



Market Vista™: Q3 2014 – Preview Deck

July-September 2014

Everest Group
MARKET VISTA™

Our research offerings for global services

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Market Vista™

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

BFSI¹ information technology

PricePoint™

BFSI¹ business process

Finance & accounting

Healthcare information technology

Procurement

Information technology

Human resources

Cloud Vista™

Recruitment process

Global sourcing

Contact center

Locations Insider™

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

¹ Banking, financial services, and insurance

Table of contents

- **Product overview**
- **Illustrative contents**

The increasing complexity of the outsourcing market has amplified the risk exposure for companies

Factors driving increased risk

Vendor and model proliferation Multiple service providers and business models

Large span of functions Typically combination of many IT, BPO and some KPO services

Increasing scope Significant proportion of operations now in low cost locations

Global delivery chain Services often delivered from multiple locations with diverse risk footprint

Dynamic economies Most delivery locations are emerging economies going through rapid change

Examples of risks

Regulatory risk

Ensuring compliance with regulatory guidelines in source and destination countries across service providers

Business case risk

Managing wage inflation without affecting quality of service

Performance risk

Managing quality of service delivery, attrition, knowledge retention

Data security and intellectual property risk

Implementing measures to safeguard data and intellectual property

Concentration risk

Business continuity risk

Currency risk

....

Most large companies have capabilities in global risk management. However, the level and type of risk exposure that is emerging from the globalization of services is unprecedented

Sourcing leaders are being asked to manage risks associated with global sourcing and support the delivery of transformational results



Key decisions that Sourcing managers need to support

- Comparison with peers
- Location risk management
- Service provider selection and optimization
- Design of new deals
- Price benchmarking and contract renewals

Market Vista provides continuously updated facts and analysis every quarter to enable effective management of global services portfolios

Each quarterly Market Vista report captures developments across three key areas

1

Market overview

- Outsourcing transactions trends
 - Transaction analysis – By function, geography, deal size and duration, etc.
 - Transaction analysis by industry verticals (more details in Industry Trends reports)
 - Listing of major IT/BPO outsourcing deals
 - Large offshore deals
- Analysis of GICs
 - New GIC set-ups, divestures
 - Plans for GIC set-ups and expansion

2

Location trends and risks

- Key location developments
 - Establishment of new offshore centers, expansion of existing centers, plans of establishment and expansion of centers
- Risk dashboard capturing key current and emerging risks
 - Geo-political / economic changes
 - Government initiatives
- Quarterly focus – Fact-base on locations in Latin America
 - Sustainability of arbitrage, operating costs, inflation rates, and currency trends across key cities

3

Service provider developments

- Key developments among 20 leading global service providers
 - Financial performance
 - Transaction activity
 - Changes in delivery footprint
 - M&A and alliance activity
- Detailed profiles for each player capturing key developments across dimensions

Additional Market Vista deliverables

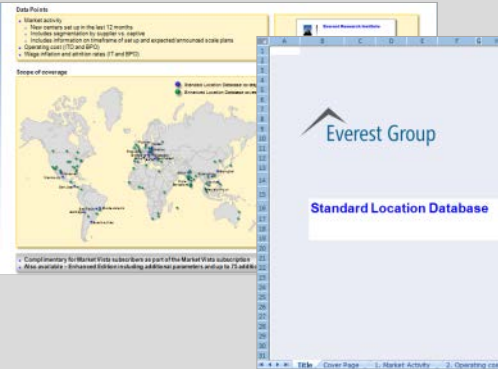
Global Location Insights newsletter



4-6 published every year

- E-newsletter published every two months
- Recent topics included
 - Healthcare BPO in Philippines
 - Service providers' location-related plans
 - China's offshore maturity
 - Buyer's offshoring plans

Location Database



1 published in 2014

- Annually updated location database
- Key location stats (operating cost, attrition, market activity, wage inflation) for 23 major cities across IT and BP services

