United States Shared Services Landscape – Facing Digital Winds-of-Change in a Tight Labor Market

Catalyst™

Market Report – September 2017: Complimentary Abstract / Table of Contents

EGR-2017-2-PD-2345

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* Banking, financial services, and insurance

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Background, scope, and methodology of the research

Background of the research

- With unemployment rates in the United States hitting a 16-year low and the digital revolution impacting the global services delivery, shared services in the United States are going through very interesting times
- In the recent years, there has been a growing interest in the onshore delivery of global services, especially using the shared services model by leading enterprises in the United States The growing interest in shared services delivery is driven by changes in regulations, evolving geo-political scenario, rise in digital services, and focus on enhancing customer experience by focusing on tenets of context, culture, and proximity
- However, the talent market is becoming increasingly challenging, as multiple enterprises and service providers have accelerated their onshore delivery presence

The scope and methodology of this report includes:

- This report provides perspectives on the shared services landscape in select verticals in the United States, including:
  - Landscape of the United States shared services market (details on key delivery locations (states), key verticals supported, etc.)
  - Industry-level insights on the shared services market in BFSI and Technology and Communication (T&C) verticals, including analysis on:
    - Key delivery locations
    - Key functions delivered
    - Talent demand-supply dynamics
  - Overview of digital delivery landscape in BFSI and T&C verticals as well as the role played by shared services in digital delivery
- This report is based on
  - Everest Group's proprietary onshore shared services database that is updated quarterly with new set-up activity, expansion/contraction of existing shared services, and capability additions
  - Analysis of talent demand and supply trends based on job postings and activity of job-seeking candidates on various career portals
  - Ongoing interactions with shared services and parent stakeholders

Definition of shared services in this report

Definition of shared services

Definition of shared services

1. **Pure-play shared services**
   - These are stand-alone shared service centers established to deliver back- and middle-office services to the parent entity
   - These include Centers of Excellence (CoEs) established for certain function(s)

2. **Regional offices**
   - We have also considered local/regional offices of enterprises delivering back- and middle-office services
   - In this setup, FTEs aligned to back- and middle-office processes are collocated with the front-end practice

3. **Regional/ national HQs**
   - In addition to pure-play shared services and regional offices, we have also considered regional/national HQs delivering back- and middle-office services

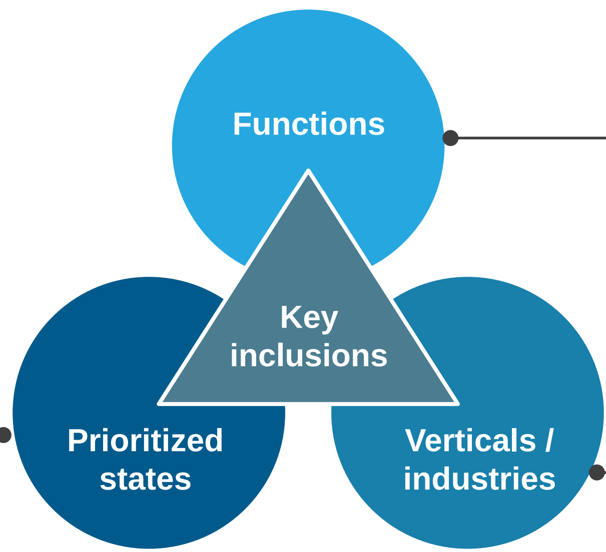
This report includes only in-house shared services and excludes third party service providers.

This report covers shared services landscape in 15 states across BFSI and T&C verticals

Scope of the research

In this research, we analyze the shared services market in the United States across the following states, verticals/industries, and functions:

- California
- Colorado
- Florida
- Georgia
- Illinois
- Maryland
- Massachusetts
- Missouri
- New York
- North Carolina
- Ohio
- Oklahoma
- Pennsylvania
- Texas
- Virginia



- Non-voice BPS
  - Finance and Accounting (F&A)
  - Human Resources (HR)
  - Procurement
- Voice-based BPS (contact center)
- IT services
  - Application Development and Maintenance (ADM)
  - Infrastructure Services (IS)
  - Digital

- Banking, Financial Services, and Insurance (BFSI)
- Technology and Communication (T&C)

Overview and abbreviated summary of key messages

As the interest in onshore delivery grows following the digital revolution and geo-political changes in the United States, it becomes crucial to understand the shared services landscape and changing talent demand and supply dynamics across the country

