Everest Group® RESEARCH

Market Vista™: 2018 Year in Review and Outlook for 2019

Annual Report – March 2019: Complimentary Abstract / Table of Contents

Everest Group® MARKET VISTA™

EGR-2019-35-CA-3097

Our research offerings for global services

- ▶ Market Vista™
  Global services tracking across functions, sourcing models, locations, and service providers – industry tracking reports also available

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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 of the current document

The current document is a preview deck of “Market Vista™: 2018 Year in Review and Outlook for 2019” and showcases snippets from the detailed analysis conducted in the report.

The Market Vista Annual Report 2018[1], a 45 page report, provides an overview of the developments that took place in the global services industry in 2018. In addition, the report also highlights key trends and drivers pertaining to GICs, offshore/nearshore locations, service providers, and outsourcing transactions. It also covers the outlook for 2019 and potential implications for market participants.

The objective is to help buyers, analyst communities, experts, and business executives to assess sourcing market developments from service providers’ and buyers’ point of view. This can help them frame their opinion and take timely decisions.

Scope of this report:

- Outsourcing transaction trends and analysis (separate view across traditional and digital services)
- Offshore/nearshore GICs developments
- Onshore/offshore locations trends and risks (latest view on change in leverage of locations in recent years and key locations being leveraged for digital services)
- Service provider developments (including latest development in digital services)

1 Market Vista™: 2018 Year in Review and Outlook for 2019
Source: Everest Group (2019)

Global services market developments in 2018 | Summary of key trends

- Significant surge in outsourcing transactions driven by growth in BPO deals; however, a decline in overall ACV was witnessed in 2018 compared to the previous year
- New GIC setups recorded an all-time high activity due to rising preference for the DIY model and growing R&D-/engineering-focused setups
- Small/mid-sized enterprises are increasingly adopting the GIC model over the last two years
- Location activity was led by Asia Pacific and Nearshore Europe; share of the top-10 offshore/nearshore locations grew, driven by better talent availability in these locations
- Offshore-heritage service providers saw higher revenue growth compared to global service providers; strong execution and aggressive pricing contributed to this growth

Global services market developments in 2018 | Key dimensions assessed in this section

1 Outsourcing transactions

- Represents incremental demand from outsourcing in the global services industry
- Covers new outsourcing contracts/deals signed between enterprises and service providers

2 Global In-house Centers (GICs)

- Represents demand supported by enterprises through insourcing
- Covers new GIC setups, expansions, and divestitures

3 Location activity

- Represents new setups and expansions of centers supporting global services delivery in offshore/nearshore locations
- Helps in identifying the changing landscape of locations and emergence of new geographies

4 Service provider developments

- Depicts the key developments for Market Vista Index service providers[1]
- Includes assessment on operating revenue, margins, new center setups, expansions, M&A, and support on digital services

1 Represents Market Vista Index providers currently tracked under Market Vista subscription – see page 15 for details. Note that the list of providers is not fixed and can undergo change depending on emergence of new providers and decreasing relevance of the existing ones

Note: Represents information based on publicly available sources. Information from RFIs or other internal sources has not been included, given confidentiality constraints

Source: Everest Group (2019)