Market Vista Primers



4 published every year

- Published every quarter
- Recent topics included
 - GIC Annual Report
 - FA in Latin America
 - GIC landscape in Malaysia and trends in offshore market
 - Excerpts from contact center annual report

Table of contents

- **Product overview**
- **Illustrative contents**

Each section of the quarterly report comprises 30+ pages of insight and data

Illustrative Table of Contents (page 1 of 2)

Topic

Section I A: Trend analysis – Outsourcing, offshoring, and GICs

- Outsourcing transactions analysis
- Outsourcing transaction trends by time period
- Offshore transactions analysis
- GIC developments

Section I B: Data snapshots

- Major deals signed in the quarter
- List of mega deals signed in the quarter
- Examples of very large deals signed in the quarter
- Examples of large deals signed in the quarter
- Analysis of outsourcing transactions by buyer revenue
- List of new GIC announcements in the quarter
- List of GICs with announcements for expansion in the quarter
- List of GIC divestures in the quarter

Section II A: Trend analysis

- Risk and opportunity dashboard
- Risk and opportunity analysis

Section II B: Focus geography

- Arbitrage sustainability
- Operating costs
- Operating cost inflation
- Currency trends

Each section of the quarterly report comprises 30+ pages of insight and data

Illustrative Table of Contents (page 2 of 2)

Topic

Section II C: Data snapshots

- Market activity: Delivery centers established in the quarter
- Market activity: Delivery centers planned in the quarter
- Market activity: Expansion announcements in the quarter
- Regional developments: Geopolitical, macroeconomic environment
- Regional developments: Leading economic indicators
- Regional developments: Investment environment

Section III A: Trend analysis – Key developments across service providers

- Service provider developments overview
- Analysis of service provider developments

Section III B: Data snapshots – Details of key developments and profiles by service providers

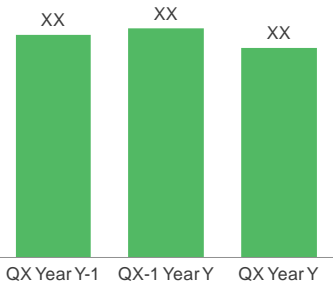
- Recent M&A activity by service providers
- Recent alliances and partnerships forged by service providers
- Locations
- Key market developments

Section I – Market section | Overview

Captures outsourcing transactions trends, GIC developments with an emphasis on large size contracts

Market overview | Outsourcing/offshoring market index

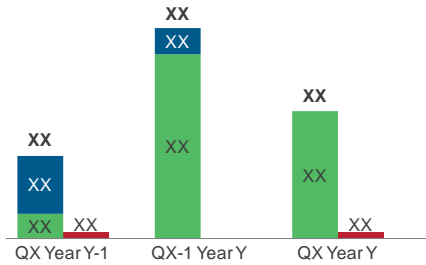
Index of outsourcing transactions¹
Number



Index of offshore captive health¹
Number

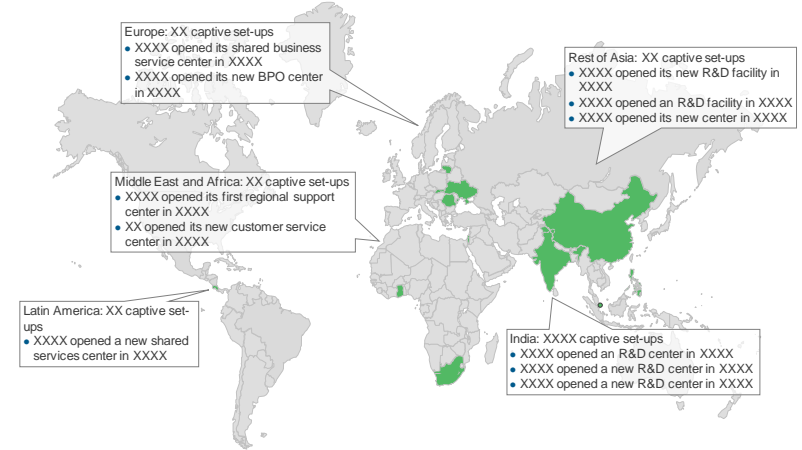
Captive set-ups² = ■ New + ■ Expansion

Captive divestures = ■



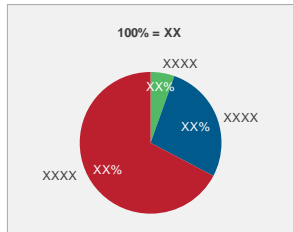
- Transaction volumes decreased by XX% compared to the previous quarter but increased by XX% compared to the previous year
- Captive activity remained similar compared to previous quarters, with XX new announcements

