



Topic: Outsourcing and Offshoring Trends in the Oil & Gas Sector

Global Sourcing
Market Report: September 2013 – Preview Deck

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¹ Banking, financial services, and insurance

Background and scope of the research

Background of the research

- The economic slowdown and political environment have impacted the oil & gas industry significantly. Additionally, technical advancements and uncertain industry dynamics have created several pressure points on players in this industry
- Global sourcing is being looked at, by buyers, as one of the levers to address these pressures. At the same time, these pressures are also affecting the pace and pattern of adoption of global sourcing in the oil & gas industry
- Service providers have also evolved their capabilities to meet the changing needs of the industry

In this research, we analyze global sourcing trends in the oil & gas industry. We focus on:

- Evolution and current level of adoption of global sourcing
- Sourcing strategies across leading players of the oil & gas industry
 - Function mix
 - Locations leveraged
 - Sourcing models used
- Landscape of Information Technology Outsourcing (ITO) and Business Process Outsourcing (BPO) service providers in the industry
 - Capability development
 - Mergers and Acquisitions (M&A), industry dynamics among service providers
- Perspectives on potential themes and opportunities that are likely to influence outsourcing and offshoring in the future

The scope and methodology of this research include:

- **Secondary research:** Everest Group tracks major transactions happening in the oil & gas industry across globe. This information forms the basis of the analysis on buyer adoption. Additionally, it also maintains a GIC database, providing a well-rounded perspective of the global sourcing adoption in this sector
- **Services scope:** BPO (voice and non-voice), ITO (applications development and maintenance), and KPO (e.g., reporting and analytics), Engineering services and Research and Development (ES R&D)
- **Focus (buyer geography):** Global
- **Service provider landscape:** Global, Indian-heritage, and regional/specialist service providers providing range of ITO, BPO

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Overview and abbreviated summary of key messages

This research examines global sourcing trends in the oil & gas industry. Analysis include the evolution and current level of global sourcing of services, sourcing strategies as adopted by leading firms in this sector, and perspectives on opportunities likely to influence global sourcing demand in the future. The research also provides an introduction to the service provider landscape for oil & gas industry.

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

U.S. oil & gas market overview

- Oil & gas are the major contributors to global energy generation and are expected to remain so in future
- Oil & gas firms are battling with lower profitability margins and rising cost of exploration
- Volatility in prices is also a challenge for the oil & gas sector firms

Trends across buyer adoption and sourcing models

- While player-wise variations exist, leading oil & gas firms are predominantly leveraging the GIC model
- Asia Pacific and Central and Eastern Europe are the key sourcing geographies both from the GIC and service provider's context
- Europe based oil & gas firms are leaders in terms of outsourcing their services and IT based services have been most frequently outsourced

Service provider landscape and emerging trends

- Service providers in the oil & gas sector are enhancing their capabilities by developing partnerships, acquisitions or by investing in gaining domain expertise
- Service providers are expected to witness significant opportunities in this sector due to
 - Challenge faced by oil & gas firms due to ageing workforce
 - Adoption of disruptive technologies by firms in this sector
 - Integration of operational technology with information technology

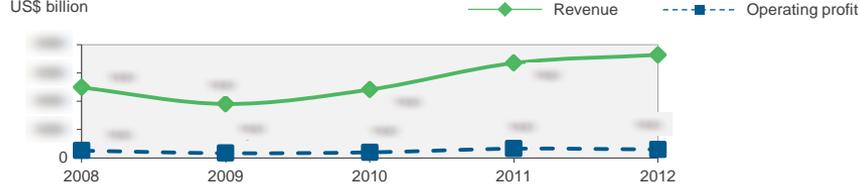
Key future trends to watch

- Outsourcing deals worth several billion dollars are coming to their end in near future and hence present immense opportunities for service providers
- Multiple dynamics (e.g., new oil field discoveries, consolidation across global GIC portfolio) in the oil & gas sector are expected to shape the development of outsourcing / global sourcing trends in this space

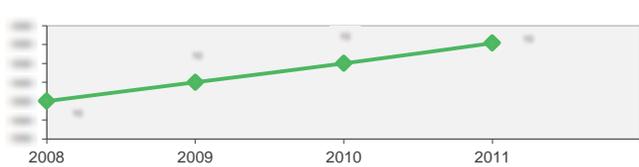
This study offers four distinct chapters providing a deep dive into key aspects of oil & gas global sourcing market

