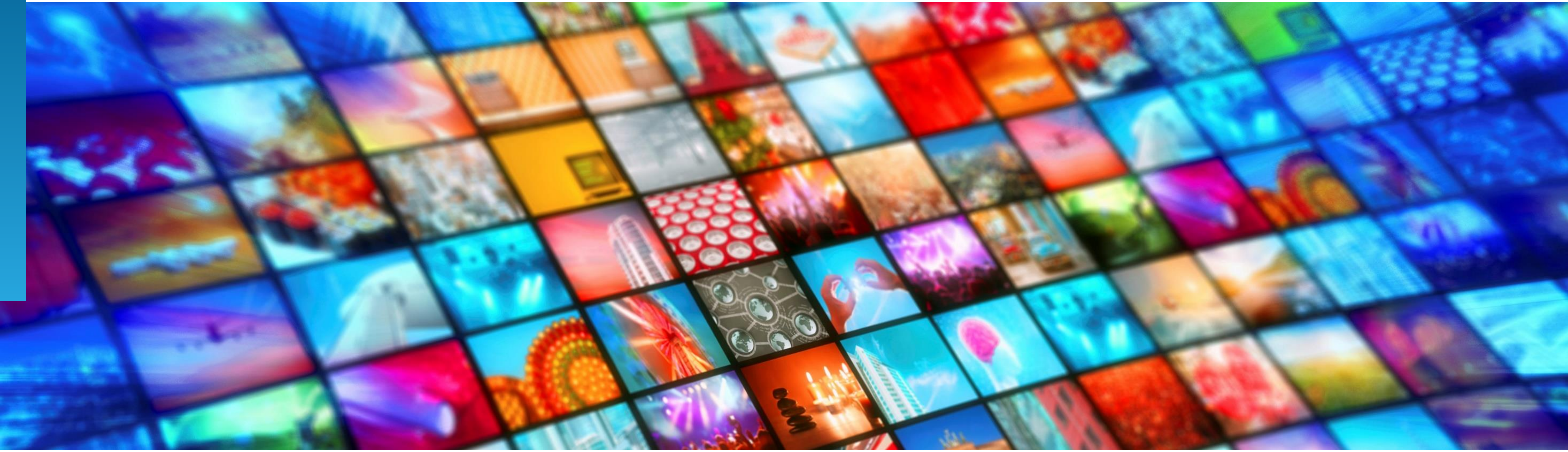
Everest Group®

Market Report | Market Vista™

Market Vista™: Q1 2024

Data and Analysis: October – December 2023 – Select Findings

Everest Group® MARKET VISTA™



EGR-2024-35-CA-6349

Our research offerings

This report is included in the following research program(s):
Market Vista™

- Amazon Web Services (AWS)
- Application Services
- Artificial Intelligence (AI)
- Asset and Wealth Management
- Banking and Financial Services Business Process
- Banking and Financial Services Information Technology
- Catalyst™
- Clinical Development Technology
- Cloud and Infrastructure
- Contingent Staffing
- Contingent Workforce Management
- Customer Experience Management Services
- CX Excellence
- CXM Technology
- Cybersecurity
- Data and Analytics
- Digital Adoption Platforms
- Digital Services
- Digital Workplace
- Employee Experience Management (EXM) Platforms
- Employer of Record (EOR)
- Engineering Research and Development
- Enterprise Platform Services
- Exponential Technologies
- Finance and Accounting
- Financial Services Technology (FinTech)
- Forces & Foresight
- GBS Talent Excellence
- Global Business Services
- Google Cloud
- HealthTech
- Human Resources
- Insurance Business Process
- Insurance Information Technology
- Insurance Technology (InsurTech)
- Insurance Third-Party Administration (TPA) Services
- Intelligent Document Processing
- Interactive Experience (IX) Services
- IT Services Excellence
- IT Talent Excellence
- Life Sciences Business Process
- Life Sciences Commercial Technologies
- Life Sciences Information Technology
- Locations Insider™
- Marketing Services
- Market Vista™
- Microsoft Azure
- Microsoft Business Application Services
- Modern Application Development (MAD)
- Mortgage Operations
- Multi-country Payroll
- Network Services and 5G
- Oracle Services
- Outsourcing Excellence
- Payer and Provider Business Process
- Payer and Provider Information Technology
- Price Genius – AMS Solution and Pricing Tool
- Pricing Analytics as-a-Service
- Process Intelligence
- Process Orchestration
- Procurement and Supply Chain
- Recruitment
- Retail and CPG IT Services
- Retirement Technologies
- Revenue Cycle Management
- Rewards and Recognition
- SAP Services
- Service Optimization Technologies
- Software Product Engineering Services
- Supply Chain Management (SCM) Services
- Sustainability Technology and Services
- Talent Genius™
- Technology Skills and Talent
- Trust and Safety
- Value and Quality Assurance (VQA)