GIC set-ups | By region



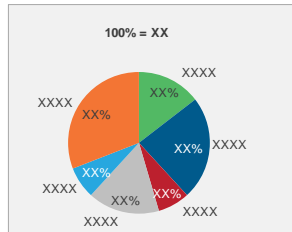
Major deals in the quarter

Distribution by deal size
Number of transactions



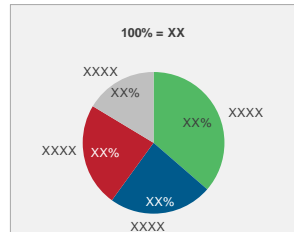
- There were XX major deals (total contract value exceeding US\$XX million) reported in QX 20XX, compared to XX in QX 20XX
- XX mega deals (total contract value exceeding US\$XX billion) were reported in QX, compared to XX in the previous quarter

Distribution by industry verticals
Number of transactions



- Apart from the XXXX sector, the XXXX and XXXX industry verticals accounted for around XX% of all major deals
- XXXX, XXXX, and XXXX industry verticals reported mega deals

Distribution by source geography
Number of transactions



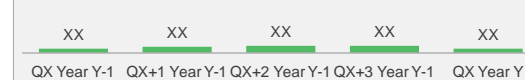
- XXXX and XXXX accounted for ~XX% of the major deals signed in the quarter
- XXXX and XXXX also reported some major deals in this quarter

The following pages provide details for mega deals (TCV > US\$1 billion), very large deals (TCV - US\$200-999 million), and large deals (TCV - US\$50-199 million)

List of mega deals signed in the quarter

Three-quarter moving average²

Mega deals (TCV >= US\$1 billion)
Number



List of mega deals signed

| Buyer | Industry vertical | Service provider | Deal value (US\$ million) | Contract duration | Functional scope |
|---------|-------------------|------------------|---------------------------|-------------------|------------------|
| Buyer 1 | XXXX | XXXX | XXXX | XXXX | |
| Buyer 2 | XXXX | XXXX | XXXX | XX | |
| Buyer 3 | XXXX | XXXX | XXXX | XX | |

Includes over 15 pages of data tables across transactions, GICs and financial services

Outsourcing transactions analysis | By deal type

Profiles the share of renewed/restructured deals compared to the previous quarter and the same quarter of the previous year

Number of transactions by type

Number of transactions



Major outsourcing transactions reaching the end of their contract duration over the next few months

| Buyer | Service provider | Function scope |
|---------|------------------|----------------|
| Buyer 1 | XXXX | XXXX |
| Buyer 2 | XXXX | XXXX |
| Buyer 3 | XXXX | XXXX |
| Buyer 4 | XXXX | XXXX |
| Buyer 5 | XXXX | XXXX |

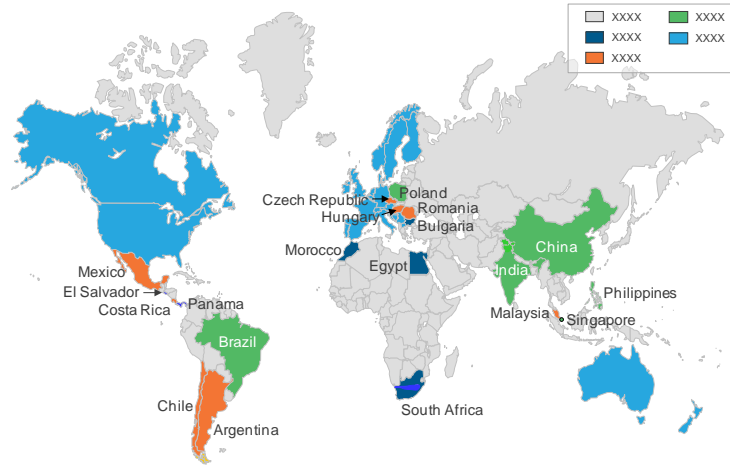
¹ Instances where the scope of existing contract was extended or expanded

