Everest Group
RESEARCH

Global Locations Annual Report 2015: Resurgence of Activity Amidst Evolving Propositions

Locations Insider™
Annual Report: November 2015 – Preview Deck

EGR-2015-2-PD-1619

Our research offerings for global services

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

- **BFSI[1] Information Technology**
- **BFSI[1] Business Process**
- **Healthcare & Life Sciences**
- **Application & Digital**
- **Cloud & Infrastructure**
- **Global Sourcing**
- **Locations Insider™**
- **PricePoint™**
- **Finance & Accounting**
- **Procurement**
- **Human Resources**
- **Recruitment Process**
- **Contact Center**
- **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

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**

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1 Banking, financial services, and insurance

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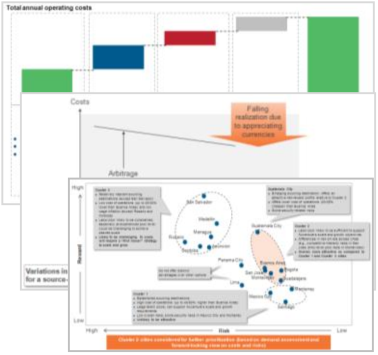
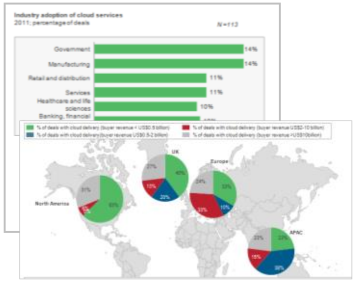
Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Based on on-the-ground perspectives

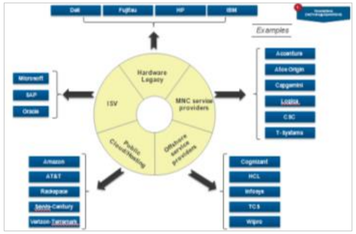
1 **Robust definitions and frameworks**
(talent pool scalability and sustainability assessments, cost arbitrage sustainability, risk assessment frameworks)



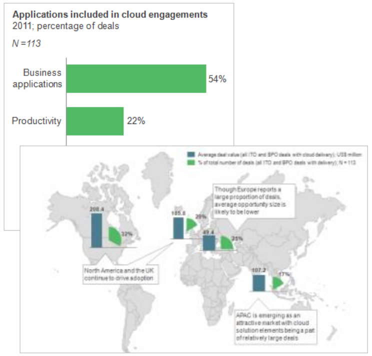
2 **Primary sources of information**
(Ongoing interactions with buyers, GICs/captives/SSCs, service providers, investment promotion agencies, recruiters, etc.)



3 **Diverse set of market touchpoints**
(Ongoing interactions across key stakeholders, input from a mix of perspectives and interests, supports both data analysis and thought leadership)



4 **Fact-based research**
(Data-driven analysis with expert perspectives, year-round tracking of location and service provider activity, and country briefings)



- Proprietary tracking and databases on operating costs, labor pool, market activity, and risks
- Year-round tracking of 200+ locations around the world
- Coverage across all offshore, nearshore, and onshore locations across regions (APAC, Europe, North America, LATAM, Africa)
- Over 100 global projects on supporting clients on location decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Our ability to deliver insight on locations is based on extensive databases and ongoing market research

Market activity database

No.	Company name	Parent industry vertical (primary)	Time since inception	IT (ADM and Infra)	BPO	KPO	CC	Engineering, R&D	Comments on services offered	FTE estimates (date variable)
1	3Com	Telecom and hi-tech	<3 yrs					✓	Software development	100
2	ABB	Manufacturing	3-5 yrs					✓	Software development &	500
3	ABN Amro	BFSI	3-5 yrs	✓	✓		✓		Banking transaction	2000
4	Adobe	Telecom and hi-tech	>5 yrs					✓	R&D	600
5	Agilent technologies	Telecom and hi-tech	<3 yrs		✓			✓	Application and SOC Chip design,	1000
6	Airwide solutions	Telecom and hi-tech	<3 yrs					✓		100
7	Akzo Nobel Car Finishes	Others	3-5 yrs					✓	develop products and colour	NA
8	Allianz Cornhill	BFSI	3-5 yrs	✓	✓		✓		IT application development and	500
9	Alsthom	Manufacturing	<3 yrs					✓	Engineering and design services,	1,000
10	Amazon	Telecom and hi-tech	<3 yrs				✓	✓	Software Develoment,	NA
11	AMD	Telecom and hi-tech	<3 yrs					✓	design	120
12	American Express	BFSI	>5 yrs		✓	✓	✓		F&A back-office HR processing,	3,000
13	AOL	Telecom and hi-tech	3-5 yrs				✓	✓	Contact center , software	1,650

Cost database

City profile : Bangalore - Call centre

Salary costs (US$ p.a.)

		Reliability
Base salary - call center agent	3,043	Medium
Gross salary - call center agent	3,408	Medium
Base salary - call center supervisor	5,180	Medium
Gross salary - call center supervisor	5,802	Medium
Base salary - call center manager	21,725	Medium
Gross salary - call center manager	24,332	Medium
Base salary - call center COO	73,021	Low
Gross salary - call center COO	81,783	Low

Education

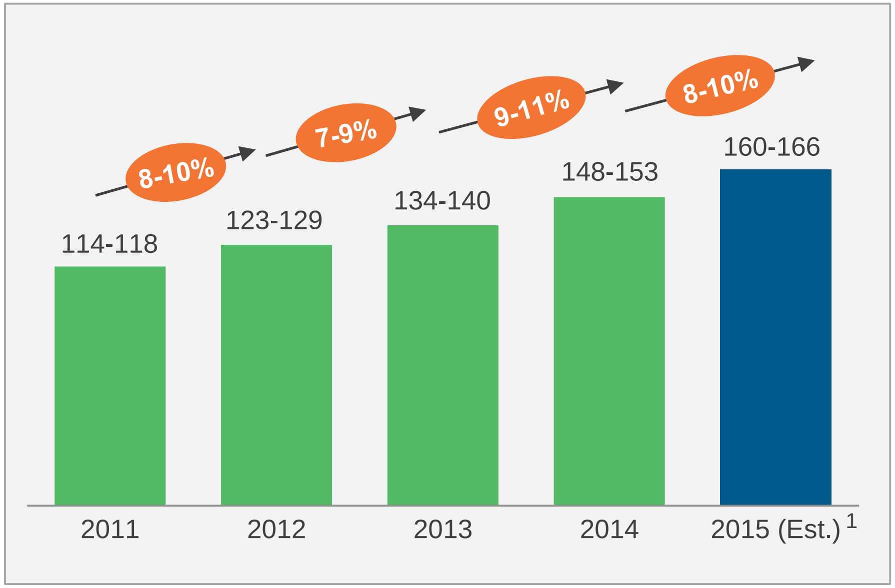
		Reliability
Number of university graduates pa	71,335	Low
Number of high-school graduates pa	-	-

