



# **Market Vista™: 2016 Year in Review: Global Services Industry Facing “Winds of Change”**

Annual Report – April 2017 – Preview Deck

Everest Group

**MARKET** VISTA™

# Our research offerings for global services

## ▶ Market Vista™

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

## ▶ Application Services

## ▶ BPS | Banking Financial Services

## ▶ BPS | Healthcare & Life Sciences

## ▶ BPS | Insurance

## ▶ Catalyst™

## ▶ Cloud & Infrastructure

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## ▶ Digital Services

## ▶ Finance & Accounting

## ▶ Human Resources

## ▶ ITS | BFSI\*

## ▶ ITS | Healthcare & Life Sciences

## ▶ IT Services Forecaster™

## ▶ Locations Insider™

## ▶ PricePoint™

## ▶ Procurement

## ▶ Recruitment & Talent Acquisition

## ▶ Service Optimization Technologies

## ▶ Transaction Intelligence

## Subscription information

- This full report is included in the following subscription(s)
  - **Market Vista™**
- 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**

\* Banking, financial services, and insurance

## 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



### Corporate Headquarters

Office: +1-214-451-3000

[info@everestgrp.com](mailto:info@everestgrp.com)



### European Headquarters

Office: +44-207-129-1318

[unitedkingdom@everestgrp.com](mailto:unitedkingdom@everestgrp.com)



### Delhi Office

Office: +91-124-284-1000

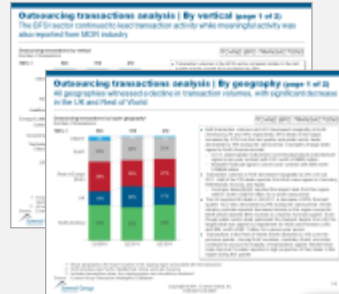
[india@everestgrp.com](mailto:india@everestgrp.com)

# Market Vista | Overview

Covers global services market research, analysis, and insights to demystify the market and direct clear, impactful decisions

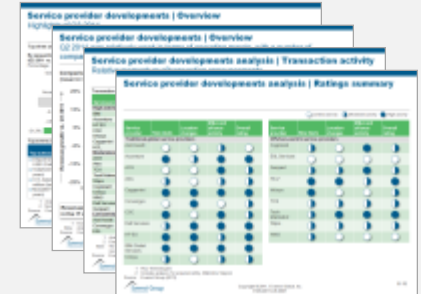
## Overall sourcing market

- Detailed analysis of trends by industry vertical and geography
- Report of transaction volume, size, and momentum
- Perspective on events with significant industry impact (e.g., M&A)
- Implications of regulatory changes



## Service provider landscape

- Updates on service provider market share, capabilities, and performance
- Service provider profiles, including data on:
  - Transactions
  - Location footprint
  - M&A activity



## Location data and dynamics

- Data on market activity in key offshore geographies
  - Political
  - Macroeconomic
  - Promotion incentives
- Trends in wage inflation, attrition, and arbitrage



## Processes and models

- Process-level trends
- Global In-house Center (GIC) set-ups, divestures, and overall trends
- Fact-based insights on adoption of emerging pricing models
- Data and perspectives on new opportunity areas



Quarterly report

Primer

Location database

Breaking viewpoint

Location insights e-newsletter

Industry trends

# Everest Group is reclassifying the industries covered in the Market Vista™ subscription

	Original classification (reports released before 2017)	Revised classification (reports released from 2017 onward)
<b>No change</b>	Banking, Financial Services, and Insurance (BFSI)	Banking, Financial Services, and Insurance (BFSI)
	Energy and Utilities (E&U)	Energy and Utilities (E&U)
	Healthcare	Healthcare
<b>Reclassified</b>	Manufacturing, Distribution, and Retail (MDR)	Manufacturing
		Retail & Consumer Packaged Goods (CPG)
	Public sector	Government
	Technology	Technology & Communication
Telecom		
<b>Discontinued</b>	Travel & Hospitality	Not available*

- Includes government entities (e.g., state/regional/national governments, ministries, agencies, and departments)
- Public sector entities will be part of their respective industry groupings (i.e., public sector banks will be classified under BFSI)

\* Discontinued starting 2017 – reports for the travel and hospitality industry will not be published, going forward

# Overview of the current document

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The current document is a preview deck of [Market Vista™: 2016 Year in Review: Global Services Industry facing “Winds of Change”](#) and showcases snippets from the detailed analysis conducted in the report.

