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Global In-house Center (GIC) Annual Report 2019: Enterprises Insourcing IT Services to Their GICs

GIC membership / Catalyst™
Annual Report – July 2019: Complimentary Abstract / Table of Contents

EGR-2019-34-CA-3238

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- 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

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Overview and abbreviated summary of key messages

This report provides a deep dive into the GIC landscape and a year-on-year analysis of the GIC trends in 2018, comparing them with trends in last two years. The research also brings out key insights into the GIC market across locations, verticals, and functions and concludes with a deep dive into the increasing insourcing of IT services delivery in GICs

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

Overview of the GIC landscape

- The GIC segment accounted for ~26% of the global offshore services market (estimated at ~US$196 billion in 2018)
- The GIC market has now grown to reach more than 3,100 centers and more than 1.4 million FTEs across leading offshore and nearshore locations. The activity is expected to continue, as GICs are becoming strategic partners to enterprises, bringing value beyond arbitrage and playing a central role in digital transformation and innovation initiatives

GIC landscape – 2018 year-in-review

- The GIC market continued to grow in 2018 (with ~20% YoY increase in the number of setups compared to 2017), driven by new setups from the manufacturing, HLS, and retail & CPG, and BFSI sectors
- While US-based firms had the largest share of GICs (45%-50%), their overall share has declined over the last few years due to high rate of maturity in terms of expansion and investment. Germany- and Switzerland-based firms drove the growth for Europe-based firms
- R&D / engineering services experienced a spike, with ~65% of new centers involved in delivering R&D / engineering services, driven by increased activity from BFSI, HLS, and manufacturing firms

Trends in the GIC market

- India, Rest of Asia, CEE and RONE, and MEA reported higher YoY GIC activity in 2018, on the other hand, GIC setups growth in LATAM declined during the period
- GIC activity in tier 1 locations increased in 2017-2018, after witnessing a gradual decline in the previous years, driven by new centers' focus on ER&D and digital services, talent for which is available in tier 1 cities
- While overall GIC penetration remains high for BPS in most verticals (ranging between 40% and 80%) and medium for IT (ranging between 35% and 60%), ER&D services have picked up in recent years and achieved significant penetration (ranging between 10% and 60%), especially for technology and manufacturing firms

Increasing insourcing of IT services delivery

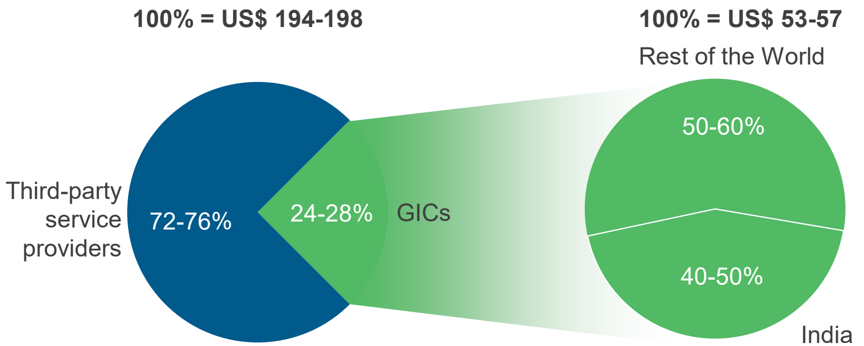
- Insourcing has experienced constant growth, with the share of GICs in overall IT services delivery for global organizations increasing from ~20% in 2010 to ~28% in 2018
- While enterprises continue to predominantly rely on service providers for IT services delivery, they have started leveraging the GIC model, which is consistently driving the share of GICs in the overall sourcing mix for IT services
- GICs are playing a critical role in helping enterprises adopt new digital technologies such as advanced analytics, machine learning, robotic process automation, blockchain, IoT, and artificial intelligence

This study offers four distinct chapters providing a deep dive into key aspects of GIC market; below are four charts to illustrate the depth of the report

Overview of GIC landscape

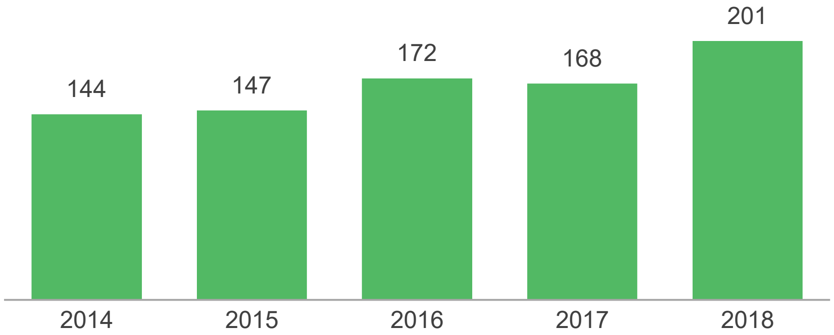
Distribution of the global services market by sourcing models
2018; US$ billion

