Topic: IT Services Delivery from the U.S.: Making Location Decisions as Onshoring Increases

Locations Insider™ (LI)

Market Report: September 2016 – Preview Deck

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 ITS**

▶ **Healthcare & Life Sciences BPS**

▶ **Application & Digital**

▶ **Cloud & Infrastructure**

▶ **Global Sourcing**

▶ **Locations Insider™**

▶ **PricePoint™**

▶ **Finance & Accounting**

▶ **Procurement**

▶ **Human Resources**

▶ **Recruitment & Talent Acquisition**

▶ **Contact Center**

▶ **Service Optimization Technologies**

▶ **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™ (LI)**

- 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

Everest Group
RESEARCH

Table of contents

Everest Group
RESEARCH

Background and scope of the research

Background of the research

In the past five years, there has been a growing interest in onshore delivery of IT services from the United States, driven by changes in regulations, a rise in digital services, and a growing inclination among companies to explore lower-cost and non-traditional location options. As companies evaluate location options to set up onshore delivery centers, they face trade-offs in cost, talent, local market maturity, and business incentives. This report highlights the key factors to consider when selecting locations for onshore delivery centers and provides an overview of key drivers of onshore delivery of IT services.

In this research, we analyze locations within the United States for onshore IT delivery across various dimensions:
- Operating cost
- Talent pool availability
- IT services landscape
- Business environment and others

The scope of the analysis includes:
- IT-ADM[1] delivery from in-house centers as well as third-party service providers from locations in the United States
- Key location types and associated trade-offs
- Assessment of select cities in the United States for setting up delivery centers

1   Application Development and Maintenance

Everest Group
RESEARCH

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)

Overview and abbreviated summary of key messages

The report provides an overview of IT industry in the United States, emerging trends, and drivers for growth. As companies look at increasing their onshore operations, this report aims at helping companies make location selection decisions by providing an in-depth analysis on the value proposition offered by different locations.

Some findings of the report

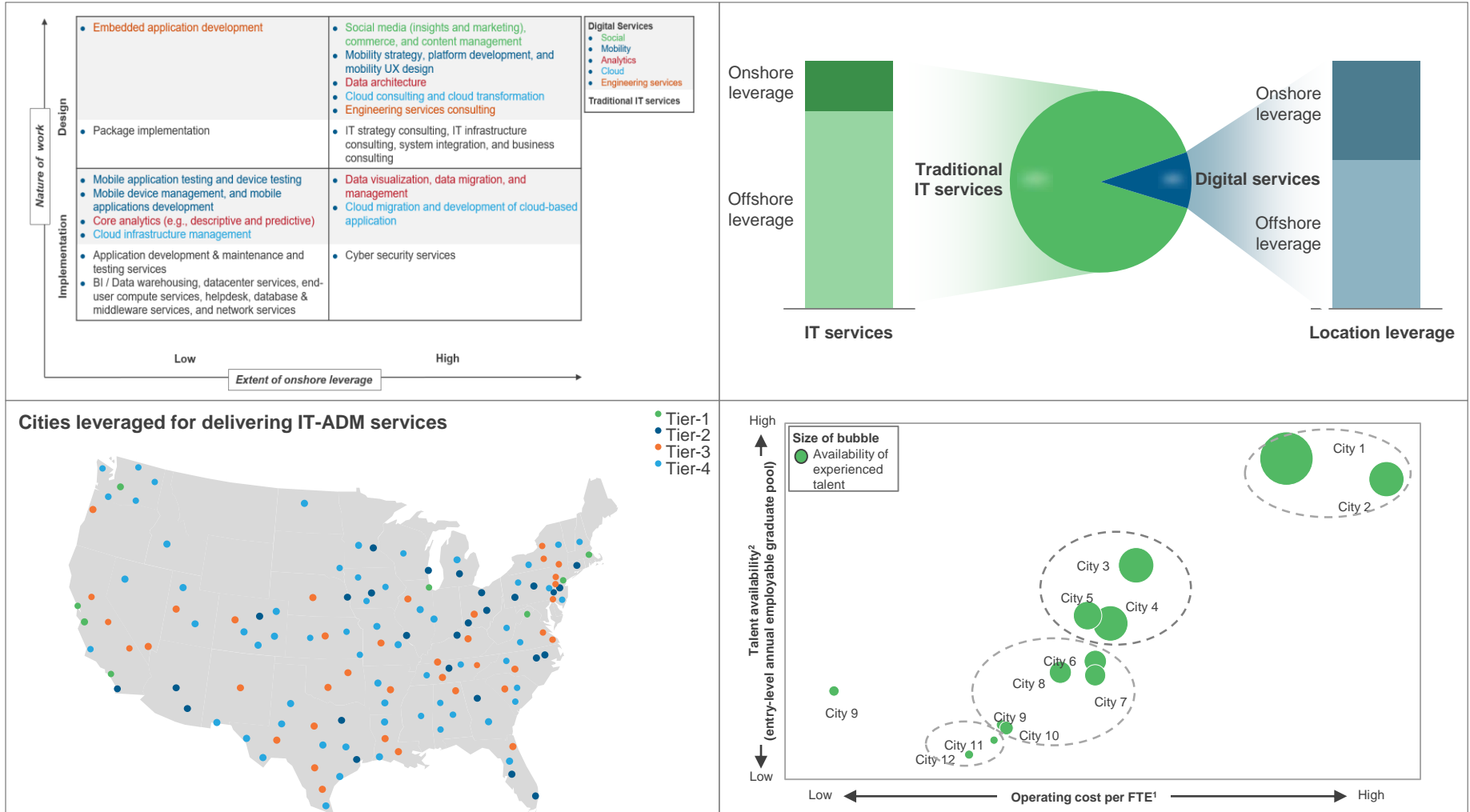|	
Onshore IT services delivery in the United States and trends in the industry	• IT jobs in the United States are projected to increase by 23% from 2015 to 2020 • While traditional IT services continue to be sourced from offshore geographies, digital technologies such as social, media, analytics, and cloud are increasingly being delivered from onshore locations • Onshoring is also driven by various factors such as regulatory factors, the need to be agile, faster time-to-market, and customer preferences • Access to niche-skilled talent is another major concern, and is pushing companies to adopt alternative talent hiring and management practices to meet the demand for skilled talent
Location selection framework as a function of cost, talent and incentives	• There are 150+ locations in the United States being leveraged for delivery of IT services, however, only half of them can support a center-scale of 300+ IT resources • For companies making location decisions for delivery of IT services, various parameters such as operating cost, talent, industry landscape, business environment, and incentives should be considered • While significant cost arbitrage can be achieved in tier-2 and tier-3 cities, the availability of talent availability also decreases, requiring companies to carefully evaluate trade-offs
Implications for buyers and providers	• Enterprises should carefully consider operating costs and scalability potential amongst location options while deciding their location portfolio • While tier-1 locations rate high on availability of niche-skilled talent, they have high operating costs, making them suitable for low-scale and complex work centers • Tier-2 and tier-3 locations offer significant cost arbitrage along with moderate availability of quality talent and can be leveraged for both traditional and complex service delivery • Tier-4 and beyond are nascent locations with limited availability of talent and established infrastructure

