Market Report

Market Vista™

Market Vista™: Q2 2023

Data and Analysis: January – March 2023 – Select Findings

EGR-2023-35-CA-5990

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- Revenue Cycle Management
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- SAP Services
- Service Optimization Technologies
- Software Product Engineering Services
- Supply Chain Management (SCM) Services
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Global services | key market trends in Q1 2023

The demand for AI-related contracts surged in Q1 2023. This increase in demand can be attributed to the rising popularity of generative AI solutions, as providers deliver automation, process efficiency, and customer experience services.

Average attrition for MV index providers declined steadily, dropping below 20%, in Q4 2022. This trend is expected to continue, with further easing projected in the upcoming quarters. Additionally, there is a decline in headcount growth for both global and offshore-heritage providers. These providers are now focusing on expanding utilization as demand-side pressures ease up.

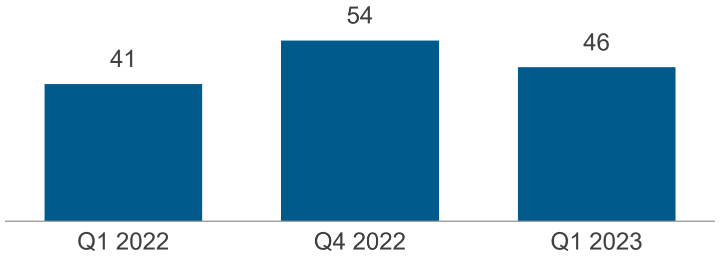
M&A activity for both global and offshore-heritage providers declined moderately in Q1 2023 as providers shifted their focus toward pursuing opportunities with high cross-selling benefits. During this period, there were a couple of notable big-ticket transactions with Concentrix acquiring Webhelp and the proposed acquisition of Majorel by Teleperformance.

While GBS activity declined in Q1 2023, there was a significant increase in setups by life sciences companies targeting drug development, drug discovery, and drug screening platforms.

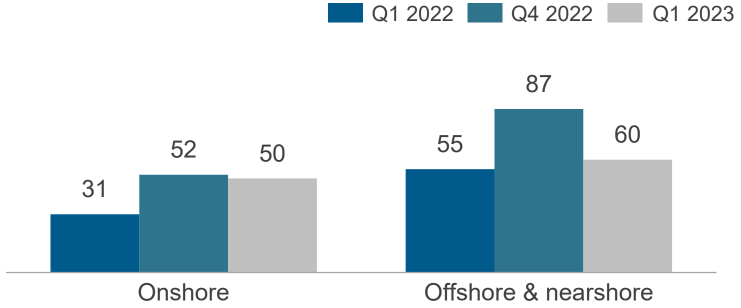
Global services dashboard | Q1 2023

Center setups

The number of service provider center setups/expansions decreased on a sequential basis and increased on an annual basis
Number of service provider delivery setups

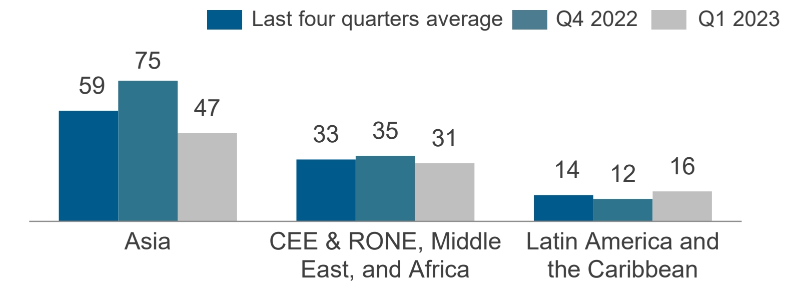


The overall in-house delivery setup activity decreased vis-a-vis the last quarter
Number of new in-house delivery setups and expansions

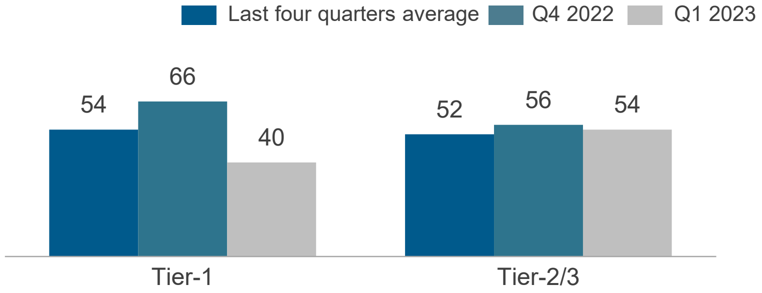


Offshore/Nearshore location dynamics

There was a decline in overall setup activity, compared to the previous quarter
Number of delivery center setups

