



Market Vista™: 2019 Year in Review and Outlook for 2020

State of the Market Report – March 2020: Complimentary Abstract / Table of Contents

An overview of our research offerings

▶ **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
▶ BPS Healthcare & Life Sciences	▶ ITS Healthcare
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- This report is included in the following research program(s)
 - [Market Vista](#)
- If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

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In addition to a suite of published research, a membership may include

- 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

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Overview of the current document

The current document is a preview deck of “Market Vista™: 2019 Year in Review and Outlook for 2020” and showcases snippets from the detailed analysis conducted in the report.

The Market Vista Annual Report 2019¹, a 57-page report, provides an overview of the developments that took place in the global services industry in 2019. 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 2020.

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
- Offshore/nearshore GICs developments
- Onshore/offshore locations trends (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)
- Global services market outlook for 2020 (including key trends and drivers)

¹ Market Vista™: 2019 Year in Review and Outlook for 2020
Source: Everest Group (2020)

Global services market developments in 2019 | Summary of key developments



Outsourcing activity saw an increase in the share of short-term deals; there was also an increase in the share of BPO deals as compared to the previous year



GIC setups recorded an all-time high activity due to rising setups by small/mid-sized enterprises with high focus on R&D-/engineering-based setups



Location activity continues to be led by Asia Pacific; Middle East and Africa also witnessed growth in activity



Rise in center setups activity in tier-2/3 locations as both GICs and service providers are increasingly exploring smaller cities, especially in mature markets



Offshore-heritage service providers saw higher revenue and employee headcount growth as compared to global service providers

Global services market outlook for 2020

Key trends that will shape the market in 2020



Uncertainty is almost a certainty

In a world of growing uncertainty, organizations will need to be increasingly agile in order to be able to respond quickly to changes



Expected global recession

Major global economies continue to face a downturn due to disruptions caused by Covid-19 (Corona virus), which is likely to cause a recession-like scenario in 2020, and will have multiple implications for the global sourcing industry



Sluggish growth across locations

The global services market is expected to grow sluggishly across locations in 2020, driven by global macroeconomic and geopolitical concerns



Adoption of the CoE model

Intentional focus on building depth versus merely expanding breadth of services will lead to greater adoption of the Center of Excellence (CoE) model in Global Business Services (GBS)



Focus on innovation

Innovation will be one of the top priorities of enterprises from their service providers



Workforce productivity will be the next silver bullet for organizations

As organizations increasingly realize the benefits of other strategies, they need to enhance their focus on workforce productivity



Customer experience is a key priority

Both enterprises as well as service providers plan to invest in technologies and capabilities to improve customer experience, irrespective of the economic scenario

Global services market developments in 2019 | 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 providers¹
- Includes assessment on operating revenue, margins, new center setups, expansions, M&As, and support on digital services

¹ Represents Market Vista Index providers currently tracked under Market Vista subscription – see page 13 for details. Note that the list of providers is not fixed and can undergo changes depending on emergence of new providers and decreasing relevance of the existing ones

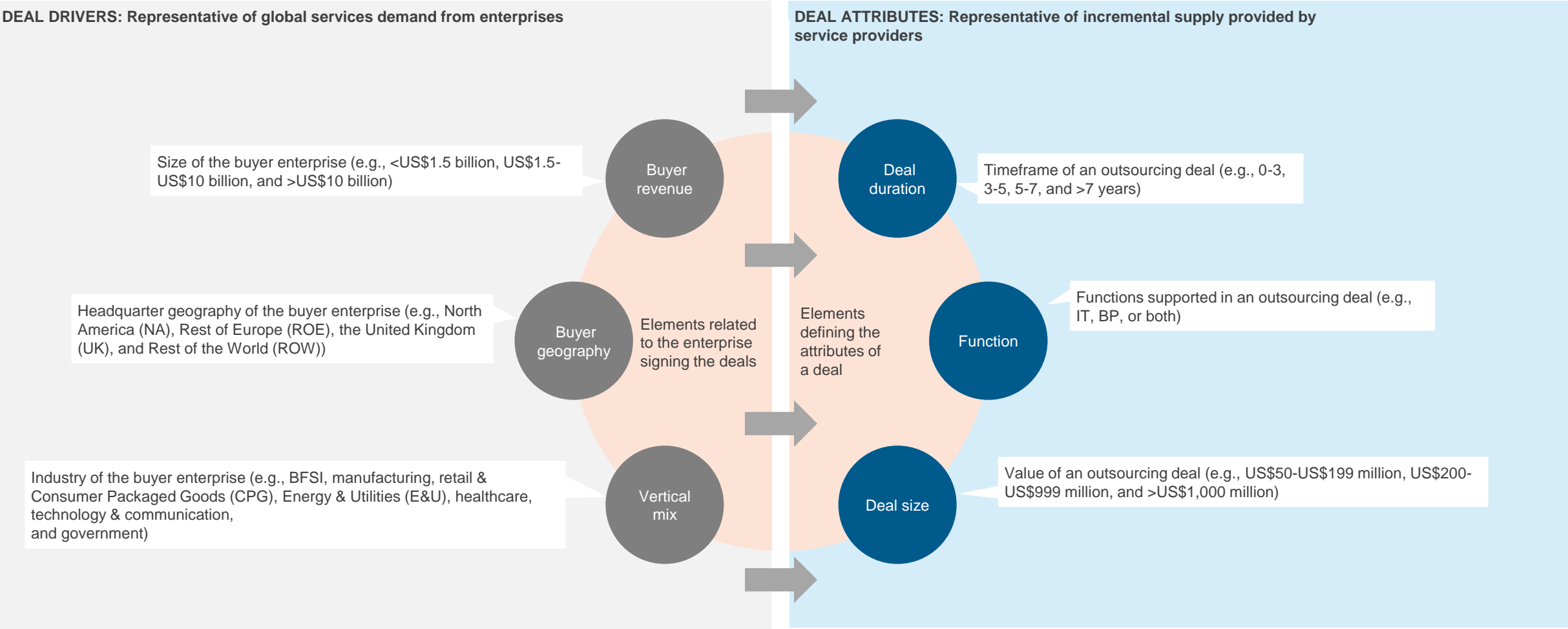
Note: Represents information based on publicly available sources. Information from RFIs or other internal sources has not been included, given confidentiality constraints

