



IT Services Delivery from Latin America (LATAM)

Locations Insider™

Market Report – June 2016 – Preview Deck

Copyright © 2016 Everest Global, Inc.

We encourage you to share these materials internally within your company and its affiliates. In accordance with the license granted, however, sharing these materials outside of your organization in any form—electronic, written, or verbal—is prohibited unless you obtain the express, prior, and written consent of Everest Global, Inc. It is your organization's responsibility to maintain the confidentiality of these materials in accordance with your license of them.

Our research offerings for global services

▶ **Market Vista™**

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

▶ **BFSI¹ Information Technology**

▶ **BFSI¹ Business Process**

▶ **Healthcare & Life Sciences**

▶ **Application & Digital**

▶ **Cloud & Infrastructure**

▶ **Global Sourcing**

▶ **Locations Insider™**

▶ **Service Optimization Technologies**

▶ **PricePoint™**

▶ **Finance & Accounting**

▶ **Procurement**

▶ **Human Resources**

▶ **Recruitment & Talent Acquisition**

▶ **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

- This 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

¹ Banking, financial services, and insurance

Table of contents (page 1 of 2)

Topic	Page no.
Background and scope	6
Executive summary	7
• Summary of key messages	8
• Implications for key stakeholders	11
Section I: Market overview	13
• Summary	14
• Key delivery locations	15
• Market size	17
• Players landscape	18
Section II: Assessment of talent pool	20
• Summary	21
• Talent pool	23
• Attrition rates	25
Section III: Assessment of operating costs	26
• Summary	27
• Operating costs	30
• Wage inflation	31
• Forward-looking view on costs and sustainability of arbitrage	34

Table of contents (page 2 of 2)

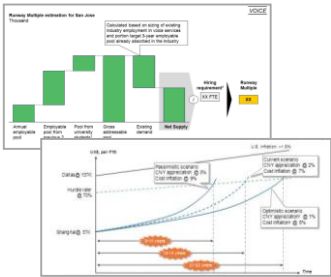
Topic	Page no.
Section IV: Assessment of risk	35
• Summary	36
• Operating environment risk	38
• Business environment risk	39
• Overall risk	40
• Relative attractiveness of cities and associated trade-offs	43
Appendix	44
• Glossary of key terms	45
• LI research calendar	46
• References	47

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

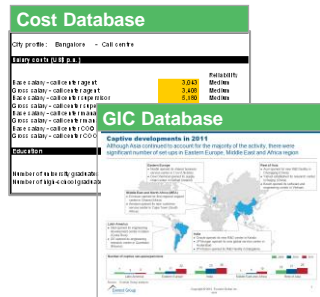
1

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



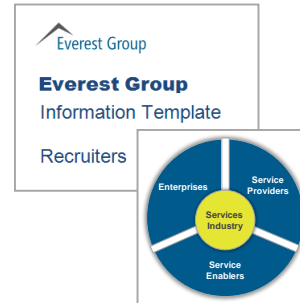
2

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



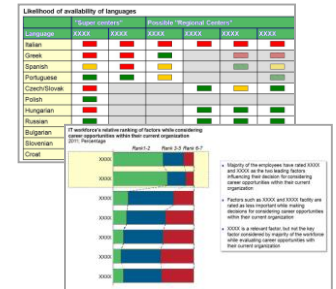
3

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



4

Fact-based research adequately aided 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' experience 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)

Background and scope of the research

Background of the research

The IT service delivery market in the Latin American countries has seen a high growth in the past two years. Geographical proximity to the United States, time zone similarities, close cultural ties, availability of highly-qualified IT talent, and favorable business environment are some of the key factors driving the delivery of global services from Latin American destinations.

Growth of the IT services delivery market is being driven by both new entrants as well as the business expansion of existing players, although achieving high scale is a challenge in some of the smaller locations

In this research, we analyze Latin America as a destination for delivery of 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:

- Latin American IT services¹ delivery
- Services sector across Global In-house Centers (GICs) and third-party service providers
- Analysis of the key cities in Latin America: Santiago, San Jose, Monterrey, Guadalajara , Montevideo, Bogota, Buenos Aires, Sao Paulo, Belo Horizonte, and Curitiba

¹ IT services include services such as application development & maintenance, infrastructure support services, testing, R&D, and IT consulting services

Overview and abbreviated summary of key messages

As IT service delivery market in the Latin American countries has been growing at a fast pace, 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 Latin American 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

Emerging as alternative to offshore delivery destinations in Asia and Europe

- As most of the locations in Asia and Europe are facing high competitive intensity due to the presence of multiple high-scale players, Latin America is perceived as a risk-diversification location for companies already present in Asia and Europe

Geographical proximity and cultural affinity is attracting companies to Latin America

- U.S. companies are attracted to Latin America 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 locations in Latin America have significant supply of IT and engineering graduates suitable for IT services delivery. Sao Paulo, Buenos Aires, and Santiago offer a large entry-level talent pool
- San Jose, Guadalajara, and Monterrey are primarily leveraged for application development work

