Nearshore Europe Is IT!
IT Services Riding The Nearshore Advantage

Locations Insider™
Market Report: April 2015 – Preview Deck

EGR-2015-2-PD-1432

Our research offerings for global services

Subscription information

- The full report is included in the following subscription(s)
  - Locations Insider™
- 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:

Corporate Headquarters
Office: +1-214-451-3000
info@everestgrp.com

European Headquarters
Office: +44-207-129-1318
unitedkingdom@everestgrp.com

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

BFSI[1] Information Technology	PricePoint™
BFSI[1] Business Process	Finance & Accounting
Healthcare & Life Sciences	Procurement
Application & Digital	Human Resources
Cloud & Infrastructure	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

EGR-2015-2-PD-1432

Background and scope of the research

Background of the research

Nearshore Europe[1] has globally emerged as the second largest Information Technology (IT) services delivery market. Geographical proximity to Western Europe, time zone similarities, close cultural ties, availability of highly-qualified engineering talent, and favorable business environment are some of the key factors driving the Nearshore Europe global sourcing in IT industry.

Growth is being driven by both the new entrants as well as the business expansion of existing players. Scalability is a challenge in some of the smaller locations, but is managed through multi-location strategy by the players.

In this research, we analyze Nearshore Europe as a destination for delivery of nearshore IT services for global service providers and buyers, across various dimensions:

- Market characteristics
- Labor pool across entry-level and employed talent
- Operating cost
- Risk assessment
- Implications for stakeholders

The scope of the analysis includes:

- Nearshore IT services[2] delivery
- Services sector across Global In-house Centers (GICs) and third-party service providers
- Analysis of the key cities in Nearshore Europe: Bratislava, Bucharest, Budapest, Dublin, Glasgow, Krakow, Prague, Sofia, and Warsaw

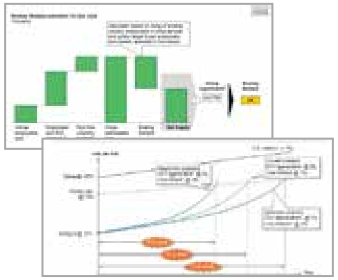
1 Nearshore Europe refers to Nearshore United Kingdom (Republic of Ireland, Wales, Northern Ireland, and Scotland), and Central and Eastern Europe (CEE, including locations such as Czech Republic, Poland, Hungary, Romania, Slovakia, and Bulgaria)

2 IT services include services such as application development & maintenance, infrastructure support services, testing, R&D, and IT consulting services

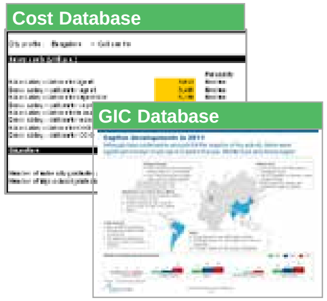
Methodology – Everest Group's extensive databases, proprietary market intelligence, and inputs from market participants formed the foundation for this report

- Proprietary intelligence
- Market thought leadership
- Actionable and insightful research

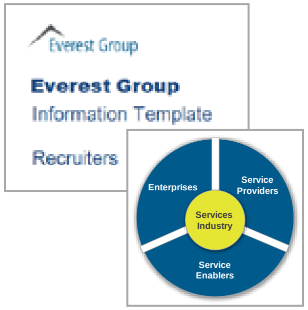
1 Robust definitions and frameworks – location assessment, sustainability, and scalability



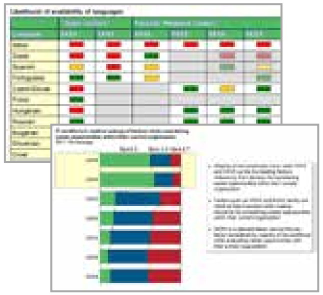
2 Proprietary databases (global in-house centers, service providers, market activity, cost/labor, and transaction intelligence)



3 Diverse set of touch-points with key global- services stakeholders for on-the-ground perspectives



4 Fact-based research adequately informed by deep domain expertise and experience



- A dedicated team for global sourcing research, comprehensively supporting all location-related requirements of clients (information, strategy, tracking, etc.)
- Comprehensive, year-round tracking of global sourcing activity across outsourcing transactions, locations, Global In-house Centers (GICs), and service providers
- More than 20 years of advising clients on global sourcing decisions spanning strategy, optimization, and implementation
- Executive-level relationships with buyers, service providers, country/industry associations, and other industry stakeholders (recruiters, real estate firms, and legal firms)

Table of contents (page 1 of 2)

Table of contents (page 2 of 2)

Overview and abbreviated summary of key messages

As Nearshore Europe has emerged as the second largest Information Technology (IT) services delivery market, globally, it becomes crucial to assess the multiple location options in the geography and identify opportunities and challenges that these locations have to offer.