Source: Everest Group (2020)

Outsourcing transactions | Framework for assessment

DEAL DRIVERS: Representative of global services demand from enterprises

DEAL ATTRIBUTES: Representative of incremental supply provided by service providers

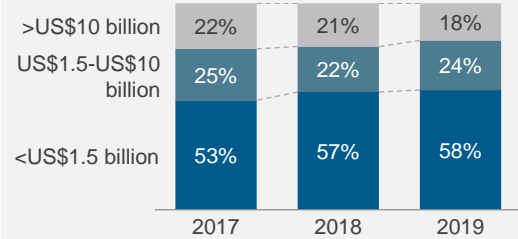


Outsourcing transactions | Overview

Outsourcing activity saw an increase in the share of short-term deals; there was also an increase in the share of BPO deals as compared to the previous year

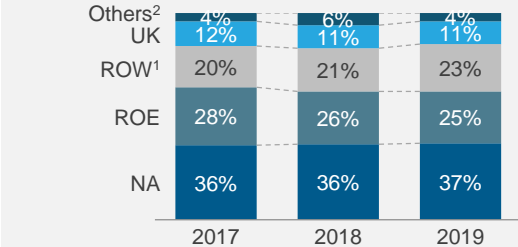
DEAL DRIVERS

Outsourcing deals by buyer revenue 2017-19; Percentage



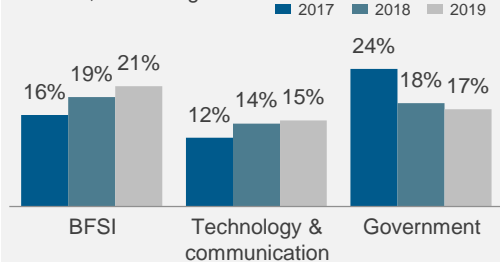
Outsourcing deals continued to be driven by small buyers. These were largely from BFSI, technology & communication, and cyclical commodities sectors

Outsourcing deals by buyer geography 2017-19; Percentage



The distribution of buyer geographies remained similar to the last year

Outsourcing deals by industry 2017-19; Percentage

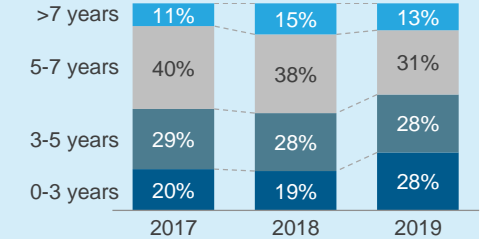


Continuous increase in activity for BFSI and Technology & communication; Reduced government spending resulting in a decrease in outsourcing deals from government sector

DEAL ATTRIBUTES

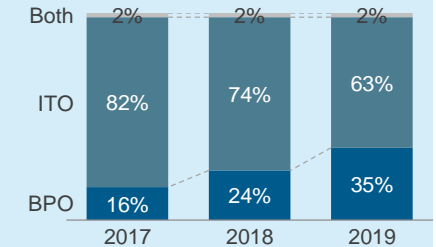
Significant increase in share of short-term deals in 2019 vis-à-vis 2018, primarily driven by growth in outsourcing by small companies, increasing share of digital services-focused deals, and global uncertainty resulting in apprehensions among buyers who are now signing smaller contracts