GIC/SSC database

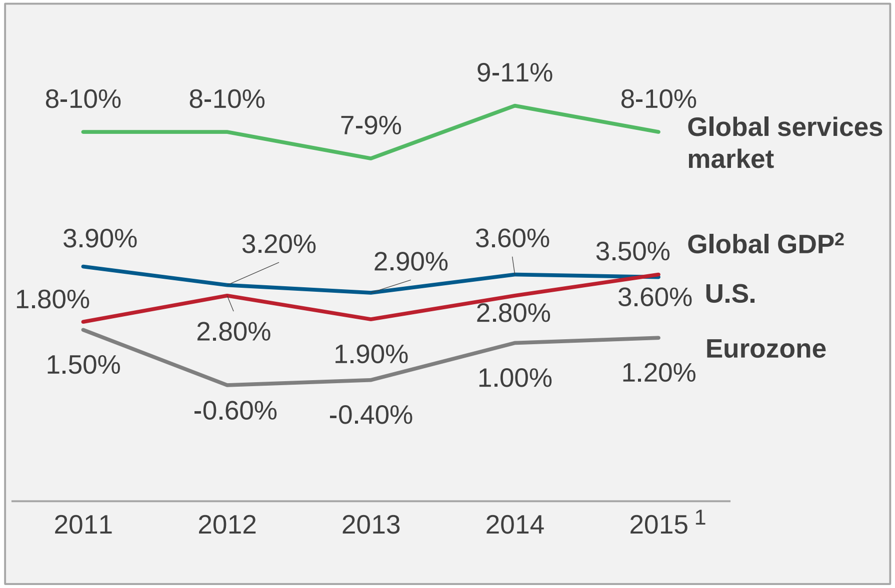
Industry leading databases (100+ service providers, ~2,000 GICs / Shared service centers, and 200+ cities)

The global services market is expected to witness a marginally lower growth than in 2014 due to mixed investor sentiment

Global services revenue and growth
2011-2015(E); US$ billion



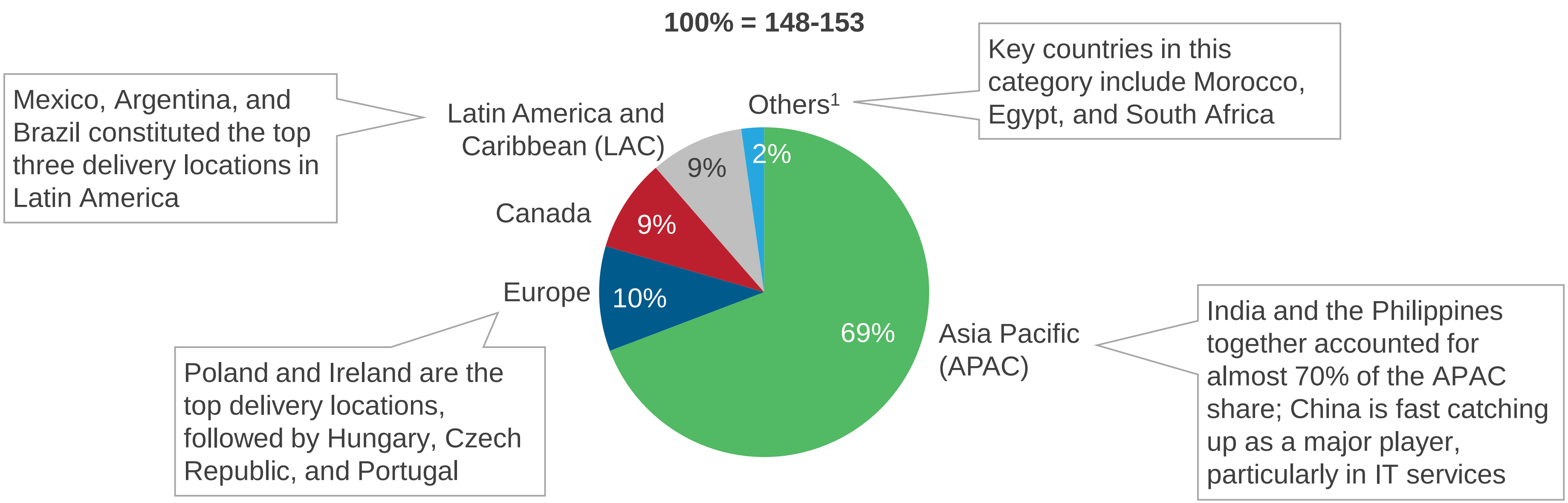
Growth rates of regional/global GDP and global services market
2011-2015(E)[1]; Percentage[2] (E)



1 Estimated figures for the year 2015
2 Data for constant year-on-year (Y-O-Y) prices, based on purchasing power parity
Note: Includes global services exports; excludes domestic market
Source: Country- / city-level investment promotion agencies, global services organizations (buyers, global in-house centers, service providers, Everest Group (2015)

Asia Pacific constitutes ~70% of the global services market revenues; Nearshore Europe and Latin America & the Caribbean are witnessing growth

