Location Spotlight – Guadalajara, Mexico

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Market Report – May 2019: Complimentary Abstract / Table of Contents

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This report provides perspectives on key aspects of the global sourcing market in Guadalajara

Guadalajara | At a glance

Mexican Silicon Valley – the largest technological center of the country, primarily leveraged for global services delivery to the United States

Guadalajara, Mexico

KEY FACTOIDS

17,000-18,000 annual tertiary graduates

Annual operating cost per FTE
5-10% savings over Mexico city
58-67% savings over Dallas

Current overview
- Leveraged by both service providers and Global In-house Centers (GICs) for business process and IT services delivery
- Primarily serves the United States and Latin American countries
- Potential to increase digital services delivery as it witnesses increase in Center of Excellence (CoE), innovation, and R&D centers setup

Key drivers
- Lower cost (5-10%) compared to Mexico City for IT & Business Process (BP) services delivery
- Significant tertiary graduate pool with technical and multilingual skills
  - One of the leading education destinations in Mexico
- High-quality infrastructure with focus on further improvements through innovative technologies is expected to enhance the existing ecosystem for global services delivery
- Significant potential to scale up bilingual delivery

Key challenges
- Concerns around political stability and uncertainty related to policymaking decisions
- Some concerns regarding safety and security risks due to occurrences of natural disasters in the past

KEY PLAYERS: AstraZeneca BOSCH CISCO DXC.technology freescale HCL IBM TATA CONSULTANCY SERVICES

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Guadalajara | Risk profile (page 1 of 2)
Strong infrastructure capabilities, but a few concerns over the uncertainty around policymaking by the government pose some challenges

Highly favorable ▪ Favorable with some concerns ▪ Least favorable

Parameter	Everest Group rating	Comments
Geopolitical		• Mexico's rank moved from 66th to 71st out of 167 countries (lower rank is better) in the Democracy Index 2018 by Economic Intelligence Unit (EIU) due to changes in the government's stance and political environment • Growing uncertainty under the current President Lopez Obrador's regime with regards to policymaking may reduce foreign investment for a while • Geopolitical risks are on the rise in Mexico with increasing global issues such as European populism, Brexit, and the U.S. unilateral policies
Macroeconomic		• Moody's rated Mexico A3, with a stable outlook and is expected to maintain its investment grade rating • S&P and Fitch maintained the rating of BBB+ but lowered their outlook from stable to negative, as public finances struggled with increasing liabilities and slowing growth • Mexico holds the 24th rank among 74 emerging economic countries in the Inclusive Development Index Report by World Economic Forum (WEF), 2018 • Guadalajara has been named one of the top cities in the Americas for job creation as it created more jobs than any American city in H1 2018, according to fDi intelligence
Infrastructure		• Global Competitiveness Index 2018-2019 (World Economic Forum) ranks Mexico 49th out of 140 countries for the quality of its infrastructure • Mexico offers good public transportation system through extensive road, rail, and air network • Mexico fares really well on electrification rates, road and airport connectivity indices • Guadalajara is on the path to become a smart city which that will act as a magnet for further international investments in the area

Source: Everest Group (2019); EIU; WEF Global Competitiveness Report; World Bank

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Research calendar – Locations Insider

Published   Planned   Current release

Flagship Locations Insider reports	Release date
"Next-wave" Location Profile – Barcelona, Spain	March 2019
"Next-wave" Location Profile – Tampa, Florida, The United States	March 2019
Location Spotlight – The Philippines	March 2019
Location Spotlight – Guadalajara, Mexico	**May 2019**
Global Locations Annual Report 2019	Q2 2019
Location Spotlight – India	Q2 2019
Location Spotlight – San Jose, Costa Rica	Q2 2019
Location Spotlight – Hyderabad, India	Q2 2019

Thematic Locations Insider reports	
Regional Handbook: Focus on Digital Services Talent in Europe	Q2 2019
Talent Hotspots for Risk Analytics In BFSI	Q2 2019
Global Handbook – Focus on Language Skills Availability Across the World	Q2 2019
Changing Fortunes of Delivery Locations – How Macroeconomic Factors Impact Delivery Locations?	Q3 2019
Global Handbook – Focus on Next-Gen Skills Across the World	Q3 2019
What is the Role of Global Delivery Model in an Agile Construct?	Q4 2019
Regional Handbook – Focus on FinTech Talent in the U.S.	Q4 2019

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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. **Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World | Key Trends Shaping the Landscape** (EGR-2018-37-R-2646); 2018. The global services locations landscape continued to witness growth in 2017 in terms of revenue, headcount, and new center setup activity; however, the growth rate was lower than the previous year, given macroeconomic slowdown, increased trade protectionism, and uncertainties in legal/regulatory landscape across the world. This report takes a stance with respect to the changes taking place in this market and opportunities for growth in the future

2. **"Next-wave" Location Profile – Monterrey, Mexico** (EGR-2018-37-R-2640); 2018. This report analyzes Monterrey and offers perspectives on global sourcing profile of the city, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

3. **"Next-wave" Location Profile – Santiago, Chile** (EGR-2018-37-R-2654); 2018. This report analyzes Santiago and offers perspectives on global sourcing profile of the city, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

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