Global In-house Center (GIC) Landscape Annual Report 2016 – A Million FTE Strong and Growing!

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Annual Report: March 2016 – Preview Deck

EGR-2016-2-PD-1727

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1 Banking, financial services, and insurance

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Background and scope of the research

Background of the research

- The global sourcing market continued to evolve and grow rapidly in 2015 to cross US$160 billion mark. While buyers leverage different sourcing models as per their objectives and requirements, the GIC[1] model continues to be an integral component of this evolution
- The success of the GIC model in India and Philippines led buyers to explore other locations. While both these countries continue to lead GIC activity, companies also established GICs in other parts of Asia, Central & Eastern Europe (CEE), Latin America, and Middle East & Africa (MEA). The CEE region is becoming a preferred delivery location for GICs
- Besides the geographic diversification, the GIC market also expanded across verticals and functions

The scope and methodology of this report

- The first section of this report analyzes the overall GIC landscape in terms of growth, buyer portfolio, scale, functions supported, and key delivery locations
- The report also provides a yearly update of the GIC market in 2015, compared to the last two years
- The third section is a deep-dive into the GIC market across locations, verticals, and functions
  - Locations: Coverage across Asia, CEE, Latin America, and MEA
  - Verticals: Banking, Financial Services, & Insurance (BFSI), Energy & Utilities (E&U), healthcare, Manufacturing, Distribution, & Retail (MDR), technology, and telecom are the verticals covered in this report
  - Functions: Besides covering Business Process (BP), Information Technology (IT), and R&D / engineering services, the report provides extensive views across subfunctions of BP and IT
- The last section provides best practices for GICs leveraging start-ups to drive innovation agenda for the enterprise
- This report is based on Everest Group's proprietary GIC database that is updated quarterly with new set-up activity, expansion/contraction of existing GICs, divestitures, capability additions, as well as ongoing interactions with GICs and parent stakeholders

1 Everest Group adopted "Global In-house Center" or "GIC" as the preferred term to replace "captive"

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Overview and abbreviated summary of key messages

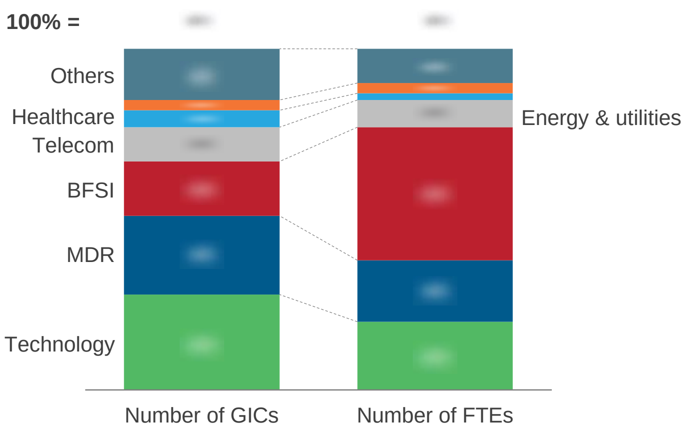
This report provides a deep-dive into the GIC landscape and a year-on-year analysis of the GIC trends in 2015, comparing them with trends in last two years. The research also brings out key insights into the GIC market across locations, verticals, and functions and concludes with an assessment of hybrid sourcing constructs

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

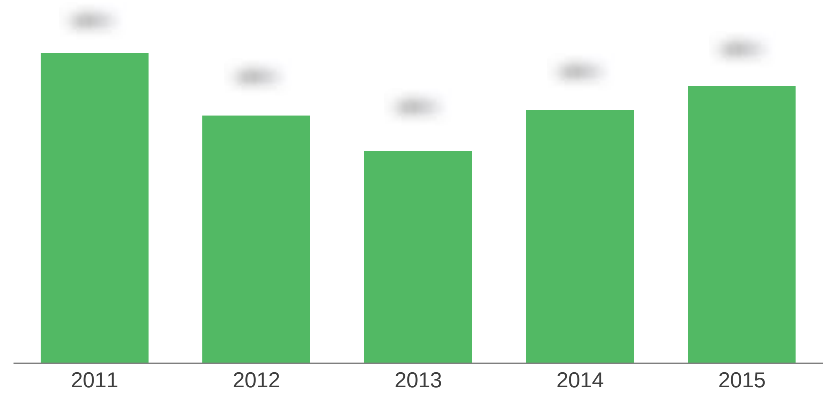
Overview of the GIC landscape	• The GIC segment accounted for ~25% of the global offshore services market (estimated at ~US$163 billion in 2015) • The GIC market has now grown to reach 2,101 centers across leading offshore locations. The market continues to see new GIC setups, driven by demand for digital skills from enterprises
GIC landscape – 2015 year-in-review	• GIC setups recorded a four-year high activity with 102 new setups, driven by demand in the MDR vertical, along with increased traction from European buyers • In 2015, the share of U.S.-based firms setting up GICs continued to fall. MDR vertical continued to dominate the GIC market with the maximum growth as well as number of new setups during 2015. • The demand for digital transformation from enterprises prompted the growth in both IT- and R&D / engineering services functions during the year
Trends in the GIC market	• Unlike the last year, GIC activity witnessed a fall in India and Latin America, on the other hand, activity in CEE and Rest of Asia witnessed an uptick in 2015. Also, The MEA region as a delivery location continued to gain traction • GIC set-up activity in tier-2/3 locations picked up pace during 2015. Activity in tier-1 locations witnessed a fall, as the GIC market is moving towards saturation in these locations • While technology, MDR, and BFSI continued to remain the leading verticals in terms of GIC setups, other emerging verticals, such as conglomerates, aerospace & defence, and media & entertainment, also adopted the model. Emerging verticals, known for leveraging business process services, witnessed increased IT and R&D / engineering set-up activity
Best practices for GICs leveraging start-ups to drive innovation	• Engaging with start-ups helps GICs in not only lowering their cost of innovation and providing access to ideas/resources, but also improves their branding as an innovation-driven organization • GICs are leveraging start-ups across multiple areas: Mobility solutions, business intelligence, cyber security, enhancing customer experience, marketing solutions, process automation, and data integration • Multiple models of engagement with start-ups have emerged: Incubator/accelerator, project-based engagement, and GICs acting as evaluator of start-ups for the enterprise

