Everest Group
RESEARCH

Managed Service Provider (MSP) Annual Report 2016 – Embracing the New Talent Landscape

Managed Service Provider (MSP) Annual Report – June 2017 – Preview Deck

EGR-2017-3-PD-2212

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  - Managed Service Provider (MSP)
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- Benchmarking | Pricing, delivery model, skill portfolio
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- Tracking services | Service providers, locations, risk
- Other | Market intelligence, service provider capabilities, technologies, contract assessment

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* Banking, financial services, and insurance

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Everest Group's MSP research is based on three key sources of proprietary information

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- Everest Group's proprietary database of over **500 MSP deals** (updated annually)
- The database tracks the following elements of each MSP deal:
  - Buyer details including industry, size, location, and signing region
  - Deal details including ACV, term, start date, spend managed, primary pricing structure, process coverage, and geographic coverage (at country level)
  - Technology ownership and maintenance
  - Global sourcing

2

- Everest Group's proprietary database of **operational capability of 17 MSP service providers** (updated annually)
- The database tracks the following capability elements for each service provider:
  - MSP clients, revenue, service suite, and employees
  - Recent MSP-related developments (investments and partnerships)
  - MSP clients split by geography, industry, scope, and buyer size
  - MSP spend split by geography, source of hires, and type of sourcing model
  - MSP delivery locations and level of offshoring
  - MSP supplier partners by geography

3

- Ongoing buyer surveys and interactions
  - Everest Group's **executive interview and data collection** from **MSP buyers**
  - The data contains the following detailed buyer perspective about MSP deals:
    - Drivers for adopting MSP and buyer-provider relationships
    - The level of buyer satisfaction and the underlying reasons

Service providers covered in detail in the analyses

Agile1, Allegis Global Solutions, Alexander Mann Solutions, AMN Healthcare, Capita Resourcing, Geometric Results, Hays, HCMWorks, KellyOCG, nextSource, Pontoon, PRO Unlimited, Randstad Sourceright, Superior Group, TAPFIN (ManpowerGroup Solutions), Yoh, ZeroChaos

The analyses in this report are presented at two levels:

- Overall market analysis that highlights the market composition/dynamics
- The current market trends based on deal activities in the last five years

The sample size varies for different analyses based on the deal detail availability

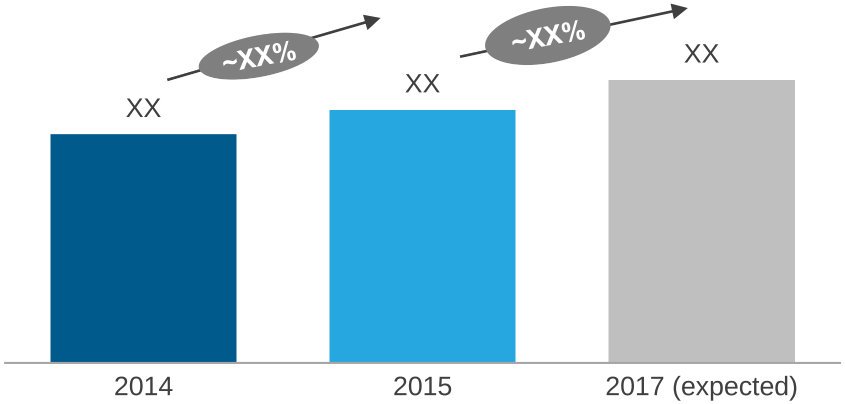
Confidentiality: Everest Group takes its confidentiality pledge very seriously. Any contract-specific information collected is only presented back to the industry in an aggregated fashion