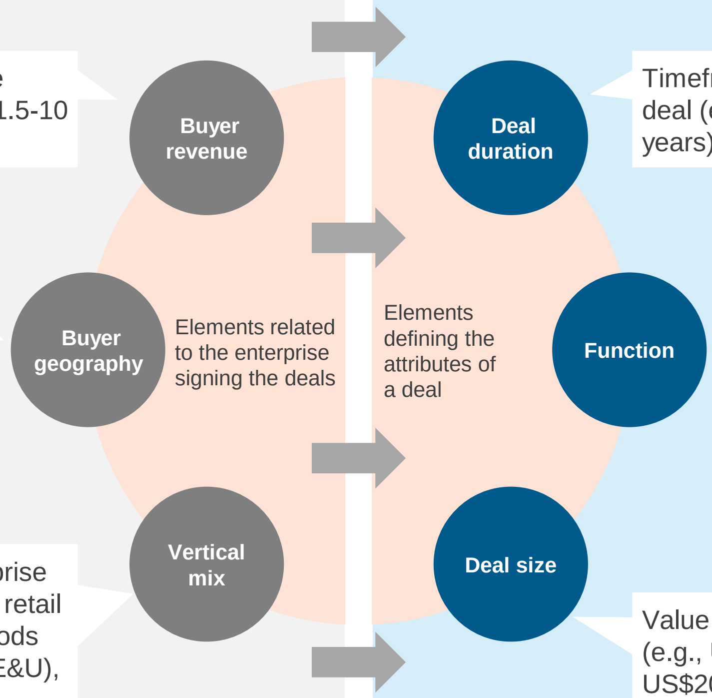
Outsourcing transactions | Framework for assessment

DEAL DRIVERS: Representative of global services demand from enterprises

Size of the buyer enterprise (e.g., <US$1.5 billion, US$1.5-10 billion, and >US$10 billion)

Headquarter geography of the buyer enterprise (e.g., North America (NA), Rest of Europe (ROE), the United Kingdom (UK), and Rest of the World (ROW))

Industry of the buyer enterprise (e.g., BFSI, manufacturing, retail & Consumer Packaged Goods (CPG), Energy & Utilities (E&U), healthcare, technology & communication, and government)



DEAL ATTRIBUTES: Representative of incremental supply provided by service providers

Timeframe of an outsourcing deal (e.g., 0-3, 3-5, 5-7, and >7 years)

Functions supported in an outsourcing deal (e.g., IT, BP, or both)

Value of an outsourcing deal (e.g., US$50-199 million, US$200-999 million, and >US$1,000 million)

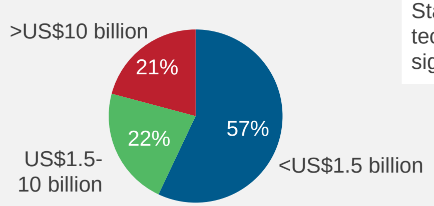
Outsourcing transactions | Overview

Activity was led by North America and ROE markets, the United Kingdom witnessed a marginal decline; small buyers had the major share in new outsourcing transactions

Total deals = 1,913

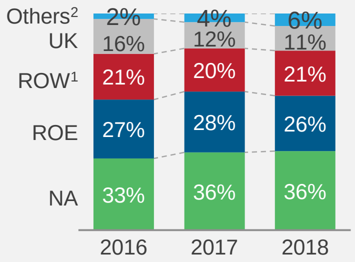
DEAL DRIVERS

Outsourcing deals by buyer revenue 2018; Percentage



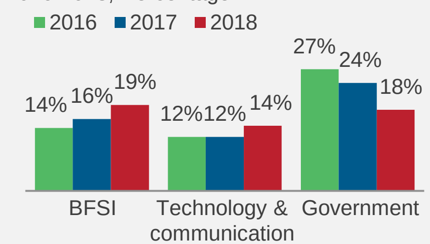
Largely driven by small buyers with most of these enterprises being from the United States. Small buyers, largely from BFSI and technology & communication sectors, majorly signed ITO deals

