

Market Vista™: Q3 2023

Data and Analysis: April – June 2023



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™
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 - ▶ Cloud and Infrastructure
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 - ▶ Employer of Record (EOR)
 - ▶ Engineering Research and Development
 - ▶ Enterprise Platform Services
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 - ▶ Google Cloud
 - ▶ Healthcare Business Process
 - ▶ Healthcare Information Technology
 - ▶ 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 Services Executive Insights™
 - ▶ IT Talent Excellence
 - ▶ Life Sciences Business Process
 - ▶ Life Sciences Commercial Technologies
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 - ▶ 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
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Tracking: providers, locations,
risk, technologies

Locations: costs, skills,
sustainability, portfolios

Contents

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Introduction and overview	E-1
• Research methodology	E-1
• How to read the document	E-2
• Shoring and region classification	E-3
• Key market developments in Q2 2023	E-4
• Global services dashboard	E-5
1. Provider overview	I-0
• Market Vista™ Index providers developments	I-0
– Provider developments – summary	I-1
– Provider developments – overview	I-3
– Provider ratings – methodology	I-4
– Provider developments – ratings	I-6
– Financial analysis	I-8
– Average attrition	I-12
– Headcount growth	I-13
– Key developments in headcount/attrition by providers in Q2 2023	I-14
– M&A and alliance activity	I-15
• Outsourcing health index	I-18
• Outsourcing transaction analysis	I-19
– by digital component	I-19
– by vertical	I-20
– by geography	I-22

