Everest Group®
RESEARCH



Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World

Locations Insider™
Annual Report – June 2018: Complimentary Abstract / Table of Contents

Copyright © 2018, Everest Global, Inc.
EGR-2018-37-CA-2648

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
- Customer Experience Management Services
- Digital Services
- Engineering Services
- Finance & Accounting
- Human Resources
- ITS | Banking & Financial Services
- ITS | Healthcare & Life Sciences
- ITS | Insurance
- IT Services Forecaster™
- Locations Insider™
- PricePoint™
- Procurement
- Recruitment & Talent Acquisition
- Service Optimization Technologies

Membership information

- This report is included in the following research program(s)
  - **Locations Insider™**
- **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**

More about membership

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

- Price book
- Pinnacle Accelerators
- Data cuts
- Analyst access
- Virtual Roundtables
- 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

Everest Group® RESEARCH

Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

Contents

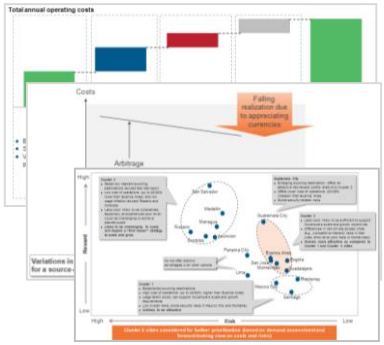
1. Introduction and overview
2. Summary of key messages
3. Key trends shaping the landscape
4. Risk Watch
5. PEAK Matrix™
6. Center setup activity database
7. Appendix

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Based on on-the-ground perspectives

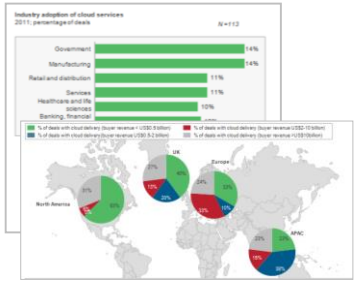
1

Robust definitions and frameworks
(Talent pool scalability and sustainability assessments, cost arbitrage sustainability, and risk assessment frameworks)



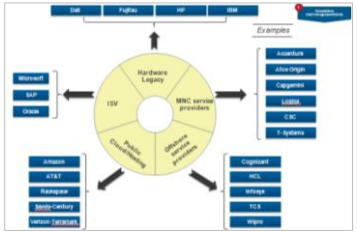
2

Primary sources of information
(Ongoing interactions with buyers, GICs/captives/SSCs, service providers, investment promotion agencies, recruiters, etc.)



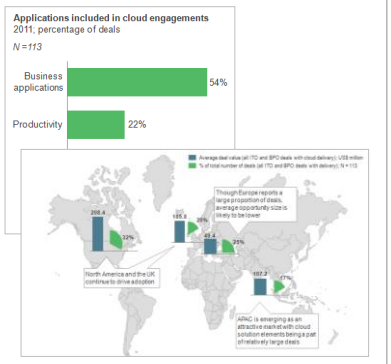
3

Diverse set of market touchpoints
(Ongoing interactions across key stakeholders, inputs from a mix of perspectives and interests, supports both data analysis and thought leadership)



4

Fact-based research
(Data-driven analysis with expert perspectives, year-round tracking of location and service provider activity, and country briefings)



- Proprietary tracking and databases on operating costs, labor pool, market activity, and risks
- Year-round tracking of 200+ locations around the world
- Coverage across all offshore, nearshore, and onshore locations across regions (APAC, Europe, North America, LATAM, and Africa)
- Over 100 global projects on supporting clients on location decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Everest Group® RESEARCH

Copyright © 2018, Everest Global, Inc.

Overview and abbreviated summary of key messages (page 1 of 2)

The Global Locations Annual Report 2018 is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – Key Trends Shaping the Landscape, Risk Watch and Locations PEAK Matrix™. It presents insights about the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions.