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custom research capabilities

Benchmarking

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Market intelligence

Tracking: providers, locations, risk, technologies

Locations: costs, skills, sustainability, portfolios

Global services | key market trends in Q4 2023

In Q4 2023, application development outsourcing increased by 59%, driven by increasing application complexity because of Artificial intelligence (AI) and machine learning developments. Concurrently, the need for Enterprise Resource Planning (ERP) systems is increasing, driven by the need for faster business operations aided by generative AI and cloud computing, fostering additional growth in application development outsourcing.

Headcount growth continued to be negative for both global and offshore-heritage service providers as they continued to focus on protecting margins and increasing utilization. Given the current macroeconomic climate, headcount growth is not expected to return till deal ramp-up picks up.

Mergers & Acquisitions (M&A) experienced an exponential increase in Q4 2023 and is anticipated to improve in 2024 mainly due to fallen inflation, stabilized interest rates, and readily available credit from Non-Banking Financial Institutions (NBFC).

In onshore locations, GBS setups by the manufacturing industry continued to sustain high levels driven by automotive enterprises as they are setting up innovation/R&D centers aimed at implementing sustainable operations, electrification of supply chains, and enhancing electric vehicle technology.

In onshore locations, center setups in the UK & and Western Europe continued to be strong for a third consecutive quarter primarily in Germany and the UK with ~40% contributed by the manufacturing sector.

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Global services dashboard

Outsourcing transactions

- Application development contracts registered a 59% year-over-year growth in Q4 2023
- The growth was fueled by increased adoption of generative AI and machine learning technologies
- As enterprises are exploring new use cases, complexity in application development is increasing which is in turn driving demand for application development services
- Further, ERP systems implementation along with generative AI and cloud computing is increasing as enterprises are looking to optimize and speed up operations

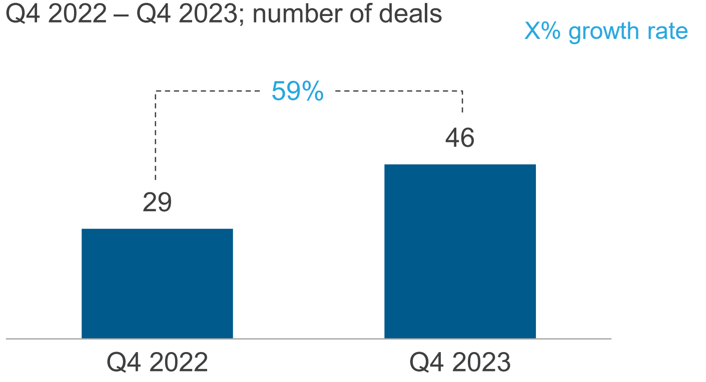
Market Vista™ Index providers developments

- Headcount continued to be negative for both offshore heritage and global service providers as they focus on utilization to protect their bottom-line
- Average attrition declined further as hiring freezes across the industry. It has resulted in employees staying put and is not expected to go up till providers ramp up hiring
- M&As improved significantly as providers are looking to improve contributions from inorganic growth and with interest rates stabilizing, M&A deals now have more favorable terms

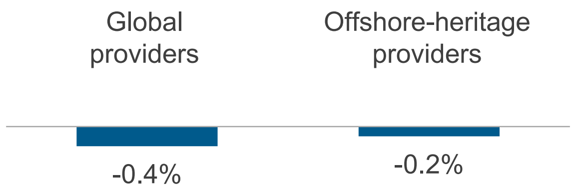
Delivery center updates

- In-house delivery centers dropped slightly in Q4 2023
- In onshore locations, in-house delivery center setups by manufacturing outpaced center setups by technology and communications vertical for a third quarter in a row
- In offshore locations, growth was driven by India with 40% of the total center setups followed by Central and Eastern Europe (CEE), while in onshore locations North America declined but the UK, Western Europe, and APAC (excluding India) contributed 66% of the total center setups
- Delivery centers opened by service providers improved slightly in Q4 2023 but are below 2022 levels as providers are not focusing on expanding their delivery footprint as demand remains weak

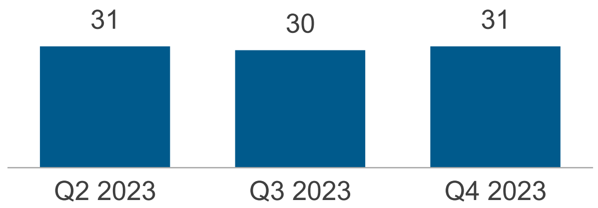
Application development contracts
Q4 2022 – Q4 2023; number of deals



