Global In-house Center (GIC) Landscape in BFSI Sector – High Adoption for Business Process Services, Will IT Services Follow the Trend?

Global Sourcing (GS)
Market Report: October 2014 – Preview Deck

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1 Banking, financial services, and insurance

Background and scope of the research

Background of the research

- Banking, Financial Services, and Insurance (BFSI) firms are facing multiple environmental and business challenges around tighter regulatory considerations, as a result the need for increased transparency, accountability, and risk management. This strict environment has led to an increased focus on global sourcing strategies
- While BFSI companies leverage different sourcing models as per their objectives, the GIC model continues to be an integral component of their evolution. Moreover, GICs have further matured to provide increased support to the parent firms by managing complex functions
- Through this report, Everest Group provides BFSI GIC-specific developments and insights that will enable global sourcing managers to navigate through the complexity and increase the effectiveness of their global sourcing decisions

The scope and methodology of this report

- The first section of this report analyzes the sourcing model strategies and GIC model adoption in the BFSI sector
- The second section analyzes the overall BFSI GIC landscape across banking, capital markets, and financial services subsectors in terms of size, growth drivers, buyer portfolio, scale, extent of diversification, and key delivery locations
- The subsequent two sections are a deep dive into the location portfolio across India, Philippines, Rest of Asia (RoA), and Central and Eastern Europe (CEE), in addition to the functional portfolio across industry-specific Business Process Services (BPS), analytics, corporate functions, contact centers, and IT-Application Development and Maintenance (ADM)
- The last section is an assessment of strategic trends observed in BFSI GIC market, covering analytics, hybrid governance model, rebalancing sourcing portfolio, and measurement & quantification of business impact beyond arbitrage
- This report is based on Everest Group's proprietary GIC database that is updated quarterly with new set-up activity, expansion/contraction of existing GICs, divestitures, and increased capabilities, in additions to ongoing interactions with BFSI GICs and parent stakeholders

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Overview and abbreviated summary of key messages
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This report provides a deep dive into the BFSI GIC landscape and an analysis of the trends across banking, capital markets, and financial services subsectors. The research also brings out key insights about the BFSI GIC market across sourcing model adoption trends, key delivery locations and functional penetration and concludes with an assessment of the strategic trends observed in BFSI GICs

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

Sourcing model strategies and GIC model adoption in BFSI sector

- BFSI vertical is one of the most mature adopters of the GIC model; while most firms have adopted the hybrid sourcing model , i.e., leverage both GIC and service provider models, the mix (share of GIC and service provider headcount) varies
- GICs with their unique position of being an inherent part of parent organization as being leveraged in this vertical for multiple reasons, such as access to additional talent and global leadership, sourcing work that involves intellectual property, drive innovation and process standardization for the parent organization

GIC landscape in BFSI sector

- BFSI is a dominant vertical in the GIC landscape with 15% market share in terms of number of centers and 30% in terms of scale
- Among the subverticals of the BFSI sector, banking sector is the key driving factor for the growth of the vertical. Not only are banking GICs geographically distributed, but they are also larger in terms of average scale

Locations leveraged by BFSI GICs

- India and the Philippines are the leading locations BFSI companies to set up GICs. The two locations contribute ~75% to the overall BFSI GIC headcount
- BFSI firms are increasingly leveraging tier-2 cities to combat saturation and high competitive intensity in tier-1 cities. Prominent tier-2 cities witnessing activity are Pune (India), Lodz (Poland), Wroclaw (Poland), and Ostrava (Czech Republic)

Overview and abbreviated summary of key messages
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Functions served by BFSI GICs

- Within the BFSI firms, adoption of the GIC model is higher for business process services compared to IT services; industry-specific BPS and analytics are the key BPS services for which GIC model is highly preferred
- Two-thirds of BFSI firms have dual-function GICs; single-function GICs are set up primarily to cater to the BPS needs of the buyer organizations

Strategic trends observed in BFSI GICs

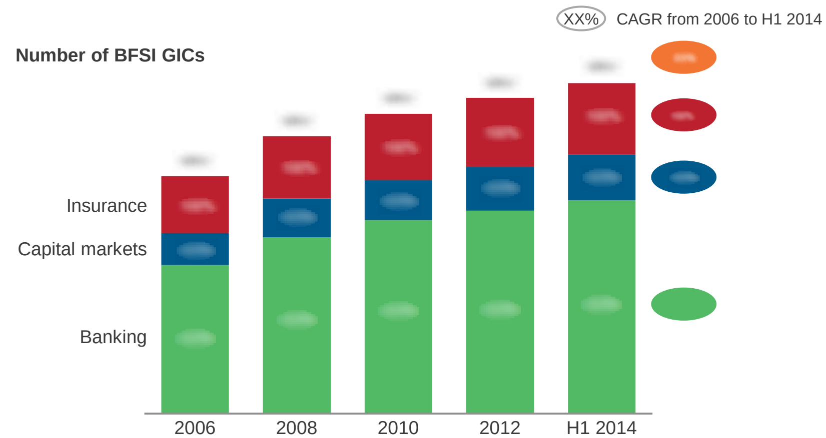
- Four strategic trends are being observed in the BFSI sector
  - Analytics is emerging as a growth area for BFSI GICs, given it involves use of sensitive data
  - BFSI firms are leveraging hybrid organization models to govern their GICs. This helps them enjoy benefits of both horizontal as well as vertical model of governance
  - Better productivity in GICs and certain other factors are leading mature BFSI firms to become more intentional about sourcing portfolio optimization/rebalancing
  - Increased thrust on measurement and quantification of the value addition delivered to strengthen the business case for GIC growth