The Market Vista Annual Report 2016<sup>1</sup>, a 59 page report, provides an overview of the developments that took place in the global services industry in 2016. In addition, the report also highlights key trends and drivers pertaining to GICs, offshore/nearshore locations, service providers, and outsourcing transactions. It also covers the outlook for 2017 and potential implications for market participants.

The objective is to help buyers, analyst communities, experts, and business executives to assess sourcing market developments from service providers’ and buyers’ point of view. This can help them frame their opinion and take timely decisions.

Scope of Market Vista Annual report 2016:

- Outsourcing transaction trends and analysis (separate view across traditional and digital services)
- Offshore/nearshore GICs developments (separate view across existing and new adopters)
- Onshore/offshore locations trends and risks (latest view on change in leverage of locations in recent years and key locations being leveraged for digital services)
- Service provider developments (including latest development in digital services)

<sup>1</sup> [Market Vista™: 2016 Year in Review: Global Services Industry facing “Winds of Change”](#)  
Source: Everest Group (2017)

# Contents

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- **Global services market developments in 2016**
- Global services market outlook for 2017

# Global services market developments in 2016 | Summary of key trends



The overall outsourcing demand was steady; growth was led by North America and emerging markets, Europe saw a decline



The outsourcing market growth was led by small enterprises; both average deal size and transaction volume reduced for mid-sized and large enterprises



