



Global Locations Annual Report 2019: Demand for Next-gen Services Defining Locations Strategies | Key Trends Shaping the Landscape

Locations Insider™

Annual Report – September 2019: Complimentary Abstract / Table of Contents

Our research offerings for global services

▶ 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
▶ BPS Insurance	▶ ITS Insurance
▶ Catalyst™	▶ IT Services Executive Insights™
▶ Cloud & Infrastructure	▶ ITS Life Sciences
▶ Customer Experience Management Services	▶ Locations Insider™
▶ Data & Analytics	▶ PricePoint™
▶ Digital Services	▶ Procurement
▶ Engineering Services	▶ Recruitment & Talent Acquisition
▶ Finance & Accounting	▶ Service Optimization Technologies

Membership information

- This report is included in the following research program(s)
 - [Locations Insider™](#)
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More about membership

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

Contents

- 1 Introduction and overview
- 2 Summary of key messages
- 3 Key trends shaping the landscape
- 4 Risk Watch
- 5 PEAK Matrix™
- 6 Center setup activity database
- 7 Appendix

Our research methodology is based on four pillars of strength to produce actionable and insightful research for the industry

- Market thought leadership
- Actionable and insightful research
- Syndicated and custom research deliverables

1 Robust definitions and frameworks
 (Talent pool scalability and sustainability assessments, cost arbitrage sustainability, and risk assessment frameworks)

2 Primary sources of information
 (Ongoing interactions with buyers, global in-house centers (GICs)/captives/shared service centers (SSCs), service providers, investment promotion agencies, recruiters, etc.)

3 Diverse set of market touchpoints
 (Ongoing interactions across key stakeholders, inputs from a mix of perspectives and interests, supports data analysis and thought leadership)

4 Fact-based research
 (Data-driven analysis with expert perspectives, year-round tracking of location and service provider activity, and country briefings)

- Proprietary tracking and databases of operating costs, labor pool, market activity, and risks
- Year-round tracking of 300+ locations around the world
- Coverage across all offshore, nearshore, and onshore locations across regions (APAC, Europe, North America, LATAM, and Africa)
- Over 100 global projects on supporting clients on location decisions
- Executive-level relationships with buyers, service providers, technology providers, and industry associations

Key definitions and introductions

- Global services market by revenue:** Total services exports of all countries in the world. Includes notional revenues from in-house / shared services organizations as well as revenues from third-party IT services and business process service providers. Does not include revenues from domestic (national) markets
 - Business Process Services (BPS): Includes voice business processes (also contact center), non-voice business processes, industry-specific business processes, and knowledge-based processes
 - Information Technology (IT): Includes IT-Applications Development and Maintenance (ADM), infrastructure, testing, helpdesk, next-generation (cloud, mobility, social media, etc.), and other services related to information technology. Excludes engineering and IT-R&D services
- Global services market by headcount:** Estimated headcount (in terms of Full Time Equivalents – FTEs) involved in global services exports (see above) in 38 leading delivery locations listed below:

Region	Country
Asia Pacific (APAC)	India
	The Philippines
	China
	Malaysia
	Singapore
Nearshore Europe (NE)	Belarus
	Bulgaria
	Croatia
	The Czech Republic
	Estonia
	Hungary
	Ireland
	Latvia
	Lithuania
	Poland
	Portugal
	Romania
	Scotland
	Serbia
	Slovakia

Region	Country
Nearshore Europe (NE)	Ukraine
Latin America & the Caribbean (LAC)	Argentina
	Brazil
	Chile
	Colombia
	Costa Rica
	El Salvador
	Guatemala
	Honduras
	Jamaica
	Mexico
	Peru
Uruguay	
Middle East and Africa	South Africa
	Mauritius
	Morocco
	Egypt
North America	Canada

Overview and abbreviated summary of key messages (page 1 of 2)

The Global Locations Annual Report 2019 is a unique and comprehensive guide to understanding the nuances of the global services locations landscape and interpreting locations-related developments and trends to frame locations strategy. This report has three tenets – Key Trends Shaping the Landscape, Risk Watch and Locations PEAK Matrix™. It presents insights about the size and growth of the global services market, update of locations activity, changes in risk profiles of locations, and an analysis of the relative maturity, arbitrage, and potential of locations for multiple functions.