This report assesses the current landscape of shared services in the United States across two key verticals, BFSI and T&C, with industry level insights on key delivery locations, functions delivered, and talent supply and demand. We have also assessed the role played by shared services in driving the digital agenda of enterprises within the United States

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

Overview of the shared services landscape in the United States

- BFSI and T&C verticals together employ nearly 30-35% of the shared services headcount in the U.S.
- There is a heavy concentration of BFSI and T&C shared services in the 15 shortlisted states and these states have witnessed higher growth for back- & middle-office back-office and IT functions (both in terms of new center setups and increase in employment by BFSI and T&C shared services)

Industry-specific insights on the shared services landscape – BFSI and T&C

- While all the prioritized states have heavy concentration of BFSI and T&C shared services, the market is dominated by the following three key states: California, New York, and Texas
- Around 60% of the BFSI and T&C shared services are small scale with less than 250 FTEs
- While BFSI and T&C shared services support a range of functions, F&A, voice-based BPS, and IT ADM are the leading functions
- Most BFSI and T&C shared services have accelerated their growth in the past two years, thereby, making hiring and retention of talent relatively difficult

United States shared services driving digital agenda for enterprises

- With increasing adoption of digital services by enterprises, BFSI and T&C shared services are playing a significant role in helping enterprises achieve their digital strategy
- The push for digital transformation has led to a significant disruption in the market, not just in terms of product offerings, but also in terms of talent, resulting in heated talent market across all 15 states in consideration
- For some digital services such as RPA, IoT, and digital cybersecurity, the talent demand-supply gap is significant

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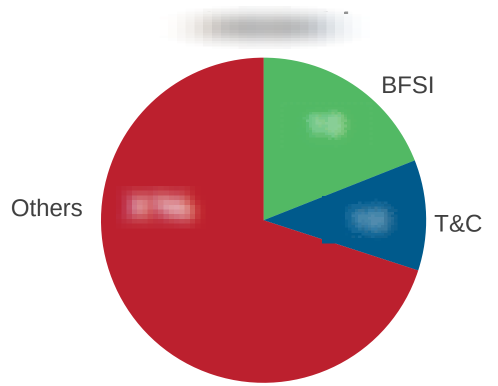
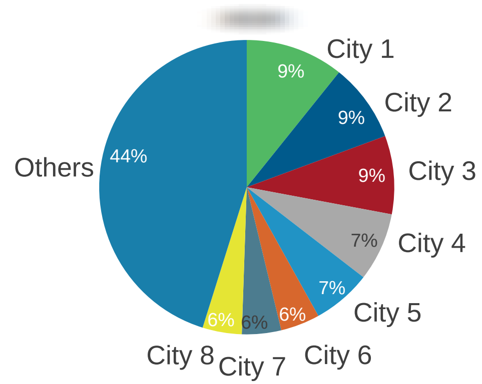
The report covers the overview of shared services landscape in the key states across BFSI and T&C verticals

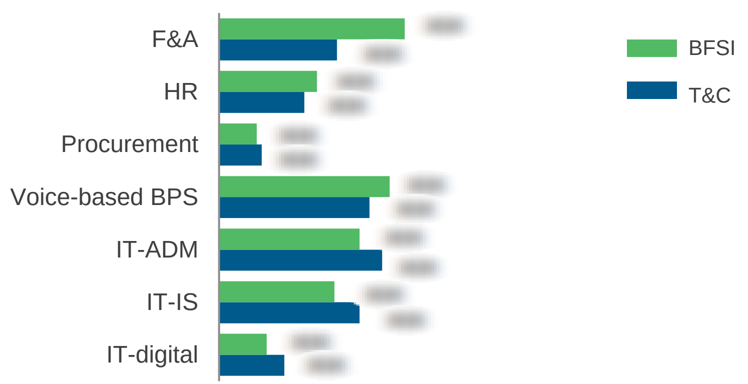
United States shared services market size – breakdown by key verticals
2017; Number of FTEs in millions



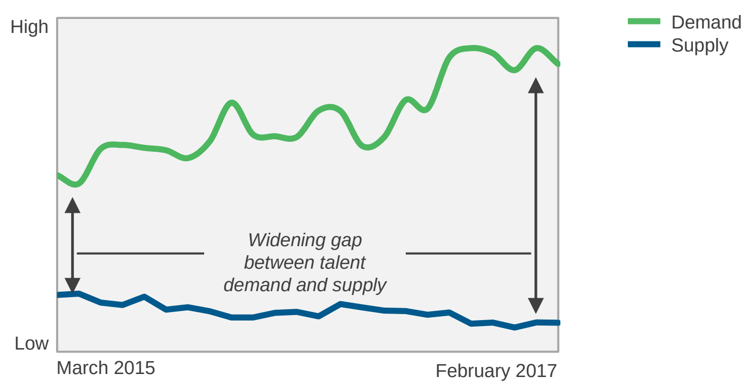
Distribution of BFSI shared services in key cities in top 15 states
2017; Number of shared services