On the contrary, GIC activity was at an all-time high with both existing firms and new adopters setting up GICs in global locations



Significant growth in location activity, but setups more concentrated in top-10 offshore/nearshore locations



Leading service providers (especially Indian-heritage providers) are increasingly focusing on developing/acquiring digital services, given increasing competition in traditional segments

# Global services market developments in 2016 | Key dimensions assessed in this section

1

## Outsourcing transactions

- Represents incremental demand from outsourcing in the global services industry
- Covers new outsourcing contracts/deals signed between enterprises and service providers

2

## Global In-house Centers (GICs)

- Represents demand supported by enterprises through in-sourcing
- Covers new GIC setups, expansions, and divestitures

3

## Location activity

- Represents the new setups, expansions, scale down, and shut down of centers supporting global services delivery in offshore/nearshore locations
- Helps in identifying the changing landscape of locations and emergence of new countries

4

## Service provider developments

- Depicts the key developments for Market Vista Index service providers<sup>1</sup>
- Includes assessment on operating revenue, margins, new center set-ups, expansions, M&A, and support on digital services

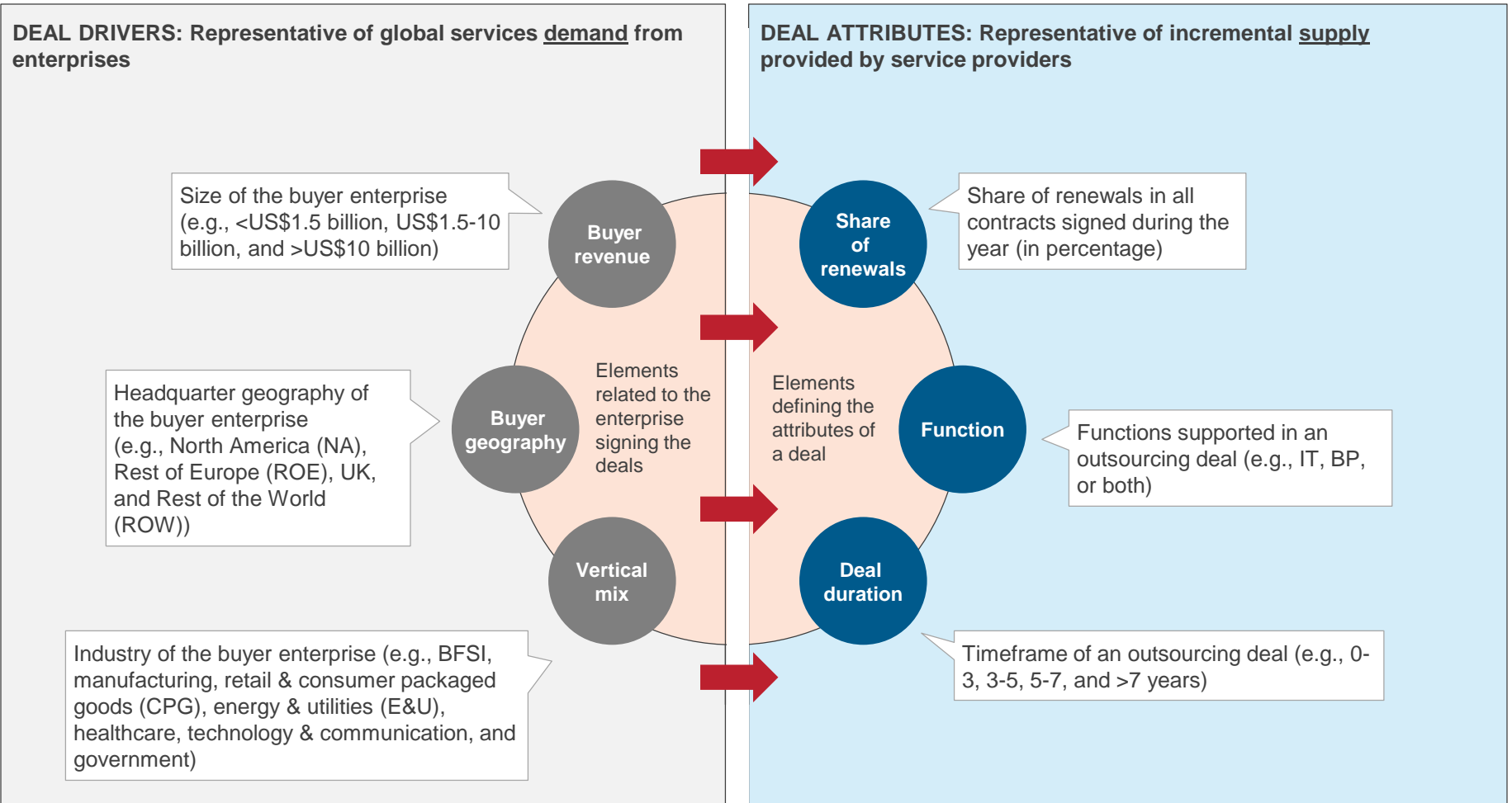
1 Represents Market Vista Index providers currently tracked under Market Vista subscription – see page 53 for details. Note that the list of providers is not fixed and can undergo change depending on emergence of new providers and decreasing relevance of the existing ones