Some of the findings in this report, among others, are:

Key trends shaping the landscape

Growth of global services market

- The global services market grew at a same pace in 2018 (compared to 2017) due to uncertainties in legal/regulatory landscape (GDPR, Brexit, etc.), increased onshoring by enterprises, volatility in currency fluctuations, and weakening financial sentiment across the world. In FTE terms, 2018 witnessed a slowdown in the overall growth for the global services industry

Evolving location portfolios

- Increased evidence of players rethinking their location strategies given rapid rate of product/service evolution to reduce the time-to-market, changing customer expectations, and declining margins across industries. Asia Pacific continues to witness the highest increase in new center setups for 2018, followed by Nearshore Europe
- While APAC has been growing on account of increased focus on R&D/engineering service delivery, growth across other regions has been driven by digital services

Shifting sourcing models and services mix

- There have been shifts even in sourcing models with enterprises adopting insourcing to a greater extent as compared to outsourcing. Additionally, given increasing digitalization, companies are focusing more on building skills in and delivery of IT-related services, particularly through the GIC model

The rise of reshoring

- Reshoring continues to grow amidst data protection and portfolio optimization. There is evidence of sustained need for front-office and back-office integration, strong digital-ready workforce, and increased regulatory oversight

Risk Watch

At an overall level, evidence of significant variations in operating and business environment risk across locations driven by multiple factors such as quality of IT/BP infrastructure, macroeconomic stability, safety and security, regulatory environment, and ease of doing business

- Across Asia Pacific, most locations offer favourable operating environment; however, there are some concerns around natural hazards in Indonesia and geopolitical environment in Malaysia
- Within Americas, there some concerns around political stability, macroeconomic stability, and safety and security across locations such as Argentina, Guatemala, Honduras, and Nicaragua; other locations, such as Chile, Costa Rica, and Uruguay, offer relatively lower business risks
- In Europe, Middle East and Africa, most locations offer favourable business environment backed by strong infrastructure, strong macroeconomic conditions, and relatively stable political systems

PEAK Matrix™

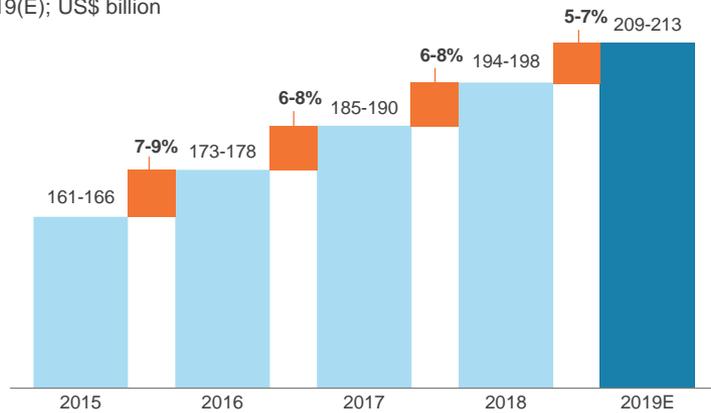
The relative attractiveness of locations is driven by maturity, potential and cost-arbitrage over source markets. While 2018 witnessed some changes in the relative positioning of the locations, going forward, we expect significant changes as players look to optimize their portfolios by expanding into nearshore markets

- Across Asia Pacific, India and the Philippines maintained their “leader” positions for specific English delivery functions; there is evidence of increasing preference towards leveraging tier-2/3 locations
- Within Americas, Argentina and Costa Rica remained “leaders” for bilingual BPS delivery and are also known for IT and contact center delivery
- In Europe, Middle East and Africa, Poland continued to remain “leader” for European languages BPS followed by Ireland

This study includes three distinct reports providing a deep dive into key aspects of global services market; below are key charts to illustrate the depth of the report (page 1 of 2)

