



# **Global Locations Annual Report 2019: Demand for Next-gen Services Defining Locations Strategies | Risk Watch**

Locations Insider™

Annual Report – September 2019: 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	▶ Human Resources
▶ BPS   Banking & Financial Services	▶ ITS   Banking & Financial Services
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▶ Catalyst™	▶ IT Services Executive Insights™
▶ Cloud & Infrastructure	▶ ITS   Life Sciences
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- This report is included in the following research program(s)
  - [Locations Insider™](#)
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- Accelerators™
- Analyst access
- Data cuts
- Pinnacle Model™ reports
- PriceBook
- 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

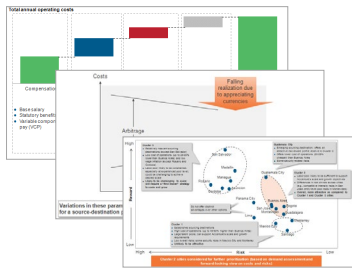
# Contents

- 1 Introduction and overview
- 2 Summary of key messages
- 3 Key trends shaping the landscape
- 4 Risk Watch
- 5 PEAK Matrix™
- 6 Center setup activity database
- 7 Appendix

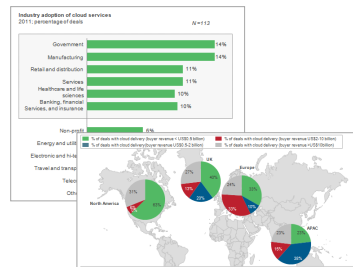
# Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

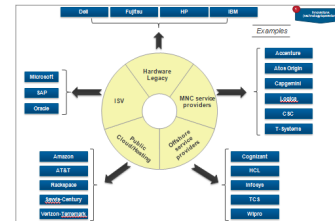
**1 Robust definitions and frameworks**  
 (Talent pool scalability and sustainability assessments, cost arbitrage sustainability, and risk assessment frameworks)



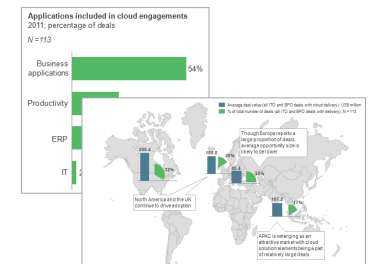
**2 Primary sources of information**  
 (Ongoing interactions with buyers, global in-house centers (GICs)/captives/shared service centers (SSCs), service providers, investment promotion agencies, recruiters, etc.)



**3 Diverse set of market touchpoints**  
 (Ongoing interactions across key stakeholders, inputs from a mix of perspectives and interests, supports data analysis and thought leadership)



**4 Fact-based research**  
 (Data-driven analysis with expert perspectives, year-round tracking of location and service provider activity, and country briefings)



- Proprietary tracking and databases of operating costs, labor pool, market activity, and risks
- Year-round tracking of 300+ locations around the world
- Coverage across all offshore, nearshore, and onshore locations across regions (APAC, Europe, North America, LATAM, and Africa)
- Over 100 global projects on supporting clients on location decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

# Key definitions and introductions

- Global services market by revenue:** Total services exports of all countries in the world. Includes notional revenues from in-house / shared services organizations as well as revenues from third-party IT services and business process service providers. Does not include revenues from domestic (national) markets
  - Business Process Services (BPS): Includes voice business processes (also contact center), non-voice business processes, industry-specific business processes, and knowledge-based processes
  - Information Technology (IT): Includes IT-Applications Development and Maintenance (ADM), infrastructure, testing, helpdesk, next-generation (cloud, mobility, social media, etc.), and other services related to information technology. Excludes engineering and IT-R&D services
- Global services market by headcount:** Estimated headcount (in terms of Full Time Equivalents – FTEs) involved in global services exports (see above) in 38 leading delivery locations listed below:

Region	Country
Asia Pacific (APAC)	India
	The Philippines
	China
	Malaysia
	Singapore
Nearshore Europe (NE)	Belarus
	Bulgaria
	Croatia
	The Czech Republic
	Estonia
	Hungary
	Ireland
	Latvia
	Lithuania
	Poland
	Portugal
	Romania
	Scotland
	Serbia
	Slovakia

Region	Country
Nearshore Europe (NE)	Ukraine
Latin America & the Caribbean (LAC)	Argentina
	Brazil
	Chile
	Colombia
	Costa Rica
	El Salvador
	Guatemala
	Honduras
	Jamaica
	Mexico
	Peru
	Uruguay
Middle East and Africa	South Africa
	Mauritius
	Morocco
	Egypt
North America	Canada

The Global Locations Annual Report 2019 is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – Key Trends Shaping the Landscape, Risk Watch and Locations PEAK Matrix™. It presents insights about the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions.

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

## Key trends shaping the landscape

### Growth of global services market

- The global services market grew at a same pace in 2018 (compared to 2017) due to uncertainties in legal/regulatory landscape (GDPR, Brexit, etc.), increased onshoring by enterprises, volatility in currency fluctuations, and weakening financial sentiment across the world. In FTE terms, 2018 witnessed a slowdown in the overall growth for the global services industry

### Evolving location portfolios

- Increased evidence of players rethinking their location strategies given rapid rate of product/service evolution to reduce the time-to-market, changing customer expectations, and declining margins across industries. Asia Pacific continues to witness the highest increase in new center setups for 2018, followed by Nearshore Europe
- While APAC has been growing on account of increased focus on R&D/engineering service delivery, growth across other regions has been driven by digital services

### Shifting sourcing models and services mix

- There have been shifts even in sourcing models with enterprises adopting insourcing to a greater extent as compared to outsourcing. Additionally, given increasing digitalization, companies are focusing more on building skills in and delivery of IT-related services, particularly through the GIC model

### The rise of reshoring

- Reshoring continues to grow amidst data protection and portfolio optimization. There is evidence of sustained need for front-office and back-office integration, strong digital-ready workforce, and increased regulatory oversight

## Risk Watch

At an overall level, evidence of significant variations in operating and business environment risk across locations driven by multiple factors such as quality of IT/BP infrastructure, macroeconomic stability, safety and security, regulatory environment, and ease of doing business

- Across Asia Pacific, most locations offer favourable operating environment; however, there are some concerns around natural hazards in Indonesia and geopolitical environment in Malaysia
- Within Americas, there some concerns around political stability, macroeconomic stability, and safety and security across locations such as Argentina, Guatemala, Honduras, and Nicaragua; other locations, such as Chile, Costa Rica, and Uruguay, offer relatively lower business risks
- In Europe, Middle East and Africa, most locations offer favourable business environment backed by strong infrastructure, strong macroeconomic conditions, and relatively stable political systems

## PEAK Matrix™

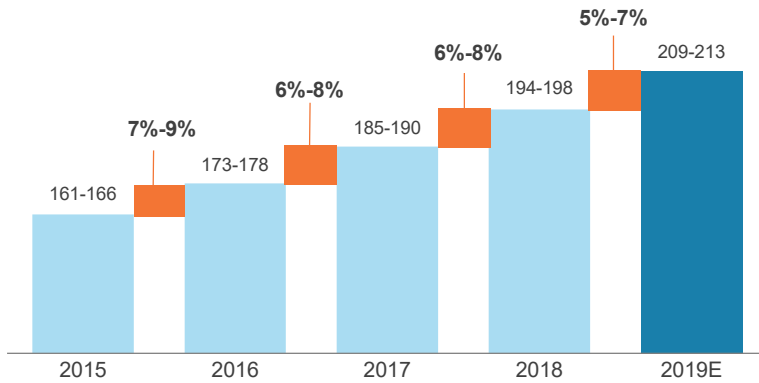
The relative attractiveness of locations is driven by maturity, potential and cost-arbitrage over source markets. While 2018 witnessed some changes in the relative positioning of the locations, going forward, we expect significant changes as players look to optimize their portfolios by expanding into nearshore markets

