



Location Spotlight – The Czech Republic

Locations Insider™ (LI)

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

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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

This report provides perspectives on key aspects of the global sourcing market in The Czech Republic

The Czech Republic | At a glance



Nearshore location offering sizable entry-level and experienced talent pool and a stable business environment; leveraged for both IT and BP services delivery

KEY FACTOIDS

- 70,000-74,000 annual tertiary graduates
- Offers 22-26% savings in annual operating cost per FTE over Croydon (BP services)

Current overview

- The Czech Republic global services market is ~89,000 FTEs strong, with the majority of FTEs located in Prague
- Primarily leveraged by global enterprises to support back-office business processes such as F&A, customer support services, and IT-ADMI services
- Key languages supported include English, German, Italian, French, and Spanish
- Potential to increase digital services delivery and grow R&D & innovation-led IT processes due to presence of high-quality talent and increased government support

Key drivers

- Availability of a large and high-quality entry-level and experienced talent pool
- High maturity for supporting a wide range of voice- and non-voice BP services
- Geographical proximity and close cultural affinity to the UK and other Europe-based onshore locations
- Well-developed infrastructure (air and road connectivity), with high ease of doing business
- Government incentives in the form of partial or complete corporate income tax relief and grants for training and job creation

Key challenges

- Potential concerns around talent sustainability in the next five years due to an aging population
- Rising competitive intensity resulting in higher attrition rates in tier-1 locations (Prague)
- Relatively higher cost of operations compared to some CEE locations such as Poland, Hungary, and Romania, which may force players to look at alternate location options

KEY PLAYERS:



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The Czech Republic | Risk profile (page 1 of 2)

Some geopolitical risks notwithstanding, the Czech Republic provides a favorable and improving investment climate and infrastructure

Parameter	Everest Group rating	Comments
Geopolitical		<ul style="list-style-type: none"> Concerns exist around political stability, given Prime Minister Andrej Babis' series of alleged corruption scandals <ul style="list-style-type: none"> In June 2019, the Czech government, led by the populist ANO party, survived a no-confidence vote in the parliament after massive protests against the Prime Minister. This is the second time the ANO party has survived a no-confidence vote, after gaining power in 2018, and is reflective of the public dissatisfaction for the current government The Czech Republic holds 34th rank out of 167 countries in the World Democracy Index 2018 by Economic Intelligence Unit (EIU)
Macroeconomic		<ul style="list-style-type: none"> The economy is expected to remain fairly stable in 2019, with a projected growth rate of 2.9% due to strong domestic demand <ul style="list-style-type: none"> However, ongoing labor shortage and weak foreign demand could slow down the overall growth Moody's and S&P have maintained a stable future outlook As a small open economy, the Czech Republic is highly dependent on the external sector. In 2018, the automotive sector accounted for 28% of the overall industrial production, 20% of the total goods exported, and 10% of the country's GDP. This sector is expected to grow fairly in the near-term Both inflation and unemployment rates are expected to decline in the coming years
Infrastructure		<ul style="list-style-type: none"> The Czech Republic ranks 43rd out of 137 countries for the quality of its infrastructure by The Global Competitiveness Report of the World Economic Forum <ul style="list-style-type: none"> The density of its transport network places the country among the world's most advanced countries in terms of transport infrastructure The country has a rapidly modernizing communications infrastructure, with the telecom sector being fully liberalized The country offers direct air connectivity to leading European and US locations

Source: Everest Group (2019), EIU, World Bank, WEF, Moody's, interviews with market participants



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Research calendar – Locations Insider™

■ Published ■ Planned ▭ Current release

Flagship Locations Insider reports

Release date

Location Spotlight – Hyderabad, India	May 2019
Location Spotlight – San Jose, Costa Rica	May 2019
Location Spotlight – India	June 2019
"Next-wave" Location Profiles – Chennai, India	June 2019
Global Locations Annual Report 2019: Demand for Next-generation Services Defining Locations Strategies	September 2019
Location Spotlight – Egypt	September 2019
Location Spotlight – Morocco	October 2019
Location Spotlight – The Czech Republic	October 2019
Location Spotlight – Israel	Q4 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	Q4 2019
Changing Fortunes of Delivery Locations – How Macroeconomic Factors Impact Delivery Locations?	Q4 2019
Global Handbook – Focus on Next-generation Skills Across the World	Q4 2019
What is the Role of a 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 insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest:

1. **European Digital Services Talent Handbook: Prepare for Digital Disruption** ([EGR-2019-37-R-3194](#)); 2019. This report provides detailed and relative attractiveness of 17 European locations for digital services delivery. It focuses on 10+ digital services (e.g., cloud, mobile, analytics, AI, and RPA) clustered into four segments – digital technology services, digital operations, advanced analytics, and emerging services. At an overall level, this handbook aims to support stakeholders that are evaluating European locations to deliver digital services and need actionable insights vis-à-vis internal business considerations such as type of services, cost savings, and proximity to business
2. **Global Locations Annual Report 2019: Demand for Next-generation Services Defining Locations Strategies | Key Trends Shaping the Landscape** ([EGR-2019-37-R-3313](#)); 2019. The Global Locations Annual Report 2019 describes the nuances of the global services locations landscape and interprets locations-related developments and trends to help in locations portfolio strategy design. It presents insights on market size and growth and global services exports by region and country, and offers an update of locations activity by region and country and trends affecting global locations (changes in the investment environment, key global developments, and changes in exposure to various risks)
3. **“Next-wave” Location Profile – Timisoara, Romania** ([EGR-2018-37-R-2649](#)); 2019. This report analyzes Timisoara and offers perspectives on the global sourcing profile of Timisoara, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
4. **“Next-wave” Location Profile – Krakow, Poland** ([EGR-2017-2-LP-2364](#)); 2017. This report analyses Krakow and offers perspectives on global sourcing profile of Krakow, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks

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