Executive summary

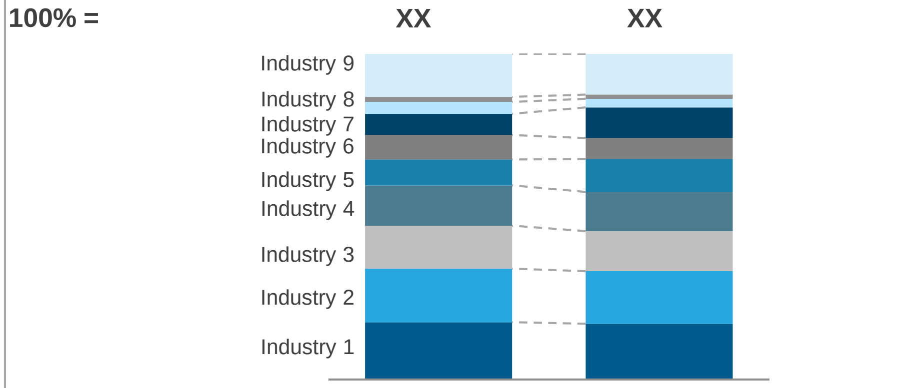
- The contingent labor management market is undergoing fundamental changes, probably the most impactful ones since the emergence of these services
- The traditional temporary labor management market is mature and slowing in the largest markets of Unites States, United Kingdom, and to some extent Europe, to low double digit growth rates. While the emerging markets, both Asia Pacific and Latin America, are growing at a much faster rate, the activity is sporadic in pockets and their size is still too small to have any significant impact on the broader market
- Naturally, buyers, especially in the mature markets now want more from their MSPs beyond the low-hanging fruits which have already been obtained. MSPs too realize the risk to their business and are thereby ramping up capabilities to offer new services to their clients as well as focusing on becoming more efficient to protect their portfolio from “poaching” and insourcing (i.e. enterprises taking back contingent labor management in-house)
- One of the key areas where enterprises and MSPs are engaging beyond traditional temp. labor management is Statement of Work (SoW) or services procurement, which has led to rapid growth of this segment in recent years
- However, the relatively “invisible” competition in terms of the broader Business Process Outsourcing (BPO) providers including indirect Procurement Outsourcing (PO) providers will likely be a challenge to MSP providers. Many enterprises have outsourced services procurement to these BPO providers due to their expertise and long history in providing such services
- Besides services procurement, many enterprises also prefer to outsource their temporary labor management to BPO providers as part of wider procurement outsourcing deals involving multiple categories spend
- Going forward enterprises will have greater luxury of choice in terms of contingent labor management services due to a wider universe of providers including MSPs and BPOs; however, this is a risk (due to increasing competition) as well as an opportunity (due to a large so-called “untapped” market of current BPO clients) for MSP providers
- Besides investing in services procurement capability, MSPs are investing in a number of different areas to offer beyond-the-basic services to their clients and differentiate themselves from competition. These include:
  - Broadening talent scope: Management of workforce beyond the usual temporary labor, such as independent contractor / freelancers or even permanent workforce, is increasingly becoming part of MSP arrangements, in addition to specialized compliance requirements. Leverage of additional technology such as Freelancer Management Systems (FMS) is becoming important
  - Optimized delivery model: MSP are improving the efficiency of their delivery model through calibrated investments in nearshoring/offshoring
  - Innovative sourcing: Usage of innovative sourcing methods and improving their effectiveness through services such as employer branding is gaining ground, in addition to maintaining and cultivating a strong supplier network
  - Widening geographic scope: As enterprises grow beyond country borders while wanting standardization, they expect their MSPs to follow suit. Having a global presence combined with the ability to execute multi-country deals not only helps MSPs grow with their clientele but also take advantage of the fast growing emerging markets
  - Advanced pricing model: There is an uptick in the usage of gainsharing which is a good way for MSPs to show their commitment, especially in terms of delivering the next-level of benefits for their long-standing clients
  - Technology and analytics: This is probably the biggest investment area and differentiation theme among MSPs. Technology has multi-faceted benefits in terms of greater efficiency of operations, better stakeholder experience as well as more meaningful insights. Investing in a data-warehousing capability to combine data from multiple sources to generate actionable insights through advanced predictive analytics, using Robotic Process Automation (RPA) to reduce operational costs, and using Natural Language Processing (NLP) and machine-learning enabled Artificial Intelligence (AI) to improve stakeholder experience are just some examples
- As the contingent labor market evolves, enterprises need to track the market changes and partner with the best MSP. MSPs too need to make sustained investments in the next few years to remain competitive in the market

This study offers 3 distinct chapters providing a deep dive into key aspects of the MSP market; below are four charts to illustrate the depth of the report

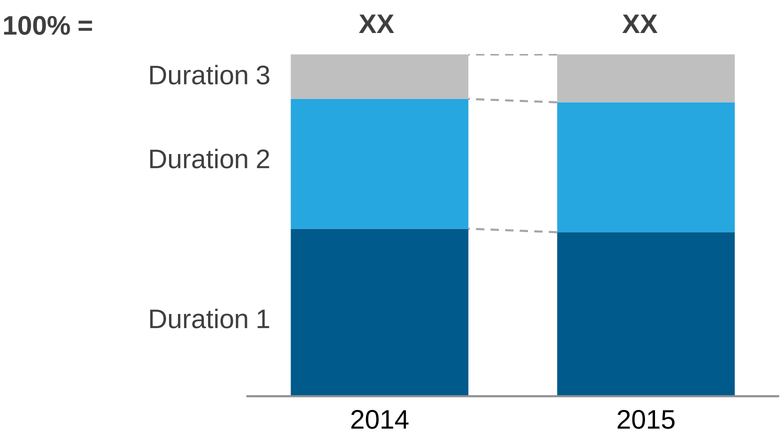
Contingent workforce management spend
In US$ billion