This study offers five distinct chapters providing a deep dive into key aspects of BFSI GIC market; below are four charts to illustrate the depth of the report

Sourcing model strategies and GIC model adoption in BFSI sector

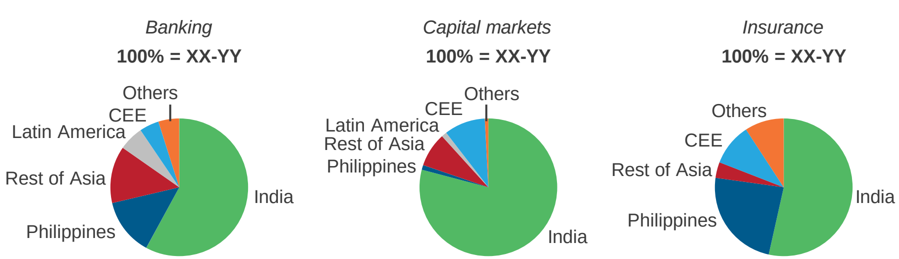
Sourcing mix for leading BFSI firms
2014; Percentage

GIC landscape in BFSI sector

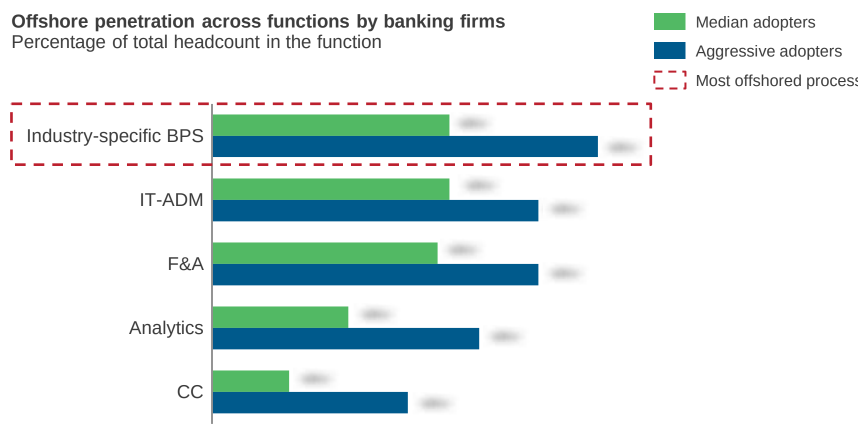


Locations leveraged by BFSI GICs

Geographic distribution of BFSI GICs
H1 2014; Number of FTEs in '000



Functions served by BFSI GICs



Source: Everest Group (2014)

GS research calendar

Published | Current

Topic	Release date
Global In-house Center (GIC) Landscape Annual Report 2014	April 2014
Global In-house Center (GIC) Landscape in India – Three Decades of Value Creation for Global Enterprises, Geared Up to Deliver More	September 2014
Webinar Deck: The Business Case for Impact Sourcing	October 2014
Evolution of the GIC model: Do GICs really add Value Beyond Cost Arbitrage?	October 2014
How Cost Competitive are Global In-house Centers (GICs)?	October 2014
GIC Landscape in BFSI Sector – High Adoption for Business Process Services, Will IT Services Follow the Trend?	October-2014
GIC landscape report: Analytics services	Q4 2014
Viewpoint: Hybrid sourcing model	Q4 2014
Viewpoint: Organizational models for governing GICs	Q4 2014
Viewpoint: Global business services	Q4 2014
Global In-house Center (GIC) Landscape Annual Report 2014	Q1 2015
Viewpoint: Deeper GIC-service provider collaboration – Key imperative to harness value from global sourcing	Q2 2015
Landscape Report: GIC landscape in Technology Vertical	Q2 2015
Landscape Report: GIC landscape among UK firms	Q2 2015

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 complementary content that may be of interest

1. **Global In-house Center (GIC) Landscape Annual Report 2014** (EGR-2014-2-R-1097); 2014. This report provides a deep-dive into the overall GIC landscape and the yearly update of the GIC market in 2013, compared to the last two years. The report also provides assessment of strategic priorities for GICs

2. **Global In-house Center (GIC) Landscape in India – Three Decades of Value Creation for Global Enterprises, Geared Up to Deliver More** (EGR-2014-2-R-1225); 2014. This report provides a deep dive into the GIC landscape in India and an analysis of the trends in the last 42 months (2011 to H1 2014), and compares them with the trends within the overall GIC activity in India. The research also brings out key insights about the Indian GIC market across key cities, verticals, and functions and concludes with an assessment of the strategic opportunities for India-based GICs

3. **Evolution of the GIC Model: Do GICs Really Add Value Beyond Cost Arbitrage?** (EGR-2014-2-R-1254); 2014. As GICs look to play a more strategic role within the organization, it becomes crucial to identify areas where more business impact can be created in addition to just cost arbitrage. It is also equally important to articulate, quantify, and communicate the value addition to the parent organization. This report assesses the current state of the GIC market in terms of maturity of model and aims to help GICs in their maturity journey by identifying value addition levers and providing a framework to help quantify the business impact created

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

H. Karthik, Partner: h.karthik@everestgrp.com
Sakshi Garg, Practice Director: sakshi.garg@everestgrp.com
Parul Jain, Analyst: parul.jain@everestgrp.com
Ritika Dhingra, Knowledge Associate: ritika.dhingra@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com

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Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-647-557-3475

London
unitedkingdom@everestgrp.com
+44-207-129-1318

Delhi
india@everestgrp.com
+91-124-284-1000

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