



Will Tier-2/3 Indian Cities Carve a Niche in the Digital Story?

Locations Insider™ (LI)

Market Report – November 2018: Complimentary Abstract / Table of Contents

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

▶ Data & Analytics

▶ Digital Services

▶ Engineering Services

▶ Finance & Accounting

▶ Human Resources

▶ ITS | Banking & Financial Services

▶ ITS | Healthcare & Life Sciences

▶ ITS | Insurance

▶ IT Services Executive Insights™

▶ 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
- 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

Table of contents

Topic	Page no.
Background and methodology	4
Summary of key messages	9
Section I: Market overview	16
• Market size	17
• Key delivery locations	18
• Key digital services delivered	19
Section II: Value proposition of tier-2/3 cities in India for digital services delivery	20
• Talent pool assessment	21
• Market maturity	27
• Operating cost assessment	29
• Operating and business environment assessment	35
Section III: Comparative assessment of tier-2/3 cities for digital services delivery	42
• PEAK Matrix™	43
• Best-fit location options	46
Section IV: Key drivers, challenges, and future outlook for digital services delivery from tier-2/3 cities	47
• Key drivers	48
• Key challenges	49
• Forward looking views	50
Appendix	51
• Glossary of terms	52
• Research calendar	53
• References	54

Background of the report – what constitutes digital services?

Digital corresponds to new-age technologies aimed at enhancing the user experience, improving operational excellence, and achieving transformation

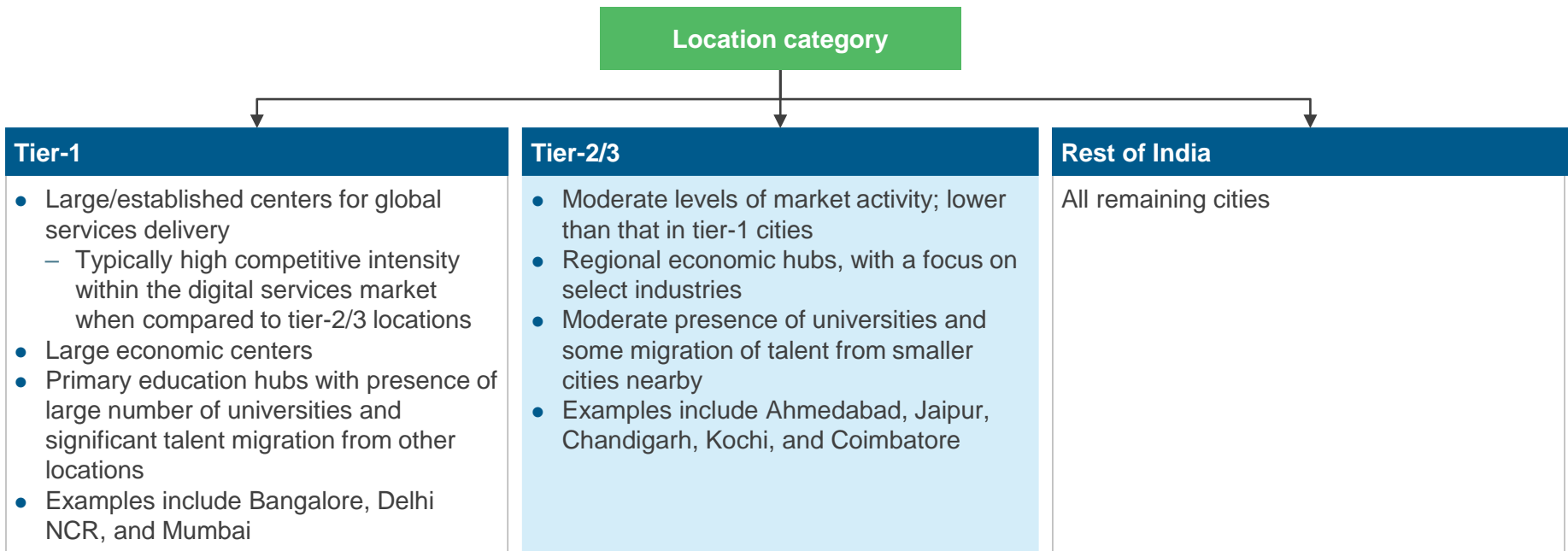
Digital segments	Services
 Social & interactive	<ul style="list-style-type: none"> • Social media monitoring • Social strategy and consulting • Social application development (front-end) • Social content and web development <ul style="list-style-type: none"> • Social analytics • Others (e.g., social commerce & content, social media marketing, and digital marketing platforms)
 Mobility	<ul style="list-style-type: none"> • Mobility testing • Mobility strategy, consulting, and platform development • Mobile device management: Software management, network management, and security management <ul style="list-style-type: none"> • Mobile applications – development and maintenance • Others (e.g., API management, introduce mobility UX design, and connected device engineering / embedded software)
 Analytics	<ul style="list-style-type: none"> • Core analytics (industry-standard analytics tools such as Statistical Analysis System (SAS) and Statistical Package for the Social Sciences (SPSS)) • Data architecture and management: Data architecture, master data management, and data migration <ul style="list-style-type: none"> • Data visualization and visualization implementation • Big data analytics and consulting • Analytics platform implementation
 Cloud	<ul style="list-style-type: none"> • Application development, migration, and deployment: Developing "green-field" apps with cloud features, migration of apps to cloud platform/implementation, customization, and integration of cloud apps • Cloud consulting / advisory services <ul style="list-style-type: none"> • Infrastructure build: Designing and building cloud infrastructure/customization and implementation • Infrastructure management and orchestration: Management of cloud assets, lights-on/helpdesk, orchestration, and other related activities
 Robotics Process Automation (RPA)	<ul style="list-style-type: none"> • Solutions that replace human action at various points of a business process • Others (e.g., business process management solutions and workflow solutions) <ul style="list-style-type: none"> • Intelligent RPA solutions (artificial intelligence): Solutions with built-in learning capabilities that can be leveraged to handle judgment-oriented tasks with the capacity to generate and store data as a part of their machine learning process
 Miscellaneous	<ul style="list-style-type: none"> • Internet of Things (IoT): Smart devices and sensors, M2M communication, and network management • Digital cybersecurity

