



## Select Findings Q3 2015

July-September 2015

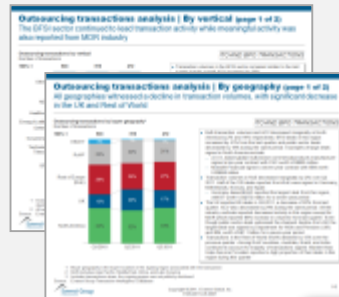
Everest Group  
**MARKET** VISTA™

# Market Vista | Overview

Covers global services market research, analysis, and insights to demystify the market and direct clear, impactful decisions

## Overall sourcing market

- Detailed analysis of trends by industry vertical and geography
- Report of transaction volume, size, and momentum
- Perspective on events with significant industry impact (e.g., M&A)
- Implications of regulatory changes



## Service provider landscape

- Updates on service provider market share, capabilities, and performance
- Service provider profiles, including data on:
  - Transactions
  - Location footprint
  - M&A activity



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## Location data and dynamics

- Data on market activity in key offshore geographies
  - Political
  - Macroeconomic
  - Promotion incentives
- Trends in wage inflation, attrition, and arbitrage



## Processes and models

- Process-level trends
- Global In-house Center (GIC) set-ups, divestures, and overall trends
- Fact-based insights on adoption of emerging pricing models
- Data and perspectives on new opportunity areas



Quarterly report

Primer

Location database

Breaking viewpoint

Location insights e-newsletter

Service provider capability profiles

Industry trends

# Q3 2015 | Key takeaways

1

Outsourcing activity was robust in Q3 2015, driven by buyers' desire to cut costs, limit future investments, and focus on core business

2

Buyers continued their preference for short-to-medium term deals (up to 7 years duration) in both IT and BP services

3

GICs are increasingly supporting digital initiatives for the enterprise as technologies mature and offshore cost benefits decline; however, a majority GICs are still in the initial-to-mid stages of digital maturity, with significant upside remaining

4

Location activity in tier-2/3 cities was below last four quarters' average, while activity in tier-1 cities was significantly above last four quarters' average

5

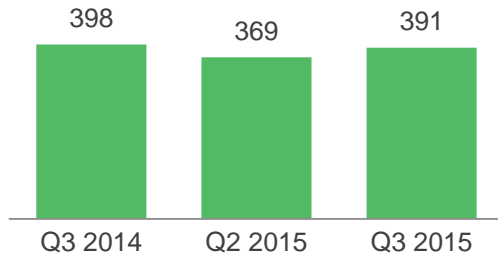
Increased product-focused investments by Indian-heritage service providers in addition to services, mainly driven by next-generation technologies and competition from global majors

# Key market indices – Q3 2015

## Outsourcing/offshoring market overview

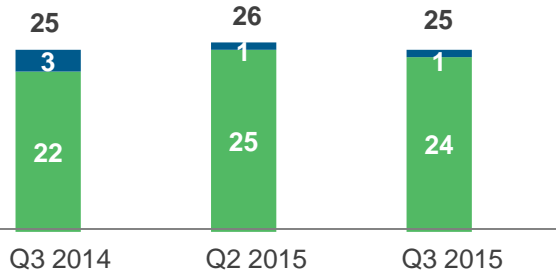
### Increase in outsourcing demand compared to the previous quarters

Number of outsourcing transactions



### GIC market continued to grow with new set ups and expansions

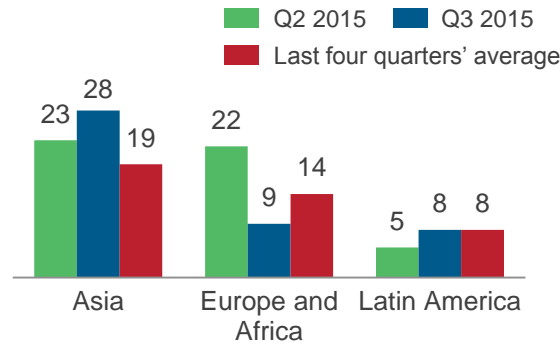
■ New setups  
■ Expansions  
■ Divestitures