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

Key trends shaping the landscape

Growth of global services market

- The global services market witnessed lower growth in 2016-17 as compared to the previous year due to multiple factors including macroeconomic slowdown, increased trade protectionism, and uncertainties in legal and regulatory landscape. This was witnessed across revenue, headcount, and new center setup activity growth

Evolving location portfolios

- Increased evidence of players rethinking their location strategies given rapid rate of product-service evolution, changing customer expectations, and declining margins across industries. While Asia Pacific continues to be the destination of choice for center setups, service delivery is increasingly being characterized by greater adoption of Nearshore Europe

Shifting sourcing models and services mix

- There have been shifts even in sourcing models with enterprises adopting insourcing to a greater extent as compared to outsourcing. Additionally, given increasing digitalization, companies are focusing more on building skills in and delivery of IT-related services, particularly through the GIC model

The rise of reshoring

- There is evidence of sustained increased in reshoring given increasing need for front-office and back-office integration, strong digital-ready workforce, and increased regulatory oversight – these are more characteristic of onshore locations

Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

Overview and abbreviated summary of key messages (page 2 of 2)

Risk Watch

At an overall level, evidence of significant variations in operating and business environment risk across locations driven by multiple factors such as quality of IT/BP infrastructure, macroeconomic stability, safety and security, regulatory environment, and ease of doing business

- Across Asia Pacific, most locations offer favourable operating environment; however, there are some concerns around natural hazards in Indonesia and uncertain tax environment in the Philippines
- Within Americas, there some concerns around political stability, macroeconomic stability, and safety and security across locations such as Argentina, Brazil, Nicaragua, and Guatemala; other locations, such as Chile, Costa Rica, and Uruguay, offer relatively lower business risks
- In Europe, Middle East and Africa, most locations offer favourable business environment backed by strong infrastructure, strong macroeconomic conditions, and relatively stable political systems

PEAK Matrix™

The relative attractiveness of locations is driven by maturity, potential and cost-arbitrage over source markets. While 2017 witnessed some changes in the relative positioning of the locations, going forward, we expect significant changes as players look to optimize their portfolios by expanding into nearshore markets

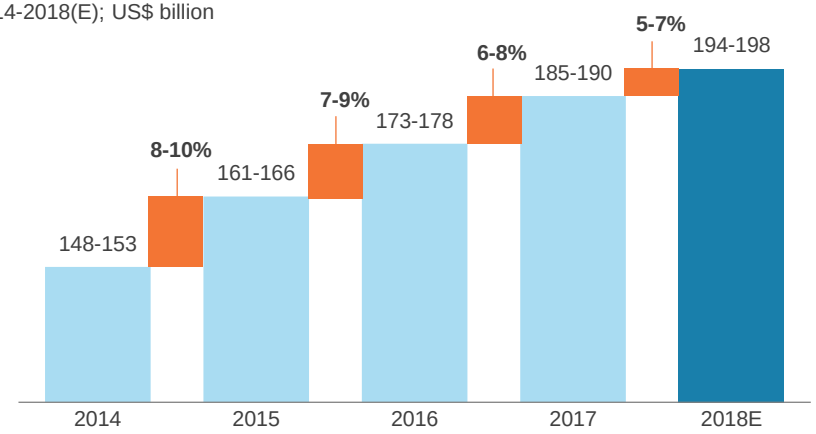
- Across Asia Pacific, India and the Philippines maintained their ‘’leader’’ positions for specific English delivery functions; there is evidence of increasing preference towards leveraging tier-2/3 locations.
- Within Americas, Argentina and Costa Rica remained ‘’leaders’’ for bilingual BPS delivery and are also known for IT and contact center delivery
- In Europe, Middle East and Africa, Poland continued to remain ‘’leader’’ for European languages BPS followed by Ireland

Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

This study includes three distinct reports providing a deep dive into key aspects of global services market; below are key charts to illustrate the depth of the report (page 1 of 2)