Source: Everest Group Transaction Intelligence Database

Section II – Locations section | Overview

Key developments and emerging risks and opportunities across locations

Locations | Market activity heatmap

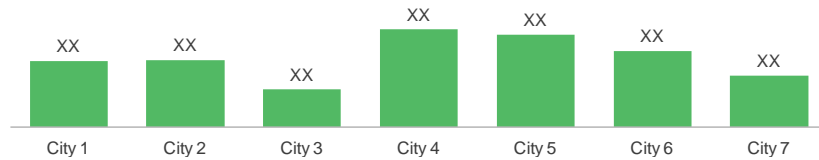


Locations | Risk and opportunity dashboard



Locations | Focus geography

Operating cost per FTE for IT services
US\$'000s/per annum



Operating cost per FTE for BPO services
US\$'000s/per annum



Locations | Market activity data

Asia

| Country | City | Month | Service provider/captive | Number of FTEs | Other comments |
|---------|------|-------|--------------------------|----------------|----------------|
| China | XXXX | XXXX | XXXX | XXXX | XXXX |
| China | XXXX | XXXX | XXXX | XXXX | XXXX |
| China | XXXX | XXXX | XXXX | XXXX | XXXX |
| India | XXXX | XXXX | XXXX | XXXX | XXXX |
| India | XXXX | XXXX | XXXX | XXXX | |
| India | XXXX | XXXX | XXXX | XXXX | |
| India | XXXX | XXXX | XXXX | XXXX | |

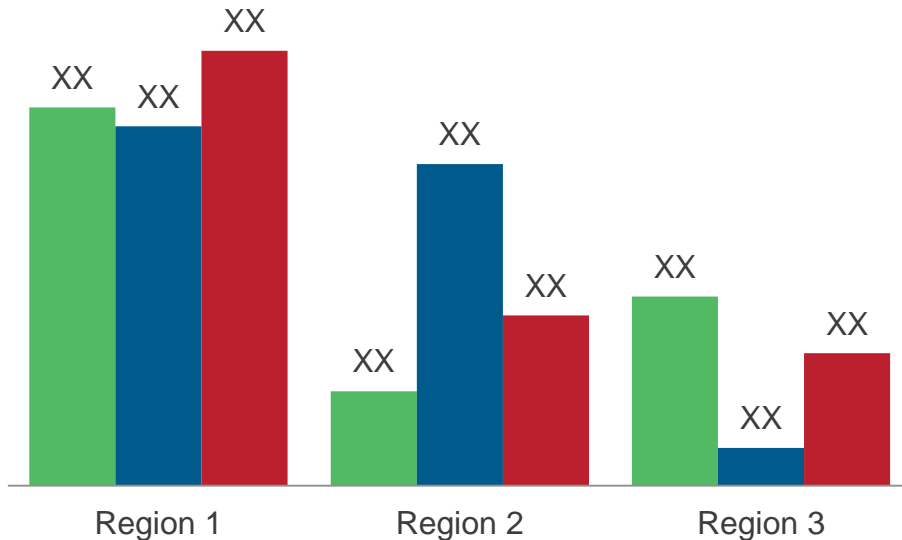
Includes over 20 pages of data tables on market activity, costs, wage inflation, etc.