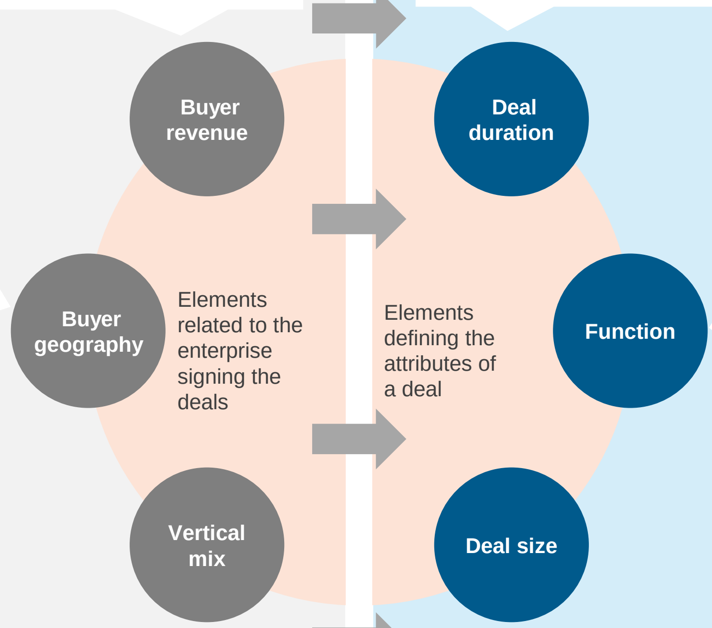
Outsourcing deals by buyer geography
2016-2018; Percentage



Deals are driven by NA and ROE; the United Kingdom is experiencing a slowdown

Outsourcing deals by industry
2016-2018; Percentage



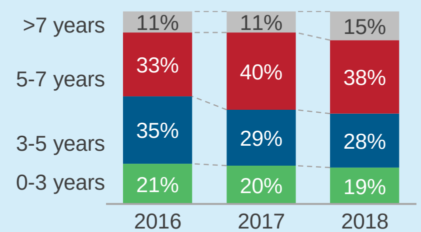


Continuous upsurge in activity for BFSI; slowdown recorded in government sector

DEAL ATTRIBUTES

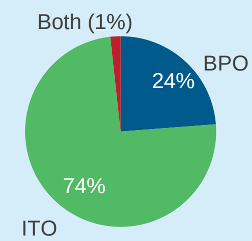
Share of longer deals increased in 2018 vis-à-vis 2017

Outsourcing transactions by deal duration
2016-2018; Percentage



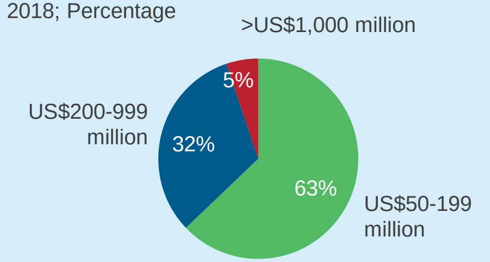
Outsourcing deals by functions
2018; Percentage

Increase in the share of BPO deals compared to previous year, largely driven by industry-specific processes



Outsourcing deals by size
2018; Percentage

Driven by small deals (63% deals with size US$50-199 million)