1 Traditional business intelligence and data warehousing excluded from definition of digital used in the research

Cities can be classified into three broad categories based on their maturity for digital services delivery and economic profile

- Locations differ in terms of cost of operations, talent pool availability, business environment, and market activity
- To simplify location analysis, cities can be classified into three broad categories based on:
 - Extent/maturity of digital market activity (includes aspects such as number of delivery centers of service providers / GICs and digital export revenue)
 - Overall socio-economic status of the city (includes aspects such as economic growth, infrastructure, population, and educational institutions)

Focus of research



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
- Syndicated and custom research deliverables

1 Robust definitions and frameworks
(location assessment, sustainability, and scalability)

2 Proprietary databases
(global in-house centers, service providers, market activity, cost/labor, and transaction intelligence)

3 Diverse set of market touchpoints
(ongoing interactions across key stakeholders, input from a mix of perspectives, supports both data analysis and thought leadership)

4 Fact-based research
(data-driven analysis with expert perspectives, trend analysis across market adoption, contracting, and service providers)

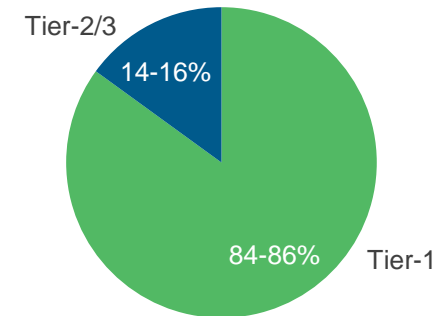
- A dedicated team for global sourcing research, comprehensively supporting all location-related requirements of clients (information, strategy, tracking, etc.)
- Comprehensive, year-round tracking of global sourcing activity across outsourcing transactions, locations, Global In-house Centers (GICs), and Service Providers (SPs)
- More than 20 years' experience in advising clients on global sourcing decisions spanning strategy, optimization, and implementation
- Executive-level relationships with buyers, service providers, country/industry associations, and other industry stakeholder (e.g., recruiters, real estate firms, and legal firms)

Summary of key messages

Market overview

- Digital services constituted 18-20% of the overall IT-BP services export revenue for India in 2017
- India accounts for three-fourth share in the global digital services delivery; tier-2/3 cities contribute 14-16% of the overall digital services delivery from India
- Tier-2/3 cities offer moderate cost advantage over tier-1 locations; these locations may play the role of hub locations for digital services, or act as spokes to large operations in tier-1 cities
- Going forward, digital services in tier-2/3 cities are expected to grow substantially, as delivery from tier-1 cities matures and companies face a more congested talent market