Outsourcing transactions by deal duration 2017-19; Percentage

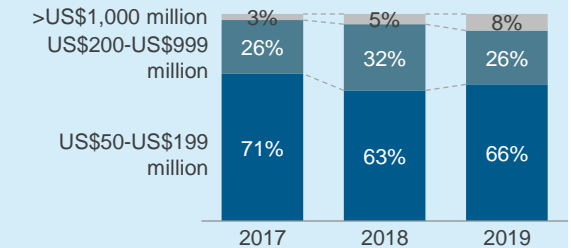


Increase in the share of BPO deals compared to the previous year. Decline in share of ITO deals, primarily driven by lower demand for application development, maintenance, and system integration services

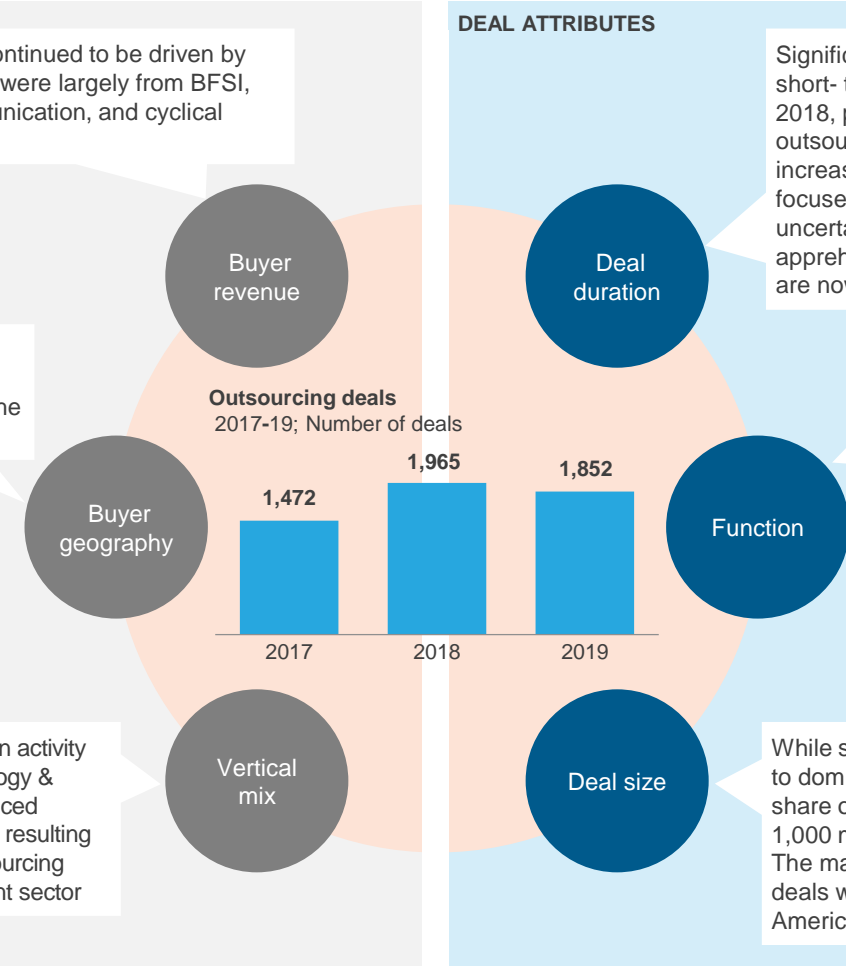
Outsourcing deals by function 2017-19; Percentage



Outsourcing deals by size 2017-19; Percentage



While small deals continue to dominate the market, the share of large deals (>US\$ 1,000 million) is growing. The majority of these large deals were signed by North America-based buyers



