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RESEARCH

Global In-house Center (GIC) Landscape Annual Report 2017 – Will President Trump's Job Protection Initiatives be a Wake Up Call for the GIC Model?

Catalyst™
Annual Report – March 2017 – Preview Deck

EGR-2017-2-PD-2130

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

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

Delhi Office
Office: +91-124-284-1000
india@everestgrp.com

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Background and scope of the research

Background of the research

- The global sourcing market continued to evolve and grow rapidly in 2016 to cross US$175 billion. While buyers leverage different sourcing models to suit their objectives and requirements, the GIC[1] model continues to be an integral component of this evolution
- The success of the GIC model in India, Poland, and the Philippines led buyers to explore other locations. While these countries continue to led GIC activity, companies also established GICs in other parts of Asia, Central & Eastern Europe (CEE), Rest of Nearshore Europe (RONE), Latin America, and Middle East & Africa (MEA)
- Besides the geographic diversification, the GIC market also expanded across verticals and functions

The scope and methodology of this report

- The first section of this report analyzes the overall GIC landscape in terms of growth, buyer portfolio, scale, functions supported, and key delivery locations
- The report also provides an update of the GIC market in 2016, compared to the last two years
- The third section is a deep dive into the GIC market across locations, verticals, and functions
  - Locations: Coverage across Asia, CEE, RONE, Latin America, and MEA
  - Verticals: Banking, Financial Services, & Insurance (BFSI), Energy & Utilities (E&U), healthcare, manufacturing, retail & Consumer Packaged Goods (CPG), and technology & communication are the verticals covered in this report
  - Functions: Besides covering Business Process (BP), Information Technology (IT), and R&D/engineering services, the report provides extensive views across subfunctions of BP and IT
- The last section provides view on likely impact of the U.S. President Donald Trump's job protection initiatives on the GIC model
- This report is based on Everest Group's proprietary GIC database that is updated quarterly with new set-up activity, expansion/contraction of existing GICs, divestitures, capability additions, as well as ongoing interactions with GICs and parent stakeholders

1 Everest Group adopted "Global In-house Center" or "GIC" as the preferred term to replace "captive"

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Overview and abbreviated summary of key messages

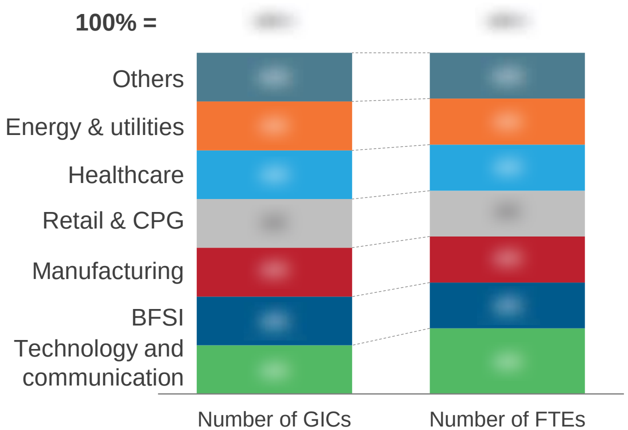
This report provides a deep dive into the GIC landscape and a year-on-year analysis of the GIC trends in 2016, comparing them with trends in last two years. The research also brings out key insights into the GIC market across locations, verticals, and functions and concludes with likely impact of the U.S. President Donald Trump's job protection initiatives on the GIC model

Some of the findings in this report, among others, are:

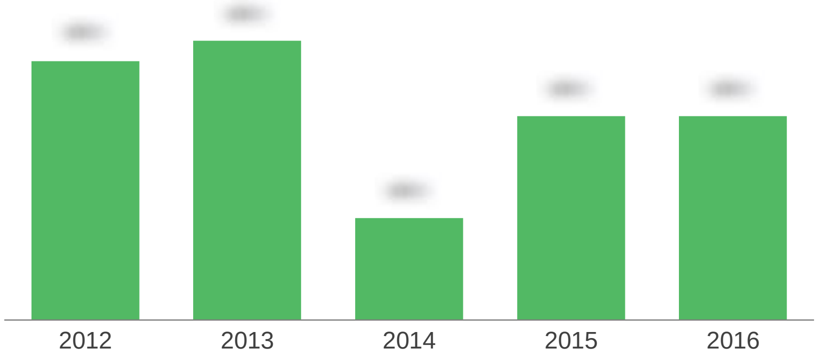
Overview of the GIC landscape	• The GIC segment accounted for ~25% of the global offshore services market (estimated at ~US$175 billion in 2016) • The GIC market has now grown to reach more than 2,600 centers and more than 1.2 million FTEs across leading offshore and nearshore locations. The activity is expected to continue, as GICs that traditionally served as back-office delivery centers have an opportunity to enhance their role in enterprises' global sourcing strategy
GIC landscape – 2016 year-in-review	• GIC activity declined marginally in 2016, with 134 new setups compared to 140 in 2015. This was mainly due to the decline in activity from BFSI, healthcare, and energy & utility sectors • In 2016, the share of UK-based firms in new GIC setups declined, while the share of APAC-based firms increased. The technology and communication vertical continued to dominate the new GIC setup market with the maximum number of new centers during 2016 • The R&D/engineering services function witnessed marginal growth, while the number of new setups leveraging BP continued to decline during the year; IT function remained flat during the year
Trends in the GIC market	• India, CEE region, and Middle East & Africa reported a fall in activity, on the other hand, RONE, Rest of Asia, and LATAM witnessed increased activity in 2016 • GIC set-up activity in tier-2/3 locations continued to increase during 2016. The share of GICs in tier-1 locations declined again, as the GIC market matures in these locations • While technology & communication firms led GIC activity, followed by BFSI and manufacturing, emerging verticals such as chemicals, hospitality & tourism, and business & professional services also set up GICs for a range of BP and IT functions. Emerging verticals, mainly known for leveraging business process services, witnessed increased R&D/engineering set-up activity during 2016, as compared to 2015
Likely impact of the U.S. President Donald Trump's job protection initiatives on the GIC model	• The U.S. President Donald Trump's promises and early actions are aimed at addressing the decline of America's global competitiveness, which has resulted in substantial job losses, particularly in the manufacturing sector • While manufacturing has captured most of the headlines to date, the story for the global services sector has many parallels and enterprises should prepare to deal with the consequences of these shifting fundamentals • Enterprises need to focus on talent management, innovation, business model transformation, and value creation levers to take advantage of these market and environmental shifts

