Due to delay in publishing of financial results by service providers, PricePoint reports are published with a time lag of one quarter

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# Guide to interpreting pricing dashboards for outsourced IT and business process services

## Area

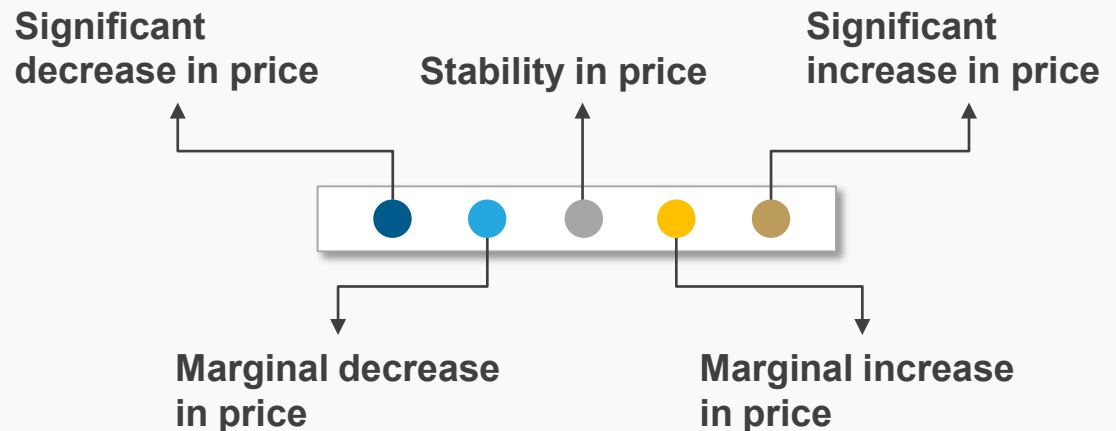
Impact of price driver

## Pricing implication symbols



*These symbols represent the impact of each price driver on the overall pricing in isolation*

Overall price trend/outlook



*These symbols represent the cumulative impact of all the price drivers on the overall pricing*

# Pricing dynamics in outsourced IT services

## Pricing dashboard – summary of pricing drivers in Q2 2015

### Overall trend in Q2 2015



- Overall, ITO demand was XXX as XXX witnessed XXX. Service providers saw XXX due to XXX factors

### Outlook for Q3 2015



- Demand environment is expected to XXX, with pricing likely to XXX. However, XXX will continue to experience XXX in XXX

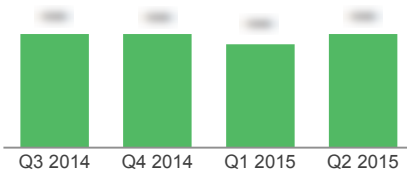
Dimension	Price driver	Impact Q1 2015	Impact Q2 2015	Conclusion
Demand-side factors	Deal size			<ul style="list-style-type: none"> <li>Demand-side factors showed signs of XXX in Q2 2015. . Although XXX were XXX, the number of XXX increased</li> <li>In terms of deal activity, XXX led the growth in this quarter, which was muted for XXX</li> <li>XXX witnessed an increase in share at the expense of XXX, as XXX saw an uptick</li> </ul> <i>(Refer to pages 8 and 9 for details)</i>
	Deal volume			
	Value mix			
	New deal – renewal mix			
Supply-side factors	Resource utilization			<ul style="list-style-type: none"> <li>Improved XXX and XXX aided in XXX. Overall, XXX declined for XXX, while XXX saw an uptick</li> <li>Revenue growth (YOY) saw XXX for XXX, while XXX continued to XXX</li> </ul> <i>(Refer to pages 10 and 11 for details)</i>
	Overhead cost			
	Financial performance			
Macro-economic factors	Inflation			<ul style="list-style-type: none"> <li>Operating costs XXX as compared to the previous quarter, though XXX against XXX resulted in XXX</li> <li>Wage inflation witnessed XXX on the back XXX</li> </ul> <i>(Refer to pages 12 and 13 for details)</i>
	Forex rates			

# Pricing dynamics in outsourced IT services

## Snapshot

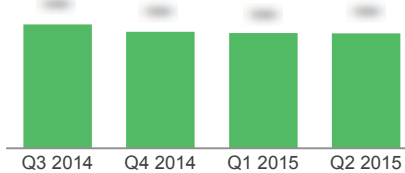
### Demand-side factor (sample extract)