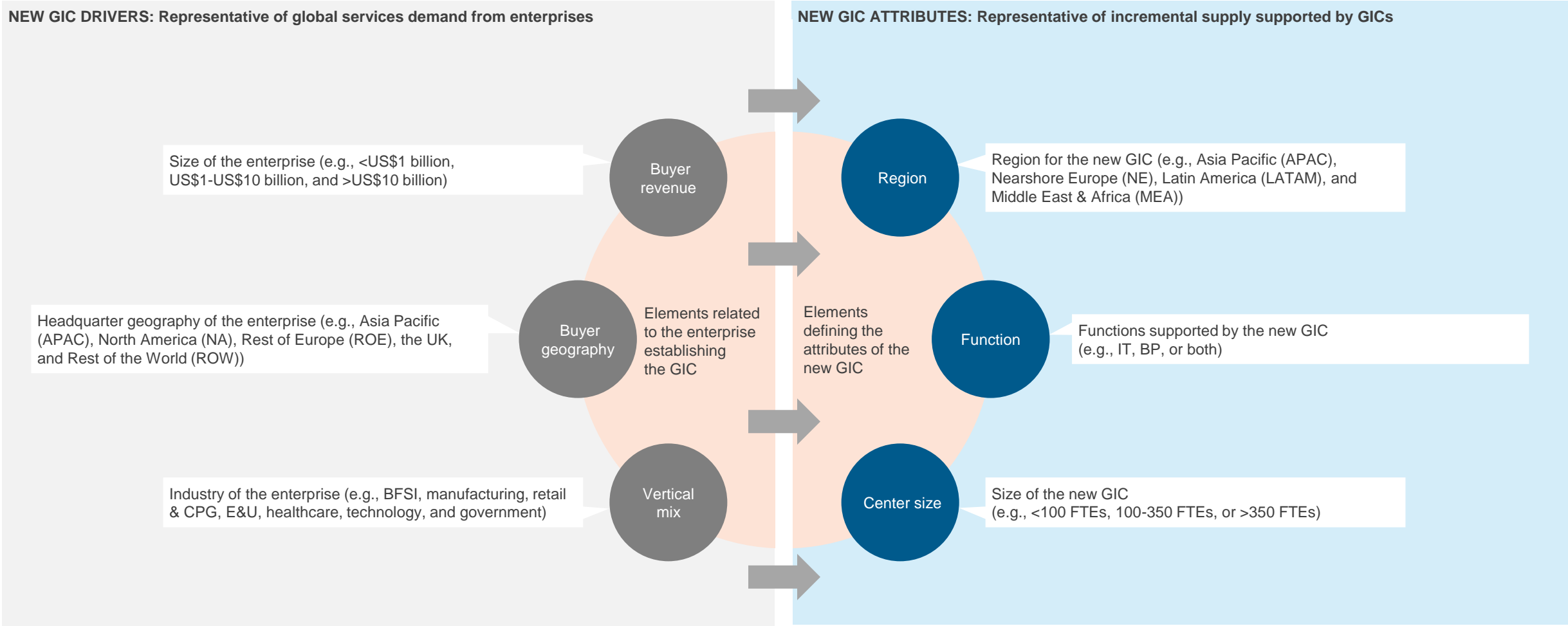
1 ROW includes Asia Pacific, Latin America, Middle East, and Africa
2 "Others" include deals where the buyer region is not specified

Source: Everest Group (2020)

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



Size of the enterprise (e.g., <US\$1 billion, US\$1-US\$10 billion, and >US\$10 billion)

Buyer revenue

Headquarter geography of the enterprise (e.g., Asia Pacific (APAC), North America (NA), Rest of Europe (ROE), the UK, and Rest of the World (ROW))

Buyer geography

Elements related to the enterprise establishing the GIC

Elements defining the attributes of the new GIC

Industry of the enterprise (e.g., BFSI, manufacturing, retail & CPG, E&U, healthcare, technology, and government)

Vertical mix

Center size

Size of the new GIC (e.g., <100 FTEs, 100-350 FTEs, or >350 FTEs)

Region for the new GIC (e.g., Asia Pacific (APAC), Nearshore Europe (NE), Latin America (LATAM), and Middle East & Africa (MEA))

Region

Functions supported by the new GIC (e.g., IT, BP, or both)

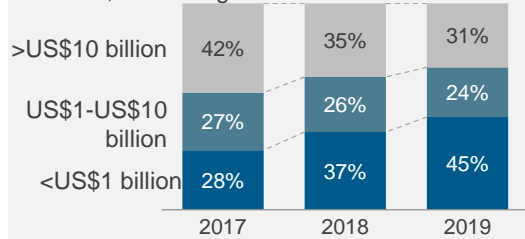
Function

GIC activity | Overview

Growing share of APAC buyers; increasing share of GIC setups by small and mid-sized buyers

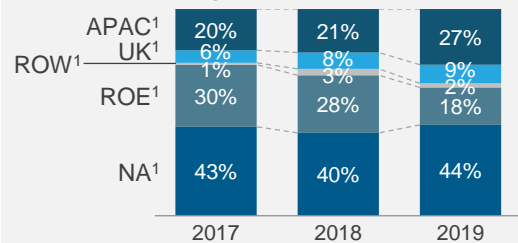
NEW GIC DRIVERS

Outsourcing deals by buyer revenue
2017-19; Percentage



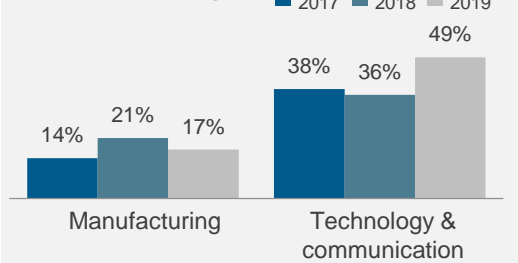
Small and mid-sized buyer (<US\$10 billion) segments driving the growth, with 69% share in new setups