Note: Represents information based on publicly available sources. Information from RFIs or other internal sources has not been included, given confidentiality constraints  
Source: Everest Group (2017)



# Outsourcing transactions | Framework for assessment

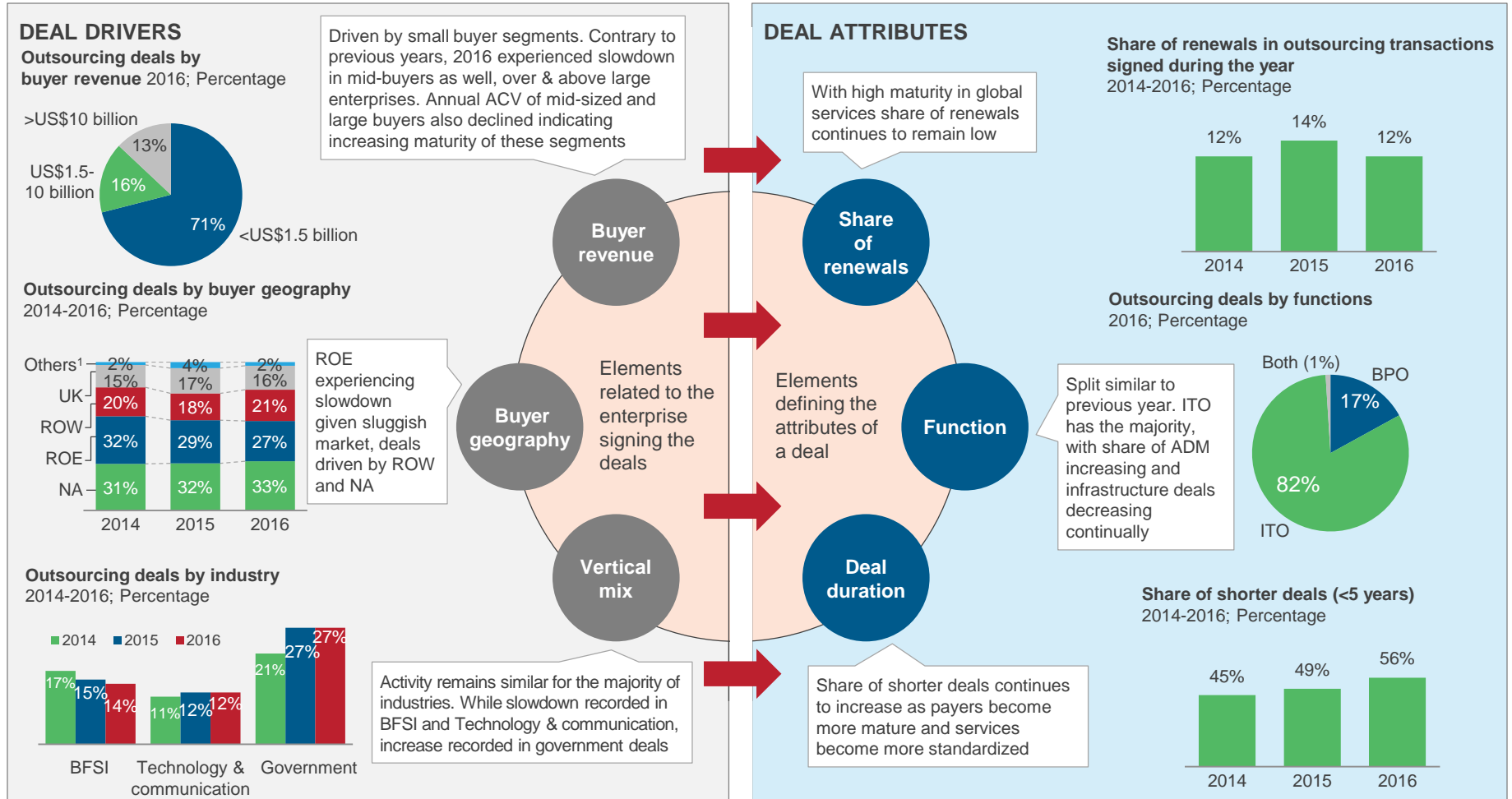
1



# Outsourcing transactions | Overview

Activity led by North America and emerging markets, Europe witnessed a decline; share of small buyers in new outsourcing transactions continues to increase

1



1 Others include Asia Pacific, Latin America, Middle East, and Africa  
Source: Everest Group (2017)

# GIC activity | Framework for assessment

2

**NEW GIC DRIVERS: Representative of global services demand from enterprises**

Size of the enterprise (e.g., <US\$1.5 billion, US\$1.5-10 billion, and >US\$10 billion)

Buyer revenue

Headquarter geography of the enterprise (e.g., Asia Pacific (APAC), North America (NA), Rest of Europe (ROE), UK, and Rest of the World (ROW))

Buyer geography

Elements related to the enterprise establishing the GIC

Industry of the enterprise (e.g., BFSI, manufacturing, retail & CPG, energy & utilities (E&U), healthcare, technology, and government)

Vertical mix

**NEW GIC ATTRIBUTES: Representative of incremental supply supported by Global In-house Centers (GICs)**

Region for the new GIC (e.g., Asia Pacific (APAC), Nearshore Europe (NE), Latin America (LATAM), and Middle East & Africa (MEA))

Region

Functions supported by the new GIC (e.g., IT, BP, or both)