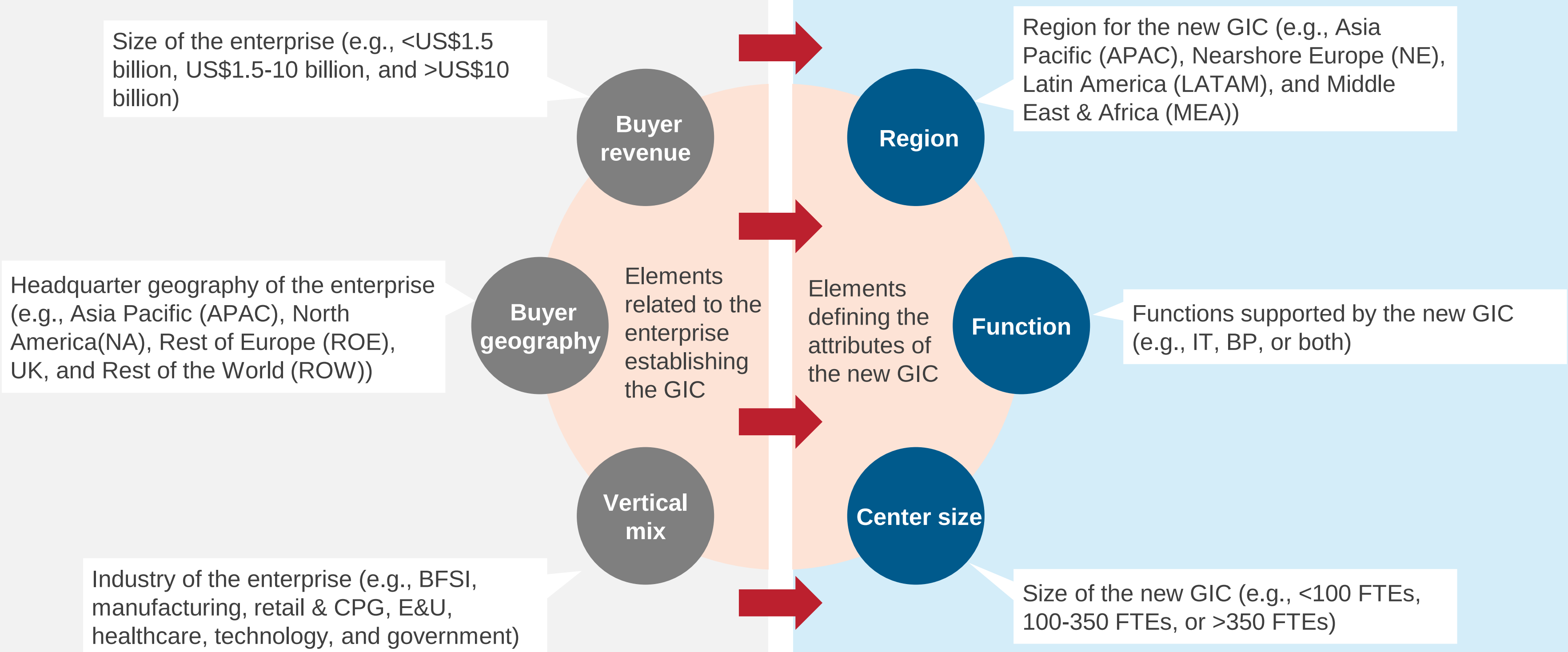
1 ROW includes Asia Pacific, Latin America, Middle East, and Africa
2 "Others" include deals where the buyer region is not specified

Source: Everest Group (2019)

GIC activity | Framework for assessment

NEW GIC DRIVERS: Representative of global services demand from enterprises

NEW GIC ATTRIBUTES: Representative of incremental supply supported by GICs



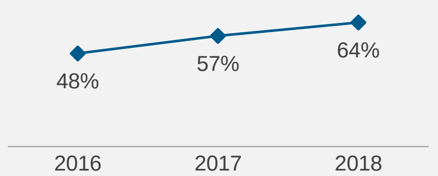
GIC activity | Overview

Increasing share of R&D services, growing adoption by small and mid-sized buyers, and higher share of APAC buyers

Total GIC centers = 188

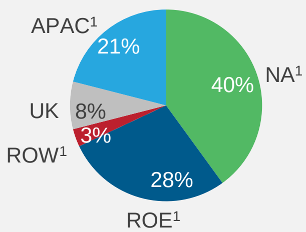
NEW GIC DRIVERS

Share of small and mid-sized buyers (revenue < US$10 billion) in new GIC setups
2016-2018; Percentage



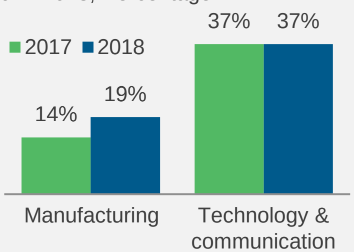
Small and mid-sized buyer (<US$10 billion) segments driving the growth with 64% share in new setups. Reduced entry of barriers has made it easier for these players to adopt the GIC model