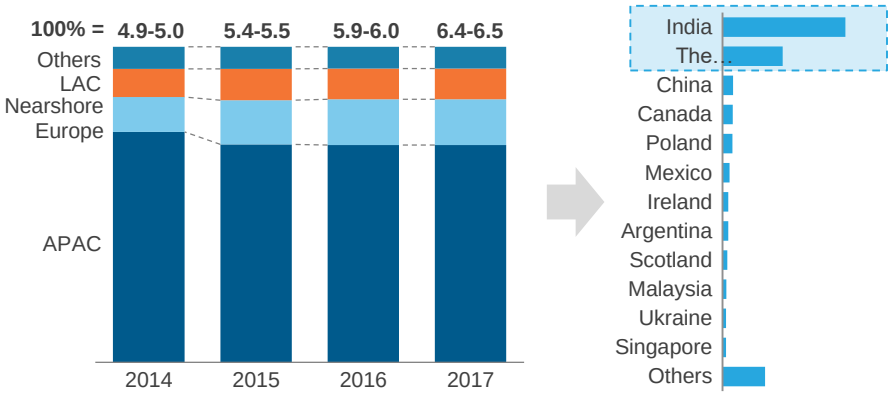
Global services revenue and growth

Global services revenue and growth
2014-2018(E); US$ billion



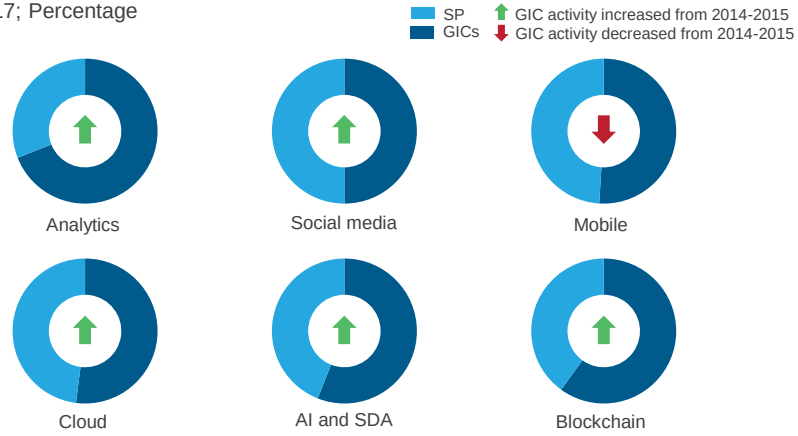
New center-setup activity by regions

Global services market | Share of delivery regions by headcount
2014-2017; Number of FTEs (in millions)



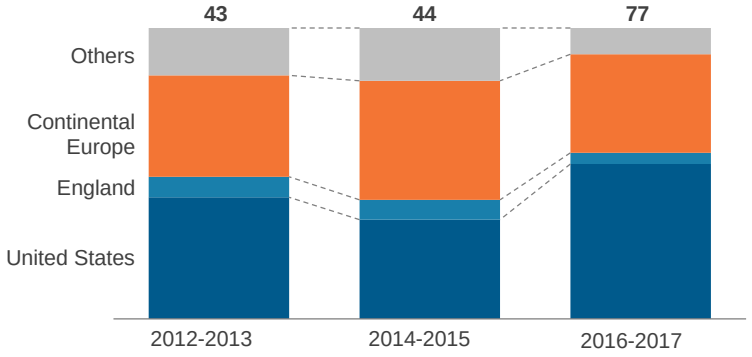
Breakup of digital center setup activity

Breakup of digital center set-up activity by functions and sourcing models
2016-2017; Percentage



The rise of reshoring

New onshore delivery centers of top 20 service providers by region
2012-2017; Number of centers



Everest Group® RESEARCH

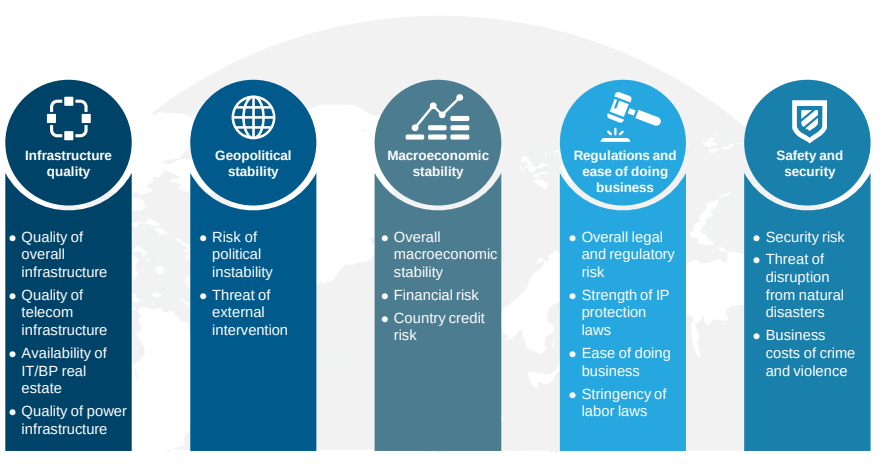
Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

This study includes three distinct reports providing a deep dive into key aspects of global services market; below are key charts to illustrate the depth of the report (page 2 of 2)

