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RESEARCH

Market Vista™ : Select Findings Q4 2019

Data and Analysis – July-September 2019

Everest Group®
MARKET VISTA™

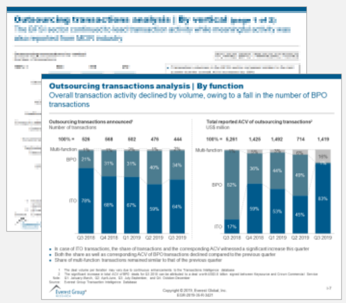
EGR-2019-35-CA-3421

Market Vista | Overview

Covers global services market research, analysis, and insights to demystify the market and direct clear, impactful decisions

Overall sourcing market

- Detailed analysis of trends by industry vertical and geography
- Report of transaction volume, size, and momentum
- Perspective on events with significant industry impact (e.g., M&A)
- Implications of regulatory changes



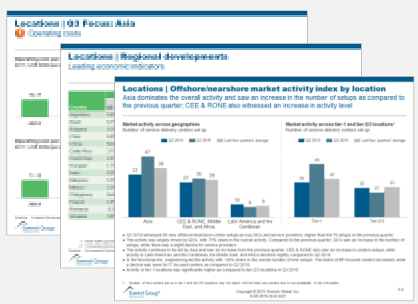
Service provider landscape

- Updates on service provider market share, capabilities, and performance
- Service provider profiles, including data on:
  - Transactions
  - Location footprint
  - M&A activity

Everest Group® MARKET VISTA™

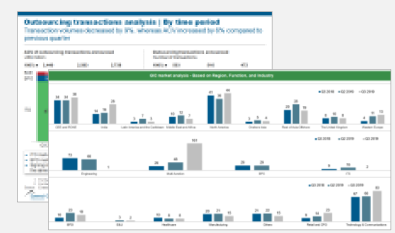
Location data and dynamics

- Data on market activity in key offshore geographies
  - Political
  - Macroeconomic
  - Promotion incentives



Processes and models

- Process-level trends
- Global In-house Center (GIC) set-ups, divestures, and overall trends
- Data and perspectives on new opportunity areas



Quarterly report | **Global Sourcing Adoption Report** | **Market Vista Appendix** | **Viewpoints** | **Exclusive webinars** | **Analyst consultation**

Global services | Key market trends in Q3 2019

Total spending on outsourcing contracts fell across US and Europe (majorly UK) owing to global recessionary sentiments

India witnessed growth in activity driven by an increase in new GIC setups, specifically, for supporting engineering and digital-focused services

Offshore heritage service providers have announced considerable layoffs in this quarter to streamline delivery pyramid and reduce costs

The volume of digital-focused new centers increased both in the onshore as well as offshore region, with AI continuing as the leading segment across both regions. The activity was largely driven by India and China in offshore/nearshore regions and by the United States in the onshore region

Summary of key developments in Q3 2019 (page 1 of 2)

The current quarter reported 444 transactions, compared to 476 in Q2 2019

- North America and Europe saw a significant decline in the current quarter. The decline in North America was largely due to decrease in outsourcing demand across the retail & CPG and healthcare verticals
- Short-term deals (three-five years) were the highest in terms of both volume as well as share

In Q3 2019, GIC activity increased significantly in offshore/nearshore locations, while it increased marginally in onshore locations

- Digital-focused GICs for offshore/nearshore locations formed 54% of the total new center setups, compared to 67% in Q2 2019. However, the share of digital-focused GICs in onshore locations grew from 49% to 57% in Q3 2019 over the last quarter
- Technology & communication remained the most active sector in offshore/nearshore and onshore locations and accounted for 63% and 50% of the total new center setups, respectively. During the quarter, the retail and CPG vertical gained traction in onshore locations with nine new setups, compared to four in Q2 2019
- North America continued to dominate GIC activity in onshore locations and accounted for ~57% of the total new center setups in onshore locations; new centers were set up primarily for engineering and BP services