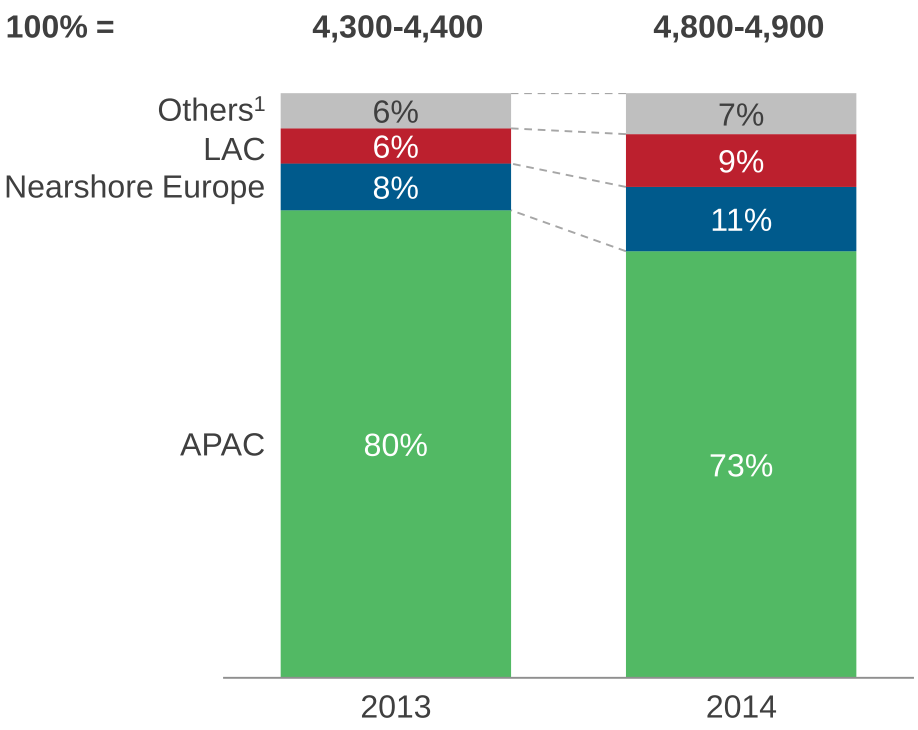
Global services market | Share of delivery regions by revenue
2014; US$ billion



1 Others include Middle East & Africa
Note: Includes global services exports; excludes domestic market
Source: Country- / city-level investment promotion agencies, global services organizations, Everest Group (2015)

India and Philippines continue to have the largest share of headcount, both within Asia Pacific and globally

Global services market | Share of delivery regions by headcount[2]
2013-2014; Number of FTEs (in '000s)



1 Others include Canada, Africa and the Middle Eastern region
2 Includes global services exports for 31 leading locations. Excludes domestic market. Please refer Appendix for further details
Source: Country- / city-level investment promotion agencies, global services organizations, Everest Group (2015)

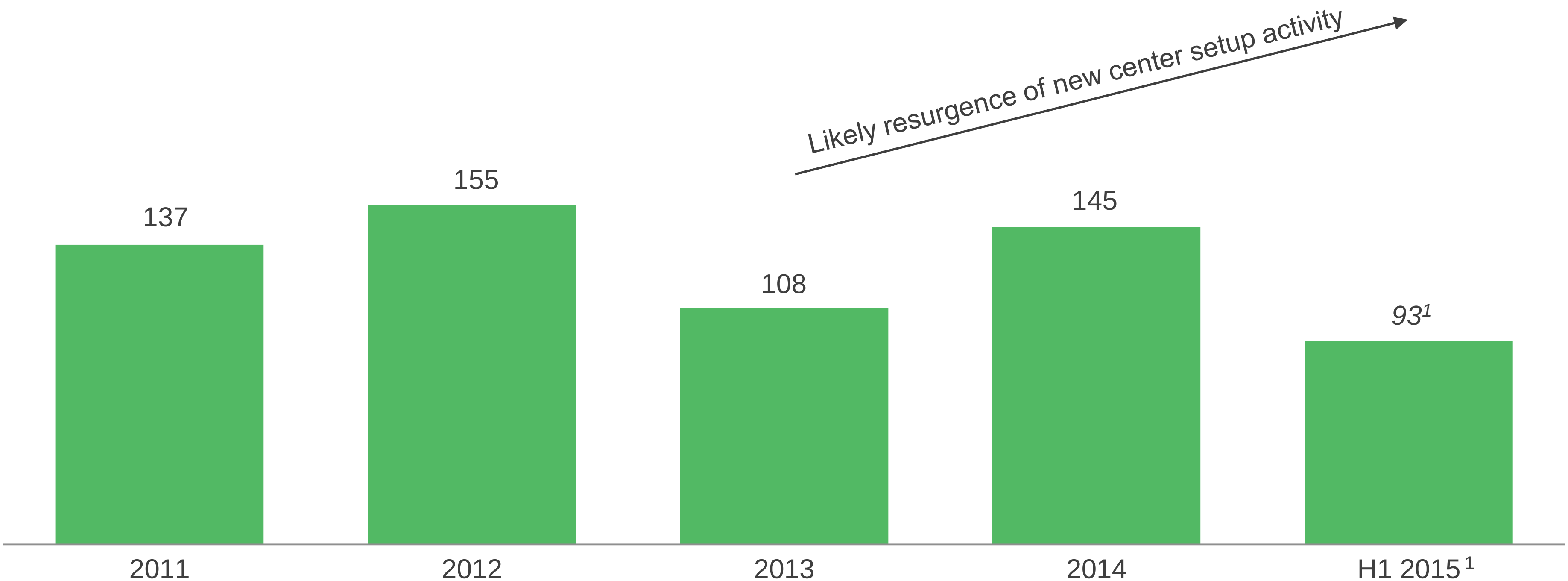
Location heatmap

1 Analysis based on headcount for global services exports in 2014; please refer to Appendix for further details

Source: Country- / city-level investment promotion agencies, global services organizations, Everest Group (2015)

New center setup activity picked up significantly in 2014 after the decline in 2013; it is expected that similar growth rates will continue in 2015