India digital services market
2018; Percentage of FTEs



Value proposition of tier-2/3 cities

Talent availability

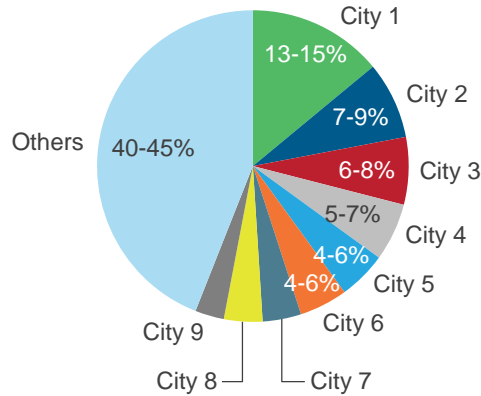
- **Entry-level talent:**
 - With more than 150,000 annual graduates for IT services and more than 500,000 annual graduates for back-office processes, these nine tier-2/3 Indian cities provide players the scope to expand their service portfolio from basic transactional processes to emerging/high-end digital technologies and complex back-office functions
- **Experienced talent:**
 - In terms of experienced talent, Jaipur, Ahmedabad, Coimbatore, and Chandigarh are the most attractive locations and have the largest employed talent pool

Operating cost

- In terms of operating costs, most tier-2/3 cities offer higher cost savings (9-14%) over tier-1 baseline city for digital services work (technology, analytics, and operations)

This study offers four distinct chapters providing a deep dive into the location strategies of the Indian tier-2/3 cities for digital services market; below are four charts to illustrate the depth of the report

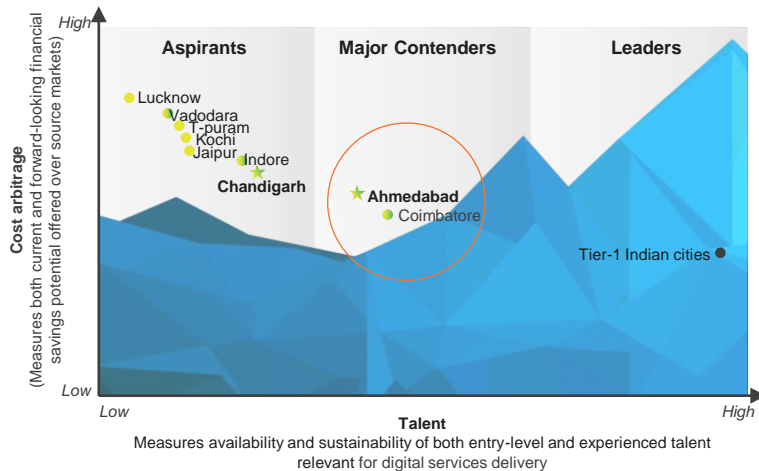
India tier-2/3 cities digital services market



Annual operating cost range per FTE (US\$ '000 per annum, 2018)

City	Digital operations	Digital technology	Digital analytics
Baseline city	xx	xx	xx
Cluster 1	9.5-11.5	17.5-19.5	18.5-20.5
Cluster 2	9.0-11.0	17.0-19.0	18.0-20.0
Cluster 3	8.5-11.5	16.5-18.5	17.5-19.5

Everest Group Location PEAK Matrix™ for digital services delivery



Operating and business environment

City	Quality of life 2018; Ratings	Quality of infrastructure, connectivity, and ease of management 2018; Rating	Safety and security risk 2018; Rating	Ease of doing business 2018; Rating	Incentives 2018; Rating	Overall rating 2018
Baseline City	Highly favorable, limited/no concerns	Favorable, some concerns	Unfavorable, multiple concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 1	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 2	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 3	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 4	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 5	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 6	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 7	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 8	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns
City 9	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns	Favorable, some concerns

Notes:

- All cities have presence of top Indian universities and leading hospitals. Further, most locations have favorable weather characterized by long summer months (except for Kochi and T-puram).
- Highest vehicle density across India.
- Undergoing construction of metro and monorail. Has limited connectivity to Bangalore and the United States.
- Vulnerability to floods and earthquakes with the highest number of crimes.
- Lowest crime rates across tier-2/3 cities.
- Labor commission of Karnataka certified an IT trade union (KITU) ahead of restructuring by existing players.
- No stated government incentives. Standard investment subsidy on gross fixed capital investment.

