



PricePoint™: Q3 2015

Points to Consider in the Pricing of Outsourcing Services

July-September 2015 – Preview Deck

Our research offerings for global services

▶ Market Vista™

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

▶ BFSI¹ Information Technology

▶ BFSI¹ Business Process

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▶ Service Optimization Technologies

▶ PricePoint™

▶ Finance & Accounting

▶ Procurement

▶ Human Resources

▶ Recruitment & Talent Acquisition

▶ 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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¹ Banking, financial services, and insurance

Introduction

- PricePoint is a quarterly compendium of key demand- and supply-side trends impacting pricing in the 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 a 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 lag of one quarter

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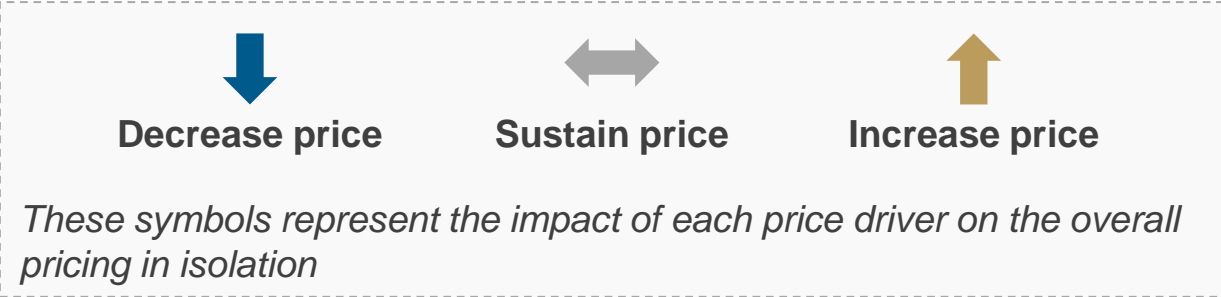
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Guide to interpreting pricing dashboards for outsourced IT and business process services

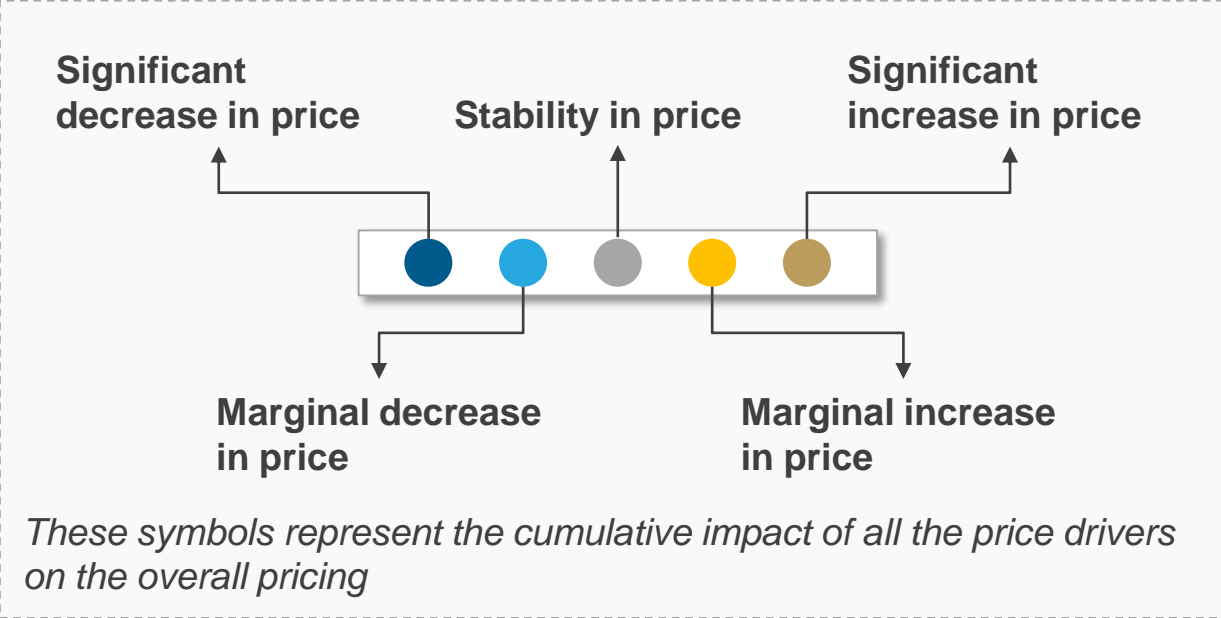
Area

Impact of price driver

Pricing implication symbols



Overall price trend/outlook



Pricing dynamics in outsourced IT services

Pricing dashboard – summary of pricing drivers in Q3 2015

Overall trend in Q3 2015



- ITO activity XXX with a XXX in XXX. Service providers' efforts to XXX were XXX, while XXX growth