Size of ITO deals announced  
US\$ billion



- Q2 2015 witnessed XXX at the expense of XXX
- This may be attributed to XX
- Deal size for XX registered XX, while that for XX witnessed XX

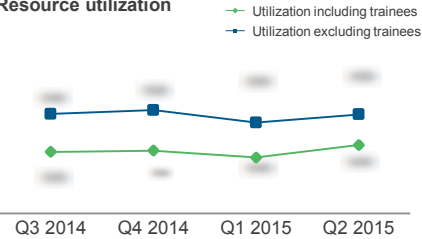
Total ITO deals announced  
Number



- The magnitude of XX in deal volume was XX compared to that for cumulative deal size due to the following:
  - XX
  - XX
  - XX

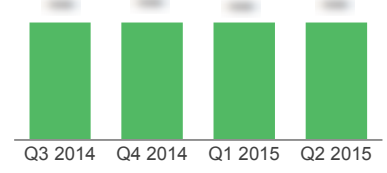
### Supply-side factors (sample extract)

Resource utilization



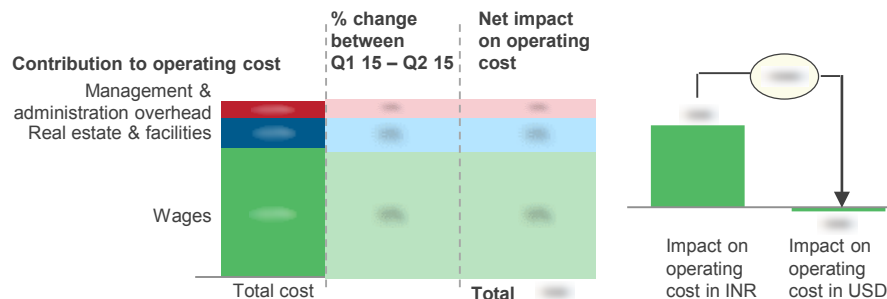
- Q2 2015 witnessed XX in the resource utilization levels over the previous quarters. This was primarily due to :
  - XX
  - XX
  - XX

SG&A



- SG&A expenses, as a percentage of revenue incurred by providers, XXX in Q2 2015 due to the below reasons
  - XX
  - XX
  - XX

### Macro-economic factors (sample extract)



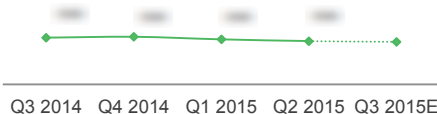
- Wages XX by XX in Q2 2015 on account of XX
- Real estate rentals XX in Q2 2015 due to XX. This led to XX% increase in the facilities costs
- Overall, operating costs of service providers increased by XX% in local currency (i.e., INR)
- Also, INR depreciated by XX% against USD in Q2 2015
- Accounting for these currency fluctuations, net operating cost in USD XX by XX% in Q2 2015

### Trends and future outlook (sample extract)

Trend in blended FTE price at offshore (India) for ADM  
US\$/hr/FTE



Trend in blended FTE price at onsite (U.S.) for ADM  
US\$/hr/FTE



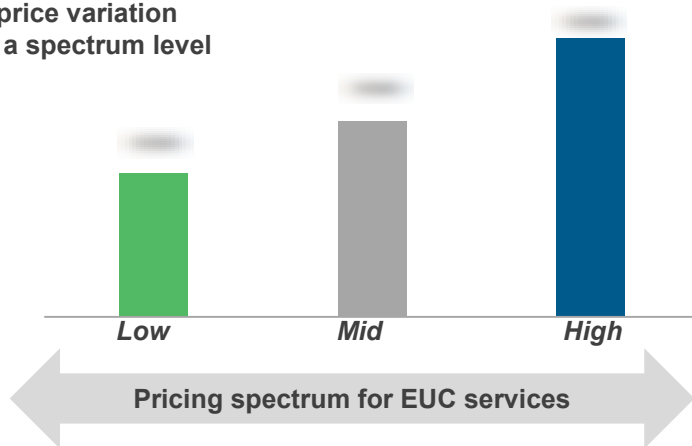
- The buy-side factors indicate XXX, as XXX
- On the supply-side, XXX slowed down where as XXX reduced, however XXX
- Pricing XXX at offshore and onshore locations due to XXX