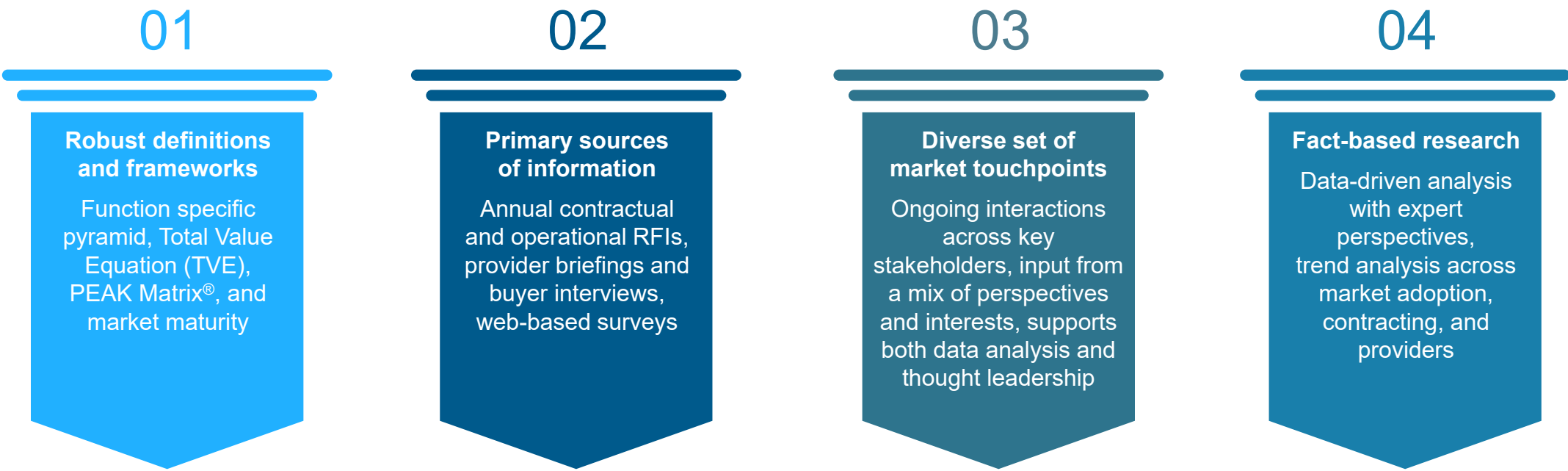
Contents

• Outsourcing transaction analysis (continued)	
– By deal type	I-24
– By deal term	I-25
– By deal size	I-27
• Major deals in Q2 2023	I-28
• Provider developments - location activity	I-29
2. GBS market trends (offshore, nearshore, and onshore)	II-0
• Key market developments in Q2 2023	II-1
• In-house delivery center activity – overview	II-3
• In-house delivery center activity – GBS health index	II-4
• In-house delivery center activity – center activity	II-5
• In-house delivery setups and expansions by region	II-7
• GBS market analysis by function	II-8
• GBS market analysis by vertical	II-10
• GBS market analysis by digital component	II-11
• Key developments in Q2 2023	II-13
3. Location analysis	III-0
• Locations summary	III-1
• Overview	III-3
• Outsourced vs. in-house center setups	III-4
• Market activity index by location	III-5

Contents

3. Location analysis (continued)	
• Digital market activity	III-9
• Locations dashboard	III-10
4. Engineering/R&D	IV-0
• ER&D top 200 overview	IV-1
• ER&D top 200 spend intensity	IV-2
• ER&D spend and growth snapshot	IV-3
5. Appendix	72
• Glossary of key terms	73
• Market Vista™ suite of offerings	74
• Research calendar	75

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



Proprietary contractual database of over 30,000 contracts (updated quarterly)

Year-round tracking of 35 Market Vista™ Index providers

Large repository of existing research in enterprise in-house delivery center setups, expansions, divestitures, etc.

Over 30 years of experience advising clients on strategic IT, business services, engineering services, and sourcing

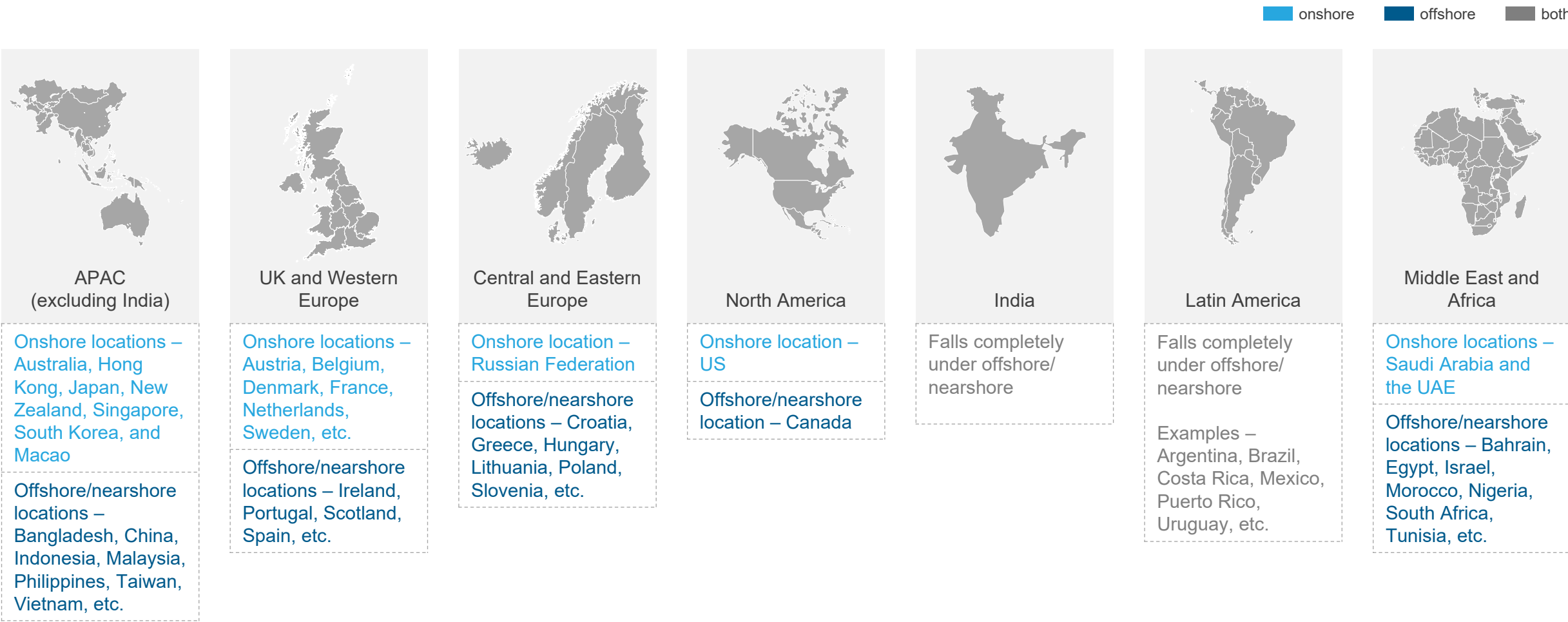
Executive-level relationships with buyers, providers, technology providers, and industry associations