- Across Asia Pacific, India and the Philippines maintained their “leader” positions for specific English delivery functions; there is evidence of increasing preference towards leveraging tier-2/3 locations
- Within Americas, Argentina and Costa Rica remained “leaders” for bilingual BPS delivery and are also known for IT and contact center delivery
- In Europe, Middle East and Africa, Poland continued to remain “leader” for European languages BPS followed by Ireland

# This study includes three distinct reports providing a deep dive into key aspects of global services market; below are key charts to illustrate the depth of the report (page 1 of 2)

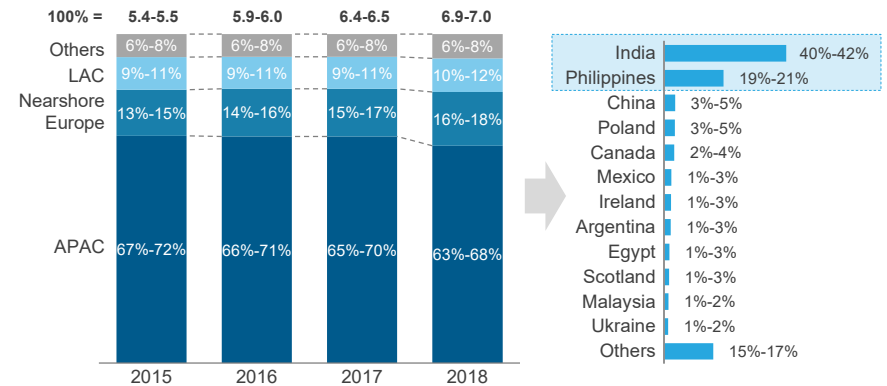
## Global services revenue and growth

Global services revenue and growth  
2015-19(E); US\$ billion



## New center-setup activity by regions

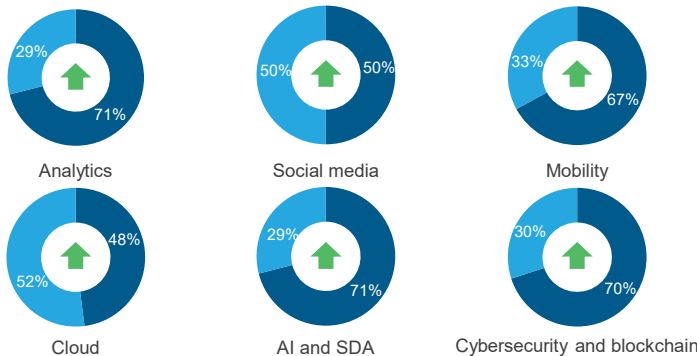
Global services market | Share of delivery regions by headcount  
2015-18; Number of FTEs (in millions)



## Breakup of digital center setup activity

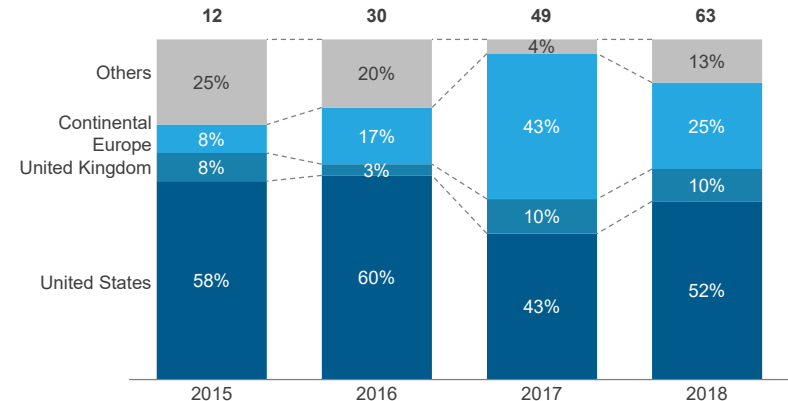
Breakup of new digital center setup activity by functions and sourcing models  
2017-18; Percentage

■ SP    ▲ GIC activity increased from 2015-16  
■ GICs    ▼ GIC activity decreased from 2015-16