Key functions served by BFSI and T&C shared services
Number of shared services



Hiring demand and supply trend for digital services in BFSI and T&C shared services



Source: Everest Group (2017)

Glossary of key terms used in this report

Term	Definition
ACV	Annualized Contract Value is calculated by dividing the Total Contract Value (TCV) by the term of the contract
BPO	Business Process Outsourcing refers to the purchase of one or more processes or functions from a company in the business of providing such services at large or as a third-party provider
Buyer	The company/entity that purchases outsourcing services from a service provider of such services
Contract term	The duration of the outsourcing contract. It drives the schedule over which the buyer or service provider amortizes capitalized costs or the period over which Net Present Value (NPV) / Internal Rate of Return (IRR) is calculated
FAO	Finance and Accounting Outsourcing is the transfer of ownership of some, or all finance and accounting processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
FTEs	Full-Time Employees on the rolls of the company
GIC	Global In-house Centers are service delivery operations in low-cost geographies, which are owned and operated by the same company receiving the services (i.e., not third-party outsourcing)
HRO	Human Resources Outsourcing is the transfer of ownership of some, or all human resource processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
ITO	Information Technology Outsourcing is the transfer of ownership of some, or all information technology processes or functions to a service provider. This could include administrative-, delivery-, or management-related processes or functions
TCV	Total Contract Value is the potential revenue associated with the contract and estimated at the commencement of the contract (e.g., sum total of revenue accrued to the service provider from the contract over the entire contract term, usually measured in millions of dollars)

Research calendar – Catalyst

Published | Planned | Current release

Flagship Catalyst reports	Release date
GIC Landscape Annual Report 2016	March 2016
GIC Landscape Report: Delivery Landscape for Retail and Commercial Banking in GICs	June 2016
Global In-house Center (GIC) Landscape Report: The Philippines	December 2016
Global In-house Center (GIC) Landscape Annual Report 2017	March 2017

Thematic Catalyst reports	Release date
GIC Talent Landscape in India for IT Services	April 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
Exploring GICs in the Life Sciences Industry	February 2017
Global Sourcing Centers of Excellence (CoEs): Helpers vs. Shapers!	February 2017
Small But Mighty: Corporate Functions Delivery from GICs	April 2017
United States Shared Services Landscape – Facing Digital Winds-of-Change in a Tight Labor Market	**September 2017**
Case studies on RPA/Digital Implementation in GICs	Q4 2017
Digital Adoption in BFSI GICs	Q4 2017

Note: For a list of all Catalyst reports published by us, please refer to our website page

Additional research references

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

1. **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?** (EGR-2017-2-R-2130)**;** 2017. This report provides an in-depth analysis of the GIC landscape and trends. It covers market size, growth, and distribution of GICs by buyer portfolio, scale, functions supported, and offshore delivery locations. It also provides an overview of the trends witnessed in the overall GIC landscape in 2016. This has been compared with GIC activity for the previous two years to bring forth key areas of differences. Additionally, it analyzes the GIC market across key offshore delivery locations, industry verticals, and functions. The study concludes with an assessment of the likely impact of President Trump's job protection policies on the GIC model and its implications for enterprises

2. **Finance & Accounting Delivery from GICs: Trusted Partner to Move F&A Beyond Delivery to Value Creation** (EGR-2016-2-R-1733); 2016. This report provides an assessment that covers the current landscape of F&A delivery from GICs across various themes of evolution of F&A delivery and operating model elements, along with a forward-looking view on the transformation of delivery

3. **Small But Mighty: Corporate functions Delivery from GICs** (EGR-2017-2-R-2154); 2017. This report gives an overview of the delivery of seven corporate functions – F&A, HR, procurement, legal, real estate, marketing, corporate communications via the GIC model. It includes perspectives on growth, location landscape, and processes offshored. It also highlights the various experiences of key players and degrees of process maturity achieved by GICs. Lastly, it analyzes the key trends and future outlook for corporate function delivery by GICs

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

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