Summary of key developments in Q3 2019 (page 2 of 2)

Location activity in Q3 2019 involved 85 new offshore/nearshore and 62 new onshore center setups

- In offshore/nearshore regions, Asia continued to lead with ~55% share in new setups, driven by India and China
- In onshore regions, activity was dominated by North America, followed by Western Europe; however, the United States led activity among all the countries
- In terms of the type of organization, activity was driven by GICs across both offshore/nearshore and onshore locations. GICs saw an increase in their share of setups, while there was a decline for service providers in comparison to the previous quarter

The revenue for global service providers decreased marginally, while there was an increase in the revenue for offshore-heritage service providers

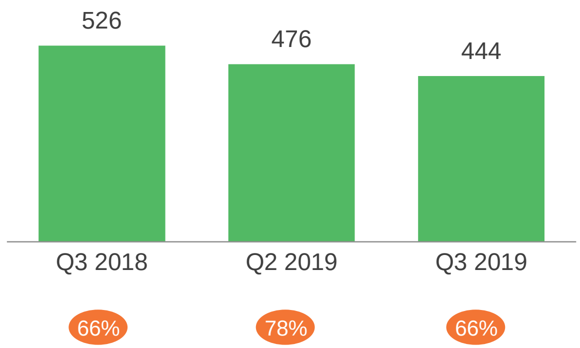
- The operating margin for both global and offshore-heritage service providers declined as compared to the previous quarter
- The overall outsourcing transaction activity witnessed a substantial decline. The share of Market Vista™ Index service providers increased slightly in Q3 2019 as compared to the previous quarter. Within Market Vista™ Index service providers, deal activity from global service providers witnessed a significant increase in the volume of deals as compared to the previous quarter
- Both M&A and alliance activity witnessed a decline in Q3 2019

Global services dashboard: Q3 2019

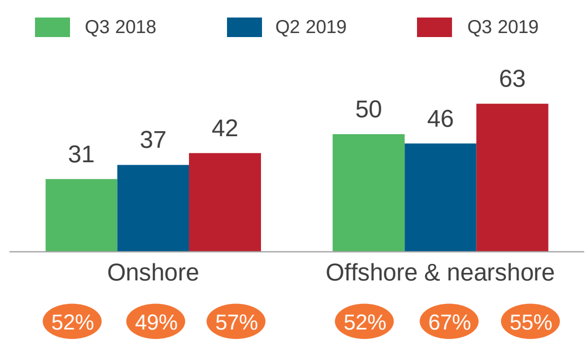
Share of digital-focused activity   Operating margin

Outsourcing/offshoring market overview

Outsourcing demand as well as the share of digital deals decreased compared to the previous quarter[1]
Number of outsourcing transactions

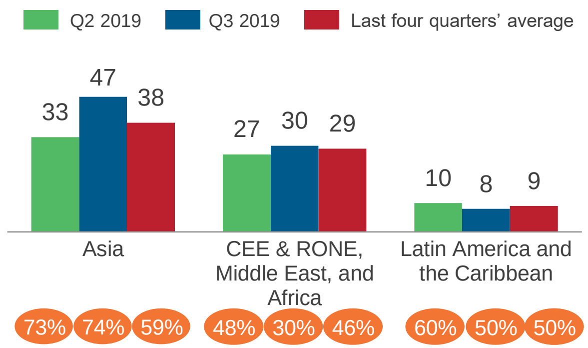


GIC activity increased vis-a-vis Q2 2019
Number of new GIC setups and expansions[2]