## The rise of reshoring

New onshore delivery centers of top 20 service providers<sup>1</sup> by region  
2015-18; Number of centers



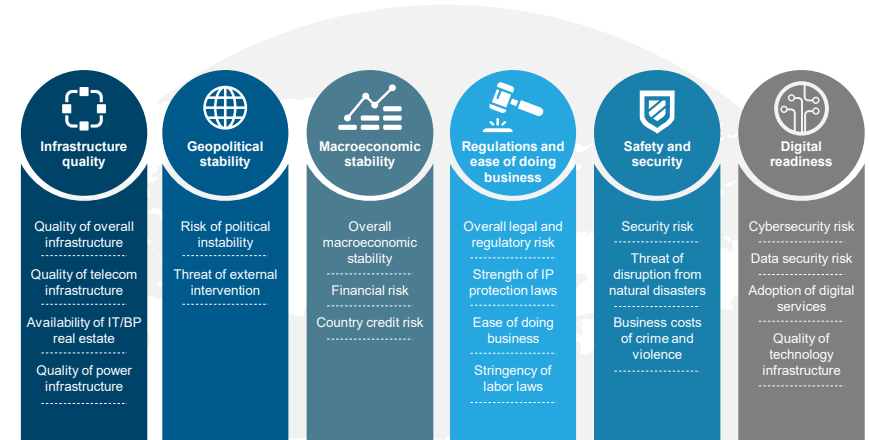


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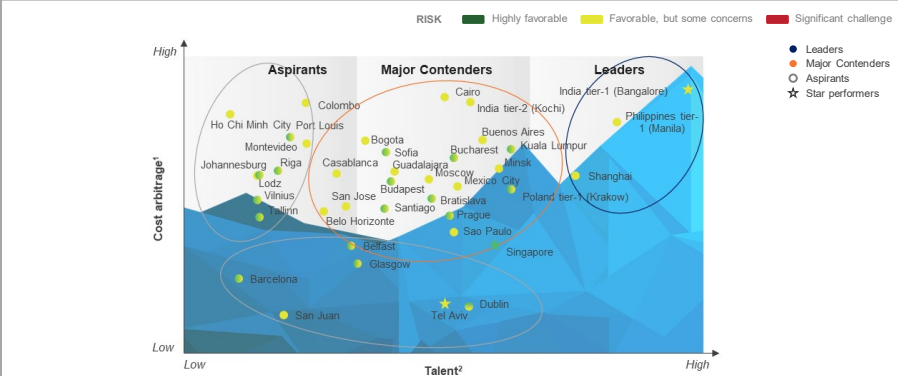
## Global service delivery maturity of leading delivery locations



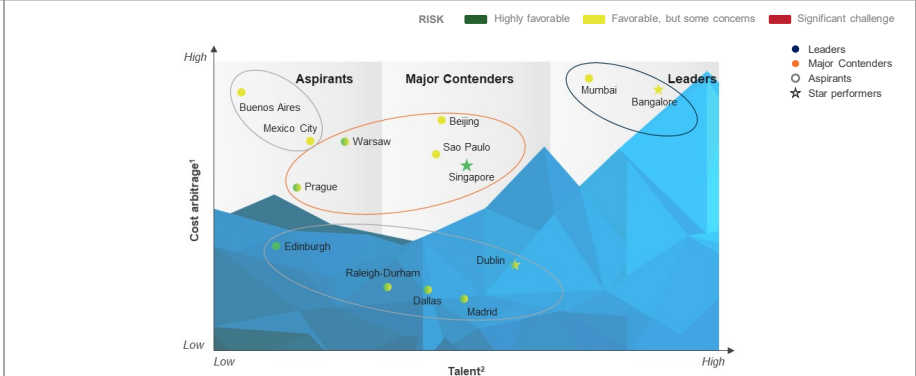
## Operating/business risk across leading global delivery locations