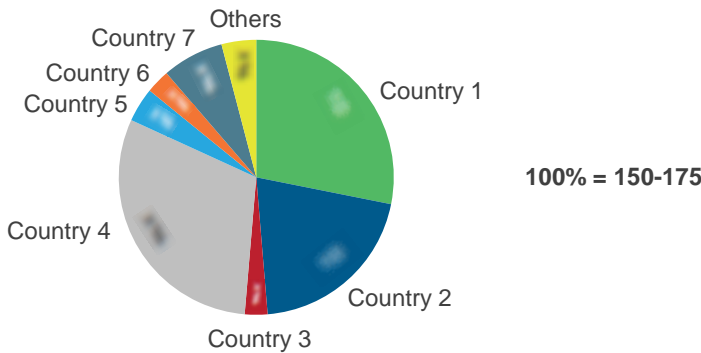
Locations offer significant cost savings compared to onshore locations and favorable business environment

- The region offers significant cost arbitrage over onshore United States (varying between 50% to 75%) which is expected to marginally decline in the next five years
- Locations such as Buenos Aires and Bogota provide the least operating cost per FTE and are attractive locations for players for whom extent of cost saving is the primary criteria
- 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 Latin America

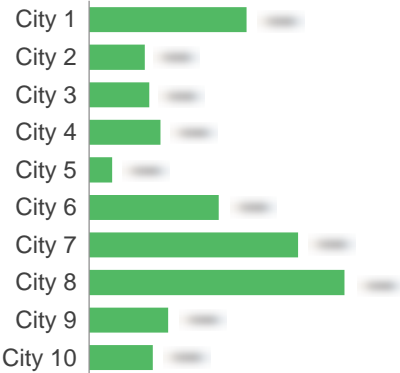
IT services delivery market size

Country-wise distribution of IT global services market in LATAM 2016; Percentage share of FTEs



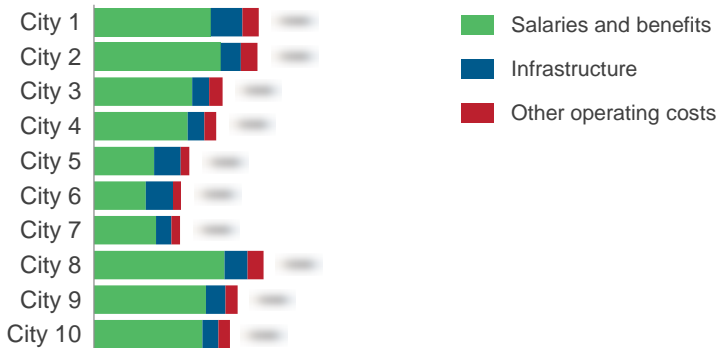
Assessment of talent pool

Annual employable graduate pool for IT services 2016; '000s



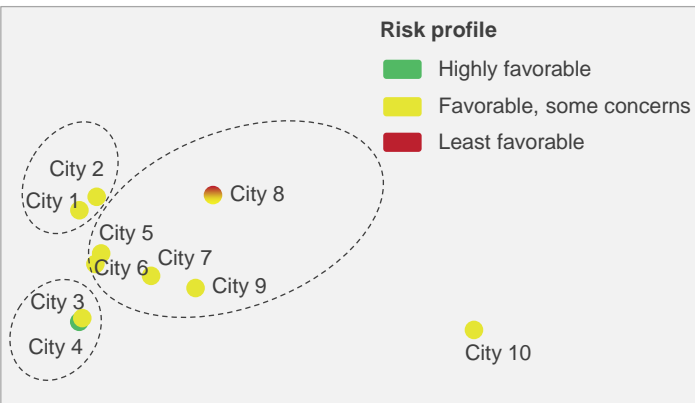
Value proposition

Operating cost per FTE 2016; US\$ in '000s per annum



Locations of interest

Risk-reward assessment



Source: Everest Group (2015)

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
Will Robots Eat Locations Strategy for Breakfast?	October 2015
Global Locations Annual Report	November 2015
"Next-wave" location profiles: Turkey, Mauritius, Bogota, Dalian, Iasi (Romania)	Q1-Q2 2016
Global Delivery Network Models (GDNMs): Separating Fact from Fiction	February 2016
Many voices, Many locations: Understanding the Multilingual Contact Center Market in East and Southeast Asia	April 2016
Global Hotspots For Digital Services	June 2016
IT services delivery from Latin America	June 2016

Additional research references

The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details, or complementary content, that may be of interest:

1. **Global Locations Annual Report 2015: Resurgence of Activity Amidst Evolving Propositions** ([EGR-2015-2-R-1619](#)); 2015.
This report is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends in order to frame locations strategy. It presents insights into the size and growth of the global services market, global services exports by regions & country, update of locations activity by region & country, and trends affecting global locations (changes in investment environment and exposure to various risks). It also provides industry-leading comparison and analysis of key movements in maturity, arbitrage, and potential of global delivery locations (cities) through our unique MAP Matrix™ analysis
2. **"Next-wave" location profiles: Curitiba, Brazil** ([EGR-2015-2-LP-1567](#)); 2015. This report offers perspectives on global sourcing profile of Curitiba, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
3. **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

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

Anurag Srivastava , Practice Director – Global Sourcing:	anurag.srivastava@everestgrp.com
Prashray Kala , Practice Director – Global Sourcing:	prashray.kala@everestgrp.com
Ankit Pandey , Analyst – Global Sourcing:	ankit.pandey@everestgrp.com

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



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.

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



Blog

www.sherpasinblueshirts.com

SHERPAS
IN BLUE SHIRTS