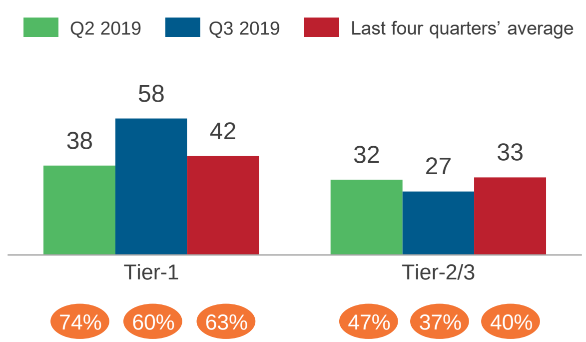


Offshore/nearshore location dynamics

Location activity was dominated by Asia; CEE & RONE also saw increase in activity level compared to Q2 2019
Number of delivery center setups

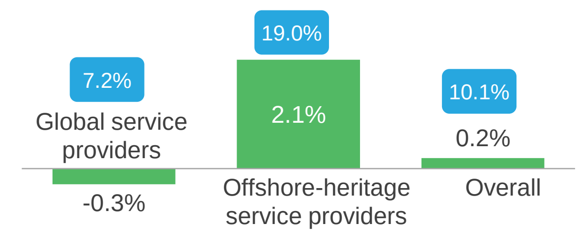


Share of tier-1 locations was higher compared to tier-2/3 locations in overall setups
Number of delivery center setups

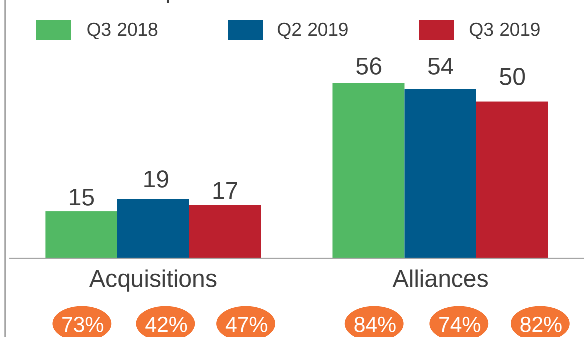


Service provider developments and trends

The consolidated revenue for offshore-heritage service providers increased, while it decreased marginally for global providers in Q2 2019
QOQ growth in revenue



Both acquisition and alliance activity decreased marginally as compared to the previous quarter
Number of acquisitions and alliances



Note: Digital details around each parameter are added in respective sections

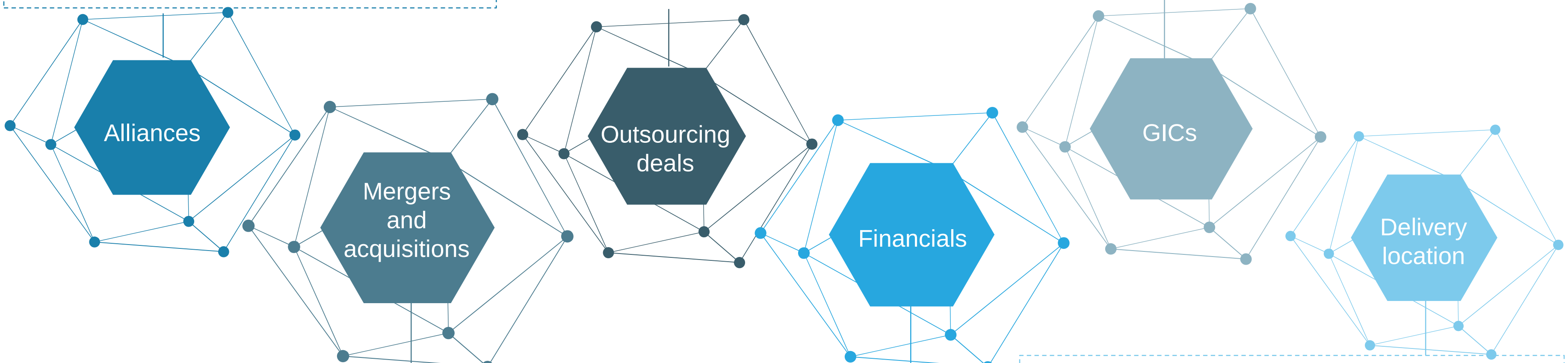
Key developments in the digital space – Q3 2019