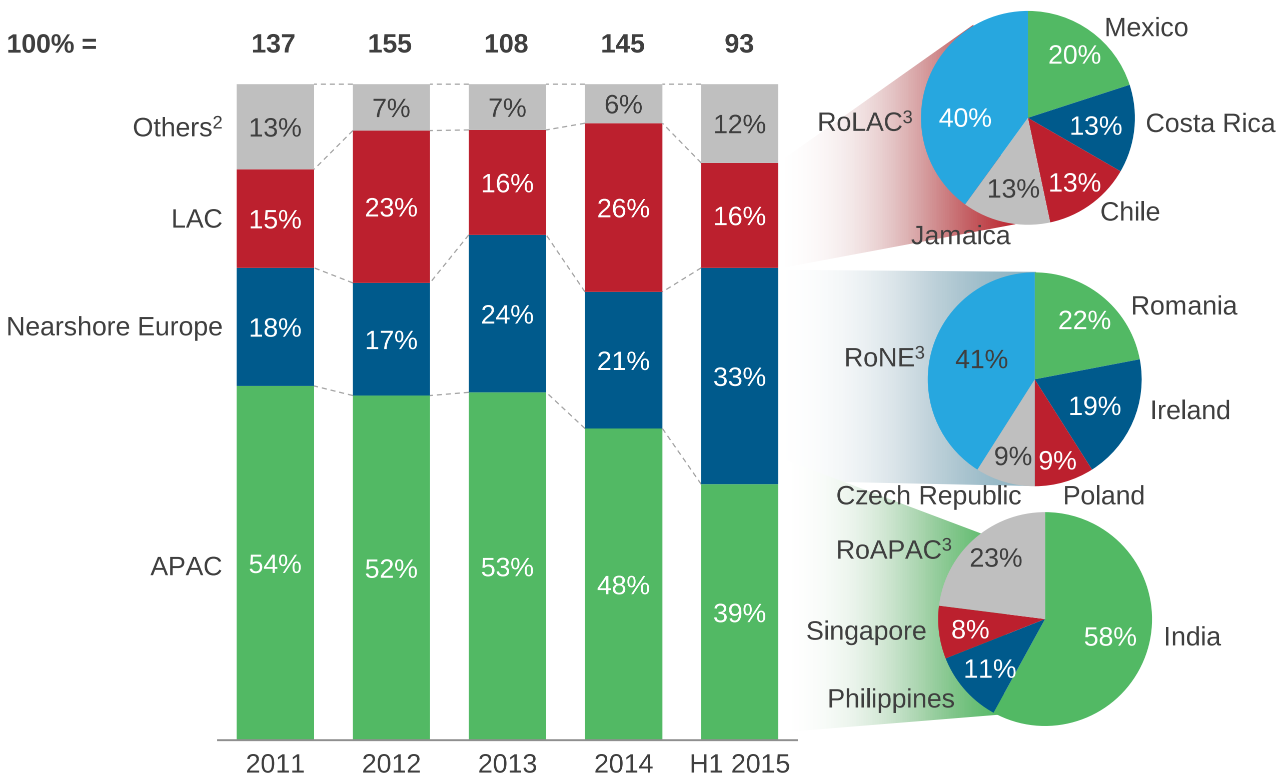
New centers established
2011-H1 2015[1]; Number



1 Includes data for Q1 2015 (January-March 2015) and Q2 2015 (April-June 2015)
Note: Includes global in-house centers and (third-party) service provider delivery centers
Source: Everest Group (2015)

Asia Pacific has witnessed a consistent decline in its share since 2011; Nearshore Europe has stepped up to being slightly lower than Asia Pacific, with Latin America & the Caribbean witnessing a decline in H1 2015

Breakup of new centers by region
2011-H1 2015[1]; Number



1 Includes data for Q1 2015 (January-March 2015) and Q2 2015 (April-June 2015)
2 Includes activity recorded in the Middle East and Africa region
3 RoAPAC = Rest of APAC; RoNE = Rest of Nearshore Europe; RoLAC = Rest of LAC
Note: Includes global in-house centers and (third-party) service provider delivery centers
Source: Everest Group (2015)

Locations activity | Summary of key trends

1 Functions supported
- Share of business process services has been consistent since 2013, while the share of IT services has increased
- Decline in share of R&D/engineering function

2 Type of city (tier-1 and tier-2/3 cities)
- Increasing instances of players leveraging tier-2/3 locations, although this movement continues to be muted in the Asia Pacific
- The Middle East and African region leads the adoption of tier-2/3 cities for service delivery, followed closely by LAC

3 GICs and service providers
- GIC setups have increased significantly since 2012, and have overtaken service provider setups in H1 2015
- Service provider activity improved since 2013, and is expected to be at par with GIC activity in 2015

4 Type of provider
- Share of top 20 service providers[1] in the new center setups increased across APAC and Middle East & Africa, whereas Nearshore Europe witnessed a significant decline

5 Onshore geographies[2]
- Increasing investments by top 20 service providers[1] in onshore locations
- Continental Europe witnessed a spurt in activity since 2013

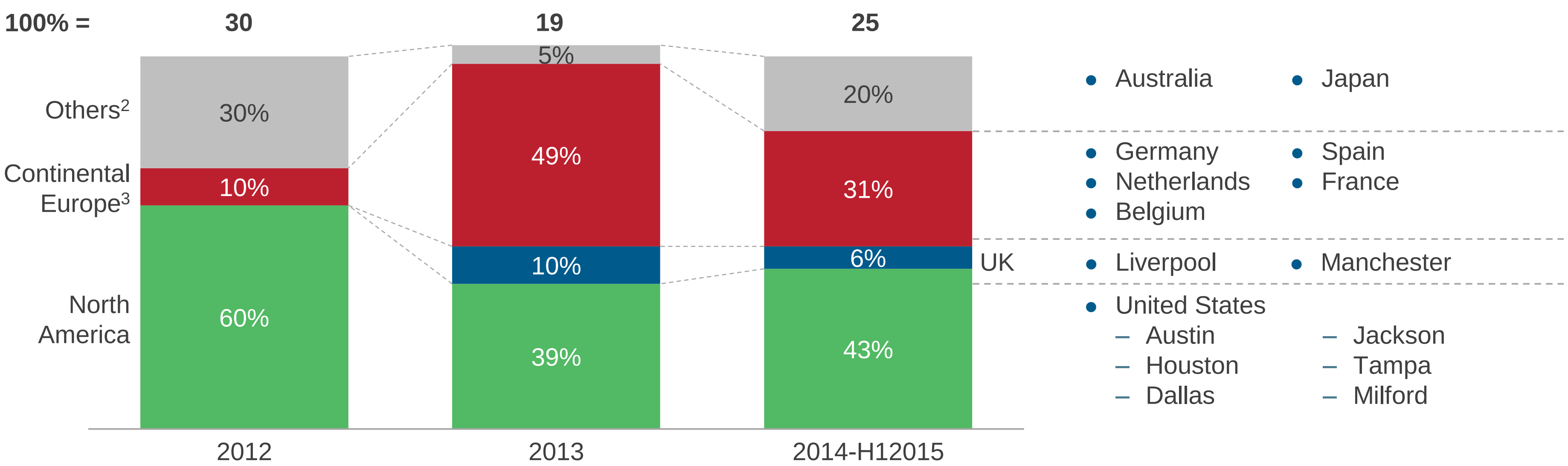
1 20 leading service providers across IT and BPS that Everest Group uses as “index” providers to gauge market trends
2 Includes U.S., UK, Western Europe, Nordics, Australia, New Zealand, and Japan