GIC setups by buyer geography
2017-19; Percentage



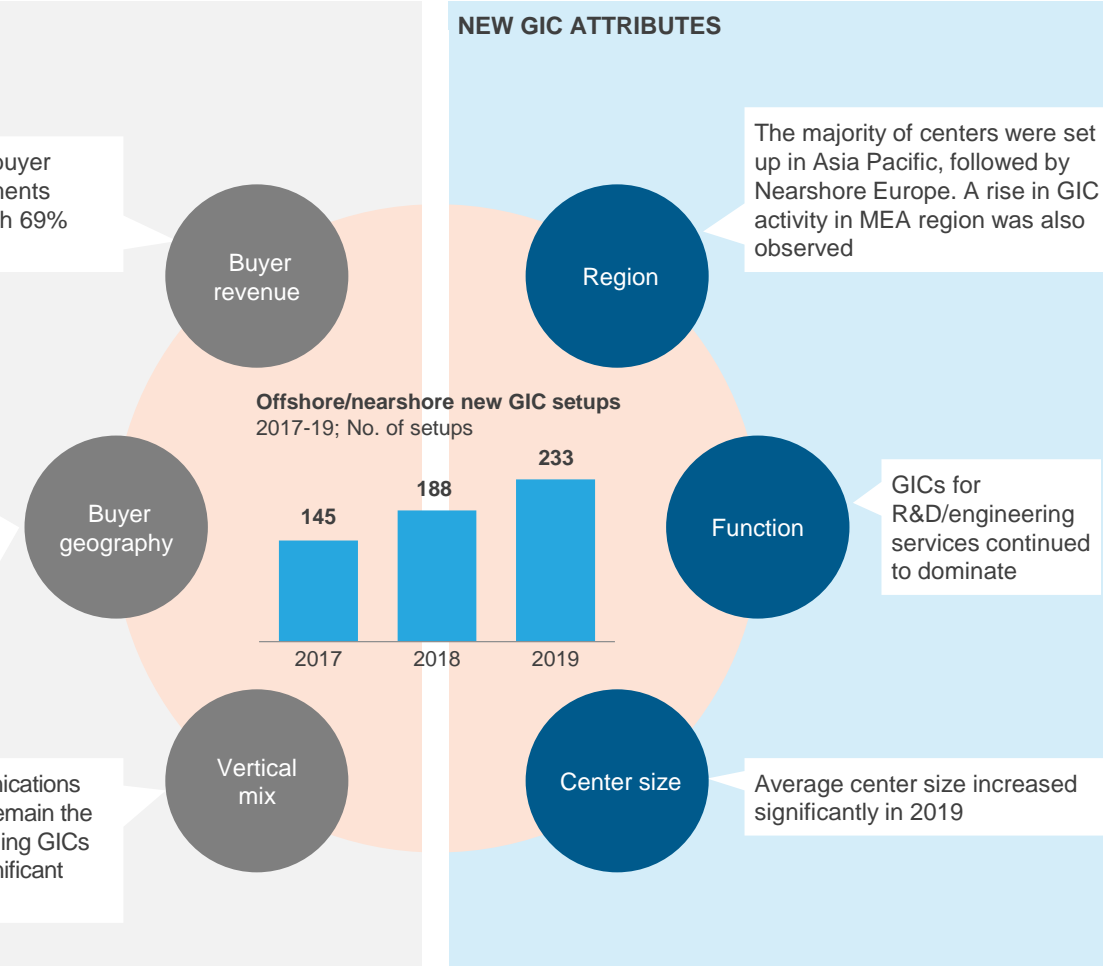
ROE-based organizations witnessed a slowdown in GIC activity. NA and APAC witnessed an increase in share

GIC setups by top verticals
2017-19; Percentage

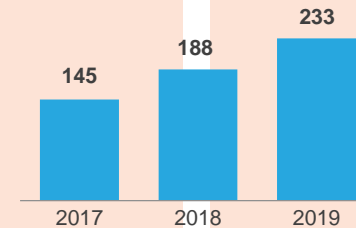


Technology & communications industry continued to remain the largest sector establishing GICs and experienced a significant increase in 2019

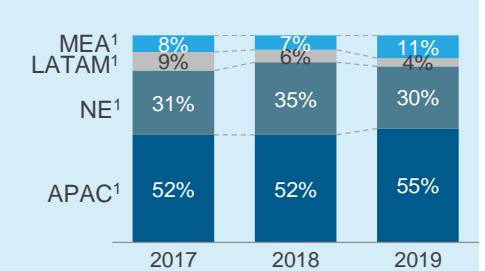
NEW GIC ATTRIBUTES



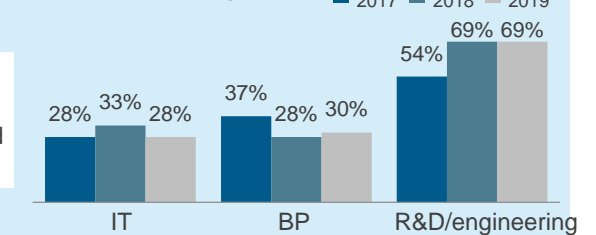
Offshore/nearshore new GIC setups
2017-19; No. of setups



