Managed Service Provider (MSP) Annual Report 2019 – Navigating Through Uncharted Territories: Is the Industry Compass-Ready?

Managed Service Provider (MSP)
Annual Report – December 2018: Complimentary Abstract / Table of Contents

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

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In addition to a suite of published research, a membership may include

- Price book
- Accelerators™
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- Workshops

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

Membership information

- This report is included in the following research program(s)
  – **Managed Service Provider (MSP)**
- **If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com, unitedkingdom@everestgrp.com, or india@everestgrp.com**

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

- Everest Group's proprietary database of over **800 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

- Everest Group's proprietary database of **operational capability of 20 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

- Ongoing buyer surveys and interactions
  - Everest Group's **executive interviews 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

AgileOne · ALLEGIS GLOBAL SOLUTIONS · AMN Healthcare · Brainnet · B · CAPITA RESOURCING · CROSS COUNTRY HEALTHCARE · FIRCROFT · GRI · guidant global · HAYS Talent Solutions Intelligent Resourcing · HCMWORKS · KELLYOCG · pontoon · PROUnlimited · randstad sourceright · TAPFIN ManpowerGroup Solutions · VOLT Consulting Group · 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

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Overview and abbreviated summary of key messages

This report examines the global 2017-18 MSP service provider landscape and its impact on the MSP market. It focuses on growth in the MSP market, changing market dynamics and emerging service provider trends. It also identifies the key implications of the research findings for buyers and service providers.

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

MSP market size and adoption

- The MSP market is growing steadily on the back of an increasing demand for contingent workforce globally. The total annual contingent spend managed by the MSP service providers stood at US$127-132 billion in 2017, with ~11% growth YoY
- While the global MSP market as a whole witnessed strong growth, there were significant variations in growth at the regional level:
  - North America continued to grow at a CAGR of ~9.2% between 2015 and 2017, to reach US$73-76 billion
  - After a slight slowdown in 2016, the EMEA market recovered in 2017, posting a CAGR of ~12.3% during 2015-2017 to reach US$40-43 billion
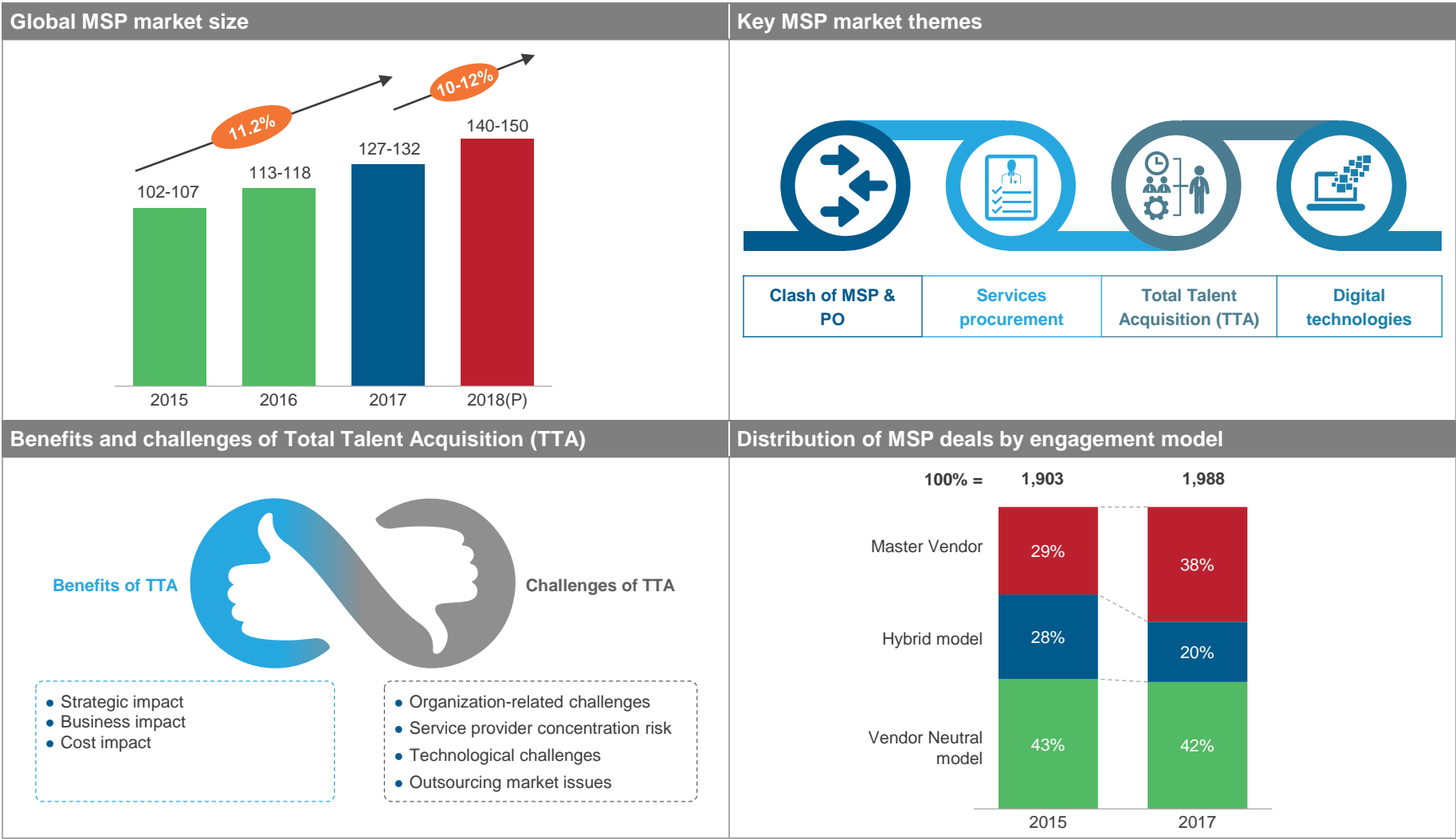 - The Asia Pacific market reached US$11.5-12.5 billion, after growing at a CAGR of ~18.3% during 2015-2017