## Everest Group Locations PEAK Matrix™ for IT-ADM



## Everest Group Locations PEAK Matrix™ for Analytics



1 Current and forward-looking financial savings potential offered over source markets  
 2 Considers relevant entry-level and experienced talent  
 Note1: The assessment has been done only for a representative list of locations  
 Note2: We used representative cities to depict typical talent-cost positioning for tier-1 and tier-2 cities for some countries (e.g., Bangalore as a tier-1 city in India and Kochi as a tier-2 city in India); there could be other cities in the country that also offer comparable propositions to these cities  
 Source: Inputs from market players, recruitment firms, and investment agencies

1 Current and forward-looking financial savings potential offered over source markets  
 2 Considers relevant entry-level and experienced talent  
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 Source: Inputs from market players, recruitment firms, and investment agencies

# The report also has a spreadsheet of data on locations activity in 2018 – new centers set up by GICs and service providers



## Global Locations Annual Report 2019: Demand for Next-gen Services Defining Locations Strategies Center Setup Activity Database

### Locations Inside Annual Report

Delivery center announcements in offshore and nearshore regions: 2018

Country	City	Quarter	Service provider / GIC	Headcount	Function	Other comments
Jamaica	Montego Bay	Q1	Advanced Call Center Technologies (ACT)	1,200 FTEs; plans to further hire 600-800 FTEs	BP-CC	Established a new delivery center in Montego Bay, Jamaica. This is the company's fourth site in Montego Bay and has a total floor space of 50,000 square feet. With this facility ACT has almost doubled its operational capacity in the country
Taiwan	Taoyuan City	Q1	ASM Pacific Technology	Plans to hire 100 FTEs by 2021	R&D/engineering	Established an R&D center in Taiwan to focus on the development of products and solutions customizable according to the customers' needs for Industry 4.0 projects and smart factories. The facility plans to hire 100 software engineers by 2021
India	Ahmedabad	Q1	APCER Life Sciences	N/A	IT - digital and industry Specific (Pharma)	Established a new delivery center in Ahmedabad, India. The firm plans to provide compliance services to life science companies by integrating technology and digital transformation
Malaysia	Kuala Lumpur	Q1	AXA	Plans to hire 200 FTEs	BP – industry specific and IT – infrastructure and network	Established a shared services such as end-to-end. The facility plans to hire expertise in technical
Romania	Bucharest	Q1	Ascensos	Hired 100 FTEs, plans to have a total of 200 FTEs	BP-CC	Established a contact center in its sixth such location
India	Mumbai	Q1	Capgemini	N/A	IT - ADM; Automation	Capgemini established Capgemini's office in N
Philippines	Manila	Q1	AXA	Plans to hire 300 FTEs	BP – industry specific and IT – infrastructure and network	Established a shared services such as end-to-end. The facility plans to hire expertise in technical
Brazil	Londrina	Q1	TCS	Plans to hire 4000 people	IT and BP	TCS opened a new facility provide both IT and BP