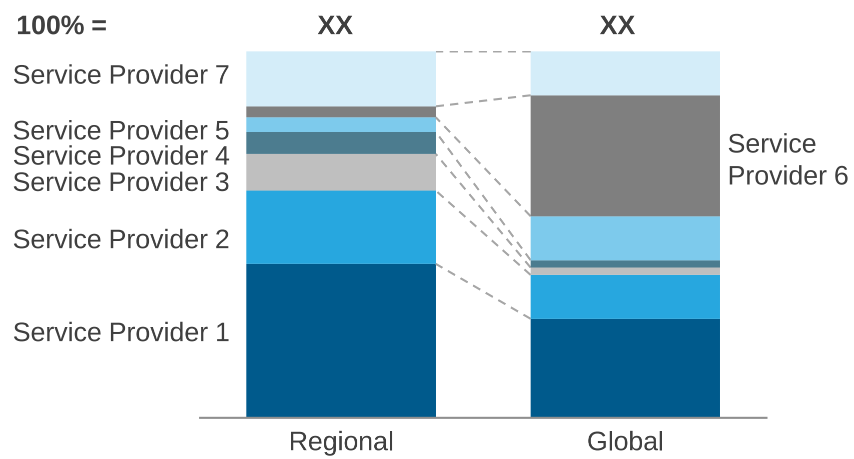
Distribution of MSP deals by buyer industry
Number of deals



Distribution of MSP deals by duration
Number of deals



Market share of multi-country deals
Number of deals



Source: Everest Group (2017)

MSP research calendar

Published | Current

Topic	Release date
Offshoring in MSP: A Scenario – Based Analysis of Potential Savings	October 2016
MSP Service Provider Landscape with PEAK Matrix Assessment 2016	December 2016
MSP Service Provider Profile Compendium 2016	December 2016
Managed Service Provider (MSP) – Service Provider Landscape with PEAK Matrix™ Assessment 2016 – Europe	January 2017
Managed Service Provider (MSP): A Peek into the Buyer's Mind – Continuous Innovation is the Key to Buyer Delight	February 2017
Managed Service Provider (MSP) Annual Report 2016 – Embracing the New Talent Landscape	June 2017
The Clash of MSP and PO	Q2 2017
Freelancer Management	Q3 2017
MSP PEAK Matrix - 2017 - Global PEAK Matrix	Q3 2017
MSP Service Provider Landscape in Asia Pacific with PEAK Matrix	Q4 2017
MSP Annual Report 2017	Q4 2017
MSP - Service Provider Profile Compendium 2017	Q4 2017

Additional MSP related research recommendations

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

1. **MSP Service Provider Landscape with PEAK Matrix Assessment 2016** (EGR-2016-3-R-2032); 2016. The global MSP market is undergoing a transformation due to evolving business requirements of buyers. As a result, service providers are reshaping their value proposition as well as bringing in innovative solutions to cater to the market demand. The service provider landscape of MSP is also undergoing a transition, with increasing number of non-staffing legacy players joining the fray. Technology is becoming increasingly important with the inclusion of a variety of add on tools and analytics platforms

2. **Talent Acquisition in Asia Pacific: Diverse Demands Ensuring Growth** (EGR-2016-3-R-1764); 2016. The concept of Recruitment Process Outsourcing (RPO) and Managed Service Provider (MSP) is picking up pace in Asia Pacific. Historically pioneered by West-headquartered organizations that had a presence in Asia Pacific, the RPO and MSP markets have reached a tipping point where many locally-headquartered buyers have started embracing these solutions

3. **Blended Model in Talent acquisition – A new age** (EGR-2016-3-R-1724); 2015. The global talent acquisition market has undergone a transcendental shift in recent years. Economic imperatives, technological advancements, and demographic shifts are causing global economies to converge and organizations to reevaluate their talent management strategies to align with such macro-shifts. Moreover, with increasing focus on driving value beyond costs, hiring and retaining quality talent has assumed critical importance

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