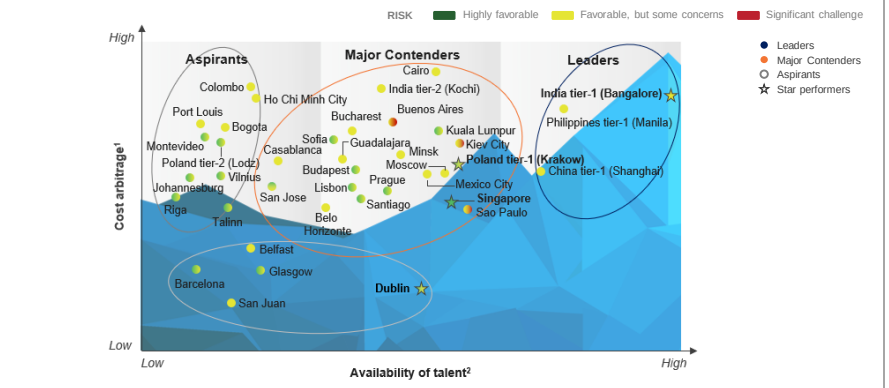
Global service delivery maturity of leading delivery locations



Operating/business risk across leading global delivery locations

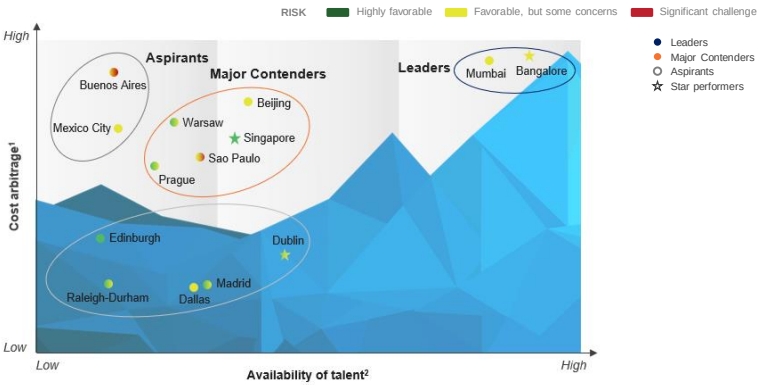


Everest Group Locations PEAK Matrix™ for IT-ADM



1 Current and forward-looking financial savings potential offered over source markets
2 Considers relevant entry-level and experienced talent
Note1: The assessment has been done only for a representative list of locations
Note2: We used representative cities to depict typical talent-cost positioning for tier-1 and tier-2 cities for some countries (e.g., Bangalore as a tier-1 city and Kochi as a tier-2 city in India); there could be other cities in the country that also offer comparable propositions to these cities
Source: Inputs from market players, recruitment firms, and investment agencies

Everest Group Locations PEAK Matrix™ for Analytics

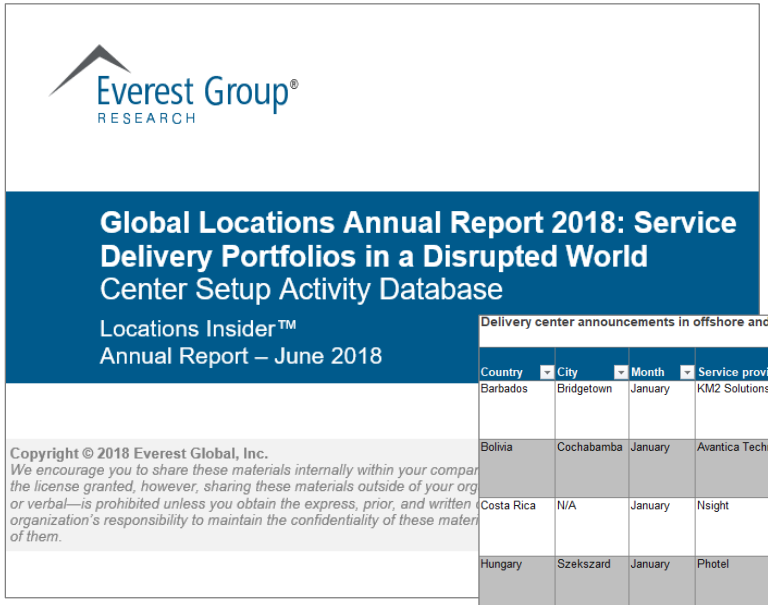


1 Current and forward-looking financial savings potential offered over source markets
2 Considers relevant entry-level and experienced talent
Note1: The assessment has been done only for a representative list of locations
Note2: We used representative cities to depict typical talent-cost positioning for tier-1 and tier-2 cities for some countries (e.g., Bangalore as a tier-1 city in India and Raleigh-Durham as a tier-2 city in the United States.); there could be other cities in the country that also offer comparable propositions to these cities
Source: Inputs from market players, recruitment firms, and investment agencies