Source: Everest Group (2015)

Share of United States in onshore center setups by the top-20 service providers increased since 2013, with European locations taking the second place

5

New onshore delivery centers of top 20 service providers[1] by region
2012-H1 2015[3]; Number of centers



1 20 leading service providers across IT and BPS that Everest Group uses as "index" providers to gauge market trends
2 Includes Australia, Japan, and New Zealand
3 Also includes Nordic and Scandinavian countries
4 Includes data for Q1 2015 (January-March 2015) and Q2 2015 (April-June 2015)
Source: Everest Group (2015)

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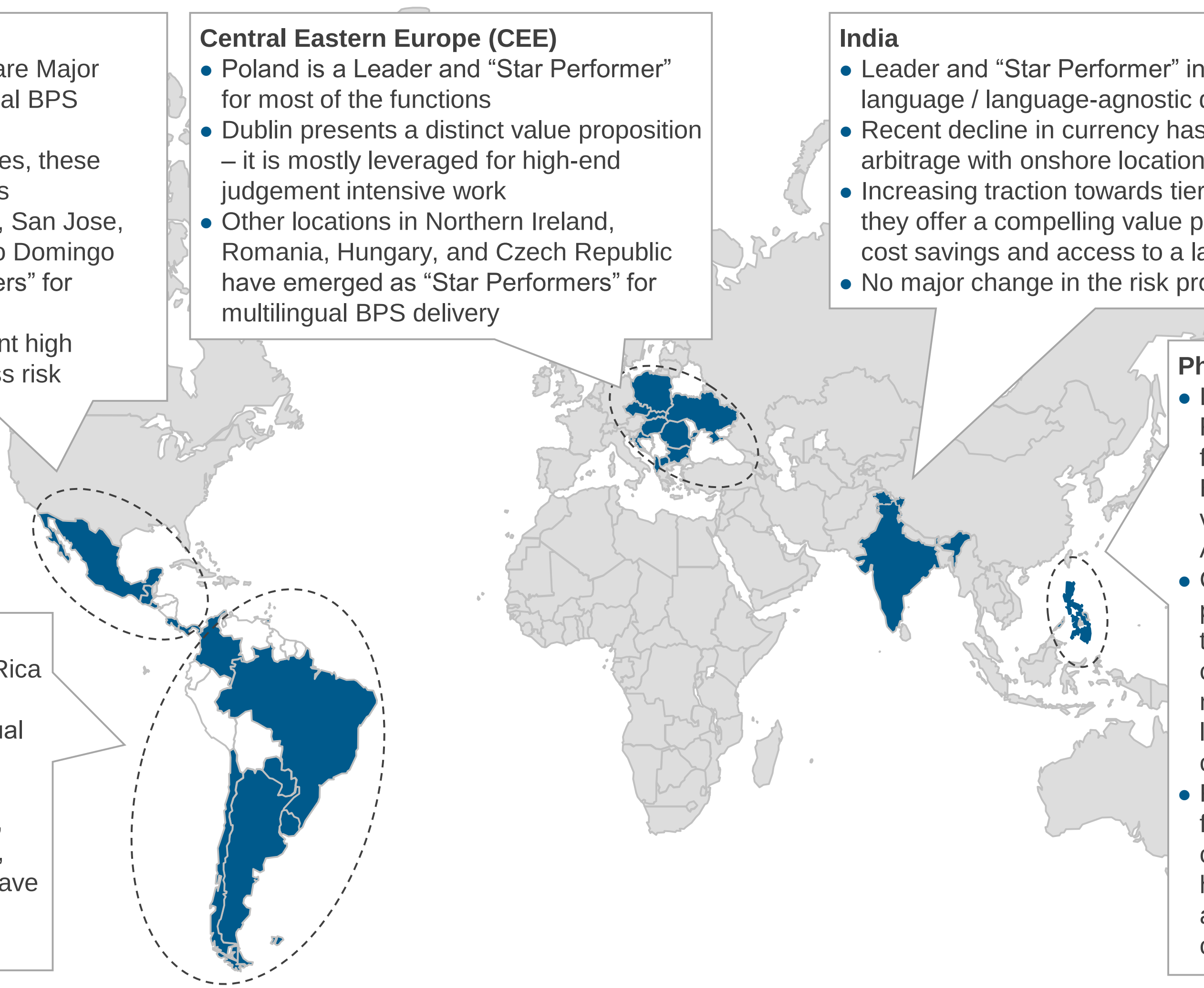
MAP Matrix™ | Definition and key components

Everest Group's **Maturity | Arbitrage | Potential (MAP) Matrix™** provides an objective, data-driven, and comparative assessment of locations specific to a market segment (function and process).