GIC setups by buyer geography
2018; Percentage

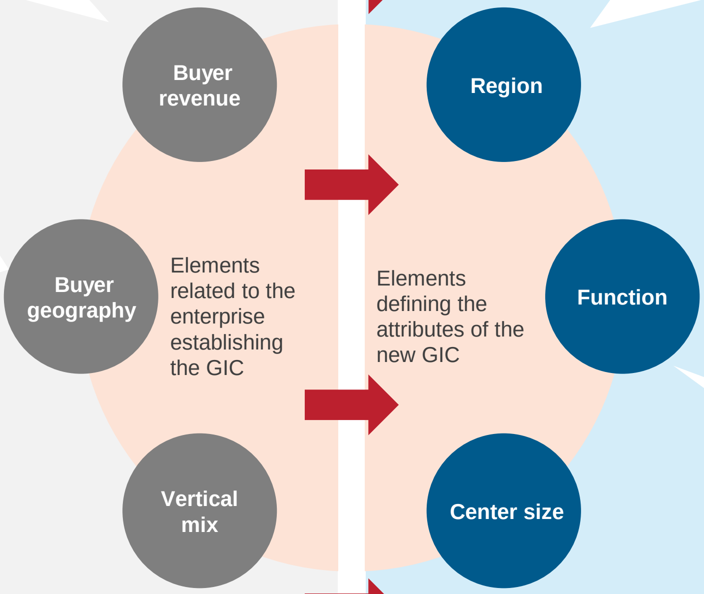


NA- and ROE-based players have historically been strong adopters of the GIC model. APAC continues to witness increase in its share

GIC setups by top verticals
2017-2018; Percentage



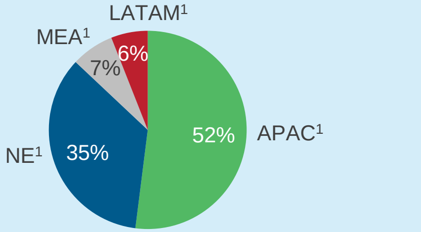
Technology & communication and manufacturing continue to remain the largest sectors establishing GICs



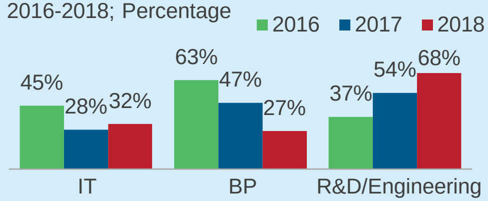
NEW GIC ATTRIBUTES

GIC activity was at an all-time high. The majority (~87%) of centers were set up in Asia Pacific and NE. While APAC continues to be the leader, players are increasingly focusing on setting up centers in NE

GIC setups by regions
2018; Percentage

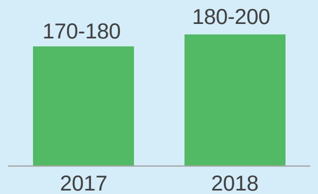


Share of functions in new GIC setups
2016-2018; Percentage



Compared to last year, players are increasingly leveraging GICs for R&D / engineering services

Average headcount of GIC setups
2017-2018; Headcount



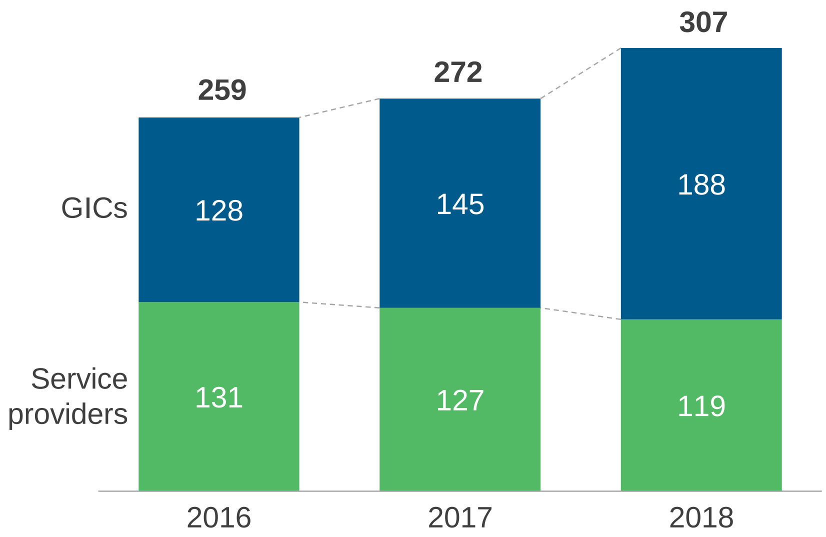
Overall center size increased marginally over the last year