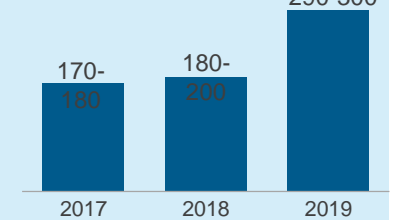
GIC setups by regions
2017-19; Percentage



Share of functions in new GIC setups
2017-19; Percentage



Average headcount of GIC setups
2017-19; Headcount

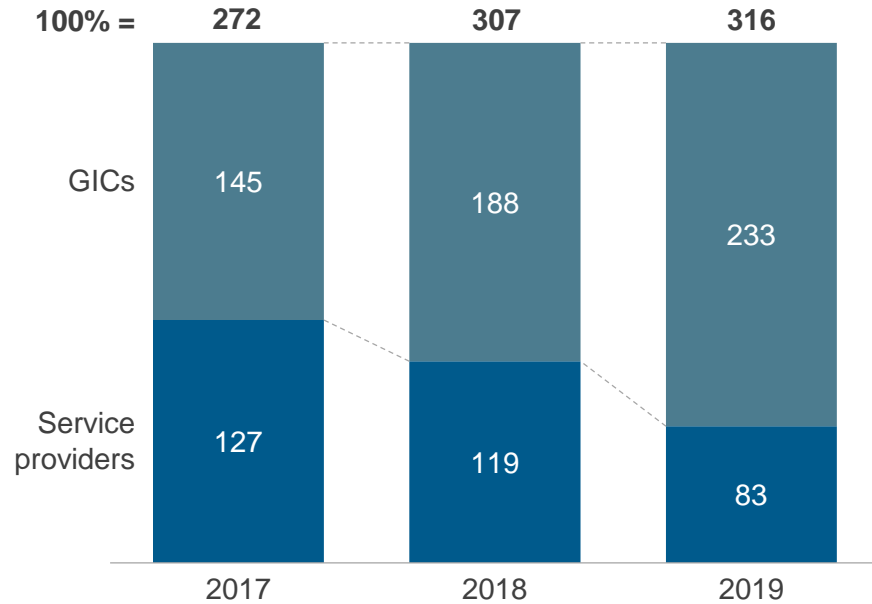


¹ ROE – Rest of Europe, ROW – Rest of the World, NA – North America, LATAM – Latin America, APAC – Asia Pacific, NE – Nearshore Europe, MEA – Middle East and Africa
Source: Everest Group (2020)

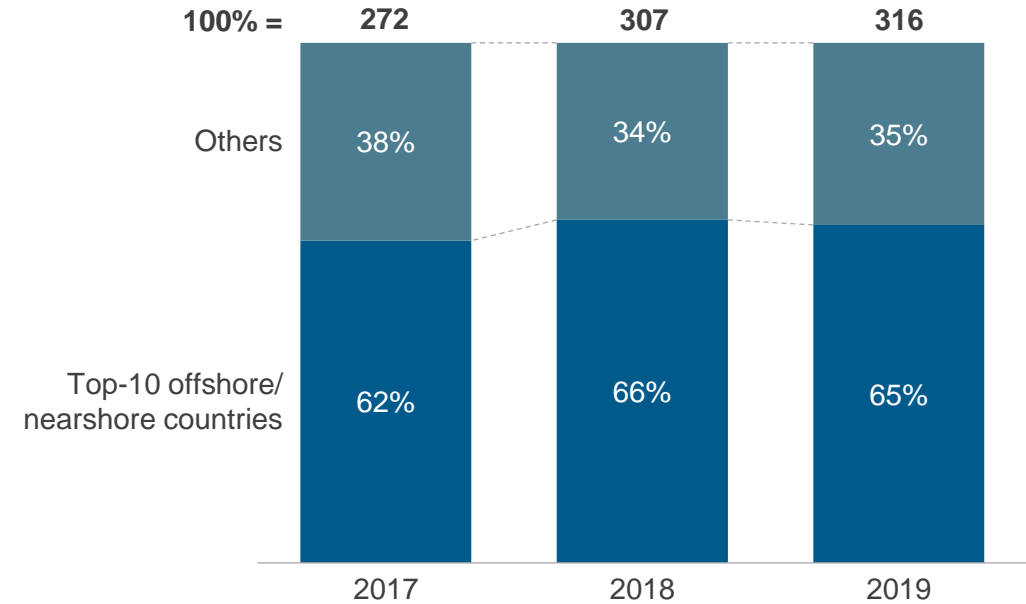
Location activity | Overview

GICs led the growth in location activity, whereas service provider center setups witnessed a decline; concentration of top-10 locations remained similar to the previous year