Locations | Market activity index

Analyzes trends in activity across regions; also compares activity in tier-1 cities and tier-2/3 cities

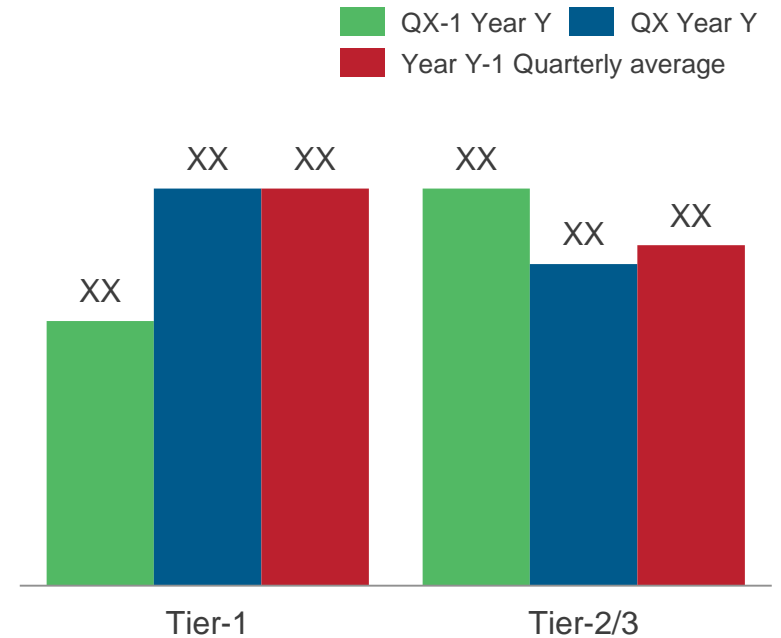
Market activity across geographies

Number of service delivery centers set up



Market activity across Tier-1 and Tier-2/3 locations

Number of service delivery centers set up



- XX delivery centers were set up during the quarter, XXXX than previous quarter
- Although location activity increased significantly in XXXX and XXXX, the number of delivery centers established in XXXX decreased to a XX-month low
- Though players set up centers in both tier-1 and tier-2/3 locations, there was XXXX activity in tier-XX locations

Source: Everest Group (2014)

Section II – Locations section | Illustrative output

Each quarterly report will cover a deep-dive on a specific geography/ theme

Locations | Focus geography

Projected sustainability of labor arbitrage
Number of years

ITO SERVICES

| Source/destination countries | Base scenario – Most probable operating cost inflation and currency appreciation | Pessimistic scenario – higher operating cost inflation and currency appreciation | Optimistic scenario – Lower operating cost inflation and currency appreciation |
|------------------------------|--|--|--|
| U.S.-XXXX | XX | XX | XX |
| U.S.-XXXX | XX | XX | XX |
| U.S.-XXXX | XX | XX | XX |

BPO SERVICES

| Source/destination countries | Base scenario – Most probable operating cost inflation and currency appreciation | Pessimistic scenario – higher operating cost inflation and currency appreciation | Optimistic scenario – Lower operating cost inflation and currency appreciation |
|------------------------------|--|--|--|
| U.S.-XXXX | XX | XX | XX |
| U.S.-XXXX | XX | XX | XX |
| U.S.-XXXX | XX | XX | XX |

Locations | Regional developments

| Region | Key developments |
|----------------|--|
| Asia | <ul style="list-style-type: none"> China – – XXXX – XXXX – XXXX India – – XXXX – XXXX – XXXX Thailand – – XXXX – XXXX |
| Eastern Europe | <ul style="list-style-type: none"> Estonia – – XXXX Hungary – – XXXX Poland – – XXXX – XXXX |

Locations | Regional developments

| Region | Key developments |
|--------|--|
| Asia | <ul style="list-style-type: none"> Sri Lanka – – XXXX – XXXX India – – XXXX – XXXX |
| Africa | <ul style="list-style-type: none"> Egypt – – XXXX – XXXX – XXXX – XXXX |

Locations | Focus geography

Annual change in real estate rentals (grade A)
Percentage



Includes a deep-dive on Asian locations covering costs, inflation, currency trends, etc.

