Everest Group® RESEARCH

Overview of Global Sourcing in Oil & Gas Vertical

Global Sourcing (GS)
Market Report – September 2017: Complimentary Abstract / Table of Contents

EGR-2017-9-PD-2339

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Background and scope of the research

Background of the research

The Oil and Gas (O&G) industry has been a moderate adopter of global sourcing. However, with declining oil prices and associated cost pressure, the industry is going through a transformative phase. Leading players have increased their focus on cost optimization to deal with declining revenues and profit margins. As a result, firms have started adopting emerging technologies (e.g., analytics, mobility, and IoT) to enhance operational efficiency. Moreover, players have also explored global services in upstream processes, that were traditionally been supported onsite and internally.

In this research, we analyze global services trends in the oil & gas industry. We focus on:

- Key drivers for adoption of global sourcing in the O&G industry
- Buyer adoption trends for leading players (aggregated and differentiated by upstream vs. downstream line of business), covering:
  - Functions/processes
  - Sourcing model(s)
  - Locations
- Technology landscape in the O&G industry – covering digital maturity of global services, extent of adoption, and investments in future growth areas by leading firms
- Growth outlook in next few years

This report will serve as a ready reckoner for both enterprises and service providers to obtain perspective on recent trends in global services industry and identify areas of growth

EGR-2017-9-PD-2339

Abbreviated summary of key messages

O&G industry overview

- Oil and coal account for the major share in energy generation globally
- Declining oil prices in recent years have impacted the overall revenue and operating profit for leading O&G companies
- Driven by volatile market environment, multiple O&G companies have adopted the global services model to achieve efficiency gains, cost savings, and standardization of processes, operating models, and functions

Buyer adoption trends

- Sourcing model preference: While most of the leading O&G players have a preference for the GIC model over outsourcing, sourcing model preference varies across players based on lines of business (downstream vs. upstream), functions, and individual players
- Functions/processes: Global services maturity is high for IT and F&A across upstream and downstream businesses. While IT services are primarily delivered by service providers, GICs typically cater to BP services, with F&A and HR being the leading functions
- Locations leveraged: Downstream businesses typically leverage offshore locations, while upstream businesses rely on onshore locations for the majority of services

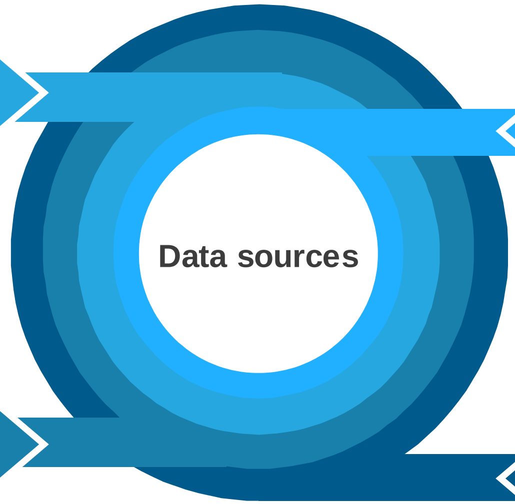
Technology landscape

- The adoption of digital in the O&G industry is in the initial to mid stages of maturity and is far behind the BFSI sector, which pioneered the adoption of digital for its global services initiatives. However, it is gaining momentum due to the benefits these evolving technologies offer.
- Both buyers as well as service providers are increasingly leveraging the digital engines of growth: Internet of Things (IoT), mobility, automation, analytics, and cloud
- Enterprises are also partnering with startups and other technology vendors to leverage their niche skills and ready-to-use platforms for this sector

Outlook and implications

- Oil and gas firms have been one of the early adopters of global sourcing. However, with decline in profitability and rising cost pressure, a shift in the strategy is expected and might involve locations portfolio consolidation, increase in global sourcing adoption for upstream, increase in offshoring for non-traditional functions, service provider portfolio consolidation, digital disruption, and capability building

Everest Group has leveraged multiple information sources for this report



Proprietary datasets and IP

- Locations – covers 200+ locations
- GICs – database of 2,000+ GICs across offshore, nearshore, and onshore cities
- Service providers – database of 100+ providers

Primary interactions

- Our ongoing interactions with key stakeholders in the oil & gas industry
- Includes enterprises, GICs, and service providers

Additional secondary research

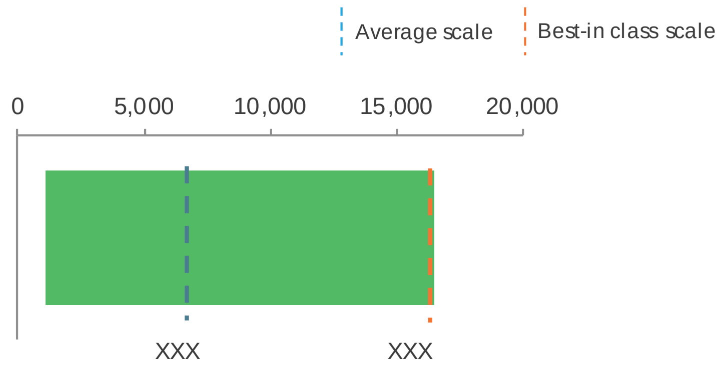
- Additional secondary research to augment Everest Group's existing IP and proprietary information in certain areas