New offshore/nearshore delivery center setups
2017-19; Number of centers



Share of top-10 countries in offshore/nearshore delivery center setups
2017-19; Percentage



GICs drove the location activity in 2019, while there was a significant decline in service provider setups

- GIC growth was driven by increased investments by small and mid-sized enterprises from the APAC and North American region
- Service providers experienced a decline in delivery center setups, including Market Vista Index service providers¹

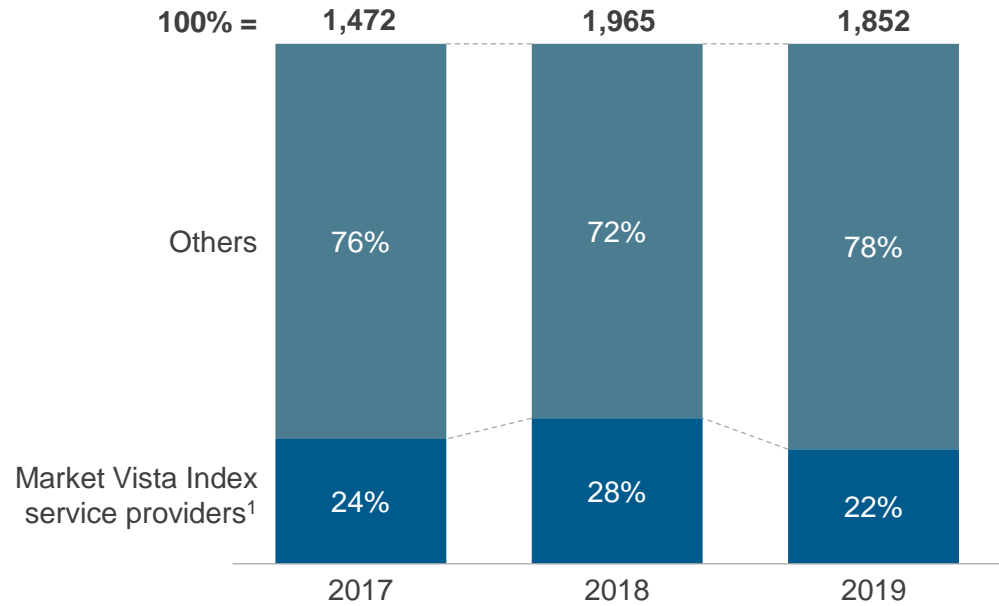
¹ Represents Market Vista Index service providers currently tracked under Market Vista subscription – see page 13 for details. Note that the list of providers is not fixed and can undergo changes depending on emergence of new providers and decreasing relevance of the existing ones

Source: Everest Group (2020)

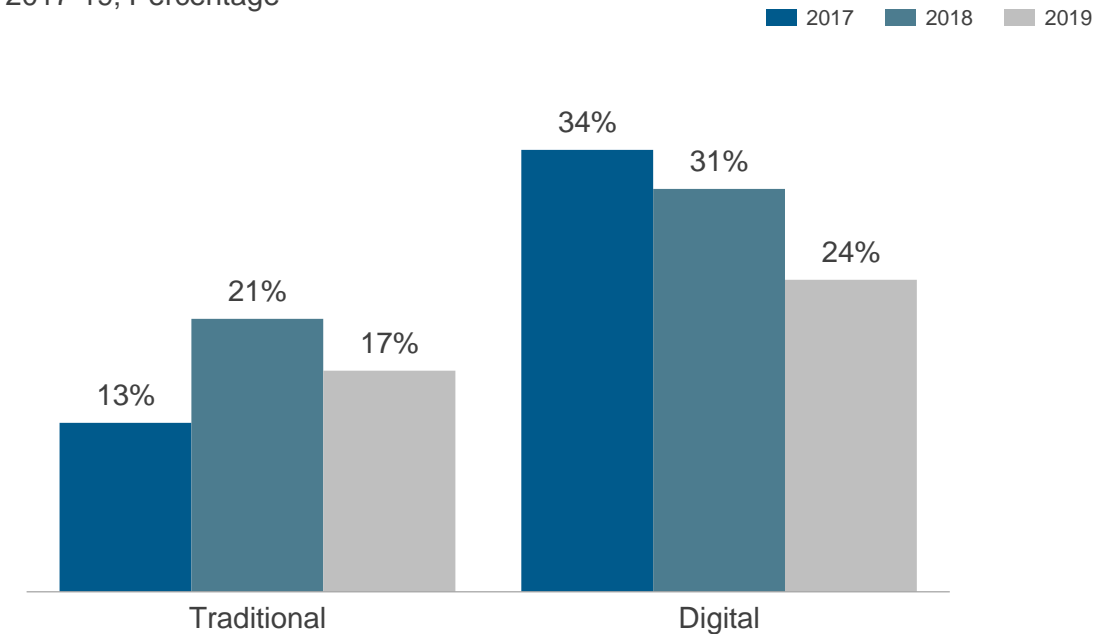
Service provider developments | Share in outsourcing deals