Outlook for Q4 2015



- XXX in XXX is anticipated to translate into XXX in the upcoming quarters, though XXX is generally XXX due to XXX. Overall, pricing is expected to XXX

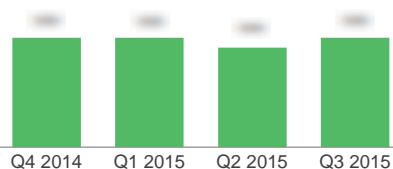
Dimension	Price driver	Impact Q2 2015	Impact Q3 2015	Conclusion
Demand-side factors	Deal size			<ul style="list-style-type: none"> • The order book for ITO service providers witnessed XXX, outlining XXX • XXX gained traction as some of XXX witnessed XXX, while XXX deals continued to XXX • Among XXX, XXX remained strong, while XXX and XXX had a soft quarter <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"> • Improved XXX and XXX resulted in XXX of XXX • Service providers continued to XXX in XXX to XXX, which led to XXX by most providers as compared to the previous quarter <i>(Refer to pages 10 and 11 for details)</i>
	Overhead cost			
	Financial performance			
Macro-economic factors	Inflation			<ul style="list-style-type: none"> • Operating costs witnessed XXX as compared to the previous quarter • Furthermore, XXX in XXX this quarter led to XXX in operating costs in XXX <i>(Refer to pages 12 and 13 for details)</i>
	Forex rates			

Pricing dynamics in outsourced IT services

Snapshot

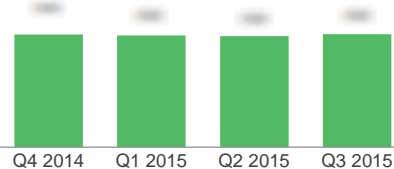
Demand-side factor (sample extract)

Size of ITO deals announced
US\$ billion



- Q3 2015 witnessed XX
- This may be attributed to XX
- Deal size for XX registered XX, while that for XX witnessed XX

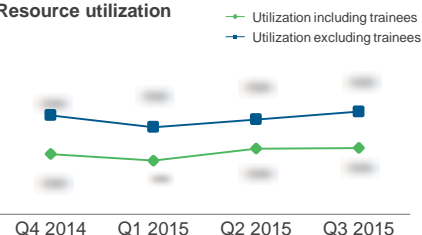
Total ITO deals announced
Number



- The demand for ITO services XXX in Q3 2015. Key contributing factors were:
 - XX
 - XX

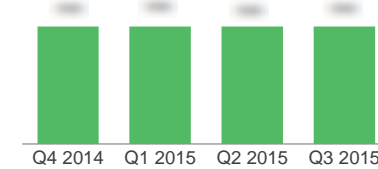
Supply-side factors (sample extract)

Resource utilization



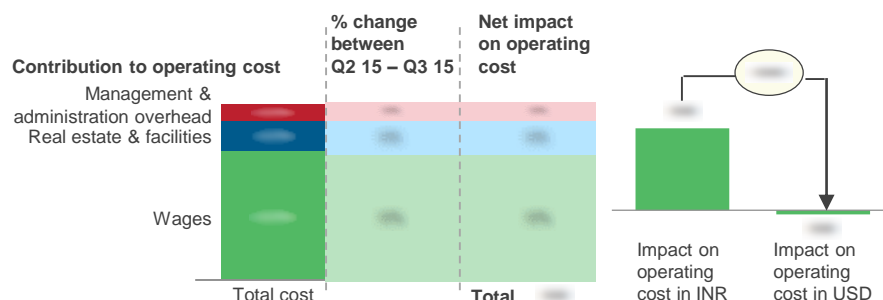
- Q3 2015 continued to witness XX in the resource utilization levels over the previous quarters. This was primarily due to :
 - XX