Everest Group® RESEARCH

Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

The report also has a spreadsheet of data on locations activity in 2017– new centers set up by GICs and service providers



Delivery center announcements in offshore and nearshore regions: 2017

Country	City	Month	Service provider / GI	Headcount	Function	Other comments
Barbados	Bridgetown	January	KM2 Solutions	Capacity of 800 FTEs	BP – CC	Established a new facility at its campus in Bridgetown, Barbados. The company has also started providing new back-office services, such as loan pre-funding, logistics support, automobile funding/floor planning support, direct marketing sales & support, and B2B sales through voice, chat, and email from its facilities in Barbados
Bolivia	Cochabamba	January	Avantica Technologies	22 FTEs; plans	IT – ADM	Established its sixth software engineering center in Cochabamba, Bolivia. The company
Costa Rica	N/A	January	Nsight			
Hungary	Szekszard	January	Photel			
India	Bangalore	January	Boeing			
India	Bangalore	January	NetApp			
India	Hyderabad	January	Salesforce			
India	Jaipur	January	Genpact			
India	Pune	January	Hexaware Technolog			

Delivery center announcements in onshore regions: 2017

Country	City	Month	Service provider / GI	Headcount	Function	Other comments
Canada	Sudbury	January	Millenium1 Solutions	250 FTEs	BP – CC	Established a new call center in Sudbury, Canada. The company plans to provide support in English and French languages
U.S.	Columbia	January	Teleperformance	160 FTEs	BP – CC	The company is hiring160 new employees at its Columbia, South Carolina, contact center
U.S.	Fort Collins	January	Qualfon	150 FTEs	BP – CC	Qualfon hired 150 employees as customer service and inbound sales executives at its facility in Fort Collins, Colorado
Australia	Melbourne	February	Cognizant	Plans to hire 100 FTEs by 2020	IT – ADM	Cognizant opened a digital business collaboratory in Melbourne, Australia, which is expected to create more than 100 jobs in the region. The center will help customers design, prototype, and build solutions with the firm
Canada	Charlo-ttetown	February	Hinduja Global Solutions (HGS)	170 FTEs	BP – CC	HGS is hiring 170 new employees for its contact center in Charlottetown, Canada, to provide support for its new media and communication client. The new roles will be for customer service agents, team leaders, and administrators
Canada	Toronto	February	Scotiabank	350 FTEs	IT	Established its digital factory in Toronto, Canada, to develop technological solutions for improving customer experience. The lab will house digital, design, engineering, and agile experts
Finland	Espoo	February	Nagarro	N/A	IT	Established a new office in Espoo, Finland. The company provides technology services for digital disruptions
The Netherlands	Amsterdam	February	HCL	Plans to hire 200 FTEs	IT and BP – sales	HCL opened a global business hub in Amsterdam, Netherlands, to serve banking firms in the region. The new center will serve as a sales and solution center, providing information and communication technology services to companies in the financial sector and FinTech startups
The United Kingdom	London	February	Accenture	N/A	IT – ADM	Accenture opened its first liquid studio in London, England, to help clients speed up innovation through rapid prototyping and application development
The United Kingdom	Manchester	February	Kier	250 FTEs	BP – F&A	Established a new finance shared services center in Manchester, United Kingdom, to provide invoice, billing, project finance management, and tax & accounting services
U.S.	Denver	February	Cap Tech	50 FTEs by 2019 end	IT	Established a new office in Denver, Colorado, to serve its clients globally
U.S.	Houston	February	Accenture	N/A	IT – ADM	Accenture opened a new innovation hub to offer clients access to a range of capabilities, including an innovation center that applies new thinking and technologies to solve business problems, and a liquid studio that turns concepts into prototypes through rapid software application development
Australia	Melbourne	March	Ugam	N/A	BP – analytics	Established its Australia and New Zealand headquarters in Melbourne, Australia. The company offers advanced analytics for retailers and manufacturers
Australia	Melbourne	March	Contino	N/A	IT	Established an office in Melbourne, Australia, to provide software development and DevOps services in the Asia Pacific region

Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

Research calendar – Locations Insider™

Published Planned Current release

Flagship Locations Insider™ reports	Release date
"Next-wave" Location Profiles – Belfast, Northern Ireland	October 2017
"Next-wave" Location Profiles – Medellín, Colombia	November 2017
"Next-wave" Location Profiles – Chengdu, China	January 2018
"Next-wave" Location Profiles – Atlanta, United States.	January 2018
"Next-wave" Location Profiles – Manchester, United Kingdom	February 2018
Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World	**June 2018**
“Next-wave" Location Profile – Johannesburg, South Africa	Q2 2018
"Next-wave" Location Profiles – Timisoara, Romania	Q2 2018

Thematic Locations Insider reports	
Changing the Contact Center Delivery Model to Target Customer Experience	October 2017
What is the True Maturity of Indian Contact Center Market?	October 2017
Brexit, GDPR, and Digital Winds of Change: Disruption or Transformation of Service Delivery to the UK and Ireland?	October 2017
Poland Tier-2/3 Cities: Complementing Tier-1 cities or Carving a Niche for Digital Services	December 2017
Betting on the Future – The Bangladesh IT-ITeS Industry is Poised for Growth	December 2017
What Will 2018 Have in Store for Locations Strategies?	May 2018
Contact center services for the U.S. market: Shifting Location Strategies for Shifting Market Demands	Q2 2018
Where are FinTech Startups Concentrated?	Q2 2018

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

Everest Group® RESEARCH

Copyright © 2018, Everest Global, Inc.
EGR-2018-37-R-2646

Additional Locations Insider™ 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. **Poland Tier-2/3 Cities: Complementing Tier-1 Cities or Carving a Niche for Digital Services?** (EGR-2017-2-R-2451); 2017. The cities in Poland play a critical role in the delivery of global services for both global and European players. As the global services industry matures, there is a gradual shift in the mix of locations being leveraged. With increasing competition, companies are looking to reduce costs and access additional talent pool for services delivery. The last few years have witnessed a surge in interest for global services delivery from tier-2 and tier-3 cities in Poland. Further, the "digital winds of change" have forced players to rethink their sourcing strategy to build and sustain digital capabilities. Unlike other geographies (e.g., India and the Philippines), where tier-1 cities account for more than 70% of all digital delivery centers, Poland has witnessed significant activity for digital services in tier-2/3 cities as well

2. **Brexit, GDPR, and Digital Winds of Change: Disruption or Transformation of Service Delivery to the United Kingdom and Ireland?** (EGR-2017-2-R-2388); 2017: Offshore, nearshore, and onshore locations play a critical role in delivery to the United Kingdom and Ireland. Over the last few years, demand from UK- and Ireland-based enterprises has increased significantly across IT, voice BPS, non-voice BPS, and digital services. This report provides a detailed assessment of locations (globally) supporting demand from the UK and Ireland region

3. **Global Locations Annual Report 2017: Signs of Structure in a Disordered World** (EGR-2017-2-R-2234); 2017. The global services locations landscape continued to witness stable growth in 2016 in terms of revenue; however, the growth rate was slower than the previous year owing to macroeconomic slowdown, political instabilities, and volatility in equity and investment markets. This period continued to witness a shift from traditional locations; particularly, the share of India in terms of both center set-up activity and headcount reduced in 2016 as compared to some other locations in Nearshore Europe and Asia, which witnessed increase in their respective shares. This year also saw increase in delivery of IT and engineering/R&D services as compared to business process services. The Global Locations Annual Report 2017 is a unique and comprehensive guide to understanding the nuances of the locations landscape and interpreting locations-related developments and trends to frame locations strategy. It presents insights into the size and growth of the global services market, update of center set-up activity, changes in risk profiles of locations, and an analysis of the maturity, arbitrage, and potential of locations (MAP Matrix™)

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

Anurag Srivastava, Vice President: anurag.srivastava@everestgrp.com

Shailee Raychaudhuri, Senior Analyst: shailee.raychaudhuri@everestgrp.com

Chirag Bhatia, Senior Analyst: chirag.bhatia@everestgrp.com

Rajat Tewari, Senior Analyst: rajat.tewari@everestgrp.com

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

Everest Group® RESEARCH

Copyright © 2018, Everest Global, Inc.
EGR-2018-X-CA-2648

Everest Group®

From **insight** to ***action***.



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

Stay connected

Website

www.everestgrp.com

Social Media

@EverestGroup

@Everest Group

Blog

Sherpas In Blue Shirts

www.sherpasinblueshirts.com