## Location dynamics

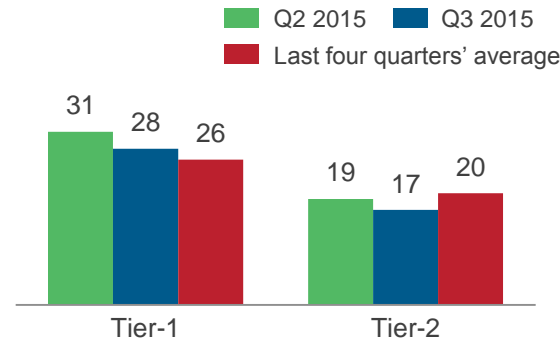
### Reduced share of Europe & Africa in new center set ups

Number of offshore delivery centers setups



### Location activity in Q3 was led by tier-1 cities across all regions

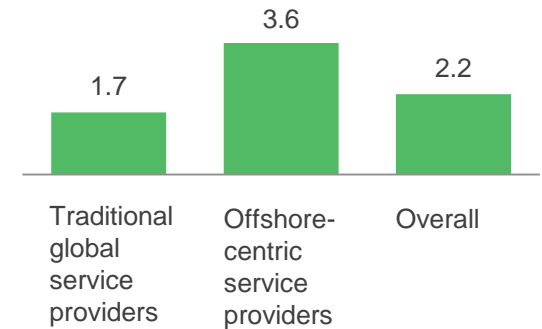
Number of offshore delivery centers setups



## Service provider developments and trends

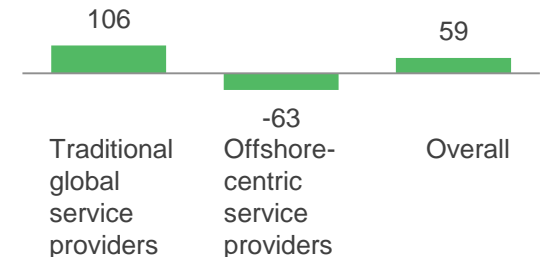
### Most leading service providers reported QOQ growth in revenue

Sequential growth in revenue (percentage)



### Operating margins for traditional global providers improved; margins declined for offshore-centric providers

Sequential growth in operating margins (bps)



# Summary of key developments in Q3 2015 (page 1 of 2)

## **The outsourcing demand increased as more buyers sought to cut down their operational costs amidst economic slowdown**

- With 391 transactions, activity in the outsourcing market grew considerably across both ITO and BPO segments
- The BFSI and public sector verticals grew significantly, while activity in the MDR vertical reported a drastic decline
- Increased outsourcing activity was witnessed in the European region as opposed to North America, which dominated the market in the previous quarter
- Share of renewals / restructured deals increased significantly, with the BFSI vertical reporting maximum number of renewed transactions
- Medium-term deals (five to seven years) registered a significant increase in adoption
- The ITO market witnessed an increased adoption of network, application maintenance, and systems integration processes while the BPO market witnessed a decline in usage of contact center services
- In the current quarter, 28 major deals were signed, incorporating a mega deal with the total contract value exceeding US\$1 billion

## **Activity in the GIC market continues to remain high with 25 new setups**

- GIC set up and expansion activity in Q3 2015 remained at par with the previous quarter; no divestiture was reported during the quarter
- Well-known companies such as Bosch, Danske Bank, DHL, Mercedes Benz, Nokia, Roche, UPS, and VISA released GIC set up announcements in Q3 2015

## Summary of key developments in Q3 2015 (page 2 of 2)

**Asia continued to lead the new center set ups with increase in activity relative to previous quarter; while there was significant reduction in the share of Europe in new center set-ups**

- In Q2 2015, there were 45 new delivery centers set up across GICs and service providers, marginally lower than the 50 set ups in the previous quarter. The new center setup was significantly higher among tier-1 cities compared to tier-2 cities
- Key location risk/opportunity trends include impact of recent currency trends on leading offshore/nearshore countries, impact of Ukraine crisis on other Central & Eastern European countries, and rise of Pune as tier-1 location







**Most providers reported sequential growth in revenue, operating margins also improved sequentially**

- Consolidated operating margin improved marginally over the last quarter as a result of a shift in focus by traditional service providers on higher value work and enhanced productivity
- Overall transaction activity increased as compared to last quarter, however, the share of Market Vista Index service providers declined significantly
- Alliance activity declined during the quarter. While, M&A activity increased substantially
- While, overall location activity for leading service providers declined compared to the previous quarter, it increased marginally for offshore-centric providers