Glossary of key terms used in this report

Term	Definition
Business Process Services (BPS)	Business Process Services refers to one or more internal processes or functions in a company; either supported in-house or purchased from another company in the business of providing such services at large or as a third-party provider
Buyer/enterprise	The company/entity that purchases outsourcing services from a provider of such services
Digital services	Digital corresponds to new-age technologies, such as social & interactive, mobility, analytics, cloud, and robotic process automation, aimed at enhancing the experiences of users
FTEs	Full-Time Employees on the rolls of the company
Global In-house Center (GIC)	“Global In-house Center”, “GIC”, and “Shared Services Center” are interchangeable terms to describe the capabilities that may reside in a lower-cost (offshore) location to deliver services supporting corporate and business functions
Global services	Exports of services such as business process and IT. Includes notional revenue of in-house/ captive/ shared services organizations as well as revenue of third-party service providers. Does not include revenues from serving domestic (national) markets
Information Technology (IT) services	IT services refer to processes such as applications development, applications maintenance, infrastructure management, and systems integration & consulting
Onshoring	Onshoring refers to obtaining of services from entities (either in-house or third-party) located within the same country
Service provider (SP)	A company/entity that provides outsourcing services to another company/entity

Research calendar – Locations Insider™

Published
 Planned
 Current release

Flagship Locations Insider™ reports

Release date

Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World	June 2018
"Next-wave" Location Profile – Timisoara, Romania	June 2018
"Next-wave" Location Profiles – Santiago, Chile	June 2018
"Next-wave" Location Profile – Bangalore, India	July 2018
"Next-wave" Location Profiles – Johannesburg, South Africa	August 2018
"Next-wave" Location Profile – Singapore	August 2018
"Next-wave" Location Profiles – Campinas, Brazil	August 2018
"Next-wave" Location Profile – Dublin, Ireland	September 2018

Thematic Locations Insider reports

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	July 2018
Will Tier-2/3 Indian Cities Carve a Niche in the Digital Story?	November 2018
Where are FinTech Startups Concentrated?	Q4 2018

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

Additional research references

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

- 1. Shared Services Centers and Digital Transformation** ([EGR-2018-27-V-2542](#)): 2018: Shared services centers have offered organizations a strategic approach to realizing efficiency, while at the same time protecting themselves from economic uncertainty with onshore/offshore models that not only generate cost savings but also spread risks of disruption. Today, they are expected to deliver top-line impact as well as serve as cost centers. Organizations increasingly look to shared services centers to function as strategic partners in their transformation journey. In this report, we explore how shared services centers can play a key role in the digital transformation of their parent organizations through automation
- 2. BFSI GICs: Orchestrating Their Way to Digital Growth** ([EGR-2017-2-R-2515](#)): 2017. While digital adoption has been part of the strategy of BFSI GICs for some time, its broad-based emergence in the past few years is offering a new and powerful tool to GICs to create compelling avenues for the next wave of productivity and value addition for their parent enterprises. During the period between 2015-2017, GICs, especially in the BFSI vertical, have made multiple rounds of investments to embrace digital technologies, recalibrate talent models, and foster a culture of innovation in their organizations. This report looks at the evolution of their journeys, current state of digital adoption, key challenges faced, and best practices adopted
- 3. India Global Services Industry: A Look Back at the Last Decade and Our Future Outlook** ([EGR-2017-0-EB-2314](#)): 2017. A decade ago, Everest Group made some predictions about the Indian global services industry. In this Executive Briefing, we look back at our forecasts to see what we got right, what we got wrong, and where the market is today
- 4. RPA Implementation in GICs – Learnings and Best Practices** ([EGR-2017-2-R-2514](#)): 2017. As global organizations shift from an “arbitrage-first” to a “digital-first” model of service delivery, adoption of digital technologies has accelerated. RPA is gaining acceptance among GICs, as it enhances the value proposition of these offshore in-house delivery centers by offering incremental cost savings over arbitrage, means to improve quality of service delivery, and drive operational efficiencies. This report captures key learnings of best-in-class GICs that have undertaken RPA implementation

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

Anurag Srivastava, Vice President, Global sourcing anurag.srivastava@everestgrp.com

Ashish Jain, Senior Analyst, Global sourcing ashish.jain@everestgrp.com

Rohan Kapoor, Analyst, Global sourcing rohan.kapoor@everestgrp.com

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

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](http://www.sherpasinblueshirts.com)

www.sherpasinblueshirts.com