



PricePoint™: Q1 2016

Points to Consider in the Pricing of Outsourcing Services

January - March 2016 – Preview Deck

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

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▶ **BFSI¹ Business Process**

▶ **Healthcare & Life Sciences**

▶ **Application & Digital**

▶ **Cloud & Infrastructure**

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▶ **Service Optimization Technologies**

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▶ **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 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 the 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 the publication 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

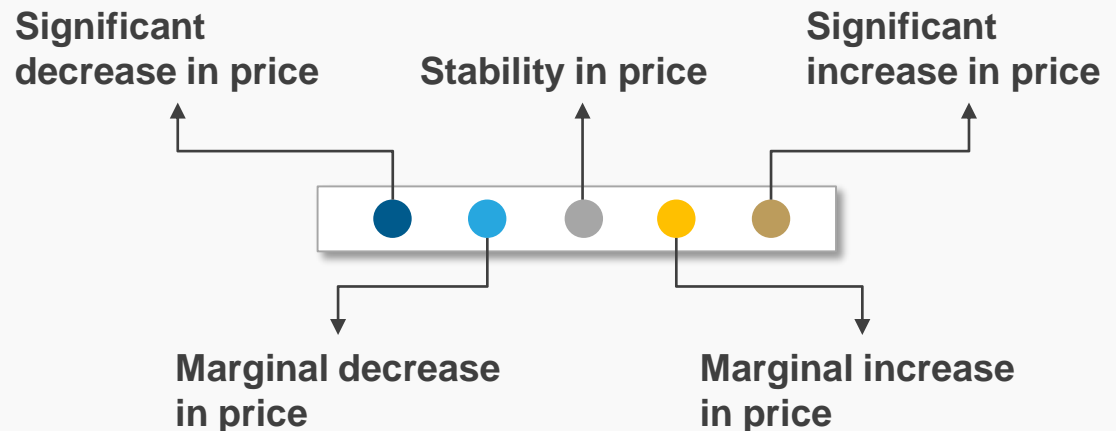
Impact of price driver

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 Q1 2016

Overall trend in Q1 2016



- ITO activity saw XXX in the deal pipeline. SGA expenses went XXX due to XXX and also there was a XXX in XXX

Outlook for Q2 2016



- Budget for IT Spending is expected to XXX in the upcoming quarters, as clients allocate XXX portion of their budget into XXX. Overall, pricing is expected to XXX

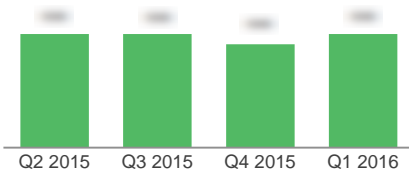
Dimension	Price driver	Impact Q1 2016	Impact Q2 2016	Conclusion
Demand-side factors	Deal size			<ul style="list-style-type: none"> • Buyer demand went XXX for the ITO service providers while the XXX deals went XXX • XXX gained traction as some of XXX witnessed XXX • Among XXX, XXX remained strong, while XXX and XXX had a soft quarter • Renewals as a percentage of total deals XXX, with XXX projects heading for completion <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

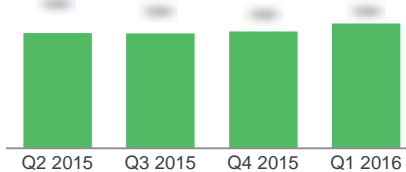
Demand-side factor (sample extract)

Size of ITO deals announced
US\$ billion



- Q1 2016 witnessed XX
- This may be attributed to XX
- Deal size for XX registered XX, while that for XX witnessed XX

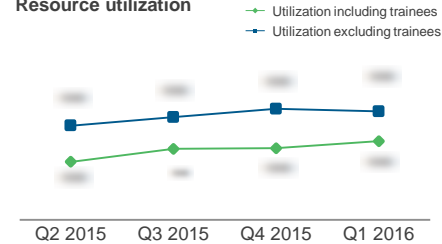
Total ITO deals announced
Number



- The demand for ITO services XXX in Q1 2016. Key contributing factors were:
 - XX
 - XX
 - XX

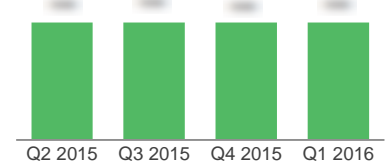
Supply-side factors (sample extract)

Resource utilization



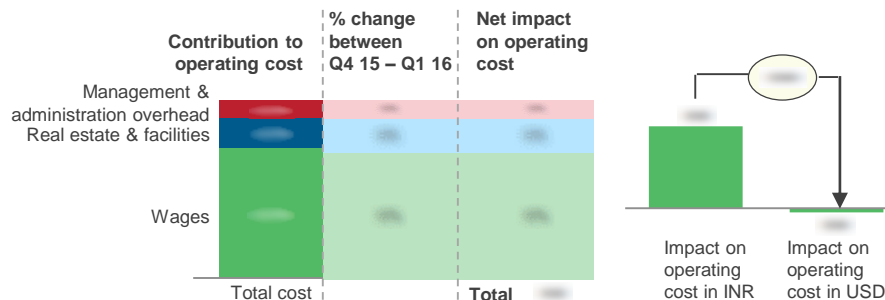
- Q1 2016 continued to witness XX in the resource utilization levels over the previous quarters. This was primarily due to :
 - XX
 - XX
 - XX

SG&A



- SG&A expenses, as a percentage of revenue witnessed XXX in Q1 2016 as :
 - XX
 - XX
 - XX

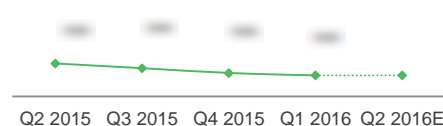
Macro-economic factors (sample extract)



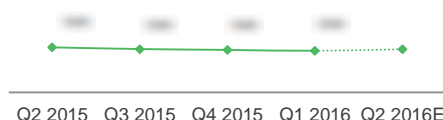
- Wage costs were XX by XX this quarter due to the XX
- Rentals XX in Q1 2016 due to XX
- Operating costs of went XX by XX% in local currency (i.e., INR), compared to XX% in the last quarter
- Also, INR witnessed a XX% depreciation against USD in Q1 2016
- Net operating costs for service providers XX 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



Note: Automation figures are in percentage terms and would be within or outside the range depending on XXX and factors such as XXX. The above figures are guidance from Everest Group, based on our observations across different engagements

Source: Everest Group (2016)

PricePoint research calendar

Topic		
	Published	Current
		Release date
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 Points to Consider in the Pricing of Outsourcing Services		November 2015
PricePoint™ Q3 2015 Points to Consider in the Pricing of Outsourcing Services		March 2016
PricePoint™: Q4 2015		June 2016
PricePoint™: Q1 2016		July 2016
PricePoint™: Q2 2016		Q3 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-2016-4-R-1407](#)); 2016. 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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