Function

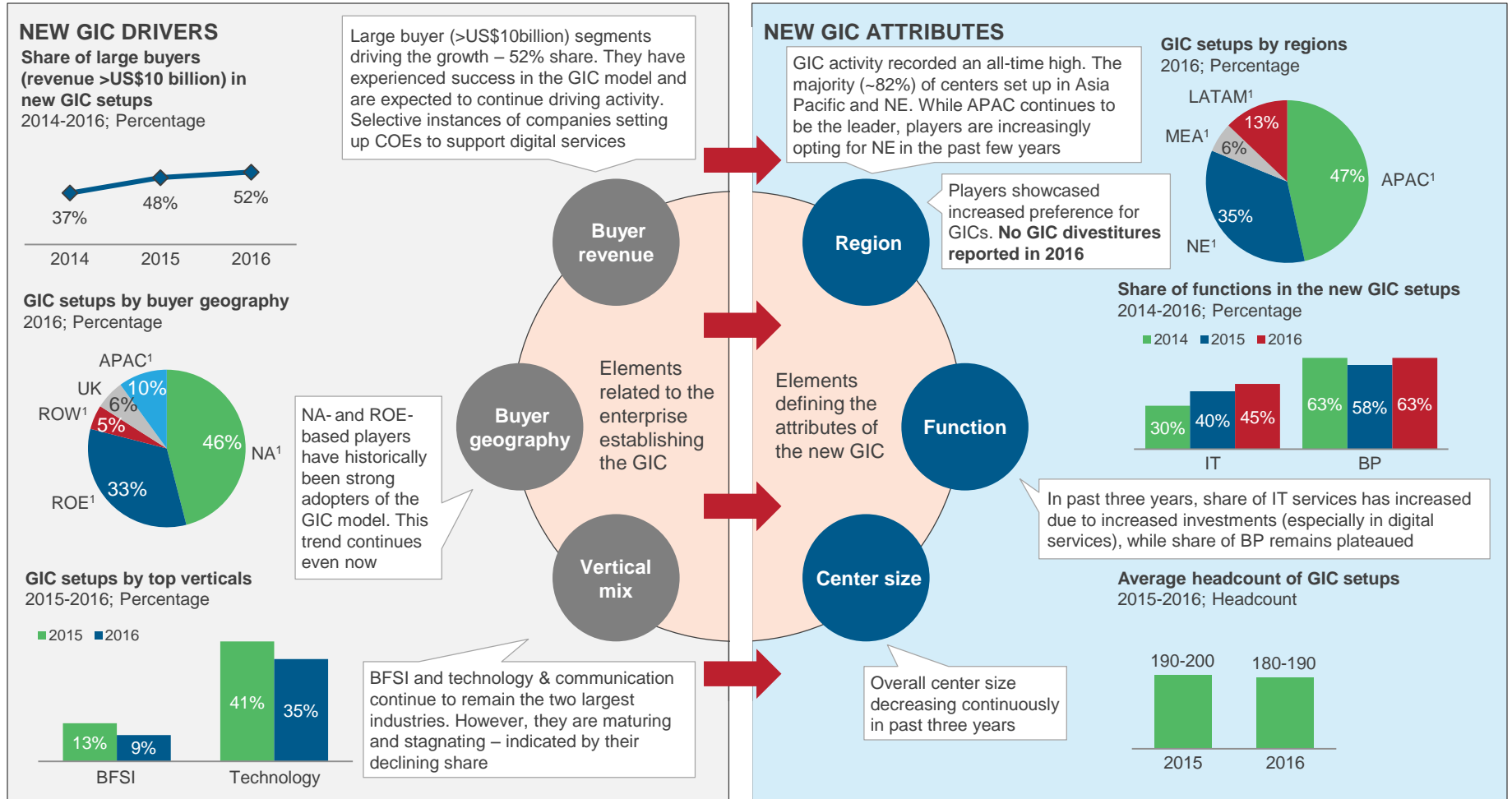
Size of the new GIC (e.g., <100 FTEs, 100-350 FTEs, or >350 FTEs)

Center size

Elements defining the attributes of the new GIC

# GIC activity | Overview

Key characteristics in 2016: Increasing share of technology services and adoption to verticals beyond BFSI and technology; more setups in Nearshore Europe

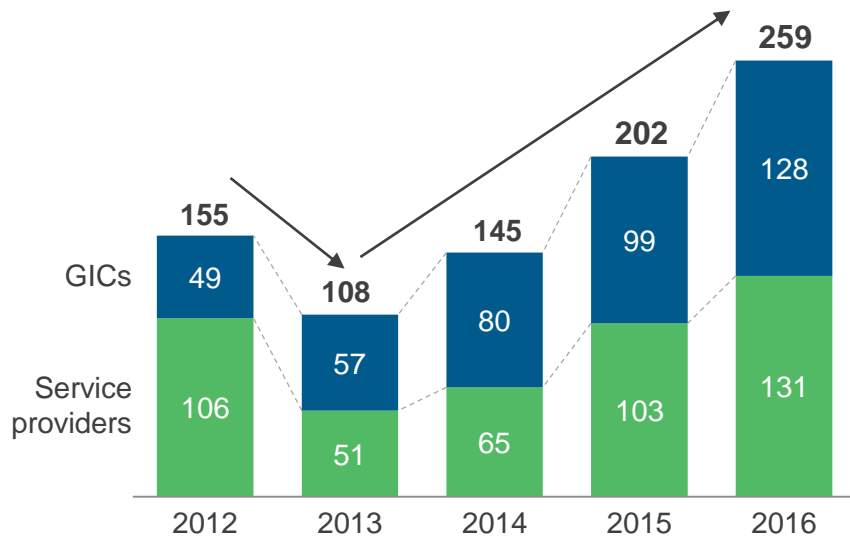


1 ROE – Rest of Europe, ROW – Rest of the World, NA – North America, LATAM – Latin America, APAC – Asia Pacific, NE – Nearshore Europe, MEA – Middle East and Africa  
Source: Everest Group (2017)