Digital-focused activity

- Genpact partnered with Deloitte and OneSource Virtual to launch GenOne, a Finance-as-a-Service (FaaS) solution built around Workday financial management that will help companies scale and manage their finance operations
- IBM partnered with Chainyard, a blockchain services and consulting firm to launch “Trust Your Supplier” (TYS) network, a blockchain solution built to improve supplier life cycle information management

- General Services Administration (US) selected CSRA for cloud and cyber security services
- US Marine Corps selected ManTech International for analytics services
- Department of Defense (Australia) selected IBM for cloud and AI services
- Volvo Group selected Capgemini for consulting services

- Enterprises such as ABB Group, Airbus, Emerson Electric, Envision Energy, Ford Motor, PayPal, Robert Bosch, S&P Global, Standard Chartered, and Talkdesk opened GICs to deliver digital functions in offshore and nearshore locations
- Enterprises such as Acronis, Amazon, BlackBerry, Denso Corporation, KPMG, Magna International, Motorola Solutions, Paytm, SAP, T-Mobile, and Tyson Foods opened GICs to deliver digital services in onshore locations



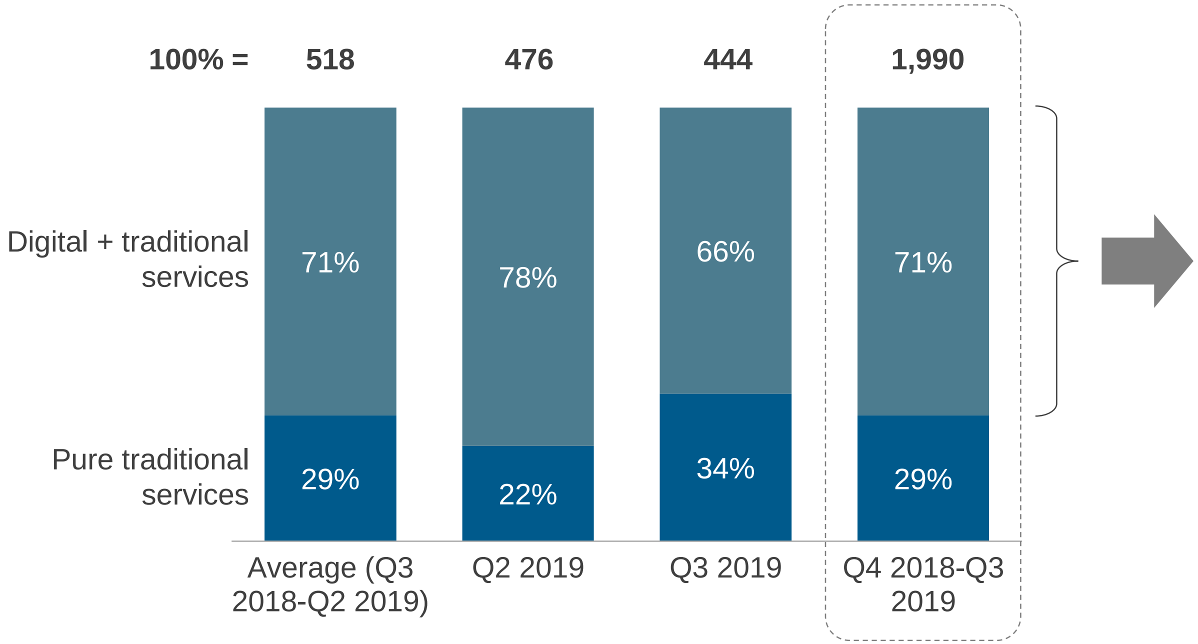
- Leading providers such as Accenture, NTT Data, HCL, and Tech Mahindra continued to expand their digital capability through acquisitions
- During the quarter, Accenture acquired Analytics8 and Pragsis Bidoop, both big data and analytics firms, to strengthen its capabilities in big data, AI, advanced analytics, and machine learning to help clients on their AI journey