- The demand is expected to XXX
- XX and XX verticals are likely to XXX
- Demand for XXX services is expected to XXX, and service providers will continue to invest in XXX
- Buyers are likely to XXX by leveraging XX and XX
- Pricing is expected to be XXX and XX at onshore and offshore locations

# Featured research

## Snapshot

Key factors affecting the pricing of EUC services and price variation caused by them at a spectrum level

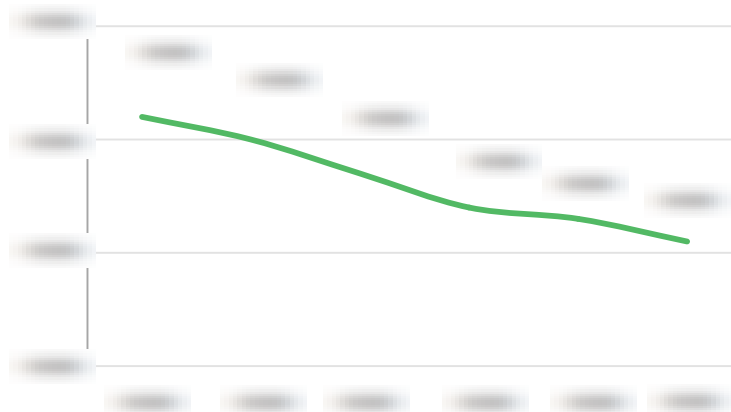


Key Drivers		Environment characteristics	
XX	XX	Movement in any of these drivers would lead to a corresponding change in pricing	XX
XX	XX		XX
XX	XX		XX
XX	XX		XX
XX	XX		XX

### Analysis of volume-based pricing variation

#### Desktop support

(Indexed; base = volumes of XXX users)



#### Key takeaways

- Typically, service providers offer XXX rates for XXX due to:
  - XX
  - XX
- The price discounts, for higher than typical volumes, can be XX for XXX and XXX services



# PricePoint research calendar

Published Current

Topic	Release date
PricePoint™ Q1 2014 Points to Consider in the Pricing of Outsourcing Services	August 2014
PricePoint™ Q2 2014 Points to Consider in the Pricing of Outsourcing Services	December 2014
PricePoint™ Q3 2014 Points to Consider in the Pricing of Outsourcing Services	February 2015
Enterprise Cloud Adoption – Solving the Pricing Conundrum	March 2015
Webinar Deck: How Effectively Are You Managing Value Leakage in Your Sourcing Contracts?	April 2015
PricePoint™ Q4 2014 Points to Consider in the Pricing of Outsourcing Services	May 2015
PricePoint™ Q1 2015 Points to Consider in the Pricing of Outsourcing Services	July 2015
PricePoint™: Q2 2015	November 2015
PricePoint™: Q3 2015	Q4 2015
PricePoint™: Q4 2015	Q1 2016

# 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 provide complementary content, that may be of interest:

1. **Enterprise Cloud Adoption – Solving the Pricing Conundrum** ([EGR-2015-4-R-1407](#)); 2015. Enterprises witness serious hurdles in rationally evaluating pricing across vast expanse of “non-standardized” cloud offerings. This white paper outlines the unique complexities associated with cloud pricing and the need for a robust evaluation framework to benchmark cloud services
2. **Benchmarking for Good** ([EGR-2011-9-R-0599](#)); 2011. Though buyers of outsourcing services are increasingly adopting price benchmarking as a lever to optimize spend, we have observed that “quick-and-dirty” benchmarks often fail to provide the expected negotiating leverage. This viewpoint outlines some of the common challenges buyers need to be aware of, in order to derive meaningful benchmarks
3. **Outsourced Portfolio Rationalization** ([EGR-2011-9-V-0585](#)); 2011. Large outsourcing arrangements are frequently plagued with complexities that can significantly undermine the outsourcing benefits. This viewpoint highlights a real-life client situation to describe how Everest Group’s proprietary “Outsourced Portfolio Rationalization” methodology helped unlock sourcing efficiencies

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

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