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

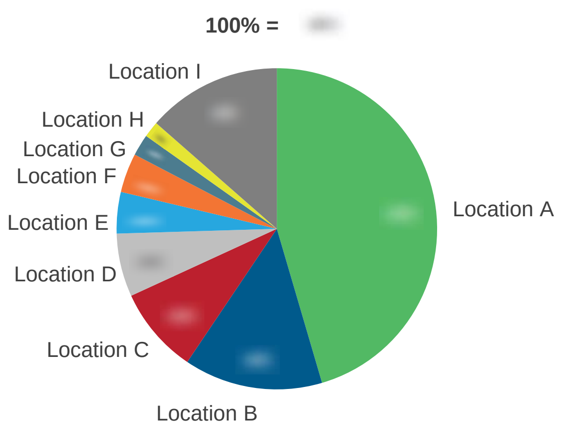
Overview of the GIC landscape



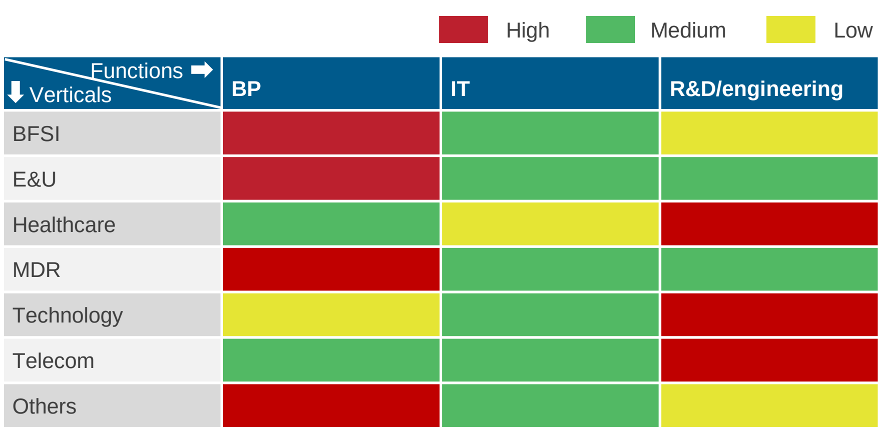
Number of GIC setups



Location trends in the GIC market



Vertical-wise functional trends in the GIC market



Source: Everest Group (2016)

Global sourcing research calendar

Published | Current

Topic	Release date
GICs leading the way for digital transformation of the enterprise	January 2016
Viewpoint: Upshifting Value and Talent through Robotic Process Automation (RPA)	February 2016
Global In-house Center (GIC) Landscape Annual Report 2016	March 2016
Thematic Report: GIC talent landscape in India for IT services	Q2 2016
Landscape Report: F&A services delivery from GICs	Q2 2016
GIC landscape report: Delivery landscape for retail and commercial banking in GICs	Q2 2016
Thematic report: Future readiness of talent model in GICs	Q2 2016
Function focused report - Procurement services in GIC	Q3 2016
Location focused report - Philippines as delivery geography for GICs	Q3 2016
Viewpoint: Evolving role of Global sourcing CoE	Q4 2016
Thematic report - A practitioner's view on GICs supporting parent's digital agenda	Q4 2016
Global In-house Center (GIC) Landscape Annual Report 2017	Q1 2017

Additional research references

The following documents are recommended for additional insight into 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. **Global In-house Center (GIC) Landscape Annual Report 2015** (EGR-2015-2-R-1431); 2015. This report provides a deep-dive into the overall GIC landscape and the yearly update of the GIC market in 2015, compared to the last two years. The report also provides assessment of strategic priorities for GICs

2. **GICs Leading the Way for Digital Transformation of the Enterprise** (EGR-2015-8-R-1605); 2015. This report gives an overview of the current state of digital adoption in GICs, assesses digital maturity of GICs based on a framework, evaluates functional maturity of the top three industry verticals, and highlights best practices, key implications, and the call-to-action for GICs. The report will assist senior GIC stakeholders in understanding the opportunities and challenges offered by this disruptive wave of digital services

3. **Upshifting Value and Talent through Robotic Process Automation (RPA)** (EGR-2016-2-R-1654); 2015. This whitepaper analyzes the distinct position of GICs to provide leadership in the robotic automation journey for their enterprises. This whitepaper is based on Everest Group's extensive research examining the state of RPA and the broader topic of Service Delivery Automation (SDA). The whitepaper leverages Everest Group's ongoing primary and secondary research encompassing enterprises, technology vendors, GICs, and other relevant industry stakeholders

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