- TCS’ digital revenue accounted for 33.2% (~US$1,831 million), a sequential increase of ~4%
- DXC reported a strong double-digit sequential and YOY growth in digital revenue with a book-to-bill of 1.8x

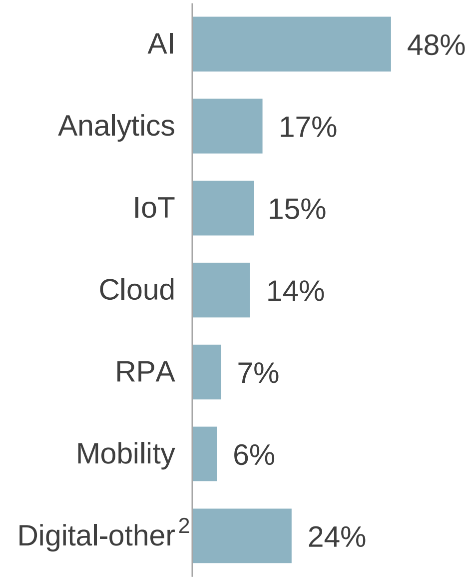
- ABB Group established an innovation center in Shenzhen, China, to develop smart building solutions in the areas of intelligent building and electrical businesses
- Accenture opened a new advanced technology center to develop and deliver a wide range of cross–industry technology solutions across technology platforms, custom engineering, infrastructure, and cloud
- Suneratech opened a technology center of excellence in Hyderabad, India to focus on cloud transformation, data monetisation, application modernisation, and digital innovation services

Digital services continued to dominate the outsourcing activity, driven by cloud-based deals

Outsourcing market activity
Number of outsourcing transactions



Distribution by digital components
Number of outsourcing transactions[1]

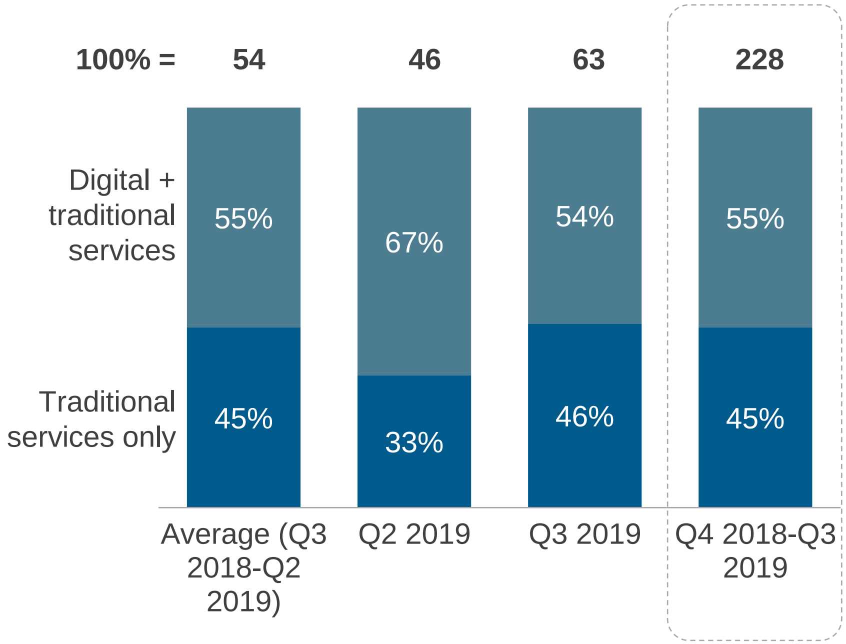


The share of digital-focused transactions witnessed a decline as compared to the previous quarter.