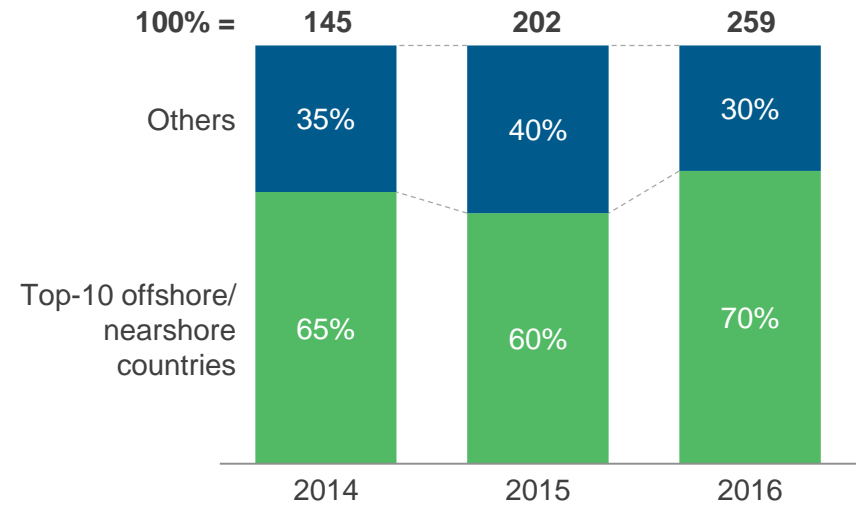
# Location activity | Overview

Significant growth in location activity, but setups more concentrated in top-10 offshore/nearshore locations

**New offshore/nearshore delivery center setups**  
2012-2016; Number of centers



**Share of top-10 countries in offshore/nearshore delivery center setups**  
2014-2016; Percentage



- Broad-based increase in location activity across both GICs and service providers
  - GIC: growth driven by both existing and new adopters
  - Service provider: growth led by mid-sized and niche service providers; decrease in center setups for Market Vista Index service providers<sup>1</sup>
- The majority of activity in the past few years has been increasingly concentrated in the top-10 countries. A key reason for this change is availability of relevant talent to support complex areas or digital skills (e.g., SMAC, automation, IoT, blockchain, and cybersecurity) in limited countries

<sup>1</sup> Represents Market Vista Index providers currently tracked under Market Vista subscription – see page 53 for details. Note that the list of providers is not fixed and can undergo change depending on emergence of new providers and decreasing relevance of the existing ones

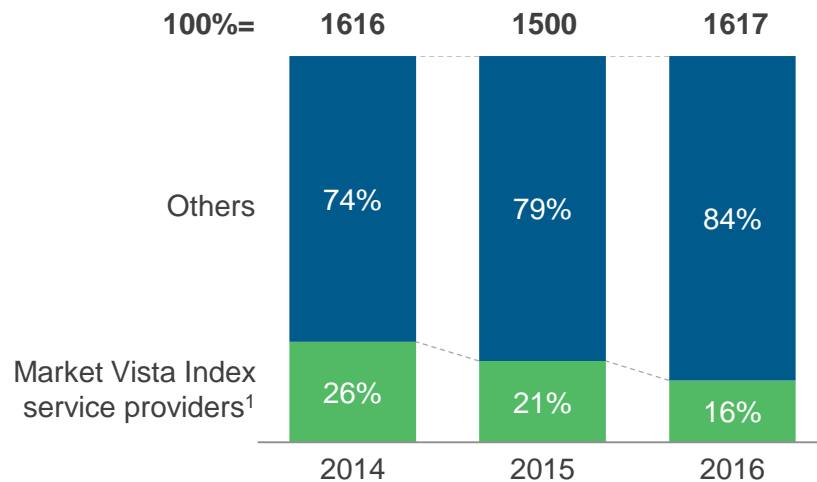
Source: Everest Group (2017)