SG&A



- SG&A expenses, as a percentage of revenue witnessed XXX in Q3 2015 as :
 - XX
 - XX

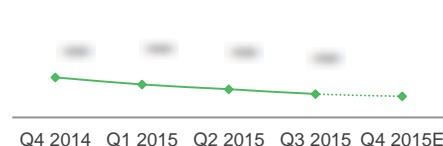
Macro-economic factors (sample extract)



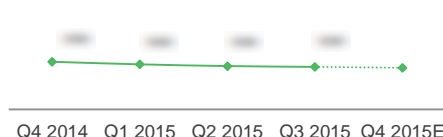
- Wage costs were XX by XX this quarter due to the XX
- Rentals XX in Q3 2015 due to XX
- Operating costs of went XX by XX% in local currency (i.e., INR), compared to XX% in the last quarter
- Also, INR witnessed a XX% depreciation against USD in Q3 2015
- Net operating costs for service providers XX by XX% in dollar terms

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



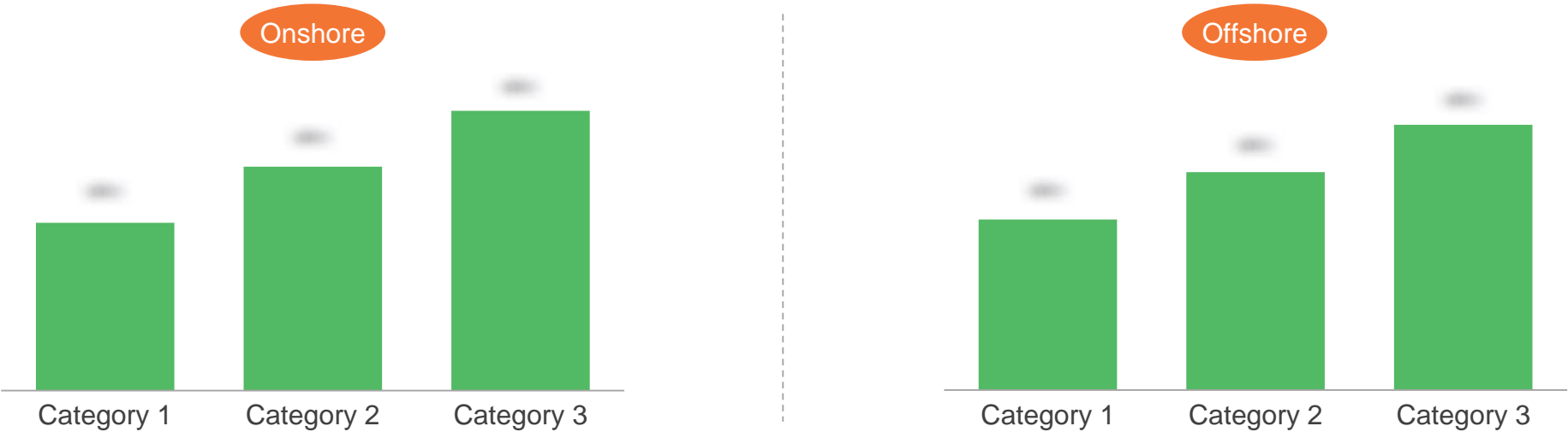
- On the buy side, overall demand was XXX as XXX
- On the supply-side, XXX improved marginally. Service providers' XXX to XXX led to XXX
- On macro front, XXX appreciated against XXX
- Pricing at offshore locations XXX

- ITO demands is expected to XXX due to XXX
- Service providers are likely to XXX
- While XXX looks to have XXX over the past few quarters, XXX might pose a challenge with XXX
- Pricing is expected to XXX going forward

Featured research

Snapshot

Price variation by service category¹
Indexed, base = Category 1 LPO service tower



- Although pricing of XXX is XXX than XXX at offshore, it is much XXX than XXX LPO functions such as XXX, primarily because of three factors associated with these LPO functions:
 - XX
 - XX
 - XX
- XXX services typically command a premium of XXX over XXX services, majorly due to relatively XXX involved in providing XXX services

Category 1 XXX maturity service tower including XXX services
Category 2 XXX maturity service tower e.g., XXX including services such as XXX
Category 3 XXX maturity service tower e.g., XXX including services such as XXX

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	Nov 2015
PricePoint™: Q3 2015	March 2016
PricePoint™: Q4 2015	Q2 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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