Key MSP market themes

- While the traditional temporary labor constitutes a major chunk of the MSP spend, services procurement/statement of work (SOW) spend, managed by MSPs, is slowly capturing an incremental share of the pie, owing to its rapid growth across regions
- In 2017, the market also witnessed an uptick in the number of RFIs for Total Talent Acquisition (TTA). While Europe remains the largest TTA adopter, increased activity in North America and the Asia Pacific region was witnessed
- Digital technologies in talent acquisition are advancing rapidly, and as contingent workforce across industries and buyer segments is taking different shapes and forms, the role of technology in MSP is becoming all the more crucial

Buyer adoption and solution trends

- With the concept of MSP maturing and many contracts coming up for renewal, deal size and scope are witnessing an uptick. As a result, the number of mega deals (spend >US$300 million) in the market has seen a rapid growth
- There has been a consistent increase in the adoption of MSP by the small- / mid-market buyer segment, which is becoming an important growth driver for the global MSP market
- Financial services, hi-tech and telecom, manufacturing, and healthcare & pharma are the biggest adopters of MSP, accounting for over 70% of the total global MSP 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

Global MSP market size

11.2%

10-12%

- 102-107 (2015)
- 113-118 (2016)
- 127-132 (2017)
- 140-150 (2018(P))

Key MSP market themes

| Clash of MSP & PO | Services procurement | Total Talent Acquisition (TTA) | Digital technologies |

Benefits and challenges of Total Talent Acquisition (TTA)

Benefits of TTA

Challenges of TTA

- Strategic impact
- Business impact
- Cost impact

- Organization-related challenges
- Service provider concentration risk
- Technological challenges
- Outsourcing market issues

