

Market Vista™: Q1 2023

Data and Analysis: October – December 2022 – Select Findings



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Global services | key market trends in Q4 2022



In Q4 2022, the decline in publicly announced transactions was accompanied by an increase in cloud deployments and AI-related contracts. Further, a surge in ransomware attacks on various IT infrastructures drove up enterprise demand for cybersecurity solutions.

Operating margins increased sequentially for both global and offshore-heritage service providers but declined on an annual basis. The increase is attributed to a decline in subcontractor costs and the easing of pressure from the supply side, as attrition improved, and utilization increased.

M&A activity for both global and offshore-heritage providers declined sequentially and annually in Q4 2022, with providers moving to cautious spending models and pursuing only opportunities with high synergistic opportunities in the current macroeconomic conditions.

GBS activity increased significantly in Q4 2022, with activity in both onshore and offshore locations increasing above pre-pandemic levels due to an increase in setups in India, onshore Asia, and North America.

Key developments in the digital space | Q4 2022

Digital-focused activity

Digital-focused activity



Digital developments/initiatives

- Accenture acquired Blackcomb Consultants to strengthen its ability to help insurance carriers use technologies such as AI and analytics
- DXC Technology launched a global cloud-based digital broking platform, DXC Assure Broking, to help clients reduce costs, increase efficiency, and accelerate time-to-market for new products

Mergers and acquisitions



- In Q4 2022, ~76% of the M&As were digital-focused. Global service providers continued to have a majority share in the digital M&As, with Capgemini leading the activity
- Within digital, the cloud was the most focused capability, followed by advanced automation and analytics

Financials



Infosys' digital revenue accounted for 62.9% of the total revenue (~US\$4,659 million), a YoY CC growth of 21.7%

Delivery location



- North America dominated the location activity for digital delivery center setups, with five center being set up, followed by Italy and India with two center set up each in Q4 2022
- L&T Technology Services led the location activity with the highest number of digital-focused center setups, followed by Atos, Cognizant, IBM, Infosys, and NTT DATA. The centers focus on the cloud, analytics, and AI services

Alliances



- In Q4 2022, ~67% of the alliances were digital-focused partnerships. IBM and Tech Mahindra dominated the total share of digital alliances, followed by Kyndryl and Accenture
- Cloud and advanced automation continued to be the most leveraged capabilities in the alliances space

Outsourcing deals



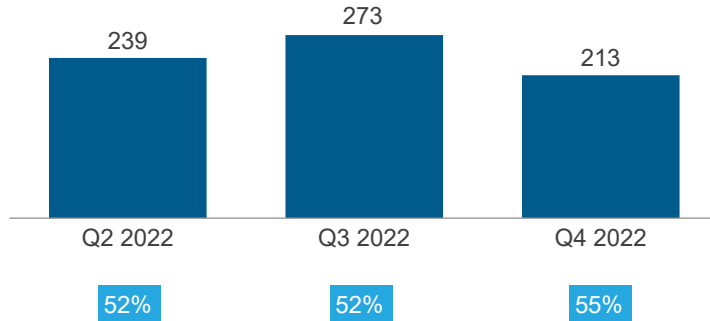
- Zurich Insurance Group selected Cognizant for cloud and AI services
- Wilkes University selected BlackBeltHelp for AI and mobility services
- Vero Internet selected Furukawa for cybersecurity services

Global services dashboard | Q4 2022

xx% Share of digital-focused activity

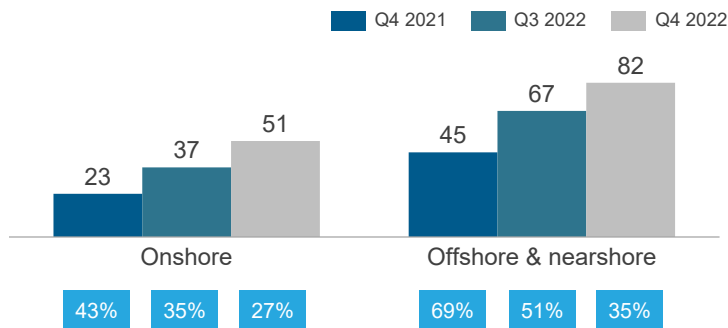
Sourcing market overview

The overall outsourcing demand saw a decrease, while the share of digital deals increased, compared to the previous quarter
Number of outsourcing transactions



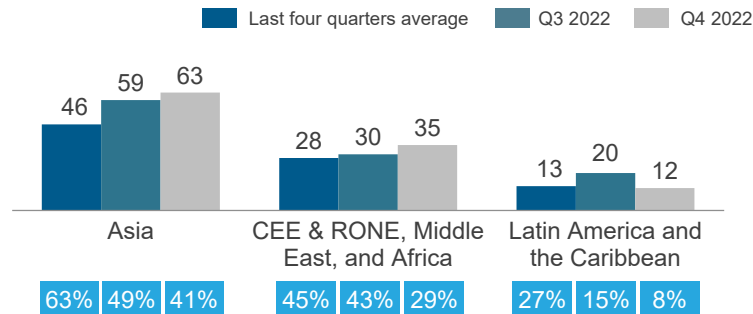
The overall in-house delivery setup activity increased vis-a-vis the last quarter as well as the year