How to read this document

Information desired	Where/how to locate the information
Summary of key messages	<ul style="list-style-type: none">• Summary<ul style="list-style-type: none">– Overview of the global services market in Q1 2023 (E3)– Global services dashboard (E4)• Section-specific summary of messages is indicated below:<ul style="list-style-type: none">– Provider developments overview¹: page I-1– GBS market trends: page II-1– Location trends: page III-1
Section-specific detailed analysis	<ul style="list-style-type: none">• A section is devoted to each dimension covered in the summary of messages• Each section contains detailed analysis of the relevant topics for each dimension:<ul style="list-style-type: none">– Outsourcing overview¹: page I-3– GBS market trends: page II-3– Location trends: page III-3
Focused R&D section	A section is devoted to engineering/R&D space: pages IV-1 – IV-3

1 Includes both outsourcing transactions and provider developments

In our Market Vista™ Q3 2023 report, we have updated shoring and regions classification to reflect latest market trends



Global services | key market trends in Q2 2023



The manufacturing vertical has seen a notable uptick of approximately 225% in Artificial Intelligence (AI) adoption-based transactions in Q2 2023. This surge is driven by the demand for leveraging AI in optimizing production, improving product quality, and reducing waste. Enterprises are also looking to add AI capabilities in predictive maintenance and supply chain management.

The average attrition for MV index providers increased slightly but seems to have settled in the 17-17.5% band. Additionally, headcount growth dropped to negative in Q1 2023 as providers are not back-filling roles with the aim of protecting margin and expanding utilization.

There was a notable surge in alliances as providers partnered with hyperscalers to develop joint industry solutions in generative AI.

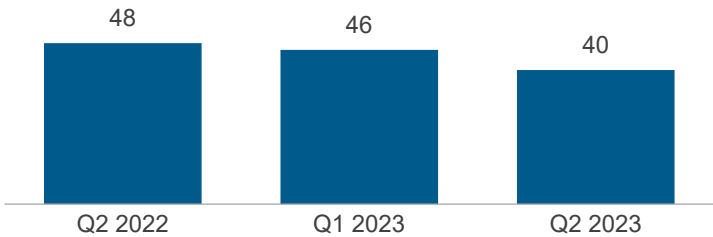
The Banking, Financial Services, and Insurance (BFSI) vertical experienced a surge in-house delivery center setups as banks set up centers dedicated to enhancing their digital banking product offerings, aimed at improving customer experience and additionally build in-house technical capabilities.

UK and Western Europe experienced a significant surge in in-house delivery center setups, primarily driven by the automotive sector for Research & Development (R&D) in chassis development and battery technologies as companies looked to leverage the developed talent pool in the region and gain access to major European automotive markets.

