IT Services Delivery from Asia Pacific

Locations Insider™
Market Report – April 2017 – Preview Deck

Our research offerings for global services

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

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▶ **PricePoint™**

▶ **Procurement**

▶ **Recruitment & Talent Acquisition**

▶ **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

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- The full report is included in the following subscription(s)
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* Banking, financial services, and insurance

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RESEARCH

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RESEARCH

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
- Syndicated and custom research deliverables

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

4 **Fact-based research**
(Data-driven analysis with expert perspectives, trend-analysis across market adoption, contracting, and service providers)

- 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 in 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 (e.g., recruiters, real estate firms, and legal firms)

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Background and methodology of the research

Background of the research

The Asia Pacific region accounts for the highest share of global IT services delivery. While IT services delivery in the region has traditionally been centered predominantly in India, companies have shown increased interest in exploring alternative locations such as the Philippines, China, Malaysia, Singapore, and even destinations such as Sri Lanka and Vietnam. In addition to lower costs than onshore U.S. and Europe, each of these locations have a unique value proposition, making them attractive choices for setting up alternative delivery centers / regional hubs for IT operations.

In this research, we analyze Asia Pacific as a location for the 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 this analysis includes:
- Trends in IT services delivery from the Asia Pacific region (locations other than India)
- Services sector across Global In-house Centers (GICs) and third-party service providers
- Analysis of key cities in Asia Pacific: Shanghai, Dalian, Colombo, Ho Chi Minh City, Kuala Lumpur, Manila, and Singapore

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

Summary of key messages

The report provides an overview of the global IT services delivery industry in the Asia Pacific region, emerging trends across delivery locations, and perspectives on growth. As companies look at increasing their offshore operations beyond India, 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

- While global companies are increasingly looking beyond India when considering delivery of IT services from Asia Pacific (APAC), the region offers multiple location options such as the Philippines, Malaysia, Singapore, Vietnam, China, Sri Lanka and Vietnam

- Co-location with business centers (e.g., in Singapore and China), capability to serve domestic and regional markets, and availability of skills at relatively lower costs are some of the factors that attract global companies; however; different countries provide different value proposition based on the availability of resources and maturity of market

- For companies making location decisions for delivery of IT services, various parameters such as operating cost, talent availability, industry landscape, business environment, and associated risks should be considered

- China and the Philippines have large availability of graduate talent that and low costs of operations and are leveraged for delivery of low-medium complexity IT services. There is growing evidence of players also building digital and complex skill capabilities in these locations

- While locations such as Singapore and Malaysia rate have a well developed infrastructure and high on availability of niche-skilled talent, they also have high operating costs. These locations are typically leveraged for complex work delivery

- Locations such as Vietnam are nascent global delivery destinations. There is limited availability of talent; however, the talent has few pockets of strength in specialized skills such as videogames and animation

The report provides insights on locations in Asia Pacific for global/regional IT services delivery
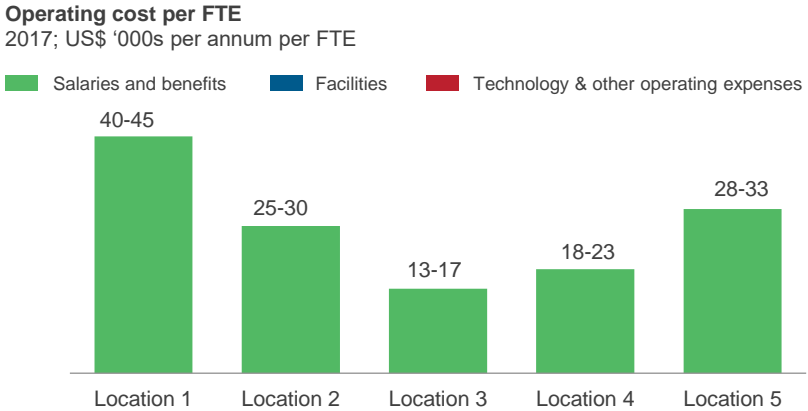
Value proposition