The section presents analyses on **60+ locations (cities)** for the following **seven functions**:

- Information Technology – Application Development and Maintenance (IT-ADM)
- Contact center (English language)
- Transactional Business Process Services (BPS)
- Complex / judgment-intensive BPS
- Bilingual (Spanish and English language) BPS
- Multi-lingual (European languages) BPS
- Knowledge services

MAP Matrix™ | Summary



Central America

- Most of the locations are Major Contenders for bilingual BPS delivery
- In most other categories, these locations are Aspirants
- Mexico City, Kingston, San Jose, Guatemala, and Santo Domingo are the “Star Performers” for various functions
- Some locations present high operating and business risk

Central Eastern Europe (CEE)

- Poland is a Leader and “Star Performer” for most of the functions
- Dublin presents a distinct value proposition – it is mostly leveraged for high-end judgement intensive work
- Other locations in Northern Ireland, Romania, Hungary, and Czech Republic have emerged as “Star Performers” for multilingual BPS delivery

India

- Leader and “Star Performer” in all the English language / language-agnostic delivery functions
- Recent decline in currency has increased cost arbitrage with onshore locations
- Increasing traction towards tier-2 Indian locations as they offer a compelling value proposition – higher cost savings and access to a large talent pool
- No major change in the risk profile

Philippines

- Leader and “Star Performer” for functions related to English language voice delivery and IT-ADM
- Compelling value proposition from cost-talent standpoint; continues to be the most favorable location after Indian cities
- Risks of disruption from natural disasters continue to exist; hence, players are adopting business continuity measures

Latin America

- Argentina and Costa Rica are Leaders and “Star Performers” for bilingual BPS delivery
- For other functions, Kingston, Mexico City, San Jose, Guatemala, and Santo Domingo have emerged as “Star Performers”

Source: Everest Group (2015)

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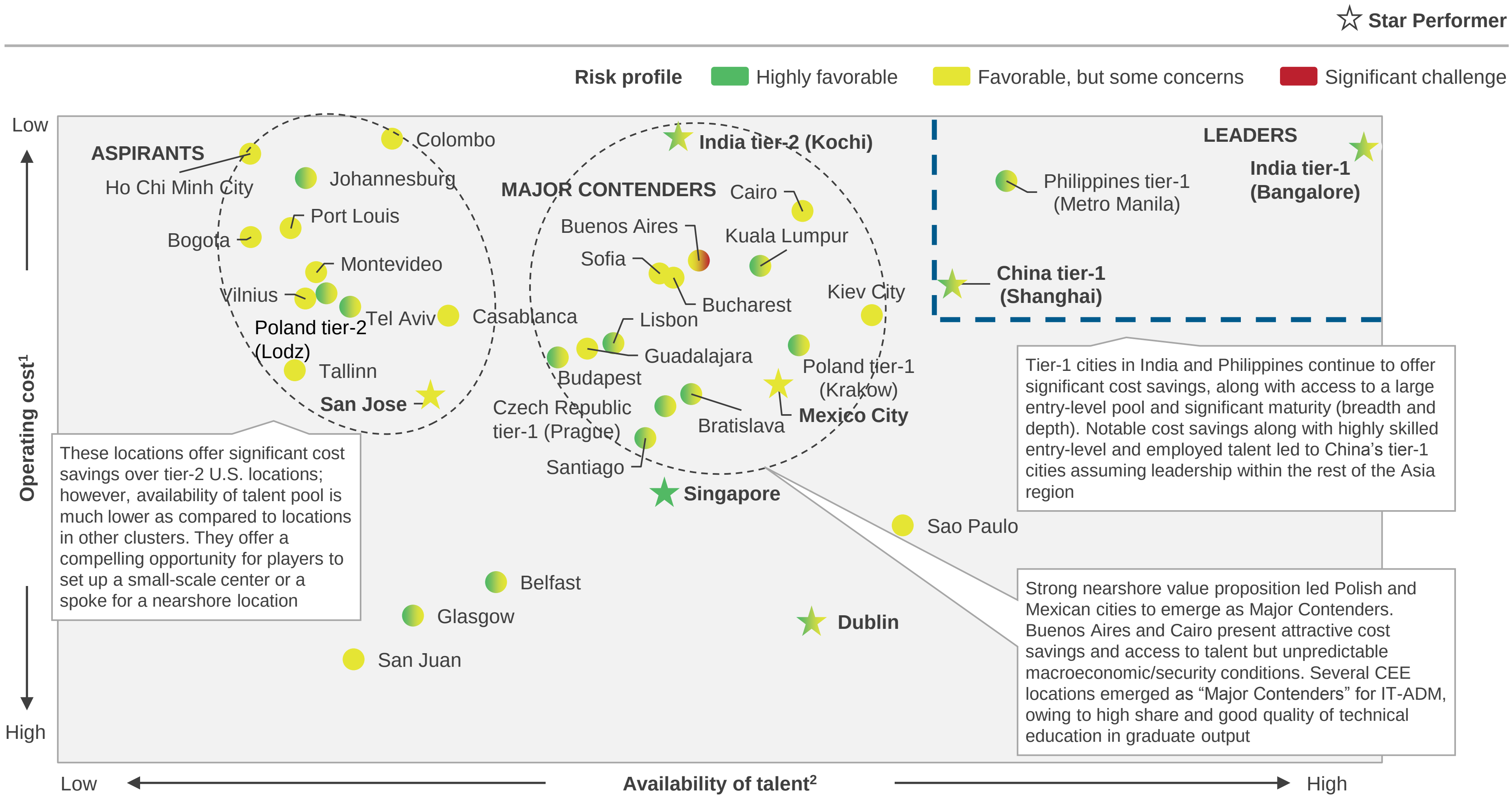
Sample MAP Matrix™ | IT-ADM