Distribution of MSP deals by engagement model

100% = 1,903 1,988

	2015	2017
Master Vendor	29%	38%
Hybrid model	28%	20%
Vendor Neutral model	43%	42%

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Research calendar – Managed Service Provider (MSP)

■ Published   ■ Planned   [ ] Current release

Flagship MSP reports	Release date
Managed Service Provider (MSP) Annual Report 2016 – Embracing the New Talent Landscape	June 2017
Managed Service Provider (MSP) – Service Provider Landscape with PEAK Matrix™ Assessment 2017	September 2017
Managed Service Provider (MSP) Service Provider Profile Compendium 2017	October 2017
Managed Service Provider (MSP) Annual Report 2018 – Towards the Next Frontier – Boldly Going Where Few Have Gone Before	December 2017
Managed Service Provider (MSP) – Service Provider Landscape with PEAK Matrix™ Assessment 2018 – Asia Pacific	December 2017
Managed Service Provider (MSP) – Service Provider Landscape with Services PEAK Matrix™ Assessment 2018	September 2018
Managed Service Provider (MSP) Service Provider Profile Compendium 2018	September 2018
Services procurement PEAK Matrix™ Assessment	December 2018
Managed Service Provider (MSP) Annual Report 2019 – Navigating Through Uncharted Territories: Is the Industry Compass-Ready?	**December 2018**

Thematic MSP reports	Release date
Offshoring in MSP: A Scenario-Based Analysis of Potential Savings	October 2016
Managed Service Provider (MSP): A Peek into the Buyer's Mind – Continuous Innovation is the Key to Buyer Delight	February 2017
Enterprise Total Talent Acquisition (ETTA) – The Future Ready Talent Approach	May 2017
Managed Service Provider (MSP): A Peek into the Buyer's Mind – Digital and Futuristic Outlook is the Key to Buyer Delight	August 2018
The clash of MSP & PO	Q1 2019

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

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Additional MSP research references

The following documents are recommended for additional insight on 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. **Managed Service Provider (MSP) – Service Provider Landscape with PEAK Matrix™ Assessment 2018 – Asia Pacific** (EGR-2017-3-R-2501); 2017. This report examines the dynamics of the Asia Pacific MSP service provider landscape and its impact on the MSP market. Based on the comprehensive Everest Group PEAK Matrix, each of the MSP service providers are segmented into Leaders, Major Contenders, and Aspirants. The report also provides key insights into the capabilities of various service providers. It will assist key stakeholders (service providers, buyers, and technology providers) understand the current state of the regional MSP service provider landscape

2. **Managed Service Provider (MSP) Annual Report 2018 – Towards the Next Frontier – Boldly Going Where Few Have Gone Before** (EGR-2017-3-R-2471); 2017. The global Managed Service Provider (MSP) market continued to remain one of the fastest-growing single-process HRO markets. It is expected to pose a high growth rate of 9-11% in 2017, backed by ever-increasing demand for contingent workers, rise in adoption of Statement of Work (SOW), and the emergence of the gig economy, resulting in rapidly-increasing numbers of freelancers/ICs.

3. **Managed Service Provider (MSP) – Service Provider Landscape with PEAK Matrix™ Assessment 2017** (EGR-2017-3-R-2354); 2017. In an age of rapid economic, demographic, and digital & technological evolution, the MSP market is undergoing transformative changes as well. Providers investing substantially and continuously in innovation over the next few months will be able to meet the upcoming challenges most effectively and surge ahead of competition

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

Arkadev Basak, Vice President: arkadev.basak@everestgrp.com

Vishal Gupta, Practice Director   vishal.gupta@everestgrp.com

Krishna Charan, Senior Analyst: krishna.charan@everestgrp.com

Website: www.everestgrp.com | Phone: +1-214-451-3000 | Email: info@everestgrp.com

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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 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.

Dallas (Headquarters)
info@everestgrp.com
+1-214-451-3000

Bangalore
india@everestgrp.com
+91 806-781-9999

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
+1-416-388-6765

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