Everest Group
RESEARCH

The reports provides insights on locations in the United States for onshore IT services delivery in the light of their cost-talent-incentives value proposition

Cities leveraged for delivering IT-ADM services

- Tier-1
- Tier-2
- Tier-3
- Tier-4

Nature of work — Design / Implementation

Extent of onshore leverage: Low / High

Digital Services
- Social
- Mobility
- Analytics
- Cloud
- Engineering services

Traditional IT services

IT services — Onshore leverage / Offshore leverage

Traditional IT services → Digital services

Location leverage — Onshore leverage / Offshore leverage

Talent availability[2] (entry-level annual employable graduate pool) — High / Low

Operating cost per FTE[1] — Low / High

Size of bubble — Availability of experienced talent

City 1, City 2, City 3, City 4, City 5, City 6, City 7, City 8, City 9, City 9, City 10, City 11, City 12

Source: Everest Group (2016)

Everest Group
R E S E A R C H

Locations Insider research calendar

	Published	Current

Topic	Release date
Many Voices, Many Locations: Understanding the Multi-lingual Contact Center Market in East and Southeast Asia	April 2016
"Next-wave" location profiles: Dalian, China	May 2016
"Next-wave" location profiles: Iasi, Romania	June 2016
Global Hotspots For Digital Services	June 2016
IT Services Delivery from Latin America (LATAM)	June 2016
"Next-wave" location profiles: Dominican Republic	July 2016
"Next-wave" location profiles: Jordan	July 2016
"Next-wave" location profiles: Estonia	August 2016
Innovation Beyond Borders – Global Talent Hotspots for Engineering Services and Research & Development (ER&D)	August 2016
Banking middle- and back-office services delivery from Nearshore Europe	September 2016
Bridging the Talent Gap: Global Hotspots for Analytics Services	September 2016
"Next-wave" location profiles: Chandigarh, India	September 2016
"Next-wave" location profiles: Cape Town, South Africa	September 2016
"Next-wave" location profiles: Morocco	September 2016
IT Services Delivery from the U.S.: Making Location Decisions as Onshoring Increases	September 2016
Global Locations Annual Report	Q3 2016
"Next-wave" location profiles: Kiev, Ukraine	Q4 2016

Everest Group
RESEARCH

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 on the topic or complementary content, that may be of interest:

1. **Global Hotspots For Digital Services** (EGR-2016-2-R-1778); 2016. This report provides an in-depth view of the global digital services industry from a talent perspective. It covers the global distribution of digital talent coupled with cost trade-offs and provides readers with an up close view of global "sweet-spots" for various digital services

2. **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.

3. **Global Locations Annual Report 2015: Resurgence of Activity Amidst Evolving Propositions** (EGR-2015-2-R-1619); 2015. 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™)

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

Prashray Kala, Practice Director – Global Sourcing   prashray.kala@everestgrp.com
Samyak Mittal, Senior Analyst – Global Sourcing   samyak.mittal@everestgrp.com
Aditi Goenka, Senior Analyst – Global Sourcing   aditi.goenka@everestgrp.com

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

Everest Group
RESEARCH

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

SHERPAS
IN BLUE SHIRTS

www.sherpasinblueshirts.com