Quarterly headcount growth of Market Vista Index providers
Percentage, Q3 2023



Onshore delivery centers opened in the UK and Western Europe
Number of new center setups and expansions



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

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

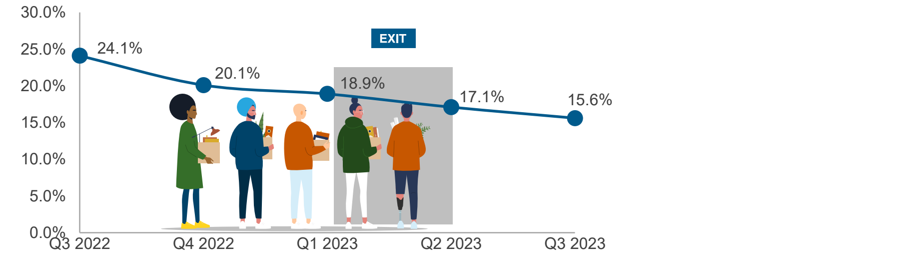
Offshore-heritage service providers

cognizant, EXL, genpact, HCLTech, Infosys, LTIMindtree, Mphasis The Next Applied, tcs TATA CONSULTANCY SERVICES, TECH mahindra, wipro, WNS

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

Service provider developments | Market Vista™ Index service providers attrition rate

Attrition rate of MV index service providers
Percentage

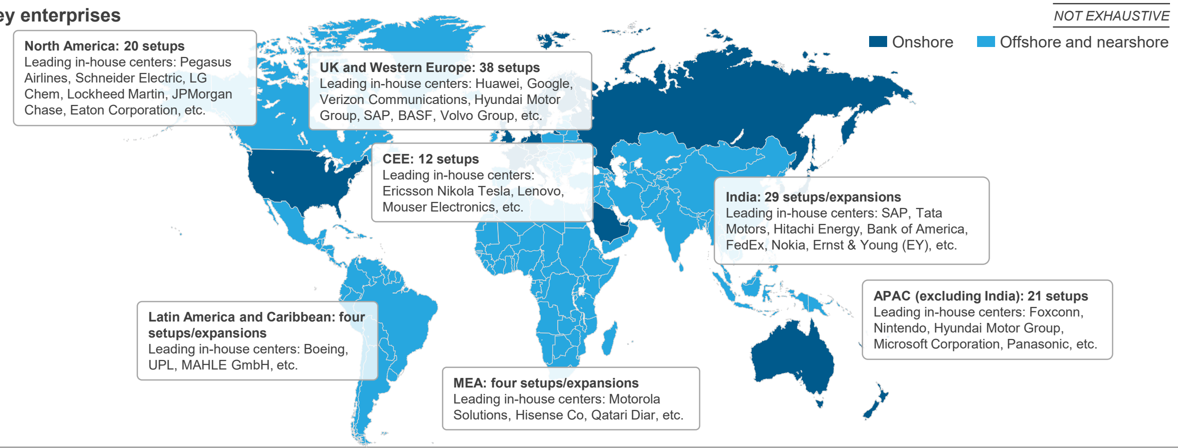


The average attrition rate continues to decrease in Q3 2023. The temporary pause in hiring initiatives and the abatement of competitive talent acquisition practices are becoming evident within the landscape of service providers. Additionally, the prevailing concerns surrounding potential global economic recession and the surge in workforce downsizing to exert a mitigating influence on attrition rates in the forthcoming months. The cautious stance adopted by companies in response to global economic uncertainties has exhibited a deceleration in hiring activities, resulting in a constricted job market. Consequently, professionals are increasingly inclined to uphold their current positions amid the reduced availability of alternative career opportunities. As a result, we expect average attrition to remain low in the short term and then increase as demand rises again.

In-house delivery setups and expansions | by region

Key enterprises

NOT EXHAUSTIVE



Locations 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
Top onshore location							
US	Baltimore and New York	18	↓	↓	↓	↓	High
UK	London and Birmingham	10	↓	↓	—	↓	High
Germany	Rome and Milan	9	↑	—	↓	↑	High
South Korea	Seongnam and Gyeonggi	4	↑	↑	↑	↑	Moderate/High
Singapore	Singapore	4	↑	—	↓	↑	High
Top offshore/nearshore location							
India	Bangalore and Chennai	37	↓	↓	↓	↓	Moderate
Portugal	Porto	6	↑	↑	↑	↑	Moderate
Ireland	Kuala Lumpur	6	↑	↑	↑	—	Moderate/High
Malaysia	Kuala Lumpur	3	↓	↓	↓	↓	Moderate/High
Spain	Dublin and Galway	3	↓	↓	↑	—	High
Hungary	Budapest	3	↑	—	↑	↑	Moderate/High
UK	Belfast, Cardiff, Comber	3	↑	↑	↑	↑	High
Canada	Montreal	3	—	↓	↑	↑	High
Lithuania	Vilnius	3	↑	↓	—	↑	Moderate
Philippines	Manila and Cebu City	2	↑	↑	↑	↑	Moderate