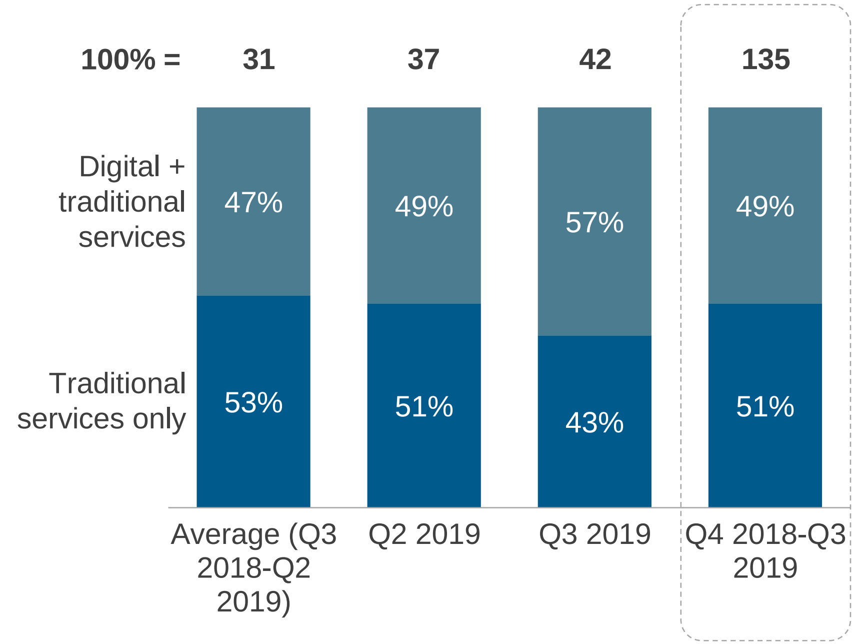
1 Includes centers that have multiple digital components
2 Others include digital components such as social media, Internet of Things (IoT), digital interactive, consulting (e.g., cloud, management, and strategic.), and blockchain

GIC activity for digital services decreased significantly in offshore and nearshore locations, grew in onshore locations as compared to the previous quarter