# Q3 2015 | Key trend to watch – Digital adoption by GICs

(page 1 of 3)

GICs are supporting multiple types of digital initiatives for the enterprise

Digital segments	Services	
<b>Social &amp; Interactive</b> 	<ul style="list-style-type: none"> <li>• Social media monitoring (listening)</li> <li>• Social strategy and consulting</li> <li>• Social application development (front-end)</li> <li>• Social content and web development</li> </ul>	<ul style="list-style-type: none"> <li>• Social analytics</li> <li>• Others (HCM, social commerce and content, social media marketing, digital marketing platforms, etc.)</li> </ul>
<b>Mobility</b> 	<ul style="list-style-type: none"> <li>• Mobility testing</li> <li>• Mobility strategy, consulting and platform development</li> <li>• Mobile device management: MDM software management, network management, security management</li> </ul>	<ul style="list-style-type: none"> <li>• Mobile applications development and maintenance</li> <li>• Others (API management, mobility UX design, connected device engineering / embedded software)</li> </ul>
<b>Analytics<sup>1</sup></b> 	<ul style="list-style-type: none"> <li>• Core analytics (industry standard analytics tools such as SAS, SPSS, R, etc.)</li> <li>• Data architecture and management: Data architecture, master data management, data migration</li> </ul>	<ul style="list-style-type: none"> <li>• Data visualization and visualization implementation</li> <li>• Big data analytics and consulting</li> <li>• Analytics platform implementation</li> </ul>
<b>Cloud</b> 	<ul style="list-style-type: none"> <li>• Application development, migration, and deployment: Developing "green-field" apps with cloud features, migration of apps to cloud platform / implementation, customization, and integration of cloud apps</li> <li>• Cloud consulting/ advisory services</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure build: Designing and building cloud infrastructure/ customization and implementation</li> <li>• Infrastructure management and orchestration: Management of cloud assets, lights-on/helpdesk, orchestration, and other related activities</li> </ul>
<b>Automation</b> 	<ul style="list-style-type: none"> <li>• Robotic process automation (RPA) solutions: Solutions which replicate human action at various points of a business process with no capability to store data/information</li> <li>• Others (Business process management solutions, workflow solutions, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Intelligent RPA solutions (Artificial intelligence): Solutions with in-built learning capabilities which can be leveraged to handle judgment-oriented tasks with capacity to generate and store data as part of their machine learning process</li> </ul>
<b>Miscellaneous</b> 	<ul style="list-style-type: none"> <li>• Internet of Things (IoT): Smart devices and sensors, M2M communication, network management</li> </ul>	<ul style="list-style-type: none"> <li>• Cybersecurity</li> </ul>