Section III – Service provider developments | Overview

Profiles developments across 20 leading service providers, highlighting key implications for sourcing managers

Service provider developments analysis | Transaction activity

Transaction announcements activity in QX Year Y and trend over QX-1 Year Y

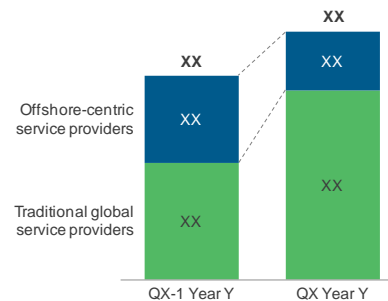
| Service provider | ITO deals | | BPO deals | | Both ITO & BPO | |
|--------------------------|-----------|-------|-----------|-------|----------------|-------|
| | Number | Trend | Number | Trend | Number | Trend |
| High activity | | | | | | |
| Service provider 1 | XX | ● | XX | ● | XX | ● |
| Service provider 2 | XX | ● | XX | ● | XX | ● |
| Service provider 3 | XX | ● | XX | ● | XX | ● |
| Service provider 4 | XX | ● | XX | ● | XX | ● |
| Service provider 5 | XX | ● | XX | ● | XX | ● |
| Service provider 6 | XX | ● | XX | ● | XX | ● |
| Service provider 7 | XX | ● | XX | ● | XX | ● |
| Moderate activity | | | | | | |
| Service provider 8 | XX | ● | XX | ● | XX | ● |
| Service provider 9 | XX | ● | XX | ● | XX | ● |
| Service provider 10 | XX | ● | XX | ● | XX | ● |
| Service provider 11 | XX | ● | XX | ● | XX | ● |
| Service provider 12 | XX | ● | XX | ● | XX | ● |
| Service provider 13 | XX | ● | XX | ● | XX | ● |
| Service provider 14 | XX | ● | XX | ● | XX | ● |
| Service provider 15 | XX | ● | XX | ● | XX | ● |
| Service provider 16 | XX | ● | XX | ● | XX | ● |
| Service provider 17 | XX | ● | XX | ● | XX | ● |
| Low activity | | | | | | |
| Service provider 18 | XX | ● | XX | ● | XX | ● |
| Service provider 19 | XX | ● | XX | ● | XX | ● |
| Service provider 20 | XX | ● | XX | ● | XX | ● |

- Increased from last quarter
- Similar to last quarter
- Decreased from last quarter

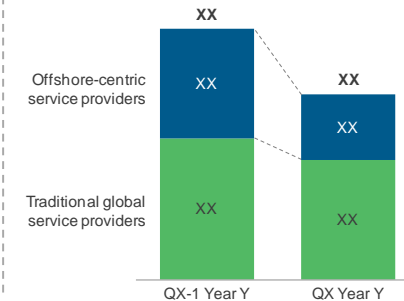
- XXXX
- XXXX
- XXXX
- XXXX

Service provider developments analysis | M&A and alliances

M&A by service provider category
Number of acquisitions



Alliances by service provider category
Number of alliances



- XXXX
- XXXX

Service provider developments | Market Vista Index of service providers

Traditional global service providers



Offshore-centric service providers



This section focuses on the key developments for the above service providers across various dimensions indicated on the next page

Key market developments

Recent transaction activity

| Buyer name | Announcement date | TCV estimate (US\$ million) | Duration (years) | Services |
|------------|-------------------|-----------------------------|------------------|--------------------------|
| Buyer 1 | XXXX | XXXX | XXXX | AO, FAO, and HRO |
| Buyer 2 | XXXX | XXXX | XXXX | AO |
| Buyer 3 | XXXX | XXXX | XXXX | AO |
| Buyer 4 | XXXX | XXXX | XXXX | AO |
| Buyer 5 | XXXX | XXXX | XXXX | AO |
| Buyer 6 | XXXX | XXXX | XXXX | AO |
| Buyer 7 | XXXX | XXXX | XXXX | AO and FAO |
| Buyer 8 | XXXX | XXXX | XXXX | IO |
| Buyer 9 | XXXX | XXXX | XXXX | AO |
| Buyer 10 | XXXX | XXXX | XXXX | CC and industry-specific |
| Buyer 11 | XXXX | XXXX | XXXX | IO |

Location footprint

| Location | Status | Employees | Description |
|----------|----------------------|-----------|------------------|
| XXXX | New center (Planned) | XXXX | ● XXXX ● XXXX |
| XXXX | New center (Planned) | XXXX | ● XXXX ● XXXX |

Includes over 40 pages of data tables on M&A, new delivery centers, management changes, etc.