This study offers four distinct chapters providing a deep dive into key aspects of GIC market; below are four charts to illustrate the depth of the report

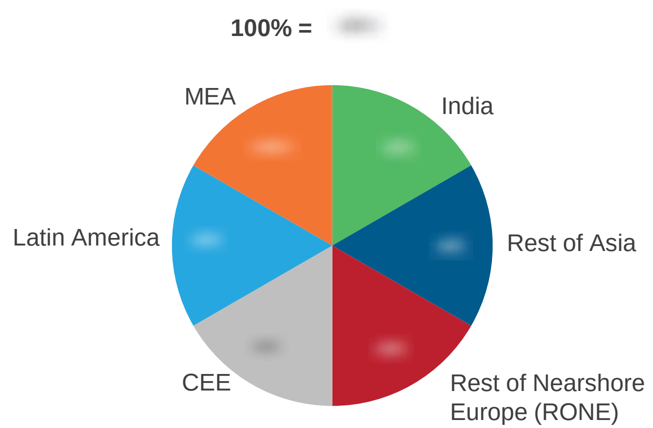
Overview of the GIC landscape



Number of GIC setups



Location trends in the GIC market



Functions served by GICs

Number of GICs

Source: Everest Group (2017)

Catalyst research calendar

Published | Current

Topic	Release date
Thematic Report: GIC talent landscape in India for IT services	April 2016
GIC landscape report: Delivery Landscape for Retail and Commercial banking in GICs	June 2016
Collaboration between GICs and Start-ups: A Win-Win Situation	June 2016
Business Case for Robotic Process Automation (RPA) in Global In-house Centers	September 2016
Procurement Services Delivery from GICs: Gearing up for a Broader Mandate	September 2016
Future Readiness of GIC Talent Models	October 2016
Global In-house Center (GIC) Landscape Report: The Philippines	December 2016
Exploring GICs in the Life Sciences Industry	February 2017
Viewpoint: Global Sourcing Centers of Excellence (CoEs): Helpers vs. Shapers!	February 2017
Global In-house Center (GIC) Landscape Annual Report 2017	March 2017
Delivery of corporate functions from GIC model	Q2 2017
Thematic report: Case studies on RPA/digital implementation in GICs	Q2 2017
Thematic report: Shared services market in the U.S.	Q3 2017
Viewpoint: GIC 3.0	Q3 2017

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. **Webinar Deck: Is Banking Industry Optimism at Risk of Being Trumped by Delivery Model Impacts?** 2017. The banking industry is optimistic about the Trump administration's policy announcements thus far. HOWEVER, the downsides of these potential changes—particularly as they relate to global service delivery models—must not be ignored. On February 23, Everest Group hosted a webinar to give their perspective on how these and other growing protectionist policies will impact operational strategy

2. **Business Case for Robotic Process Automation (RPA) in Global In-house Centers (GICs)** (EGR-2016-2-R-1926); 2016. The offshore GIC-centric sourcing model has seen years of focus on labor arbitrage to generate cost savings. With increasing pressure on GICs to create additional value and exhaustion of traditional means, the opportunity to lower costs through Robotic Process Automation (RPA) is rapidly emerging

3. **Future Readiness of GIC Talent Models** (EGR-2016-2-R-1953); 2016. Rising adoption of digital services is bringing fundamental shifts in GIC operating models. While GICs are striving to align their talent models with emerging business needs, there are still gaps that require GICs to recalibrate their current talent models. In order to gear themselves for "future enterprises", GICs need to attract and retain the right employees, foster a culture of innovation & collaboration, and reorient models of employee performance measurement & career progression

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

Sakshi Garg, Practice Director:	sakshi.garg@everestgrp.com
Rohitashwa Aggarwal, Practice Director:	rohitashwa.aggarwal@everestgrp.com
Shailee Raychaudhuri, Senior Analyst:	mansi.mahajan@everestgrp.com
Shivani Mudgil, Senior Information Specialist:	shivani.mudgil@everestgrp.com

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

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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.

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91-804-276-4533

Delhi
india@everestgrp.com
+91-124-496-1000

London
unitedkingdom@everestgrp.com
+44-207-129-1318

New York
info@everestgrp.com
+1-646-805-4000

Toronto
canada@everestgrp.com
+1-647-557-3475

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