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

Low
Moderate
High

- The share of top onshore locations center setup activity decreased in Q4 2023 to 45 centers compared to 49 centers in Q3 2023; the share of top offshore/nearshore locations center setup activity decreased in Q4 2023 to 69 centers compared to 89 centers in the previous quarter. The UK was the new entrant among the top onshore locations, while Hungary, the UK (Northern Ireland, Wales, Scotland), Lithuania, and the Philippines were the new entrants among the top offshore/nearshore locations
- The leading onshore locations have highly favorable operating and business environments, whereas most of the leading offshore/nearshore locations have moderate risk exposure

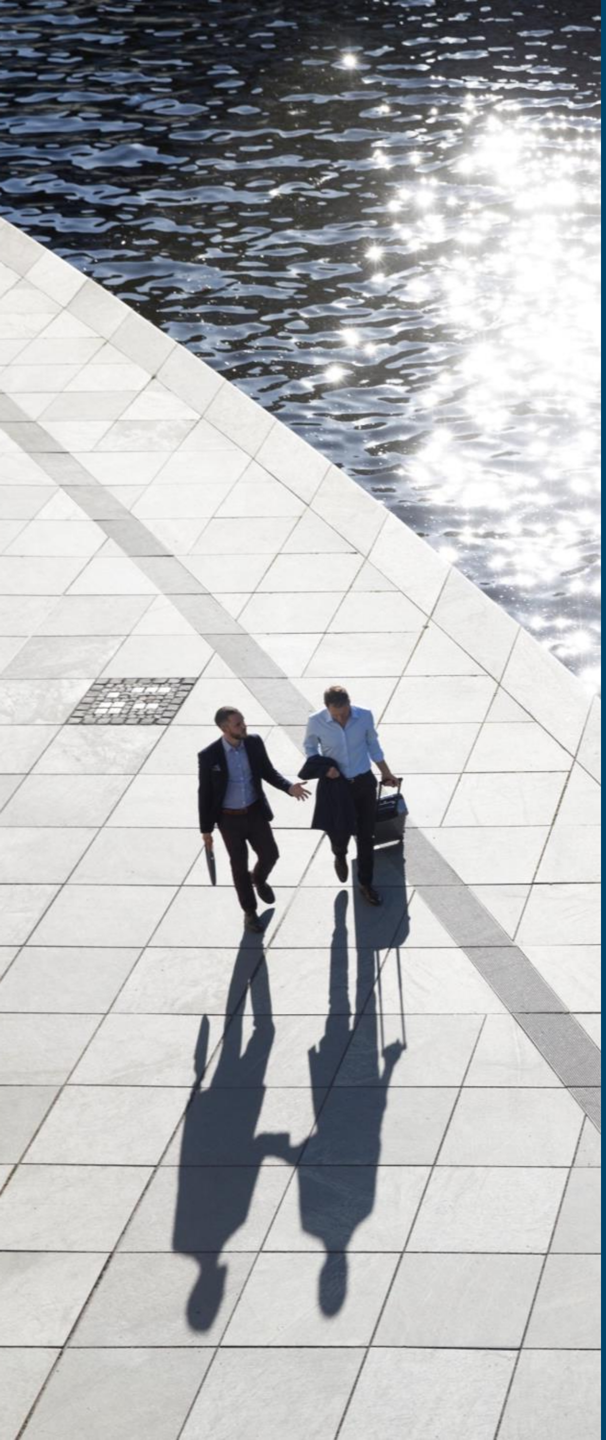
Research calendar

Market Vista™

Published | Planned | Current release

Reports title	Release date
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	June 2023
Market Vista™: Q3 2023	September 2023
Market Vista™: Industry Insights – Life Sciences	December 2023
Market Vista™: Q4 2023	December 2023
Market Vista™: Q1 2024	**March 2024**
Market Vista™: 2023 Year in Review and Outlook for 2024	Q1 2024
Market Vista™: Q2 2024	Q2 2024
Market Vista™: Q3 2024	Q3 2024
Market Vista™: Q4 2024	Q4 2024

Note: Click to see a list of all of our published Market Vista™ reports



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