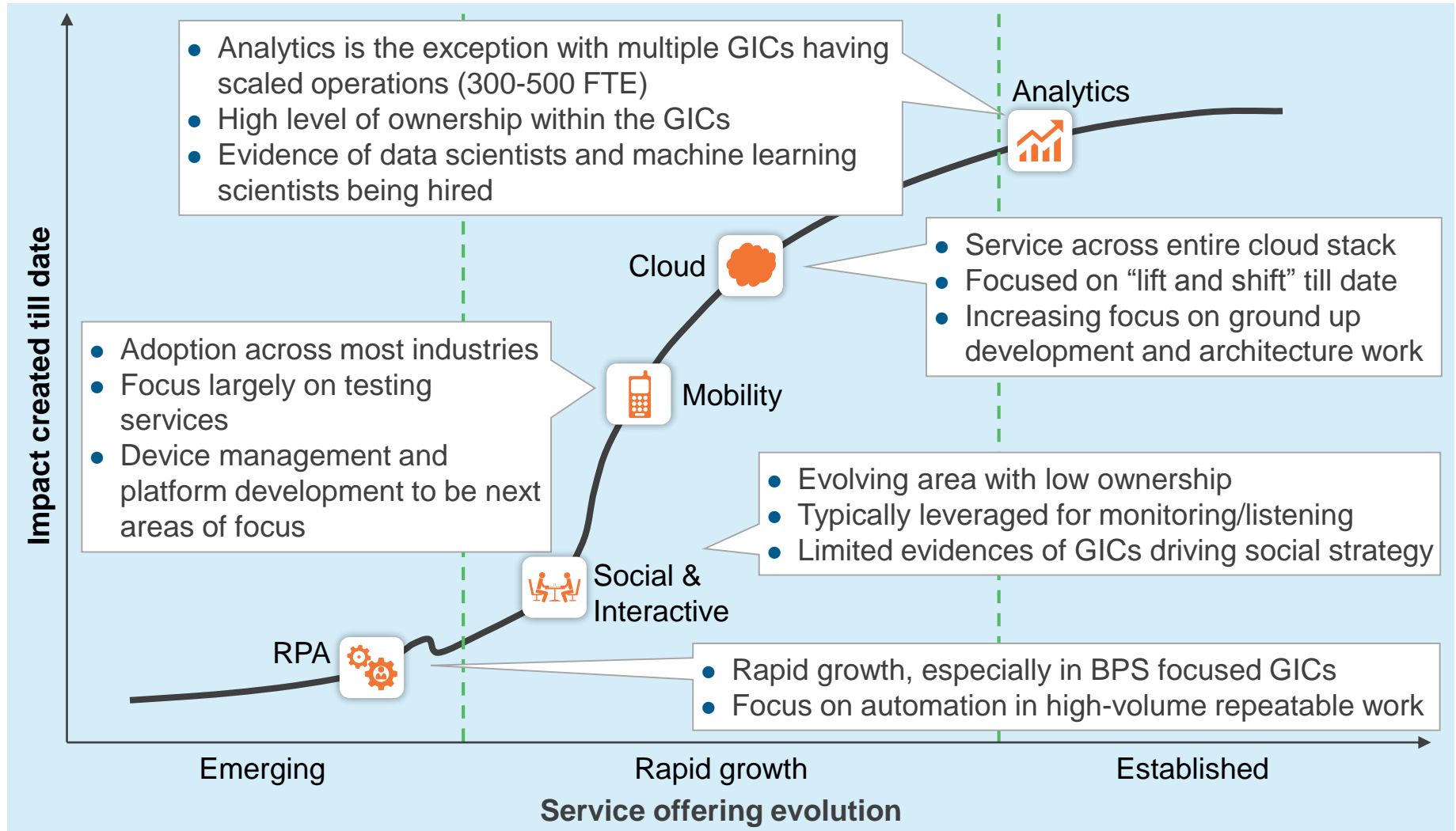
<sup>1</sup> Conventional business intelligence and data warehousing are not considered as part of the core digital service practices. Information for these elements have been kept out of the "digital services" bucket

Source: Everest Group (2015)

# Q3 2015 | Key trend to watch – Digital adoption by GICs

(page 2 of 3)

Majority of digital services in GICs are in the initial-to-mid stages of evolution





## Q3 2015 | Key trend to watch – Digital adoption by GICs (Page 3 of 3)

GICs are well-poised to elevate their role in supporting the enterprise in digital services

**GICs already play the role of talent repository for the enterprise**

- GICs have established foundation with significant pool of talent and insider's view essential for providing strategic insights to support digital-related transformation
- GICs offer an opportunity for the parent enterprise to tap into a globally distributed talent pool that enables the parent to balance the skills portfolio in short supply elsewhere in the organization

**Most GICs have an intentional focus on fostering culture of innovation**

- Most GICs play a strategic role in building internal innovation capabilities for the parent and act as innovation hotspots to foster and propagate cultural shift to innovate
- Additionally, best-in-class GICs are also leveraging the alternate ecosystem of innovative by partnering with start-ups to drive innovation, thereby shielding the parent enterprises from complex and often ambiguous start-up environment

**GICs are more tightly integrated with the parent to cater to the business needs**

- GICs are an integral part of the enterprise operating platform, and are closely intertwined with business functions (including BP, IT, and R&D)
- This platform offers a lucrative opportunity for GICs to further integrate the digital solutions and delivery capabilities across these functions to ensure synergies with the parent

Source: Everest Group (2015)

# Market Vista encompasses a suite of offerings

Multiple delivery formats allow Global Sourcing Managers to access information in a way that supports the decision-making process