1 ROE – Rest of Europe, ROW – Rest of the World, NA – North America, LATAM – Latin America, APAC – Asia Pacific, NE – Nearshore Europe, MEA – Middle East and Africa
Source: Everest Group (2019)

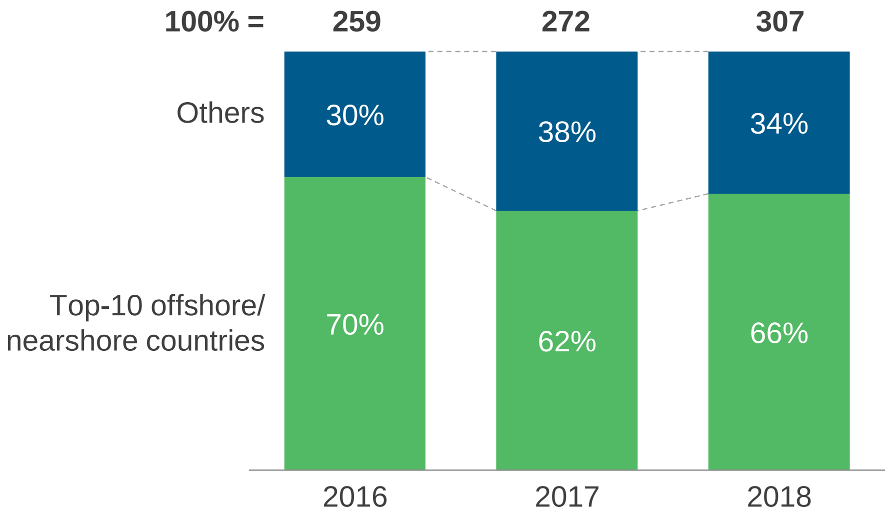
Location activity | Overview

Significant growth in location activity driven by GICs; delivery center set-up activity is less distributed compared to the last year

New offshore/nearshore delivery center setups
2016-2018; Number of centers



Share of top-10 countries in offshore/nearshore delivery center setups
2016-2018; Percentage



- Increase in location activity driven by GICs, while there was a decline in service provider setups over the last two years
  - GIC: Growth driven by increased investments by small/mid-sized enterprises
  - Service provider: A continuous increase in delivery center setups by mid-sized and niche service providers; however, Market Vista Index service providers[1] saw a decline in offshore center setups compared to the previous year
- The activity was less distributed in 2018 compared to the previous year, with a growing share of the top-10 offshore/nearshore locations

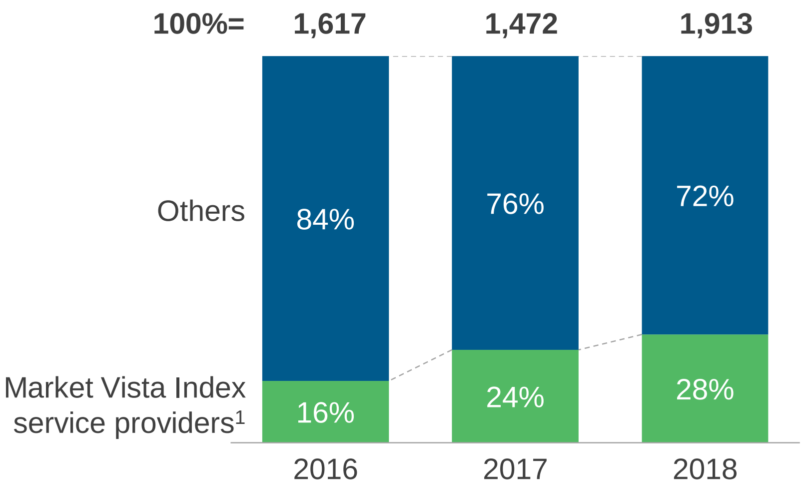
1 Represents Market Vista Index providers currently tracked under Market Vista subscription – see page 15 for details. Note that the list of providers is not fixed and can undergo change depending on emergence of new providers and decreasing relevance of the existing ones