Service provider developments analysis | Ratings summary

○ Limited activity ◐ Moderate activity ● High activity

| Service provider | New deals | Location changes | M&A and alliance activity | Overall rating |
|---|-----------|------------------|---------------------------|----------------|
| Traditional global service providers | | | | |
| Service provider 1 | ○ | ○ | ◐ | ○ |
| Service provider 2 | ● | ◐ | ● | ● |
| Service provider 3 | ○ | ○ | ● | ◐ |
| Service provider 4 | ◐ | ○ | ◐ | ◐ |
| Service provider 5 | ● | ● | ● | ● |
| Service provider 6 | ○ | ● | ○ | ◐ |
| Service provider 7 | ● | ○ | ● | ◐ |
| Service provider 8 | ◐ | ● | ● | ● |
| Service provider 9 | ● | ● | ◐ | ● |
| Service provider 10 | ● | ● | ● | ● |
| Service provider 11 | ◐ | ○ | ◐ | ◐ |

| Service provider | New deals | Location changes | M&A and alliance activity | Overall rating |
|---|-----------|------------------|---------------------------|----------------|
| Offshore-centric service providers | | | | |
| Service provider 12 | ◐ | ○ | ● | ◐ |
| Service provider 13 | ○ | ○ | ○ | ○ |
| Service provider 14 | ◐ | ◐ | ● | ◐ |
| Service provider 15 | ● | ● | ◐ | ● |
| Service provider 16 | ● | ○ | ○ | ◐ |
| Service provider 17 | ◐ | ◐ | ◐ | ◐ |
| Service provider 18 | ◐ | ● | ● | ● |
| Service provider 19 | ◐ | ◐ | ◐ | ◐ |
| Service provider 20 | ◐ | ○ | ○ | ○ |

Source: Everest Group (2014)

Market Vista encompasses a suite of offerings

Multiple delivery formats allow Global Sourcing Managers to access information in a way that supports the decision-making process

| Market Vista offering | Description | Standard subscription access (annual) | Premium subscription access (annual) |
|---------------------------------|--|---------------------------------------|--------------------------------------|
| Quarterly Report | Quarterly report with in-depth coverage of transaction, location, and service provider trends | ✓ | ✓ |
| Primer | Quarterly brief of expert perspectives on emerging market trends (e.g., new pricing models) | ✓ | ✓ |
| Location database | Annually updated database of location stats (e.g., cost, attrition, inflation rates) for 23 major cities | ✓ | ✓ |
| Locations insights e-newsletter | Bi-monthly Global Location Insights e-newsletter containing detailed country and region info | ✓ | ✓ |
| Exclusive webinars | Exclusive quarterly webinars with stakeholders in the subscriber organization on key market trends and developments highlighted in Market Vista research | | ✓ |
| Analyst consultation | 10 hours of analyst access per year for personalized insights and additional perspectives | | ✓ |

Trends reports complement Market Vista quarterly reports by providing in-depth coverage of global sourcing across industry verticals and regions



Market Vista Buyer Geography Trends reports

Regions tracked

- United States and Canada
- Europe
- Rest of the World (RoW), including Asia Pacific (APAC), Latin America (LATAM), and Middle East & Africa (MEA)