Offshore/nearshore GIC market activity
Number of GIC setups and expansions



Onshore GIC market activity
Number of GIC setups and expansions

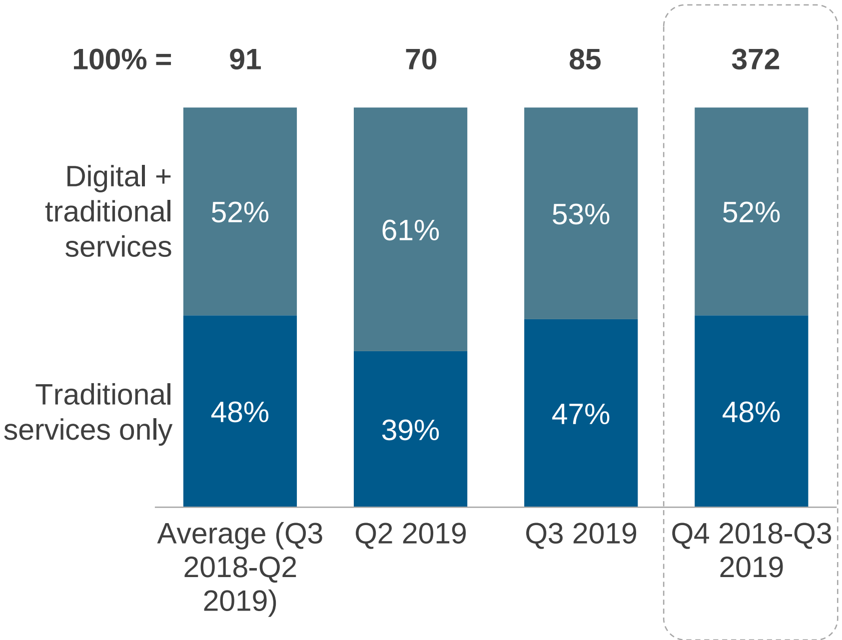


Source: Company websites and press releases

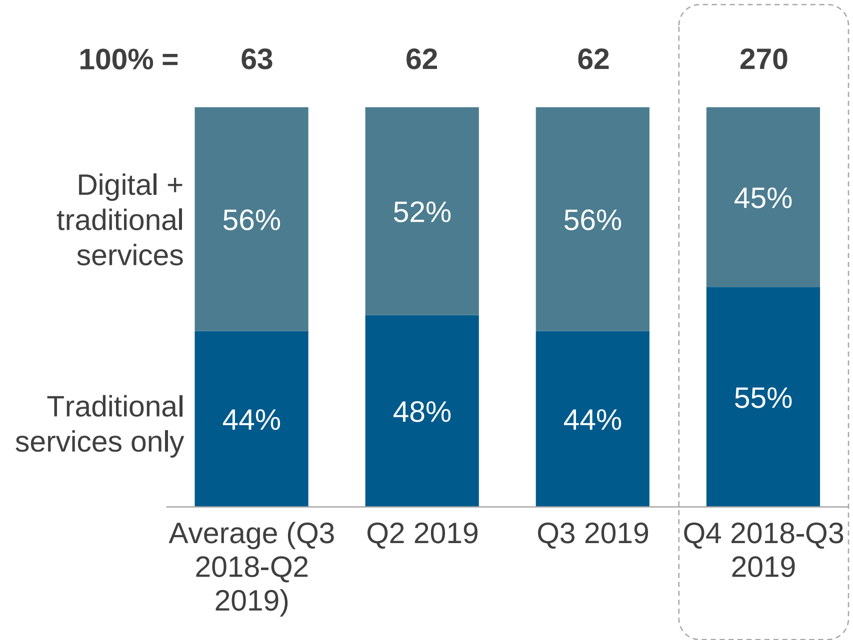
Locations | Offshore/nearshore digital market activity