Source: Everest Group (2019)

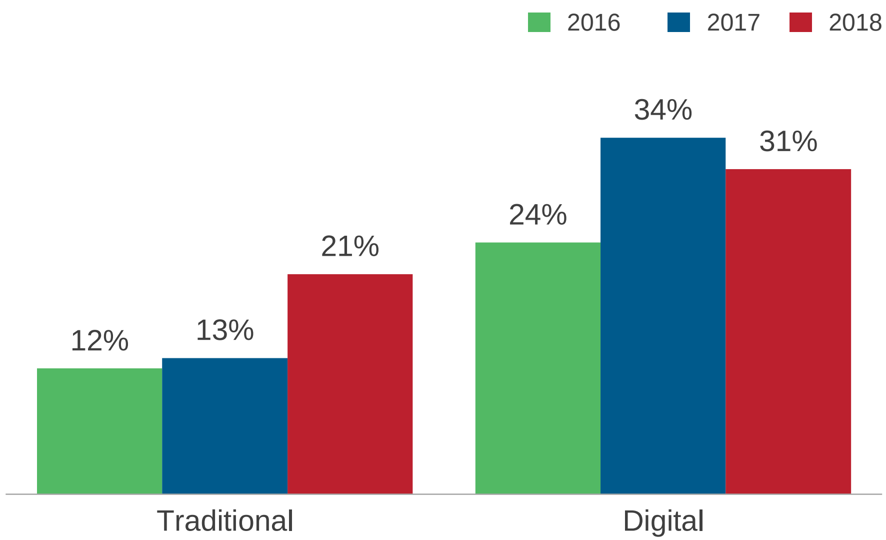
Service provider developments | Share in outsourcing deals

Share of Market Vista Index service providers[1] increased in outsourcing deals in 2018

Share of Market Vista Index service providers[1] in outsourcing deals (overall)
2016-2018; Percentage



Share of Market Vista Index service providers[1] in outsourcing deals (traditional vs. digital[2])
2016-2018; Percentage



- The outsourcing space continues to be dominated by small/mid-sized service providers; however, share of top-25 Market Vista service providers is witnessing an upward trend in the last two-three years due to increased focus and investment in digital services
- The increasing share of Market Vista index service providers was largely driven by growth in technology & communication and healthcare sectors. Compared to the last year, more BPO deals were signed by large service providers

1 Represents 25 service providers tracked under Market Vista subscription – see page 15 for details
2 Indicates centers supporting one or more elements of digital services (e.g., SMAC, IoT, blockchain, automation, and cybersecurity)
Source: Everest Group (2019)

Global services market | Outlook for 2019

Key trends that will shape the market in 2019

Increasing demand	**Continuing with the robust growth, enterprises remain optimistic amid few uncertainties in the business environment**
Talent model transformation	**Enterprises are likely to adopt innovative talent models to mitigate talent/skills shortage**
Ownership in GICs	**To mitigate talent shortage and drive digital agenda, enterprises will push global ownership in GICs**
Growth in Asia Pacific	**Asia Pacific will continue to be an attractive location for global services**

Service provider developments | Market Vista™ Index service providers

Global service providers	Offshore-heritage service providers
accenture	Cognizant
ADP	EXL
Atos	genpact Transformation Happens Here
CAPITA	HCL
Capgemini	Infosys
CGI	SUTHERLAND
CONDUENT [1]	TATA CONSULTANCY SERVICES
CONCENTRIX CONVERGYS [2]	Tech Mahindra
DXC.technology [3]	wipro
FUJITSU [4]	WNS Extending Your Enterprise
IBM [5]	
NTT Data [6]	
T-Systems	
Teleperformance each interaction matters	
UNISYS	