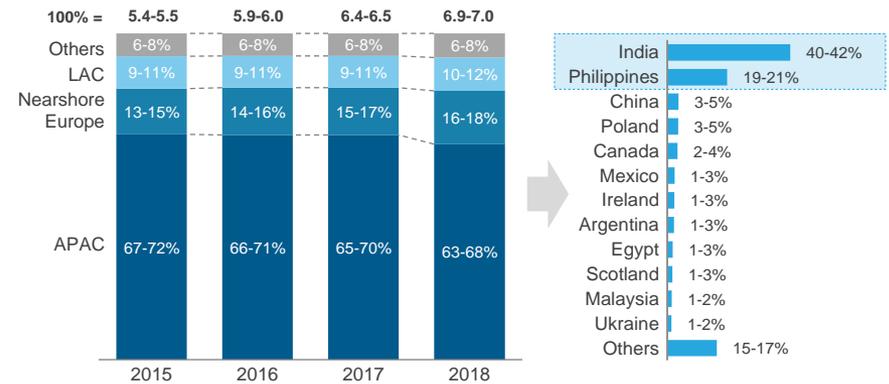
Global services revenue and growth

Global services revenue and growth
2015-19(E); US\$ billion



New center-setup activity by regions

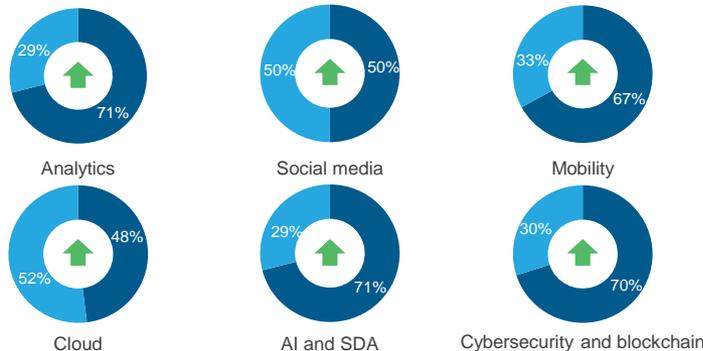
Global services market | Share of delivery regions by headcount
2015-18; Number of FTEs (in millions)



Breakup of digital center setup activity

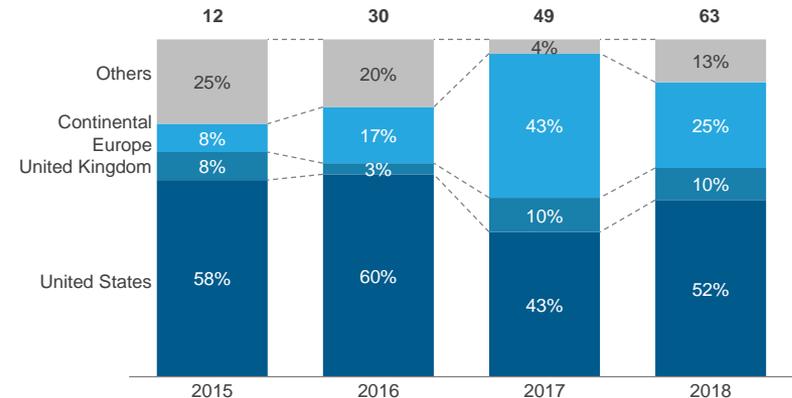
Breakup of new digital center setup activity by functions and sourcing models
2017-18; Percentage

■ SP ↑ GIC activity increased from 2015-16
■ GICs ↓ GIC activity decreased from 2015-16



The rise of reshoring

New onshore delivery centers of top 20 service providers¹ by region
2015-18; Number of centers

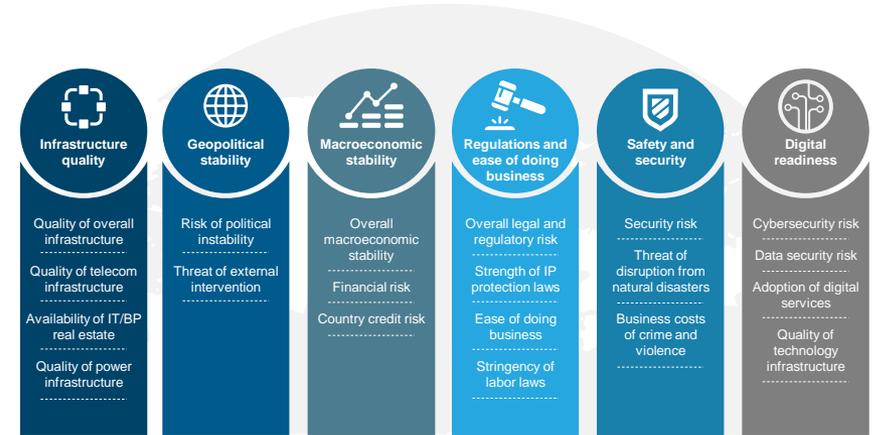


This study includes three distinct reports providing a deep dive into key aspects of global services market; below are key charts to illustrate the depth of the report (page 2 of 2)