MAP Matrices™ for seven functions are published in the report



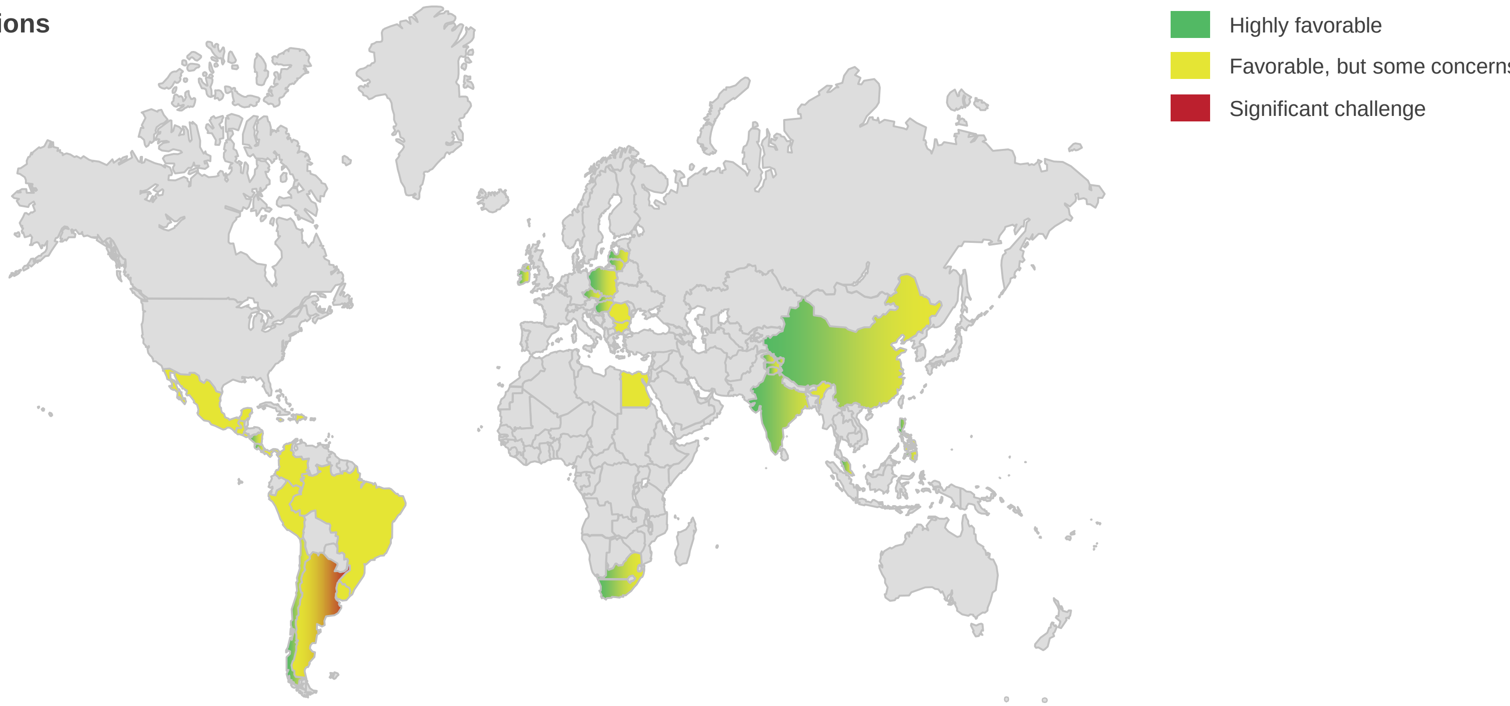
1 Fully-loaded, ongoing operating cost, including compensation, facilities, and technology expenses
2 Considers relevant entry-level and experienced talent

Note: We used representative cities to depict typical talent-cost positioning for tier-1 and tier-2 cities for some countries (e.g., Metro Manila as a tier-1 city and Bacolod as a tier-2 city in the Philippines); there could be other cities in the country that also offer comparable propositions to these cities

Source: Inputs from market players, recruitment firms, and investment agencies; Everest Group (2015)

Summary of key messages | Risk watch

Risk ratings of key locations



Changes in risk profiles across leading global services locations in 2014-Q3 2015

- Many Latin American currencies have depreciated sharply against the U.S. dollar. Consequently, these locations have become more cost competitive compared to other delivery locations
- Having gone through a period of political uncertainty in 2011-2013, Egypt's political environment is stabilizing with a steady government at the helm
- The fall in crude oil prices globally has helped India in curbing inflation to some extent

- Guatemala is witnessing a political crisis. There have been protests against the government due to allegations of corruption
- Tax legislation changes in Brazil are likely to reduce profitability of IT service providers in the country
- Increased political unrest after Petrobras scandal in Brazil
- The geopolitical crisis in Ukraine have led to continued security concerns; global services sector had adopted a cautious stance

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The report has 40 pages of data on locations activity – new centers set up by GICs and service providers over 2013-H1 2014

Locations activity
Offshore locations | Delivery centers established in Q1 2013 (page 1 of 3)

Asia

Country	City	Month	Service provider / GIC	Headcount	Other comments
Country 1	City 1	January			
Country 2	City 2	February			
Country 3	City 3	February			
Country 4	City 4	February			
Country 5	City 5	February			
Country 6	City 6	February			
Country 7	City 7	February			
Country 8	City 8	March			
Country 9	City 9	March			
Country 10	City 10	March			
Country 11	City 11	March			

Locations activity
Offshore locations | Delivery centers established in Q1 2014 (page 4 of 6)

Asia (continued)

Country	City	Month	Service provider/ GIC	Headcount	Other comments
Country 1	City 1	March	Service provider 1	N/A	Established a back-office center to provide F&A services, related to transactions processing, reconciliation, and financial intermediation. The center is expected to have a seating capacity of 2,000-3,000 FTEs
Country 2	City 2	March	Service provider 2	N/A	Opened its R&D center by acquiring KitLocate's Herzliya office. The center aims to use KitLocate's expertise to improve the personalization of mobile search and targeted advertising

Africa

Country	City	Month	Service provider/ GIC	Headcount	Other comments
Country 1	City 1	January	Service provider 1	N/A	Established a center that will provide access to cloud computing resources, analytics, and big data services, with access available to IBM clients and partners, as well as developers, entrepreneurs, venture capitalists, and academics

Latin America

Country	City	Month	Service provider/ GIC	Headcount	Other comments
Country 1	City 1	January	Service provider 1	300FTEs	Established a contact center providing customer care, technical support, sales, and collection services
Country 2	City 2	January	Service provider 2	~300 FTEs	Established a new facility to provide unparalleled Hispanic customer care and customer acquisition programs to their U.S.-based clients
Country 3	City 3	January	Service provider 3	N/A	Opened a new center providing voice-based BPO services to the customers of Bahamasair as well as the Caribbean country's tourism department

Source: Everest Group (2015)