Oil & gas industry overview

Financial performance of top 10 oil & gas companies
US\$ billion

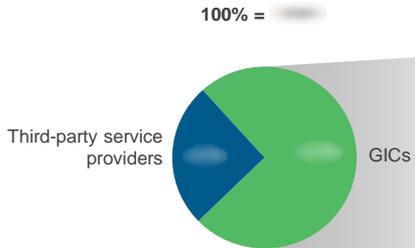


Oil discovery cost
US\$ per barrel

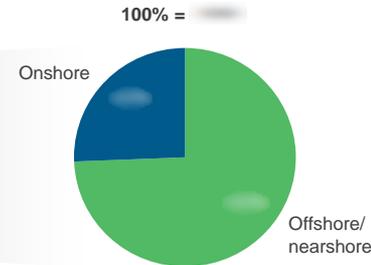


Overview of global sourcing landscape

Distribution of FTEs by sourcing model
Number in '000s

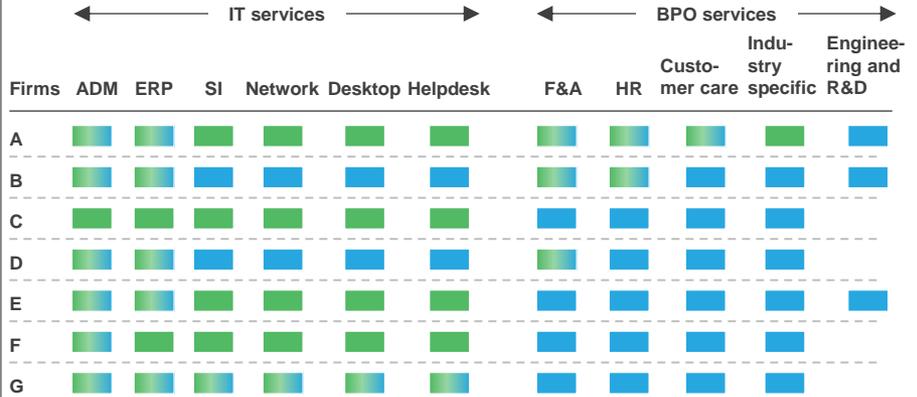


Distribution of GIC FTEs by delivery location
Number in '000s



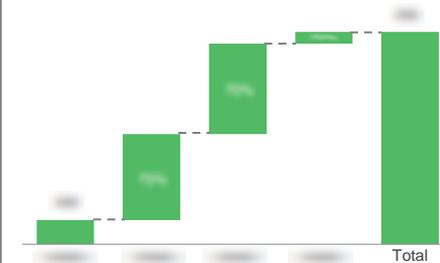
Trends across buyer adoption and sourcing models

Adoption of global sourcing by oil & gas majors across diverse functions



Key future trends to watch

Total Contract Value (TCV) of deals nearing end-of-term
US\$ billion



Major oil & gas sector transactions reaching end-of-term in coming months

Buyer	Service provider	Contract type	Contract end-date
Centrica	Communisys	New contract	2013-2014
Union-Fenosa	Indra	New contract	2013-2014
BP	Top Indian and U.S. IT players	New contract	2013-2014
BP	T-Systems	New contract	2013-2014
BG	IBM	New contract	2013-2014

Source: Everest Group (2013)

GS research agenda

■ Published
 ■ Current

Topic	Release date
Global In-house Center (GIC) Landscape in Costa Rica and Trends in Offshore GIC Market	April-2013
Driving Impact through Collaboration: Collaboration in the GIC-Parent, GIC-Vendor, and GIC-GIC Ecosystem	April-2013
The Classic Sourcing Model Conundrum – Global In-house Center (GIC) vs. Third-party Provider	May-2013
Delivering Value Beyond Savings in the GIC Model – A Survey of Organizations with GIC Operations	June-2013
Two Sides, One Story – Value Beyond Savings from Global In-house Centers (GICs)	July-2013
Outsourcing and Offshoring Trends in the Oil and Gas Sector	September-2013
Global Trends in the Captive Landscape. Focus geography – Malaysia	Q3-2013
Viewpoint on Location Concentration Risk	Q3-2013
Global Locations Compass: Poland	Q3-2013
Global Locations Compass – Mexico	Q4-2013
Viewpoint (Hallmarks of mature GICs – Learnings to stay ahead)	Q4-2013

Additional research references

The following documents are recommended for additional insight on 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. IT Outsourcing in Healthcare Payer Industry – Annual Report 2013: Taking the Debate Beyond the Reforms Mandate** ([EGR-2013-12-R-0894](#)); 2013. This report provides an overview of the ITO market for the healthcare payer industry. Analysis includes key trends in market size & growth, demand drivers, adoption & scope trends, emerging themes, key areas of investment, and implications for key stakeholders. The report also provides specific updates on the readiness of the various stakeholders from the perspective of payer reform mandates
- 2. IT Outsourcing in Banking – Annual Report 2013: Banking For the Next Generation** ([EGR-2013-11-R-0893](#)); 2013. This report provides an overview of the Application Outsourcing (AO) market for the banking industry, through an in-depth analysis of large-sized AO contracts (i.e., contracts over US\$25 million in TCV and over three years in duration). The report analyzes key trends in market size & growth, demand drivers, adoption & scope trends, emerging priorities of buyers, key investment themes, and future outlook for 2012 with regards to such large banking AO deals
- 3. Global Sourcing Trends in the U.S. Mortgage Industry** ([EGR-2012-2-R-0767](#)); 2012: This research provides an in-depth analysis of outsourcing and offshoring in the U.S. mortgage industry, with focus on the buyer adoption of global sourcing and service provider landscape

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