Number of new in-house delivery setups and expansions



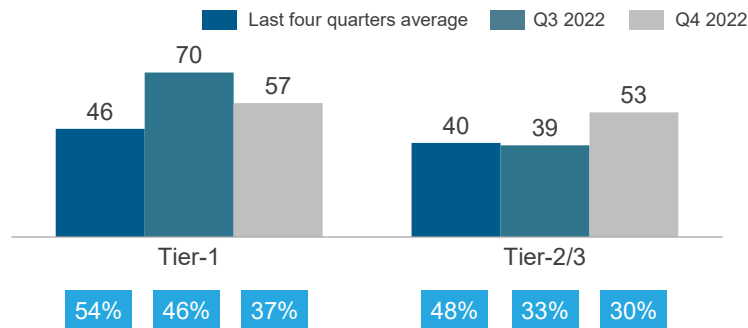
Offshore/nearshore location dynamics

There was no change in overall setup activity, compared to the last quarter
Number of delivery center setups



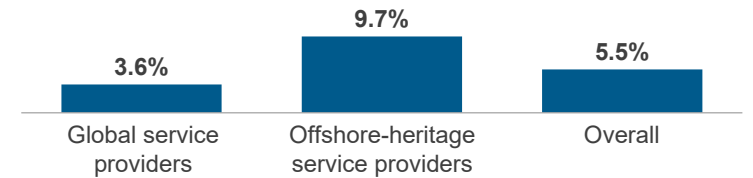
The number of setups in tier-2/3 locations increased in Q4 2022 compared to the previous quarter

Number of delivery center setups



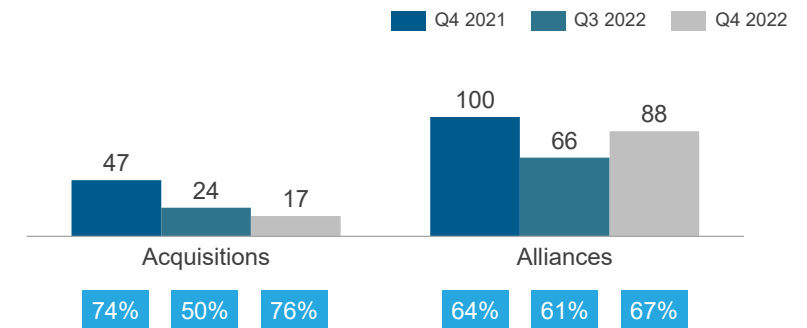
Service provider developments and trends

The annual revenue growth of offshore-heritage players surpassed the growth of global providers
Annual growth in revenue (Q3 2022 vs. Q3 2021)



Acquisition activity declined and alliance activity increased, in comparison with the previous quarter

Number of acquisitions and alliances



Note 1 Digital details around each parameter are added in the respective sections

Note 2 Q1: January-March, Q2: April-June, Q3: July-September, and Q4: October-December

There are several different definitions of Global Business Services (GBS) within the industry, Everest Group uses the term ‘GBS’ in the following context

In context of this report, a GBS...

- ...is an operating model construct for global services sourcing and management
- ...is responsible for setup and management of company owned delivery centers (i.e., Global In-house centers, captives, shared services) or management of outsourcing relationships
- ...can include onshore, nearshore, and offshore delivery centers
- ...covers a broad variety of services including business process services, operations (both back-office and middle-office), technology services, and engineering services
- ... usually focuses on F&A, HR, procurement, etc. but can include pure-play tech centers (known as Global Delivery Centers, or Global Technology Centers) or pure-play engineering Centers (known as Global Engineering Centers)

Note: The market size estimates for GBS market in this research only covers workforce employed by global companies in their GBS organization and company-owned (fully or partially) delivery centers across onshore, nearshore, and offshore geographies. We have excluded any third-party outsourcing teams managed by GBS, while sizing the GBS market for this research.

Research calendar

Market Vista™

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
It Is Not a Talent War; It Is a New Reality – 2022 Key Issues in Global Sourcing – Service Provider Perspective	March 2022
Market Vista™: 2021 Year in Review and Outlook for 2022	March 2022
Market Vista™: Industry Insights – Telecom and Network	May 2022
The Growing Need for Inclusive Talent Models: Learning from Impact Sourcing Specialists	May 2022
Impact Sourcing Specialists Profiles - 2022	June 2022
Market Vista™: Q2 2022	June 2022
Market Vista™: Q3 2022	September 2022
Market Vista™: Industry Insights – Healthcare	October 2022
Market Vista™: Industry Insights – Retail and CPG	December 2022
Market Vista™: Q4 2022	December 2022
Market Vista™: Q1 2023	March 2023
Market Vista™: 2022 Year in Review and Outlook for 2023	Q1 2023
2023 Key Issues in Global Sourcing	Q1 2023
Market Vista™: Q2 2023	Q2 2023
Market Vista™: Q3 2023	Q3 2023
Market Vista™: Q4 2023	Q4 2023

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