This report assesses the current state of the nearshore IT services market on the basis of relevant talent pool, operating cost, and risk environment. It also provides a framework via which the reward-risk proposition of setting up delivery centers within the various location options can be compared

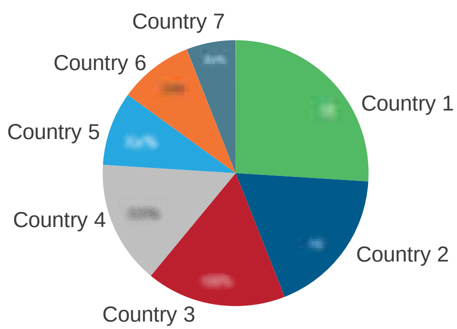
Some of the findings of the report

IT services delivery in Nearshore Europe is moving beyond transactional to more complex work	• Nearshore Europe is being leveraged for more complex IT services, such as cloud computing and development of mobile platforms, owing to availability of high quality talent pool
Geographical proximity and cultural affinity is attracting companies to Nearshore Europe	• Western European companies are attracted to Nearshore Europe owing to geographical proximity and cultural affinity • Companies leverage time zone overlap to support high-end processes that are business-critical and/or require intimacy and real-time collaboration with lines of businesses
Most of the locations in the region offer sufficient high quality talent pool	• Most Nearshore locations in Europe have significant supply of IT and engineering graduates suitable for IT services delivery. Bucharest, Prague, Warsaw, and Krakow offer a large entry-level talent pool • Multiple GICs and service providers have achieved significant scale of operations (500-700 FTEs) in Prague, Krakow, and Warsaw
Locations offer significant cost savings compared to onshore locations and favorable business environment	• The region offers significant cost arbitrage over onshore United Kingdom (varying between 10% to 70%) which is expected to marginally decline in the next five years • Locations such as Sofia, Bucharest, Krakow, and Budapest offer significant savings potential over the established locations such as Dublin and Glasgow • While taking location selection decisions, players should evaluate the trade-off between savings potential and risk profiles; for instance, some of the lowest cost locations have higher operating risk

This study offers four distinct chapters providing a deep dive into the current state of the IT services delivery industry in Nearshore Europe

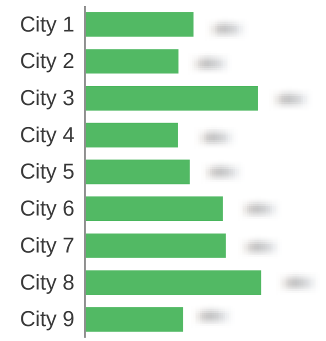
IT services delivery market size

Country-wise distribution of IT services industry
2014; Percentage share of FTEs



Assessment of talent pool

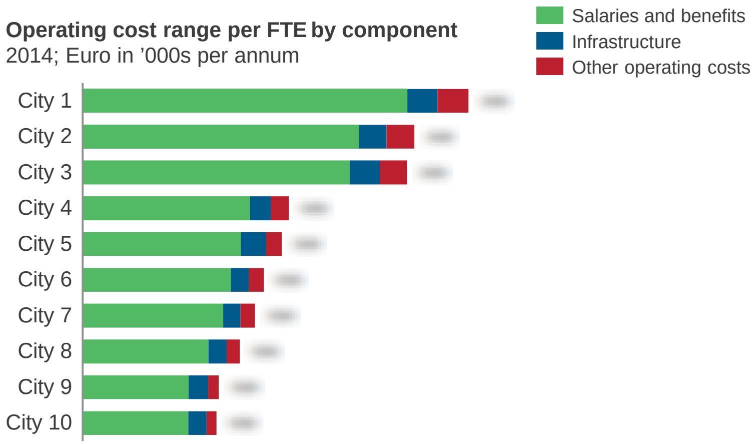
Annual relevant graduates for IT services
2014; '000s