1 Xerox spun off its business services division to create Conduent
2 Convergys was acquired by Concentrix
3 DXC Technology was created through the merger of CSC and the enterprise services business of Hewlett Packard Enterprise (HPE)
4 Report covers only the services division of Fujitsu that is referred to as Fujitsu Services
5 Report covers the services division of IBM that is referred to as IBM Global Services (IBM GS)
6 NTT Data acquired Dell Services and the acquired entity is now called NTT Data Services

Market Vista™ encompasses a suite of offerings

Multiple delivery formats allow Global Sourcing Managers to access information in a way that supports the decision-making process

Market Vista™ offering	Description	Covered in annual membership
Quarterly report	Quarterly report with in-depth coverage of transaction, location, and service provider trends	✓
Global sourcing adoption report	Industry-specific reports covering details on Global Sourcing Adoption in leading Enterprises	✓
Location database	Annually updated database of location statistics (e.g., cost, attrition, inflation rates) for 23 major cities	✓
Viewpoints	4-6 viewpoints on contemporary global services issues of interest to Enterprises, GICs, and service providers	✓
Exclusive webinars	Exclusive quarterly webinars with stakeholders in the subscriber organization on key market trends and developments highlighted in Market Vista™ research	✓
Analyst consultation	Analyst access for personalized insights and additional perspectives	✓

Research calendar 2019 — Market Vista™

Published | Planned | Current release

Flagship Market Vista reports	Release date
Market Vista™ : Q1 2019	February 2019
Market Vista™ : 2018 Year in Review and Outlook for 2019	**March 2019**
Market Vista™ : Q2 2019	Q2 2019
Market Vista™ : Q3 2019	Q3 2019
Market Vista™ : Q4 2019	Q4 2018

Thematic Market Vista reports	Release date
Global Services Market Pressing Issues: Enterprises' Perspective	February 2019
Market Vista™ : Industry Insights – Capital Markets	Q1 2019
Market Vista™ : Industry Insights – Retail	Q1 2019
Market Vista™ : Industry Insights – CPG	Q2 2019
Impact of Digital in CX on the Sourcing Mix	Q2 2019
Market Vista™ : Industry Insights – Oil & Gas	Q3 2019
Global Services Market Pressing Issues: Service Providers' Perspective	Q3 2019
Market Vista™ : Industry Insights – LifeSciences	Q4 2019
Global Services Market Pressing Issues: Enterprises' Perspective	Q4 2018

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

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 or complementary content that may be of interest:

1. **Market Vista™ Q1 2019** (EGR-2019-35-R-3069); 2019. This report summarizes the key trends and developments for Q4 2018 in the global offshoring and outsourcing market

2. **Global Services Market Pressing Issues: Enterprises' Perspective** (EGR-2019-35-R-3074); 2019. The Pressing Issues of Global Services Market reports are new additions to our flagship Market Vista™ offering. These are unique reports based on surveys that capture the pulse of the market from the enterprises' perspective. This document is the second in our series and is focused on enterprises. The report highlights market sentiments and the outlook into 2019

3. **Market Vista™: Industry Insights – Banking (Retail and Commercial)** (EGR-2018-35-R-2889); 2018. The Global Sourcing Adoption Trends reports are new additions to our flagship Market Vista™ offering. These are unique reports that cover enterprise-specific view of global sourcing adoption and maturity, specific to key sectors. The report reflects benchmarks and trends specific to all the leading North America- and Europe-based banking majors as well as leading service providers in this sector. This report will be useful for banking firms, their GICs, as well as service providers as part of their ongoing initiatives to assess sector-specific benchmarks and insights

4. **Advanced Locations Tool (ALT):** Covering 200+ locations globally, Advanced Locations Tool (ALT) provides access to data for 11 horizontal and 16 BFSI-specific functions across various parameters. The tool is pre-configured for commonly used structures, with flexibility to modify the analysis format. Moreover, the choice of cities and analysis can be customized as per client's requirements

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

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Everest Group®

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.

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