# Service provider developments | Share in outsourcing deals

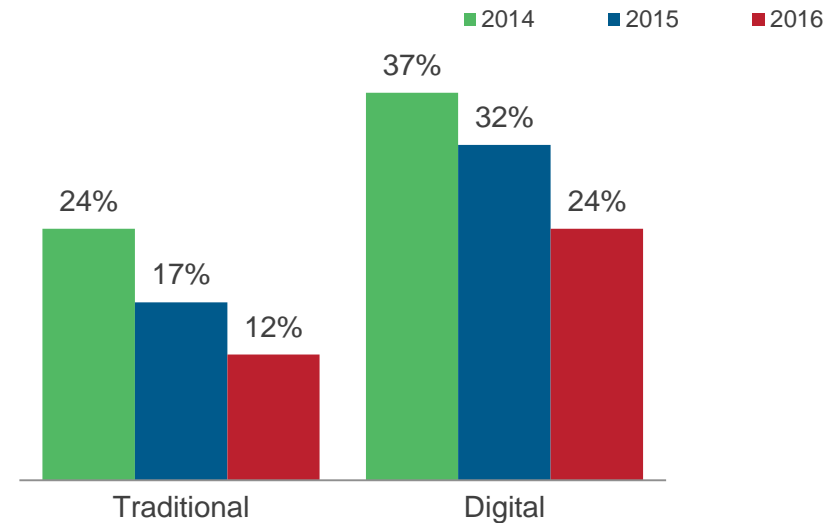
Share of Market Vista Index service providers<sup>1</sup> has been declining in outsourcing deals over the last few years; this decline is steeper in traditional deals

4

Share of Market Vista index service providers<sup>1</sup> in outsourcing deals (Overall)  
2014-2016; Percentage



Share of Market Vista index service providers<sup>1</sup> in outsourcing deals (Traditional vs. Digital<sup>2</sup>)  
2014-2016; Percentage



- Share of top-20 providers continuously decreasing in the last few years (26% to 16% in 2014-2016)
- A similar trend is observed in both traditional as well as digital deals. However:
  - Share of top-20 service providers is much larger in digital deals as compared to traditional deals
  - The share of service providers has declined at a faster rate in traditional deals as compared to digital ones
  - Investments by leading service providers resulting in higher share of digital deals; however, their share has been depleting in this segment as well

<sup>1</sup> Represents 20 service providers tracked under Market Vista subscription – see page 53 for details

<sup>2</sup> Indicates centers supporting one or more elements of digital services (e.g., SMAC, IoT, blockchain, automation, and cybersecurity)

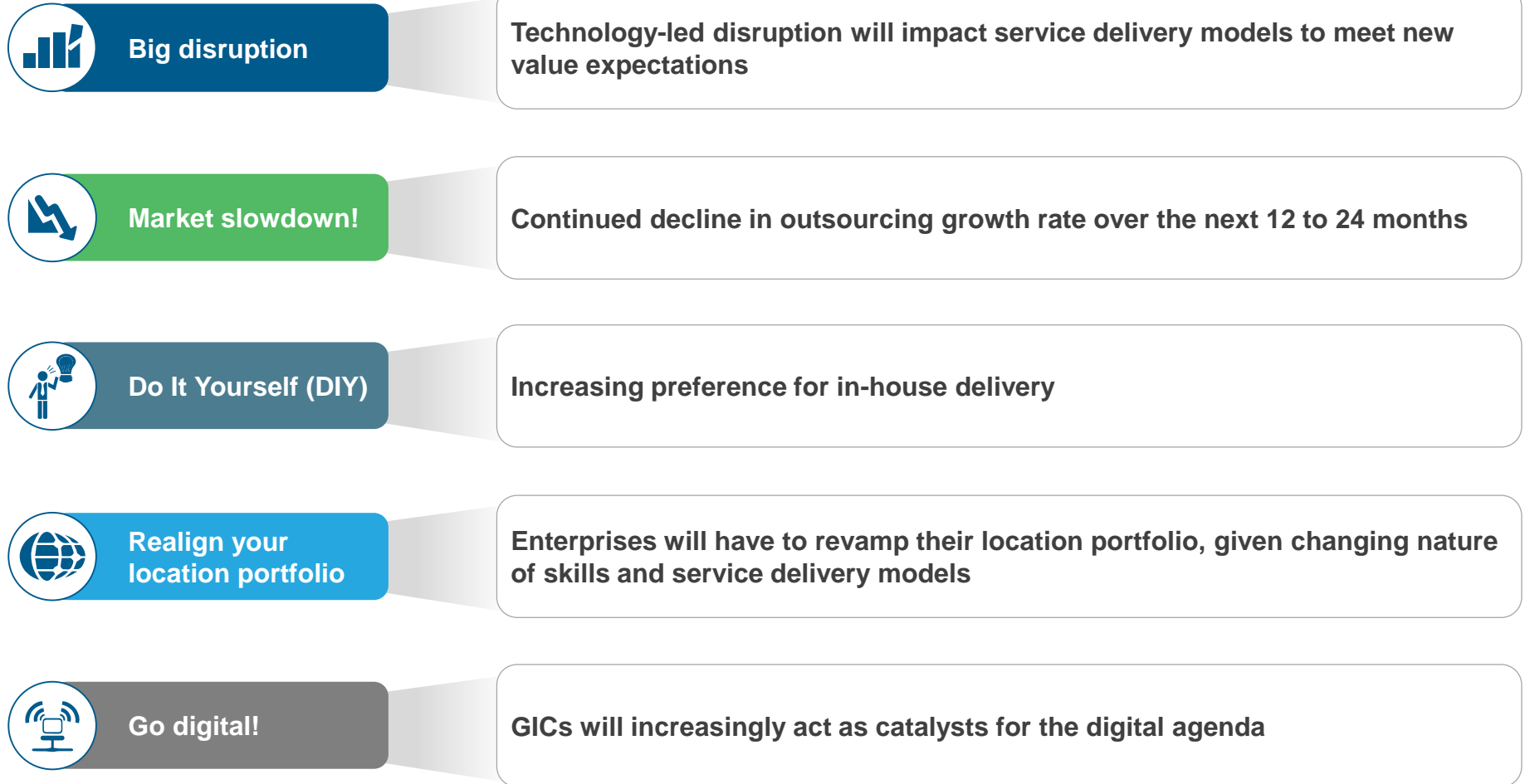
Source: Everest Group (2017)