Delivery center announcements in onshore regions: 2018

Country	City	Quarter	Service provider / GIC	Headcount	Function	Other comments
Canada	Halifax	Q1 2018	Ernst & Young (EY)	Plans to hire 150 FTEs	R&D/engineering	Established a CoE in Halifax, Canada, for RPA services. The center will hire 150 data scientists, application developers, system architects, project managers, and business analysts
United States	Austin	Q1 2018	Walmart	Plans to hire 48 FTEs by July 2018	IT – ADM and R&D/engineering	Established a technology hub in Austin, Texas, United States. The facility currently employs 12 people and plans to hire 48 additional employees in the areas such as data science, software development, mobile app development, and machine-learning engineering
United States	Boston	Q1 2018	Accenture	Plans to add 400 people by 2020	IT	Accenture launched an innovation hub in Boston, Massachusetts, United States, and plans to add 400 people by 2020 in areas such as digital, cloud, and security services
United States	Chicago	Q1 2018	Tredence	Plans to hire 250 FTEs	IT and analytics	Established a new CoE in Chicago, United States. The firm, focusing on last mile analytic adoption, currently employs a total of 250 people, and plans to double its headcount by the end of 2018
United States	Indianapolis	Q1 2018	Infosys	150 FTEs	IT	Infosys opened a technology and innovation hub in Indianapolis, Indiana, United States. The new hub employs 150 people and will help clients develop cross-functional solutions and digitize and renew their core businesses
United States	Los Angeles	Q1 2018	Chewy.com	Plans to hire 400 FTEs by September 2018	BP – CC	Established a customer-service center in Los Angeles, California, to offer customer support services. The facility currently employs 1,000 people and plans to hire 400 more by the end of September 2018
United States	Mountain View	Q1 2018	Omniceil	N/A	R&D/engineering and IT – analytics	Omniceil opened a new CoE to develop medication management platform using complex services such as robotics and predictive analytics
United States	New York	Q1 2018	Conduent	N/A	BP – CC	Conduent opened a call center in New York, United States
United States	Ohio	Q1 2018	Accenture	Plans to add 200 people	IT	Accenture opened an innovation hub in Columbus, Ohio, United States, and plans to add 200 people. The hub will enable clients to modernize legacy applications, leverage disrupt technologies, and take advantage of the latest IT delivery techniques
United States	Plano	Q1 2018	Walmart	Plans to hire 60 FTEs by the end of 2018	R&D/engineering	Established a technology research center in Plano, Texas, United States, to work on new systems designed to improve store operations. The facility will use data science, machine learning, computer vision, and other technologies to solve issues related to carts in parking lots or spills in stores for Walmart
United States	Redmond	Q1 2018	HCL	N/A	IT and KP/analytics	HCL opened Lab 21, a technology development center, in Redmond, United States, to develop and deploy business solutions based on the Microsoft AI Platform. The center will focus on accelerating adoption for enterprise customers in areas such as business

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# Research calendar – Locations Insider™

Published
  Planned
  Current release

## Flagship Locations Insider reports

### Release date

"Next-wave" Location Profiles – Tampa, Florida, United States .....	March 2019
"Next-wave" Location Profiles – The Philippines .....	March 2019
"Next-wave" Location Profiles – Guadalajara, Mexico .....	May 2019
"Next-wave" Location Profile – Hyderabad, India .....	May 2019
"Next-wave" Location Profiles – San Jose, Costa Rica .....	May 2019
"Next-wave" Location Profiles – India .....	June 2019
"Next-wave" Location Profiles – Chennai .....	June 2019
<b>Global Locations Annual Report 2019: Demand for Next-gen Services Defining Locations Strategies .....</b>	<b>September 2019</b>
Location Spotlight – The Czech Republic.....	Q3 2019

## Thematic Locations Insider reports

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

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

# Additional Locations Insider™ research references

The following documents are recommended for additional insights 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. 2019 Locations Predictions: Follow the Talent** ([EGR-2019-37-V-3060](#)); 2019. The report offers predictions on overall and location-specific services delivery, upon which organizations can anchor their transformation agendas. This viewpoint recommends organizations to embed intentional design principles in their location strategies, encompassing scope, drivers, planning, and stakeholders. It will help determine the key design principles to drive enterprise-wide service delivery transformation and overall locations strategy prediction. In addition to it, it includes location-specific forecasts and key risks to watch out for when transforming the delivery strategy
- 2. EU GDPR: What does the Disruption mean for your Industry** ([EGR-2018-0-V-2708](#)); 2018. This whitepaper outlines the key changes proposed by GDPR and their impact on global service delivery through the lens of increased overheads, opportunity for transformation, and push towards consolidation. This paper highlights second-level insights into the business implications of GDPR across multiple industry verticals. This includes perspectives on susceptibility to data breach, typical data flow structure, and related data privacy considerations across different industries
- 3. 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. The Global Locations Annual Report 2018 is a unique and comprehensive guide to understanding the nuances of the locations landscape and interpreting locations-related developments and trends to frame locations strategy. It presents insights into the size and growth of the global services market, update of center set-up activity, changes in risk profiles of locations, and an analysis of the maturity, arbitrage, and potential of locations (MAP Matrix™)

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## About Everest Group

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