Market Vista offering	Description	Standard subscription access (annual)	Premium subscription access (annual)
Quarterly Report	Quarterly report with in-depth coverage of transaction, location, and service provider trends	✓	✓
Primer	Quarterly brief of expert perspectives on emerging market trends (e.g., Expanding Frontiers and Maturation across sourcing locations)	✓	✓
Location database	Annually updated database of location statistics (e.g., cost, attrition, inflation rates) for 23 major cities	✓	✓
Locations insights e-newsletter	Bi-monthly Global Location Insights e-newsletter containing detailed country and region information	✓	✓
Exclusive webinars	Exclusive quarterly webinars with stakeholders in the subscriber organization on key market trends and developments highlighted in Market Vista research		✓
Analyst consultation	Analyst access for personalized insights and additional perspectives		✓

# Trends reports complement Market Vista quarterly reports by providing in-depth coverage of global sourcing across industry verticals and regions



## Market Vista Buyer Geography Trends reports

### Regions tracked

- United States and Canada
- Europe
- Rest of the World (RoW), including Asia Pacific (APAC), Latin America (LATAM), and Middle East & Africa (MEA)

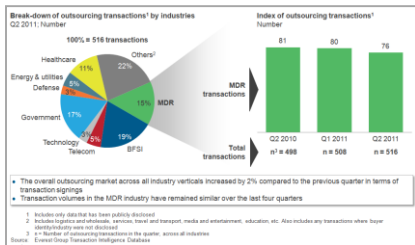
## Market Vista Industry Trends reports

### Industries tracked

- Banking, Financial Services, & Insurance (BFSI)
- Manufacturing, Distribution, and Retail (MDR)
- Energy & Utilities (E&U)
- Healthcare
- Technology
- Telecom
- Public Sector
- Travel & Hospitality

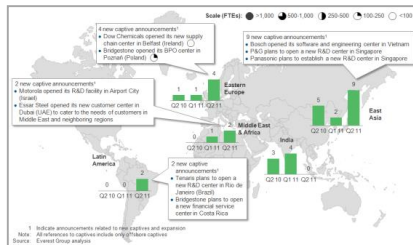
30+ pages of analysis on each industry vertical/region every quarter

### Outsourcing transaction activity



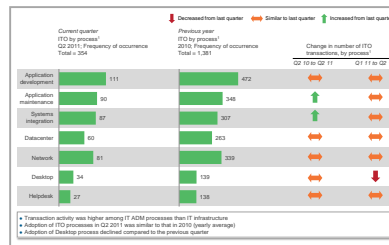
- Trends in transaction volumes, contract values, and momentum
- Events with industry impact

### GIC set-up and expansion activity



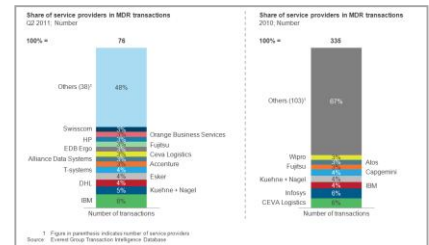
- GIC set-ups, expansions, and divestures
- Analysis of buyers, locations, and scope of work offshored

### Processes and models



- Process-level and subprocess-level transaction trends
- Emerging opportunity areas

### Service provider trends and developments



- Service provider performance (transactions, market shares)
- Significant deals signed by leading enterprises

# Additional research recommendations

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The following documents are recommended for additional insight into 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. **Market Vista: Q2 2015** ([EGR-2015-8-R-1535](#)); 2015. This report summarizes the key trends and developments for Q2 2015 in the global offshoring and outsourcing market
2. **Industry Trends reports:** Trends for Q2 2015. These reports provide industry-specific data, developments, and insights that enable global sourcing managers to navigate through the complexity, and make clear, effective decisions, contextualized and suited to their specific industry. These reports provides a deep-dive into the transaction activity, GIC developments, service provider market share, and key outsourcing transactions specific to the industry. Industries covered include: Banking, Financial Services, and Insurance (BFSI); Manufacturing, Distribution, and Retail (MDR); Energy & Utilities (E&U); Healthcare; Technology; Telecom; Public Sector; and Travel and Hospitality
3. **Buyer Geography Trends reports:** Trends for Q2 2015. These reports provide data, developments, and insights on outsourcing and offshoring trends for a particular buyer geography/region. These reports provide the research and analysis that enable users to navigate through complexity and make clear, effective decisions suited to their focus region. These reports provide detailed information on transaction activities, Global In-house Center (GIC) developments, service providers' market shares, and key outsourcing transactions specific to particular regions. Regions covered include: U.S. and Canada; Europe; and Rest of the World

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