Annual employable graduate pool for IT services
2014; Numbers

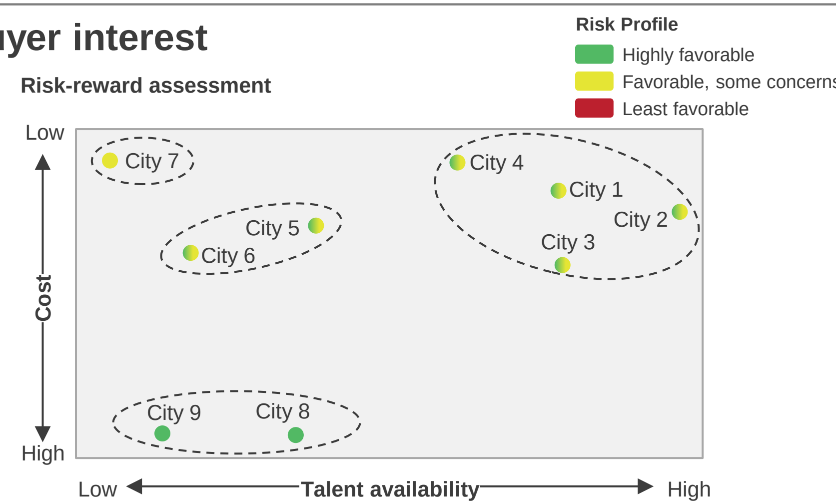
Value proposition

Operating cost range per FTE by component
2014; Euro in '000s per annum



Buyer interest

Risk-reward assessment



Source: Everest Group (2015)

LI research calendar

Published / Current

Topic	Release date
Central & Eastern European (CEE) Locations for Finance & Accounting Services Delivery	November 2014
Global Locations Annual Report 2014	November 2014
Webinar Deck: Connecting the Dots: Optimizing Your Global Delivery Network	November 2014
Central America and the Caribbean Answer the Call for English-language Contact Center Services	December 2014
Economies of Scale in Global Services – Realities and Limitations	December 2014
Global Location Insights: Demystifying the Impact of Incentives on Location Attractiveness	December 2014
"Next-wave" location profiles: Bangalore, India	January 2015
"Next-wave" location profiles: Manila, Philippines	January 2015
Cultural Affinity, Cost Savings, Coordinates – 3 C's of Targeting UK Contact Center Market	March 2015
"Next-wave" location profiles: Kochi, India	March 2015
"Next-wave" location profiles: Penang, Malaysia	April 2015
Nearshore Europe Is IT! IT Services Riding The Nearshore Advantage	April 2015
"Next-wave" location profiles: Lithuania	Q2 2015
"Next-wave" location profiles: Lodz, Poland	Q2 2015
"Next-wave" location profiles: Puerto Rico	Q2 2015
Emerging Locations Trends report: SMAC delivery hotspots	Q2 2015

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. **Cultural Affinity, Cost Savings, Coordinates – 3 C's of Targeting UK Contact Center Market** (EGR-2015-1-R-1420); 2015. This report analyzes the relative attractiveness of key cities in Nearshore UK locations (Scotland, Northern Ireland, Ireland) for contact center services delivery. It also provides insights into contact center outsourcing market, talent availability, cost of operations, and risk profiles. The report will aid buyers and service providers, who are evaluating entering or expanding their existing footprint in Nearshore UK, in developing a holistic perspective of contact center services

2. **Finance & Accounting in Central and Eastern Europe (CEE)** (EGR-2014-2-R-1300); 2014. This report analyzes CEE as a destination for nearshore/offshore F&A services. The report will help buyers and service providers, who are evaluating entering or expanding their existing footprint in CEE, to develop a holistic perspective of F&A services delivery landscape in the CEE region

3. **Next-wave Location Profile – Bulgaria** (EGR-2014-2-LP-1135); 2014. Everest Group's Next Wave Location Profiles provide crisp, yet insightful assessment of emerging / "next-wave" countries or cities for services delivery. This report on Bulgaria offers perspectives on global sourcing profile of Bulgaria, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

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

Anurag Srivastava, Practice Director – Global Sourcing: anurag.srivastava@everestgrp.com
Mansi Mahajan, Senior Analyst – Global Sourcing: mansi.mahajan@everestgrp.com
Hrishi Raj Agarwalla, Analyst – Global Sourcing: hrishi.agarwalla@everestgrp.com

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

Everest Group

From **insight** to ***action***.

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

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

Stay connected

Websites
www.everestgrp.com
research.everestgrp.com

Twitter
@EverestGroup
@Everest_Cloud

Blog
SHERPAS IN BLUE SHIRTS
www.sherpasinblueshirts.com