Global service delivery maturity of leading delivery locations



Operating/business risk across leading global delivery locations



Everest Group Locations PEAK Matrix™ for IT-ADM



1 Current and forward-looking financial savings potential offered over source markets
 2 Considers relevant entry-level and experienced talent
 Note1: The assessment has been done only for a representative list of locations
 Note2: We used representative cities to depict typical talent-cost positioning for tier-1 and tier-2 cities for some countries (e.g., Bangalore as a tier-1 city and Kochi as a tier-2 city in India); there could be other cities in the country that also offer comparable propositions to these cities
 Source: Inputs from market players, recruitment firms, and investment agencies

Everest Group Locations PEAK Matrix™ for Analytics



1 Current and forward-looking financial savings potential offered over source markets
 2 Considers relevant entry-level and experienced talent
 Note1: The assessment has been done only for a representative list of locations
 Note2: We used representative cities to depict typical talent-cost positioning for tier-1 and tier-2 cities for some countries (e.g., Bangalore as a tier-1 city in India and Raleigh-Durham as a tier-2 city in the United States.); there could be other cities in the country that also offer comparable propositions to these cities
 Source: Inputs from market players, recruitment firms, and investment agencies

Research calendar – Locations Insider™

Published
 Planned
 Current release

Flagship Locations Insider reports

Release date

"Next-wave" Location Profiles – Tampa, Florida, United States	March 2019
"Next-wave" Location Profiles – The Philippines	March 2019
"Next-wave" Location Profiles – Guadalajara, Mexico	May 2019
"Next-wave" Location Profile – Hyderabad, India	May 2019
"Next-wave" Location Profiles – San Jose, Costa Rica	May 2019
"Next-wave" Location Profiles – India	June 2019
"Next-wave" Location Profiles – Chennai	June 2019
Global Locations Annual Report 2019: Demand for Next-gen Services Defining Locations Strategies	September 2019
Location Spotlight – The Czech Republic.....	Q3 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	Q3 2019
Changing Fortunes of Delivery Locations – How Macroeconomic Factors Impact Delivery Locations?	Q4 2019
Global Handbook – Focus on Next-Gen Skills Across the World	Q4 2019
What is the Role of 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 insights into the topic covered in this report. The recommended documents either provide additional details on the topic or complementary content that may be of interest

- 1. 2019 Locations Predictions: Follow the Talent** ([EGR-2019-37-V-3060](#)); 2019. The report offers predictions on overall and location-specific services delivery, upon which organizations can anchor their transformation agendas. This viewpoint recommends organizations to embed intentional design principles in their location strategies, encompassing scope, drivers, planning, and stakeholders. It will help determine the key design principles to drive enterprise-wide service delivery transformation and overall locations strategy prediction. In addition to it, it includes location-specific forecasts and key risks to watch out for when transforming the delivery strategy
- 2. EU GDPR: What does the Disruption mean for your Industry** ([EGR-2018-0-V-2708](#)); 2018. This whitepaper outlines the key changes proposed by GDPR and their impact on global service delivery through the lens of increased overheads, opportunity for transformation, and push towards consolidation. This paper highlights second-level insights into the business implications of GDPR across multiple industry verticals. This includes perspectives on susceptibility to data breach, typical data flow structure, and related data privacy considerations across different industries
- 3. Global Locations Annual Report 2018: Service Delivery Portfolios in a Disrupted World | Key Trends Shaping the Landscape** ([EGR-2018-37-R-2646](#)); 2018. The global services locations landscape continued to witness growth in 2017 in terms of revenue, headcount, and new center setup activity; however, the growth rate was lower than the previous year, given macroeconomic slowdown, increased trade protectionism, and uncertainties in legal/regulatory landscape across the world. The Global Locations Annual Report 2018 is a unique and comprehensive guide to understanding the nuances of the locations landscape and interpreting locations-related developments and trends to frame locations strategy. It presents insights into the size and growth of the global services market, update of center set-up activity, changes in risk profiles of locations, and an analysis of the maturity, arbitrage, and potential of locations (MAP Matrix™)

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