



Topic: Global Locations Compass – Mexico

Comprehensive Assessment of Global Services Industry in Mexico and Implications for Services Strategy

Global Sourcing

Market Report: December 2013 – Preview Deck

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Background and scope of the research

Background of the research

Mexico is an important delivery location for global services. It is the leading country in Latin America for nearshore/global services delivery. It is classified as a mature location on Everest Group's Market Vista Locations Maturity Heatmap¹. With its large graduate pool, various government sponsored investment incentives, geographical and cultural affinity with the developed world, and open market policy, Mexico offers an attractive proposition to organizations seeking a suitable destination to set up new delivery centers. The focus of companies setting up delivery centers remains on serving both BPO and IT segments in addition to language-specific contact center. At the same time, challenges related to operating environment, stability issues may impact nature of global service delivery from this location.

In this research, we analyse Mexico as a destination for global service providers and buyers, across various dimensions

- Global sourcing sector market characteristics
- Player activity (new setups and expansion)
- Key industry / government bodies promoting its growth
- Education system
- Landscape of cities: Labor pool, cost, market activity, and risk analysis for key cities
- Future outlook
- Implications for buyers and service providers

The scope of analysis includes:

- Offshore services sector across global in-house centers (GICs) and third-party service providers in Mexico
- Offshore services include IT, BPO, and contact center
- Analysis on key cities in Mexico: Mexico City, Guadalajara, Monterrey, Queretaro, Chihuahua, and Juarez

¹ Everest Group's Market Vista report Q3 2013

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Overview and abbreviated summary of key messages

This research examines global services trends in Mexico. Analysis include overview of global services sector, assessment of key cities along talent pool, cost, and market activity and operating environment assessment for global services delivery. The research also presents future outlook for the global services sector and implications for buyers and service providers.

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

Overview of IT-BPO services sector in Mexico

- Mexican IT/BPO market has grown at a CAGR of 12% in past four years with export growth surpassing the domestic IT/BPO services market
- Key drivers for export growth are time zone similarity, proximity to the United States, and availability of bilingual talent

Assessment of cities

- Mexican cities (tier-1/2) present significant cost arbitrage and also have good educational infrastructure, especially for technical skills
- Mexico City, Guadalajara, and Monterrey are leading delivery locations and have been leveraged by both global service providers and buyers
- About 15-20% differential in operating cost exists between Mexico City and other (tier-2) locations across IT and BPO for offshore delivery

Future outlook of global services sector in Mexico

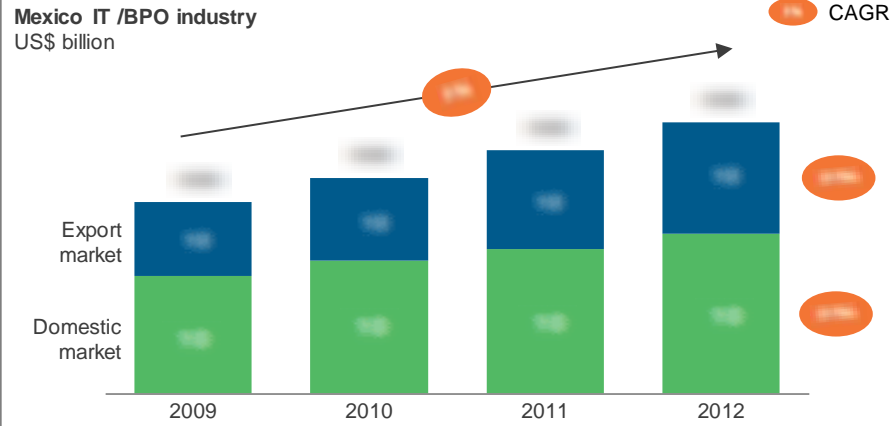
- Mexican global services sector is expected to witness growth driven by increasing demand in global (especially in the United States) as well as domestic markets
- Mexican government's plans to further invest in operating infrastructure, which is likely to contribute to growth of global services sector in the country

Implications for buyers and service providers

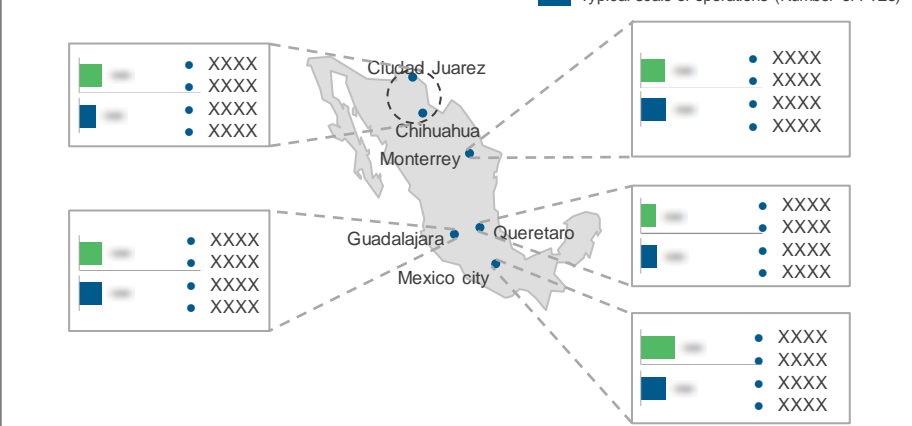
- Buyers and service providers must evaluate Mexico for IT delivery that requires real-time collaboration between the United States and the delivery location, given time zone advantage
- Firms need to take into consideration the talent availability/sustainability in Mexican cities before planning to scale up their operations aggressively
- Tier-2 cities in Mexico can also be leveraged for delivery as they present significant cost advantage (15-20%) in comparison with tier-1 cities, such as Mexico City