- Co-location with business centers
- Delivery of stand-alone niche services
- BCP to delivery from India
- Delivery of services to regional IT Industry

Entry-level graduate talent

Annual employable pool
2017; Number in '000s

Cities	
Location 1	7.5-8.5
Location 2	2-3
Location 3	<1
Location 4	~1
Location 5	2-3

Operating costs

Operating cost per FTE
2017; US$ '000s per annum per FTE

■ Salaries and benefits ■ Facilities ■ Technology & other operating expenses

Location	Value
Location 1	40-45
Location 2	25-30
Location 3	13-17
Location 4	18-23
Location 5	28-33

Business and operating environment risks

■ Highly favorable ■ Favorable, some concerns ■ Least favorable

Cities	Operating environment risk	Business environment risk	Overall risk
Location 1	Highly favorable	Favorable, some concerns	Favorable, some concerns
Location 2	Highly favorable	Favorable, some concerns	Favorable, some concerns
Location 3	Highly favorable	Favorable, some concerns	Favorable, some concerns
Location 4	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
Location 5	Highly favorable	Highly favorable	Highly favorable

Source: Everest Group (2017)

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Locations Insider research calendar

Topic	Release date
Argentina Global Services Industry – Breaking Political Shackles?	January 2017
Determining Scalability Potential of a Location – Not as Easy as It Seems!!	January 2017
"Next-wave" Location Profiles – Belo Horizonte, Brazil	March 2017
The Road Ahead After Brexit: A Global Services Perspective on the Impact of the Change	March 2017
The Philippines IT-BPM Industry: Cautious Optimism in Turbulent Times	March 2017
"Next-wave" Location Profiles – Cavite, the Philippines	March 2017
IT services delivery from Asia Pacific	April 2017
Emergence of Western Europe for centralized service delivery to Europe	Q2 2017
"Next-wave" Location Profiles – Jamaica	Q2 2017
"Next-wave" Location Profiles – Bangladesh	Q2 2017
Implications of automation on talent requirements and talent hotspots for automation CoEs	Q2 2017
Impact of Brexit on contact center landscape in UK & Ireland	Q2 2017
"Next-wave" Location Profiles – Pune, India	Q2 2017
"Next-wave" Location Profiles – Cork, Ireland	Q2 2017
Global Locations Annual Report	Q2 2017
Landscape of locations delivering business process services to the UK & Ireland	Q3 2017
Poland tier-2 cities: Diverse value propositions for service delivery	Q3 2017
"Next-wave" location profiles: Krakow, Poland	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 on the topic or complementary content that may be of interest

1. **The Philippines IT-BPM Industry Cautious Optimism in Turbulent Times** (EGR-2017-2-V-2117); 2017. The viewpoint examines the impact of recent geopolitical changes in the Philippines on global services market and offers recommendations for global service providers and enterprises in the light of the same

2. **Many Voices, Many Locations: Understanding the Multi-lingual Contact Center Market in East and Southeast Asia** (EGR-2016-2-R-1746); 2016. This report aims to identify and assess growth opportunities for business process services in Asian languages, especially East and North Asian languages (e.g., Japanese, Korean, Chinese). It will provide a comparative analysis of potential delivery center locations across dimensions such as operating costs, talent pool, key players, environment risks, and future outlook

3. **Global Locations Annual Report 2016: Persistent Growth in Uncertain Times** (EGR-2016-2-R-1957); 2016. This report updates activity and key developments across global locations, including delivery center setup and expansion activity, perceptions and plans of buyers and providers on locations, rankings of locations by function, risk watch, and profiles of cities witnessing significant activity

4. **"Next-wave" location profiles: Dalian, China** (EGR-2016-2-LP-1754); 2016. This report provides information on the global sourcing landscape, operating costs, talent pool, key players present, key risks, opportunities, drivers, and challenges in Dalian

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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.

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