Prior experience on similar studies

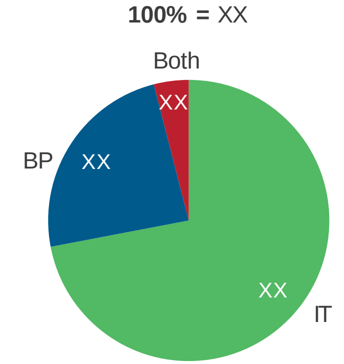
- Prior experience of supporting leading oil & gas companies on multiple initiatives (e.g., peer intelligence, benchmarking, and location assessment)
- Our understanding of global sourcing trends in oil & gas

This study provides a deep dive into key aspects of global sourcing in the oil and gas sector; below are four charts to illustrate the depth of the report

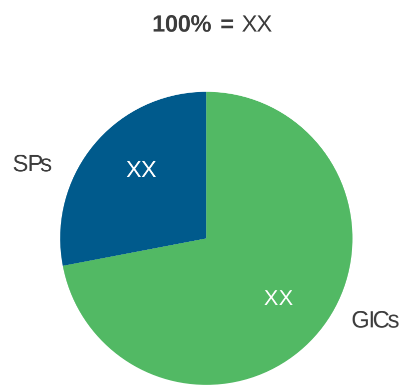
Offshore/nearshore scale for leading O&G companies
2016, FTEs in '000s



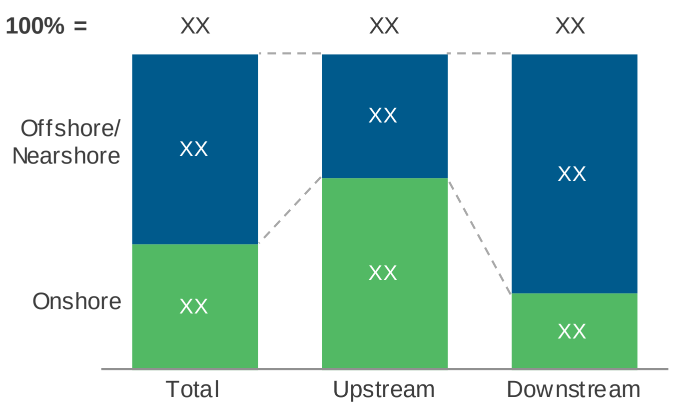
Distribution by function
2012-2016; Number of deals



Distribution of offshore/nearshore FTEs1 by sourcing model
2016; Number in '000s



Distribution of GIC FTEs by onshore and offshore locations across upstream and downstream businesses
Number of FTEs, 2016



Source: Everest Group (2017)

Market Vista Research Agenda

Published | Planned | Current release

Periodic Market Vista reports / webinar decks — Release date

Report	Release date
Market Vista: Q1 2017 / Q2 2017	May / August 2017
Industry trends[1]: Q1 2017 / Q2 2017	June / September 2017
Buyer Geography trends[2]: Q1 2017 / Q2 2017	June / September 2017
Webinar Deck: Market Vista™ 1Q17 Update PLUS an Exploration of Hybrid Sourcing Delivery Models	May 2017
Webinar Deck: Is the New World [Dis]Order Driving U.S. Domestic Sourcing? Plus Market Vista™ Q2 2017	August 2017
Market Vista: Q3 2017	Q4 2017

Thematic Market Vista reports / viewpoints / webinar decks

Report	Release date
Are there productivity differences across locations?	March 2017
Webinar Deck: Make America Great Again – Protecting American Jobs	April 2017
Impact of Changes to H-1B Visa Program on Service Provider Margins	April 2017
Mexico IT-BPM Industry: Maintaining Competitiveness Amidst Uncertainty	May 2017
The Curious Case of Infosys and Vishal Sikka	August 2017
India Global Services Industry: A Look Back at the Last Decade and Our Future Outlook	August 2017
Overview of Global Sourcing in Oil & Gas Vertical	**September 2017**
Proposition of India as a location for English Contact Center services	Q3 2017

1 Publish seven industry trend reports every quarter: BFSI, Manufacturing, Retail & CPG, Energy & utilities, Healthcare, Technology & communication, and Government sector. Publish three buyer geography trend reports every quarter: U.S. and Canada, Europe, and Rest of the World

Note: For a list of all Market Vista publications, please refer our w ebpage

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. **Energy & Utilities: Global Services Trends in Q2 2017:** (EGR-2017-8-R-2323) – The report provides industry-specific data, developments, and insights that enable global sourcing managers to navigate through the complexity and make clear and effective decisions. These report also provides detailed information on transaction activities, Global In-house Center (GIC) developments, service providers' market shares, and key outsourcing transactions specific to energy and utilities sector.

2. **Energy & Utilities: Global Services Trends in Q1 2017:** (EGR-2017-8-R-2184); 2017. The report provides industry-specific data, developments, and insights that enable global sourcing managers to navigate through the complexity and make clear and effective decisions. The report also provides detailed information on transaction activities, Global In-house Center (GIC) developments, service providers' market shares, and key outsourcing transactions specific to energy and utilities sector.

3. **Outsourcing and Offshoring Trends in the Oil and Gas Sector** (EGR-2013-2-R-0938); 2013. This report provides insights on enterprises relooking at their global sourcing approach as the sector is impacted significantly by economic crisis, technical advancement, and new discoveries during past few years. Price volatility has also been a challenge for firms in this sector. During these challenging times, firms realigned their global sourcing approach and are adopting it as per the specific needs. Service providers, on the other hand, are developing distinctive capabilities as per the need of the buyer and industry

For more information on this and other research 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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