Automation and analytics remains the key areas of investment in digital services

Offshore/nearshore locations activity
Number of service delivery centers set up



Onshore locations activity
Number of service delivery centers set up

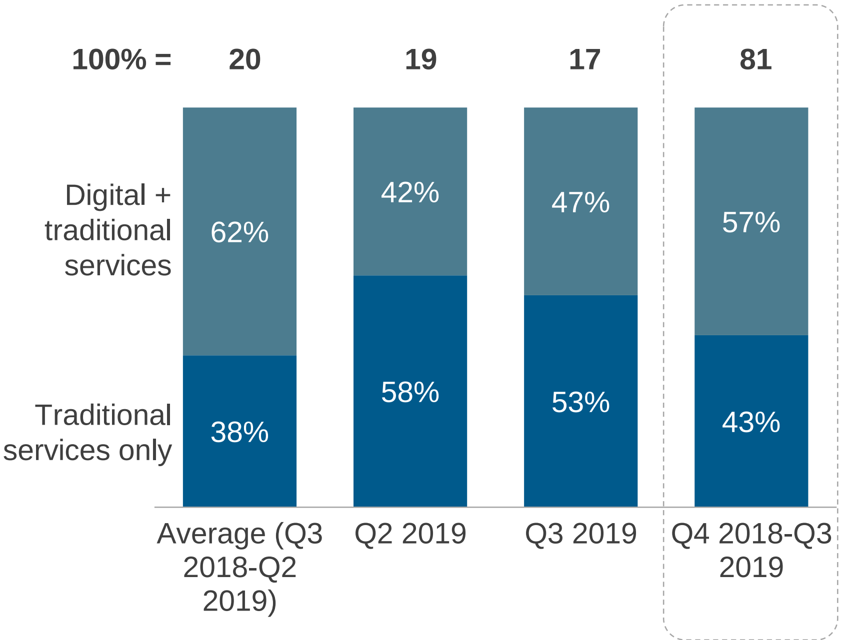


Source: Company websites and press releases

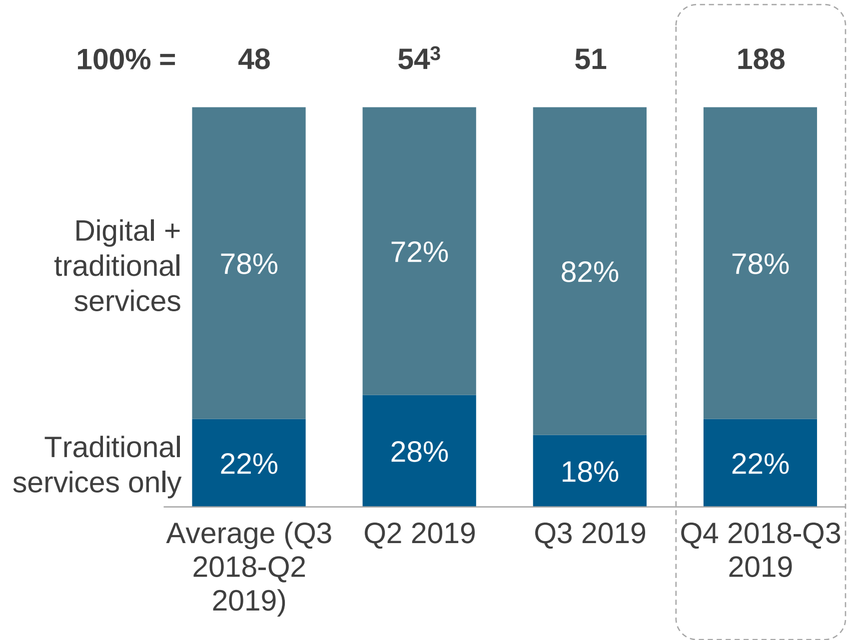
Service provider developments | Digital-focused M&As

Analytics and cloud continued to be the leading digital component of M&A activity by service providers

M&As by type of service
Number of acquisitions



Alliances by type of service
Number of alliances



Source: Company websites and press releases

List of Market Vista Index service providers

Global service providers

accenture
ADP
AKKA[1]
ALTEN[1]
altran[1]
Atos
AVL[1]
bertrandt[1]
CAPITA
Capgemini
CGI
CONDUENT[2]
CONCENTRIX CONVERGYS[3]
DXC.technology[4]
FUJITSU[5]
IBM[6]
NTT DATA[7]
Teleperformance
T-Systems
UNISYS

Offshore-heritage service providers

Cognizant
EXL
genpact
HCL
Infosys
SUTHERLAND
Tech Mahindra
TATA CONSULTANCY SERVICES
wipro
WNS

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

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 on the topic or complementary content that may be of interest:

1. **Market Vista™ Q3 2019** (EGR-2019-35-R-3299); 2019. This report summarizes the key trends and developments for Q2 2019 in the global offshoring and outsourcing market

2. **Market Vista™: 2018 Year in Review and Outlook for 2019** (EGR-2019-35-R-3097); 2019. Market Vista™: 2018 Year in Review and Outlook for 2019, gives an overview of the developments that took place in the global services industry in 2018. The report highlights key trends and drivers pertaining to GICs, offshore/nearshore locations, service providers, and outsourcing transactions. Besides providing an outlook and trends that are likely to shape up 2019, the report highlights implications for market participants as well

3. **Market Vista™: Industry Insights – Retail and CPG** (EGR-2018-35-R-3198)**;** 2019. 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 the benchmarks and trends specific to all the leading North America and Europe-based retail and CPG majors as well as leading service providers in this sector. This report will be useful for retail and CPG firms, their GICs, as well as service providers as part of 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 preconfigured for commonly used structure with flexibility to modify 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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