Share of Market Vista Index service providers¹ declined in outsourcing deals in 2019

Share of Market Vista Index service providers¹ in outsourcing deals (overall)
2017-19; Percentage



Share of Market Vista Index service providers¹ in outsourcing deals (traditional vs. digital²)
2017-19; Percentage



- Outsourcing deals were led by small and mid-sized service providers; share of top-30 Market Vista Index service providers reduced to 22% as compared to 28% last year
- The activity for Market Vista Index service providers was largely driven by BFSI and technology & communication sectors. Compared to the last year, very few BPO deals were signed by large service providers

¹ Represents 30 service providers tracked under Market Vista subscription – see page 13 for details
² Indicates centers supporting one or more elements of digital services (e.g., SMAC, IoT, blockchain, automation, and cybersecurity)

Source: Everest Group (2020)

Service provider developments | Market Vista™ Index service providers

Global service providers



Offshore-heritage service providers



- 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

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 and annual reports	<ul style="list-style-type: none">• Quarterly report with in-depth coverage of transactions, location, GIC, and service provider trends• Annual report covering summary of the quarterly reports, along with forward-looking views for the upcoming year	✓
Global sourcing adoption reports	Industry-specific reports covering details on global sourcing adoption in leading enterprises and markets (healthcare, life sciences, CPG, insurance, banking, capital markets, and oil & gas)	✓
Global services market pressing issues reports	These are unique reports based on annual surveys that capture market sentiments across buyers and service providers on key aspects of the global sourcing industry	✓
Location database	Annually updated database of location statistics (e.g., cost, attrition, and inflation rates) for 23 major cities	✓
Blogs/viewpoints	Viewpoints and blogs on contemporary global services issues of interest to enterprises, SSCs/GICs, and service providers	✓
Exclusive webinars	Exclusive 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 – Market Vista™

Published
 Planned
 Current release

Flagship Market Vista reports

Release date

Market Vista™ : Q4 2019	November 2019
Market Vista™ : Q1 2020	February 2020
Market Vista™ : 2019 Year in Review and Outlook for 2020	March 2020
Market Vista™ : Q2 2020	Q2 2020
Market Vista™ : Q3 2020	Q3 2020
Market Vista™ : Q4 2020	Q4 2020
Market Vista™ : Q1 2021	Q1 2021
Market Vista™ : 2020 Year in Review and Outlook for 2021	Q1 2021

Thematic Market Vista reports

Market Vista™ : Industry Insights – Healthcare	January 2020
Global Services Market Pressing Issues: Enterprises' Perspective	January 2020
Global Services Market Pressing Issues: Service Providers' Perspective	March 2020
Market Vista™ : Industry Insights – Oil & Gas	Q2 2020
Market Vista™ : Industry Insights – Lifesciences	Q3 2020

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

Additional Market Vista™ 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. **Market Vista™ Q1 2020** ([EGR-2019-35-R-3567](#)); 2020. This report summarizes the key trends and developments for Q4 2019 in the global offshoring and outsourcing market
2. **Global Services Market Pressing Issues in 2020: Enterprises' Perspective** ([EGR-2020-35-R-3554](#)); 2020. The Global Services Market Pressing Issues are unique reports, based on annual surveys, that capture the pulse of the market on key aspects of the global sourcing industry. Everest Group interviewed senior stakeholders across enterprises in November 2019, to understand their thoughts as they underwent process planning for the year 2020. This report highlights enterprises' growth sentiments, key priorities, challenges, and outlook for 2020, with a deep dive into sourcing and procurement stakeholder groups
3. **Market Vista™: Industry Insights – Healthcare** ([EGR-2020-35-R-3547](#)); 2020. The Global Sourcing Adoption Trends reports are new additions to our flagship Market Vista™ offering. These are unique reports that cover enterprise-specific views 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 healthcare majors as well as leading service providers in this sector. This report will be useful for healthcare 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 300+ locations globally, Advanced Locations Tool (ALT) provides access to data for multiple functions (e.g., F&A, HR, contact center, and IT-ADM) including digital functions (e.g., analytics, and cloud) across various parameters such as talent availability, costs, and risks for global services delivery. The tool is pre-configured for commonly used structures, with flexibility to modify the analysis format. Moreover, the choice of cities, functions, and assessment dimensions can be customized as per client's requirements

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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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