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- Global services market developments in 2016
- **Global services market outlook for 2017**

# Global services market | Outlook for 2017



Source: Everest Group (2017)



## Traditional global service providers



## Offshore-centric service providers



Note that the list of service providers is not fixed and can undergo change depending on emergence of new providers and decreasing relevance of the existing ones.

1 Perot was acquired by Dell in September 2009, and was rebranded as Dell Services

2 EDS was integrated into HP and the segment was named HP Enterprise Services (HP ES), which is now a part of Hewlett Packard Enterprise (HPE)

3 Aon acquired Hewitt in October 2010. The combined entity is now called Aon Hewitt

4 The services division of IBM is referred to as IBM Global Services (IBM GS)

# Additional research recommendations

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. **Market Vista™ Q4 2016** ([EGR-2017-8-R-2091](#)); 2016. This report summarizes the key trends and developments for Q4 2016 in the global offshoring and outsourcing market
2. **Argentina Global Services Industry – Breaking Political Shackles?** ([EGR-2017-2-V-2058](#)); 2017. In the past four to six years, Argentina has been viewed with caution by investors in Information Technology (IT) and Business Process (BP) services owing to significant geopolitical and macroeconomic concerns. However, a change in government in December 2015 led to several changes in economic policies and resulted in increased interest from global stakeholders. This viewpoint describes the development of the global services industry in Argentina from 2011 to date, including the latest developments. In addition, it also provides Everest Group's outlook on the global services sector in the country in the next three to five years
3. **Buyer Geography and Industry Trends reports:** Trends for Q4 2016. These reports provide data, developments, and insights on outsourcing and offshoring trends for a particular buyer geography / industry. These reports provide the research and analysis that enable users to navigate through complexity and make clear, effective decisions suited to their focus region or specific industry. These reports provide detailed information on transaction activities, Global In-house Center (GIC) developments, service providers' market shares, and key outsourcing transactions. Regions covered include: the United States and Canada; Europe; and Rest of the World. Industries covered include: Banking, Financial Services, and Insurance (BFSI); Manufacturing; Retail & Consumer Packaged Goods (CPG); Energy & Utilities (E&U); Healthcare; Technology & communications; and Government

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

**Salil Dani**, Vice President – Global Sourcing:

[salil.dani@everestgrp.com](mailto:salil.dani@everestgrp.com)

**Gargi Verma**, Research Manager – Global Sourcing:

[gargi.verma@everestgrp.com](mailto:gargi.verma@everestgrp.com)

**Priyanka Birla**, Assistant Manager – IS, Research:

[priyanka.birla@everestgrp.com](mailto:priyanka.birla@everestgrp.com)

**Shivani Mudgil**, Senior Information Specialist – IS, Research:

[shivani.mudgil@everestgrp.com](mailto:shivani.mudgil@everestgrp.com)

**Akshay Pandita**, Senior Analyst – Global Sourcing:

[akshay.pandita@everestgrp.com](mailto:akshay.pandita@everestgrp.com)

Website: [www.everestgrp.com](http://www.everestgrp.com) | Phone: +1-214-451-3000 | Email: [info@everestgrp.com](mailto:info@everestgrp.com)



## 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 empower 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](http://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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