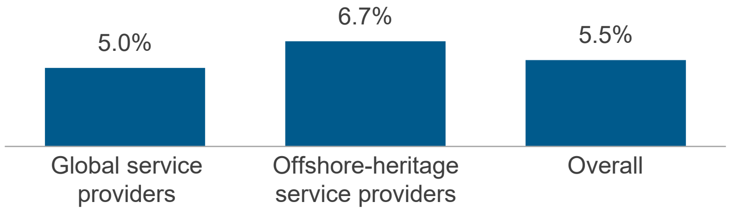


The number of setups in tier-2/3 locations remained almost the same in Q1 2023 compared to the previous quarter
Number of delivery center setups

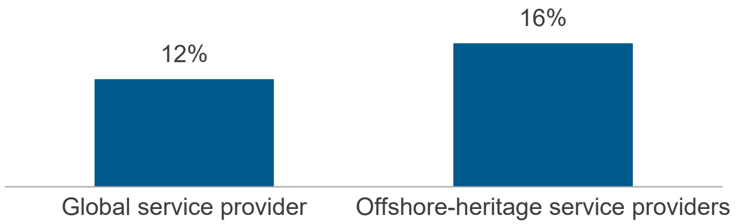


Service provider developments and trends

The annual revenue growth of offshore-heritage players surpassed the growth of global providers
Annual growth in revenue (Q4 2022 vs. Q4 2021)



The headcount growth for offshore-heritage service providers surpassed that of global service providers
Headcount growth, Q4 2022 vs. Q4 2021



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

Market Vista reports highlight key trends and developments across outsourcing transactions, the overall health of transactions and Global Business Services (GBS) markets, location risks and opportunities, and provider developments

Service provider developments | Market Vista™ Index service providers

Engineering service providers (dashed box)

Global service providers

accenture, ADP, arvato BERTELSMANN, Atos, Capgemini, CGI, Concentrix Convergys, Conduent, DXC Technology, epam, IBM, kyndryl, NTT Data, Teleperformance, ttec, Unisys

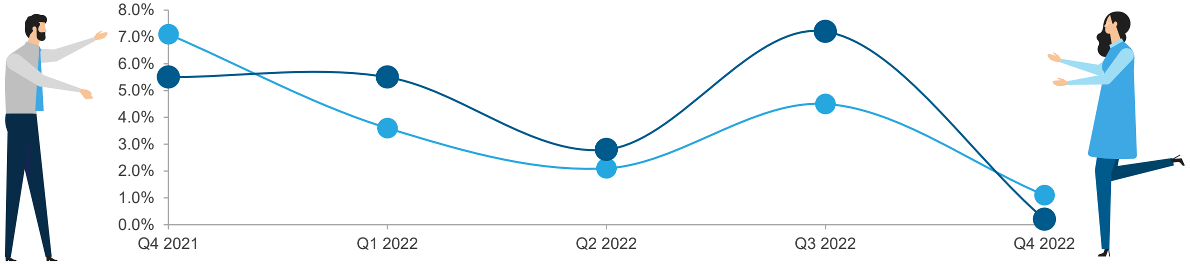
Engineering service providers: Akkodis, Alten, bertrandt, Globant

Offshore-heritage service providers

cognizant, EXL, genpact, HCLTech, Infosys, LTIMindtree, Mphasis, Tech Mahindra, TCS, wipro, WNS