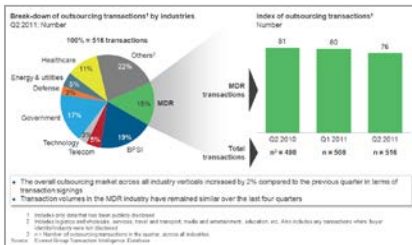
Market Vista Industry Trends reports

Industries tracked

- Banking, Financial Services, & Insurance (BFSI)
- Manufacturing, Distribution, and Retail (MDR)
- Energy & Utilities (E&U)
- Healthcare
- Technology
- Telecom
- Public Sector
- Travel & Hospitality

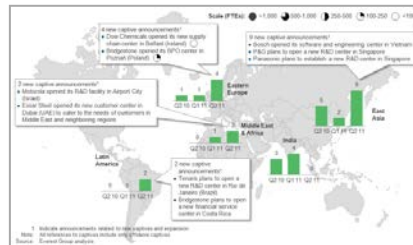
30+ pages of analysis on each industry vertical/region every quarter

Outsourcing transaction activity



- Trends in transaction volumes, contract values, and momentum
- Events with industry impact

GIC set-up and expansion activity



- GIC set-ups, expansions, and divestures
- Analysis of buyers, locations, and scope of work offshored

Processes and models

| Application | Current quarter (Q2 2011) Frequency of occurrence Total: 254 | Previous year (Q2 2010) Frequency of occurrence Total: 1,261 | Change in number of ITD transactions in progress |
|-------------------------|--|--|--|
| | Q2 10 to Q2 11 | Q1 11 to Q2 11 | |
| Application development | 111 | 472 | ↔ |
| Application maintenance | 30 | 348 | ↔ |
| Systems integration | 87 | 257 | ↔ |
| Disaster recovery | 60 | 263 | ↔ |
| Network | 81 | 329 | ↔ |
| Desktop | 24 | 130 | ↔ |
| Helpdesk | 27 | 138 | ↔ |

Legend: Decreased from last quarter (red), Similar to last quarter (orange), Increased from last quarter (green)

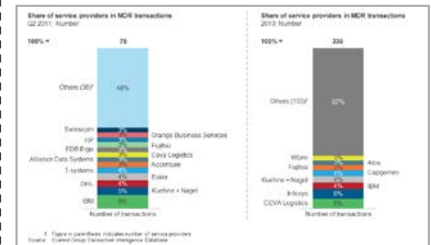
* Frequency of occurrence was higher among IT DDM processes than IT Infrastructure.

* Adoption of ITD processes in Q2 2011 was similar to that in 2010 (quarterly average).

* Adoption of Desktop process declined compared to the previous quarter.

- Process-level and subprocess-level transaction trends
- Emerging opportunity areas

Service provider trends and developments



- Service provider performance (transactions, market shares)
- Significant deals signed by leading enterprises

Additional research recommendations

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. **Market Vista: Q2 2014** ([EGR-2014-8-R-1197](#)); 2014. This report summarizes the key trends and developments for Q2 2014 in the global offshoring and outsourcing market
2. **Industry Trends reports:** Trends for Q2 2014. These reports provide industry-specific data, developments, and insights that enable global sourcing managers to navigate through the complexity, and make clear, effective decisions, contextualized and suited to their specific industry. These reports provides a deep-dive into the transaction activity, GIC developments, service provider market share, and key outsourcing transactions specific to the industry. Industries covered include: Banking, Financial Services, and Insurance (BFSI); Manufacturing, Distribution, and Retail (MDR); Energy & Utilities (E&U); Healthcare; Technology; Telecom; Public Sector; and Travel and Hospitality
3. **Buyer Geography Trends reports:** Trends for Q2 2014. These reports provide data, developments, and insights on outsourcing and offshoring trends for a particular buyer geography/region. These reports provide the research and analysis that enable users to navigate through complexity and make clear, effective decisions suited to their focus region. These reports provide detailed information on transaction activities, Global In-house Center (GIC) developments, service providers' market shares, and key outsourcing transactions specific to particular regions. Regions covered include: U.S. and Canada; Europe; and Rest of the World

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

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At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
- Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches
- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

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