This study offers four distinct chapters providing a deep dive into key aspects of global sourcing sector in Mexico

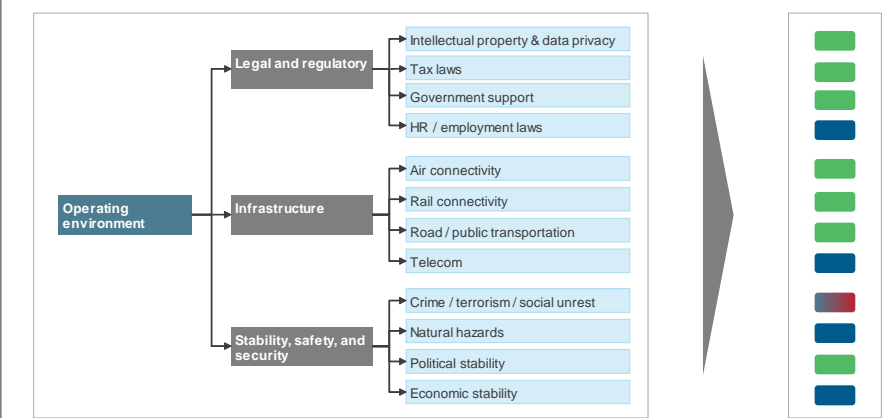
Overview of global services sector in Mexico



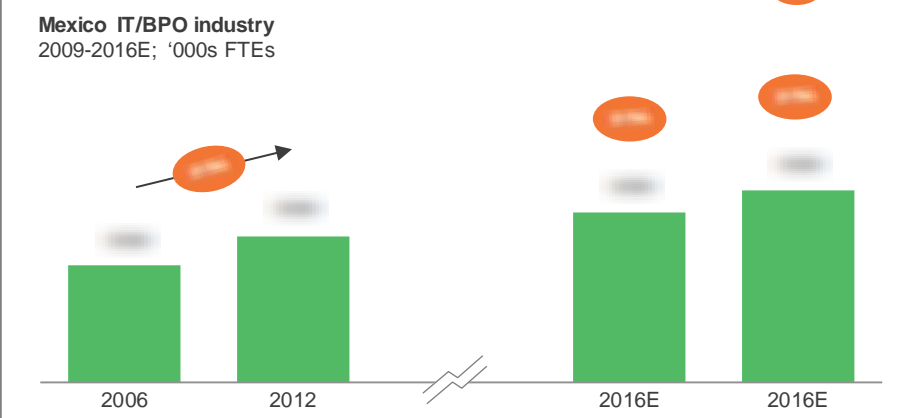
Assessment of cities



Assessment of the operating environment



Future outlook of global services sector



Source: Everest Group (2013)

GS research calendar

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
Webinar Deck: 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
Webinar Deck: Emerging Locations for Global Delivery	September-2013
Global Trends in the Captive Landscape. Focus geography – Malaysia	October-2013
Global Locations Compass – Poland	November-2013
Global Locations Compass – Mexico	December-2013
Viewpoint: Realities behind Myths on Location Concentration Risk	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. **Global Offshore GIC Landscape and Trends: Focus Geography – Poland** ([EGR-2012-2-R-0747](#)); 2012. This report provides an in-depth analysis of the global offshore GIC landscape and insights into key trends of the last 30 months (2009-2011). The report also provides a deep-dive into the GIC landscape in six key industry verticals and a focus section on Poland
2. **Global Location Compass reports:** These reports analyze the unique value propositions of leading global services destinations. The reports provide detailed data and in-depth analyses and enable investors who are evaluating, entering, or expanding existing footprint in the country to develop a holistic perspective on the location. Everest Group published multiple such reports:
 - **China** ([EGR-2011-2-R-0606](#)); 2011
 - **The Philippines** ([EGR-2012-2-R-0637](#)); 2012
 - **Brazil** ([EGR-2012-2-R-0768](#)); 2012
 - **Poland** ([EGR-2013-2-R-0978](#)); 2013
3. **Global Location Insights: Healthcare BPO is a "Hidden Jewel" for The Philippines' Global Services Industry** ([EGR-2013-8-R-0822](#)); 2013. This report offers a view on the Philippines' proposition in the healthcare BPO services, its growth potential, and the key drivers for the industry
4. **Global In-house Center (GIC) Landscape and Trends in Offshore GIC Market:** This report provides an in-depth analysis of the GIC landscape and trends, covering market size and growth, distribution of GIC landscape, and comprehensive information on industry verticals
 - **Malaysia** ([EGR-2013-2-R-0950](#)); 2013
 - **Costa Rica** ([EGR-2013-2-R-0863](#)); 2013

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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
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