GIC market size
2018; US$ billion



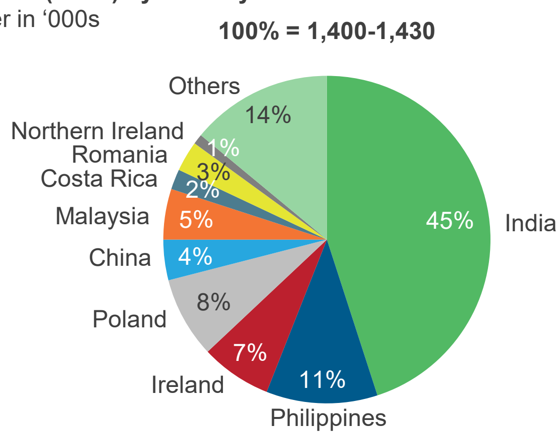
Number of GIC setups

Number of leading GIC setups
2014-2018; Number



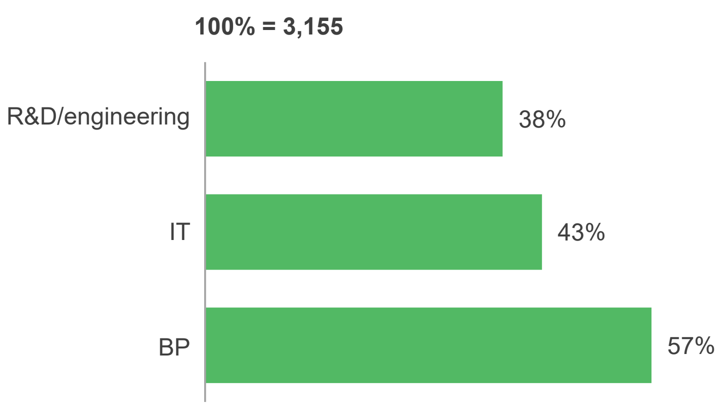
Location trends in the GIC market

GIC market size (FTEs) by delivery location
2018; Number in '000s



Functions served by GICs

Functions[1] served by GICs
2018; Number of GICs



Research calendar – Catalyst™

Published | Planned | Current release

Flagship Catalyst reports	Release date
Global In-house Center (GIC) Landscape Annual Report 2018 – GICs Emerging as Innovation CoEs for Global Enterprises	May 2018
Global In-house Center (GIC) Annual Report 2019: Enterprises Insourcing IT Services to Their GICs	**July 2019**

Thematic Catalyst reports and Viewpoints	
Digital maturity in GICs | Pinnacle Model™ Analysis 2018 (Excerpt)	Nov 2018
Banking, Financial Services, & Insurance GICs: Gaining Status, Driving Results	Dec 2018
Leading Innovation and Creating Value: The 2019 Imperative for GICs	Dec 2018
Redefining the Future of Work – Human Plus Technology	Jan 2019
State of GIC Adoption for Hi-Tech and Manufacturing Companies	June 2019
Healthcare and Life Sciences – India GICs Acting as a Transformation Lever to Drive Enterprises' Digital Agenda	June 2019
Data & Analytics in GICs | Pinnacle Model™ Analysis 2019 (Excerpt)	June 2019
GIC 4.0: What's Next in GIC Evolution Journey?	Q3 2019
Evolving Sourcing Strategy for Engineering Services	Q3 2019
Case Studies on Scaled RPA Adoption in GICs	Q3 2019
State of Adoption for Advanced Automation (RPA++ in GICs)	Q3 2019
State of Adoption for Upskilling/Reskilling in GICs (incl. case studies)	Q4 2019

Note: For a list of all Catalyst reports, please visit the Catalyst on our report portal.

Additional Catalyst™ research references

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

1. **Webinar Deck: How Enterprises Are Leveraging Data & Analytics to Deliver 2X More Value from Their Shared Services Centers** (EGR-21May19-Webinar); 2019. As technology adoption increases exponentially, organizations are challenged by the proliferation of data that the technology generates. Increasingly, Shared Service Centers / Global In-house Centers (SSCs/GICs) are leading their organizations' efforts to tame data and derive key insights from it. Based on our recent Pinnacle™ model research on data & analytics maturity in SSCs/GICs, this webinar shows executives how they can build capabilities in their SSCs/GICs to turn this challenge into a strategic asset, generating value and enhancing service delivery.
2. **Leading Innovation and Creating Value: The 2019 Imperative for GICs** (EGR-2018-34-R-3016); 2018. As GICs continue to evolve and deliver value beyond arbitrage, supporting enterprises' innovation agendas is becoming a competitive necessity. GICs have a strong foundation in service delivery, with deep domain skills and understanding of business needs, which allows them to help accelerate organization-wide innovation. In this report, Everest Group looks at GICs' current state of innovation adoption and how some leading GICs have successfully built these capabilities. The report also suggests the innovation equation enterprise leaders can leverage to drive successful innovation. This report is anchored on our understanding of the GIC market, based on extensive experience and ongoing interactions with leading GICs~~,~~ and proprietary GIC databases.
3. **Global In-house Center (GIC) Landscape Annual Report 2018 – GICs Emerging as Innovation CoEs for Global Enterprises** (EGR-2018-34-R-2616); 2018. This report provides an in-depth analysis of the GIC landscape and trends. It covers market size, growth, and distribution of GICs by buyer portfolio, scale, functions supported, and offshore delivery locations. The research also provides an overview of the trends witnessed in the overall GIC landscape in 2018 and compares them with GIC activity in the previous two years, to bring forth key areas of difference

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

Rohitashwa Aggarwal, Practice Director: rohitashwa.aggarwal@everestgrp.com

Ashish Jain, Senior Analyst: ashish.jain@everestgrp.com

Shivani Mudgil, Assistant Manager: shivani.mudgil@everestgrp.com

Aditi Garg, Information Specialist: aditi.garg@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
+91-806-146-3500

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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