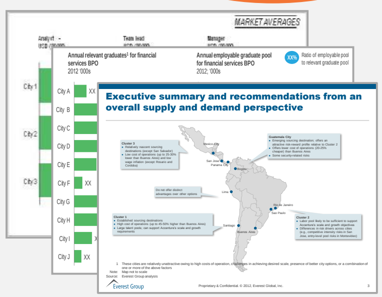
Everest Group's Locations Insider subscription provides detailed information, analysis, and perspectives on global locations through multiple types of reports

Function focus location reports

*Identify and assess **function-specific** growth opportunities in **regions***

3 reports per year

- Comparative analysis of cities in a region for a specific function (e.g., IT-ADM, customer service)
- Comparison of cities on:
  - Operating costs
  - Talent pool
  - Key players
  - Risks
  - Future outlook



Emerging location trends

*Keep up with the **latest themes** in location strategy and management*

2 reports per year

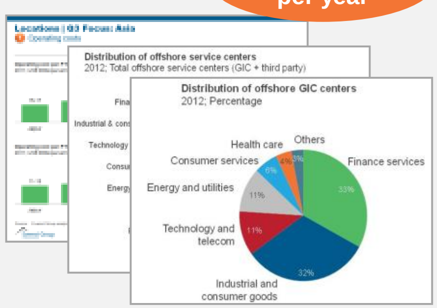
- Reports/viewpoints addressing specific global/regional themes
- Examples of topics:
  - Tier-2/3 cities in CEE
  - Rise of onshoring
  - Emerging functional opportunities in locations

"Next-wave" location profiles

*Stay ahead of competition in understanding opportunities in **"next-wave" locations***

10 profiles per year

- Short profiles of emerging / "next-wave" countries or cities for global sourcing
- Coverage includes:
  - Global sourcing profile
  - Operating costs
  - Players present
  - Key risks, opportunities, drivers, and challenges

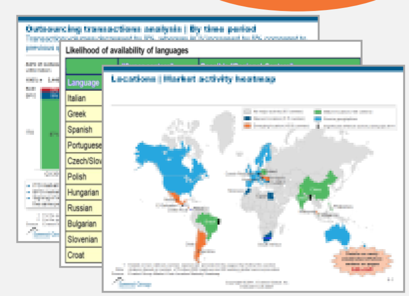


Global locations annual report

***Annual update** of locations activity, risks, perceptions, and plans*

1 report per year

- Annual report on activity and key developments across locations
- Analyses include:
  - Location set-up activity
  - Perceptions and plans of buyers and providers
  - Rankings of locations by function
  - Risk watch



Includes complimentary access to the annual locations webinar and access to analysts

Locations Insider research calendar

Published | Current

Topic	Release date
Nearshore Europe Is IT! IT Services Riding The Nearshore Advantage	April 2015
Next-wave Location Profile – Penang, Malaysia	April 2015
North America Domestic Outsourcing Services: Providers Embrace Onshoring – Is the World Still Flat?	May 2015
Ukraine Crisis: Is the Regional IT Service Delivery Landscape Changing?	June 2015
"Next-wave" location profiles: Lithuania	July 2015
Value Proposition of Tier-2/3 Cities for Global Services Delivery	July 2015
"Next-wave" location profiles: Lodz, Poland	July 2015
"Next-wave" location profiles: Puerto Rico	August 2015
"Next-wave" location profiles: Brno, Czech Republic	September 2015
"Next-wave" location profiles: Curitiba, Brazil	September 2015
"Next-wave" location profiles: Tunisia	October 2015
Global Locations Annual Report	November 2015
Emerging Locations Trends report: SMAC delivery hotspots	Q4 2015
"Next-wave" location profiles: El Salvador	Q4 2015
"Next-wave" location profiles: Turkey	Q4 2015
Function focus report: Locations supporting business process services in Asian languages	Q4 2015
Function focus report: Locations supporting IT services in Latin America and Caribbean	Q1 2016
"Next-wave" location profiles: Nicaragua	Q1 2016

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 Locations Annual Report 2014: Expanding Frontiers and Maturation** (EGR-2014-2-R-1273); 2014. The global sourcing locations landscape showed definite signs of recovery in 2014, after a slump in 2013. The Global Locations Annual Report 2014 is a unique and comprehensive guide to understanding the nuances of the locations landscape and interpreting locations-related developments and trends to frame locations strategy. It presents insights into the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the maturity, arbitrage, and potential of locations (MAP Matrix™)

2. **Will Robots Eat Locations Strategy for Breakfast?** (EGR-2015-8-R-1605); 2015. With rising wage costs challenging the value proposition of the labor arbitrage model, both enterprises and service providers are exploring new avenues to optimize service delivery and unlock further cost savings. This report presents a forward-looking view of the impact of automation on delivery location strategies of companies. We have considered a popular automation technology called Robotic Process Automation (RPA), which is very effective in automating rule-based transactional processes, to analyze the impact of automation on delivery portfolios.

3. **North America Domestic Outsourcing Services: Providers Embrace Onshoring – Is the World Still Flat?** (EGR-2015-2-R-1455); 2015. This report analyses key trends in domestic outsourcing market in the U.S. and Canada, looking at variations by location type across different functions, type of service provider, and other factors. The analysis includes over 670 delivery centers representing more than 50 leading service providers across IT, business process, and contact center, in approximately 300 cities

4. **Nearshore Europe Is IT! IT Services Riding The Nearshore Advantage** (EGR-2015-2-R-1432); 2015. Nearshore Europe has globally emerged as a leading Information Technology (IT) services delivery location. In this report, we analyze the relative attractiveness of key cities in this geography for IT services delivery, and provide insights across dimensions such as talent availability, cost of operations, and risk profiles. We describe how the amalgamation of these variables results in unique set of opportunities and challenges for each of these locations

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

About Everest Group

Everest Group is a consulting and research firm focused on strategic IT, business services, and sourcing. We are trusted advisors to senior executives of leading enterprises, providers, and investors. Our firm helps clients improve operational and financial performance through a hands-on process that supports them in making well-informed decisions that deliver high-impact results and achieve sustained value. Our insight and guidance empowers clients to improve organizational efficiency, effectiveness, agility, and responsiveness. What sets Everest Group apart is the integration of deep sourcing knowledge, problem-solving skills and original research. Details and in-depth content are available at www.everestgrp.com and research.everestgrp.com.

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