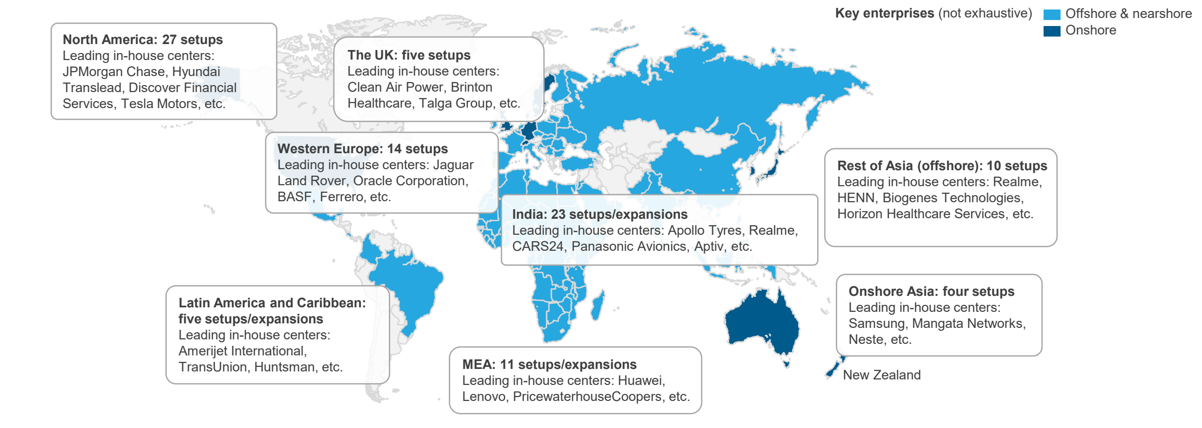
Engineering service providers: CYIENT, L&T Technology Services, Persistent

Market Vista™ Index service providers | headcount growth



The headcount growth rate across the service provider space is experiencing a decline, mainly due to hiring freezes implemented by service providers in response to geopolitical hurdles and an economic slowdown. Further, the decline in discretionary spending and investment has impacted the demand for services.

In-house delivery setups and expansions | by region



Location dashboard

Location	Top cities	Number of center setups	Share of digital centers	Share of tier -2/3 centers	Share of in-house delivery centers	Favorability of operating and business environment
Onshore						
US	Houston, Pittsburgh	28 ↑	▬	↓	↓	High
Spain	Barcelona, Malaga	8 ↑	↓	↓	↓	High
Canada	Toronto, Calgary	6	↑	↓	▬	High
UK	Newcastle, Leicester	5	↑	↑	↓	Moderate–High
Italy	Milan, Rome	4 ↓	↓	▬	↓	High
Offshore/Nearshore						
India	Bangalore, Hyderabad	34 ↓	↓	↑	↓	Moderate
China	Chengdu, Shanghai	7 ↓	↓	↑	▬	Moderate
Ireland	Dublin, Cork	6 ↑	↓	↓	↓	Moderate
Costa Rica	San Jose, Heredia	5 ↑	↑	↑	↑	Moderate
Colombia	Medellin	4 ↓	↑	▬	↓	Moderate
Poland	Warsaw	4 ↑	▬	↓	↑	Moderate–High
Egypt	Cairo	4 ↑	▬	↑	↑	Moderate–High
Israel	Jerusalem	4 ↑	↑	↑	▬	Moderate–High
Mexico	Monterrey	3 ↑	↑	↑	↓	High
Philippines	Cebu City	2 ↑	↓	↓	▬	Moderate–High

↓ Decreased from last quarter
▬ Same as last quarter
↑ Increased from last quarter

Low
Moderate
High

- The share of top onshore locations center setup activity saw an increase in Q1, compared to the previous quarter; while the share of top offshore/nearshore locations center setup activity declined in Q1 compared to the previous quarter
- The majority of the locations saw a decline in the share of in-house delivery centers in Q1 2023 vis-à-vis the previous quarter
- The leading onshore locations have highly favourable operating and business environments, whereas the majority of the leading offshore/nearshore locations have moderate risk exposure

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

In the context of this report, a GBS:…

- …is an operating model construct for global services sourcing and management
- …is responsible for the setting up and management of company-owned delivery centers (i.e., Global In-house centers, captives, and shared services) or the 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 (GDCs) or Global Technology Centers (GTCs)) or pure-play engineering centers (known as Global Engineering Centers (GECs))

Note: The market size estimates for the GBS market in this research only cover the 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
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	April 2023
2023 Key Issues in Global Sourcing	April 2023
Market Vista™: Q2 2023	**June 2023**
Market Vista™: Industry Insights – Oil and Gas	Q2 2023
Market Vista™: Q3 2023	Q3 2023
Market Vista™: Q4 2023	Q4 2023

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