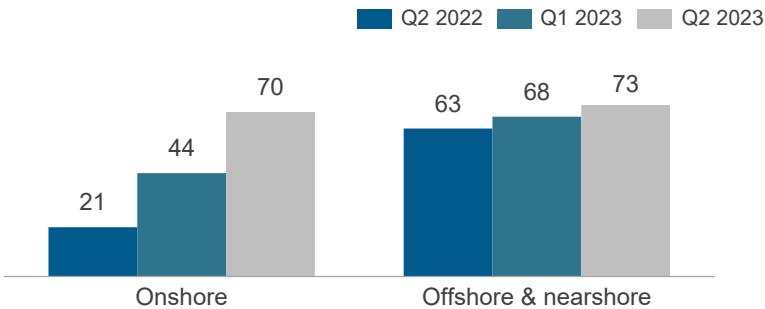
Global services dashboard | Q2 2023

Center setups

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

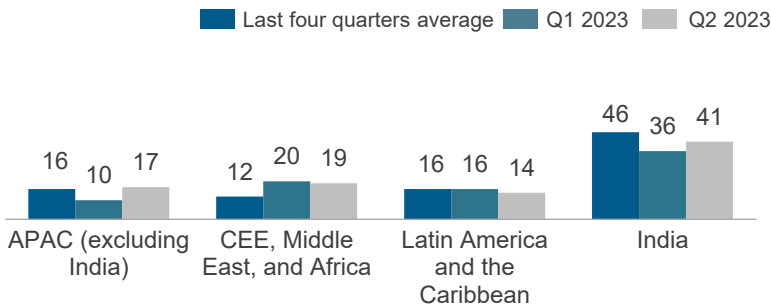


The overall in-house delivery setup activity increased vis-a-vis the last quarter
Number of new in-house delivery setups and expansions

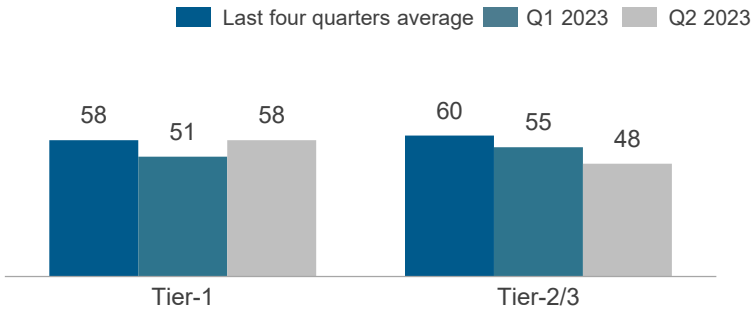


Offshore/Nearshore location dynamics

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

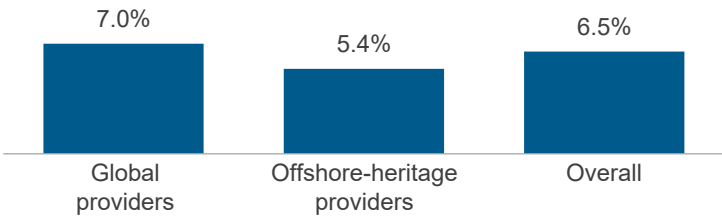


The number of setups in tier-2/3 locations remained almost the same in Q1 2023 compared to the previous quarter
Number of delivery center setups

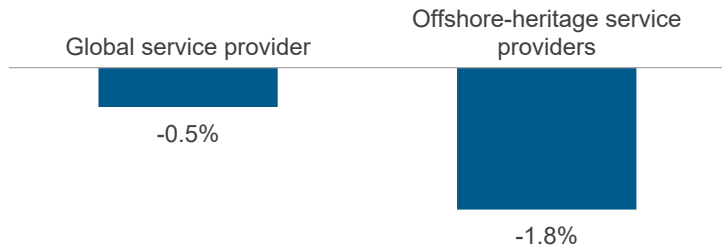


Provider developments and trends

The annual revenue growth of global providers surpassed the growth of offshore-heritage providers
Annual growth in revenue (Q1 2023 vs. Q1 2022)



The YoY headcount growth for both offshore-heritage providers and global providers was negative in Q1 2023
Headcount growth, Q1 2023 vs. Q1 2022



Note: Digital details around each parameter are added in the respective sections
Note: Q1: January-March, Q2: April-June, Q3: July-September, and Q4: October-December

01

Provider overview

- Provider developments
 - Overview
 - Financial analysis
 - Headcount analysis
 - M&A and alliance activity analysis
 - Outsourcing transactions activity analysis
 - Location activity analysis

Provider developments | summary



- **Financial analysis:** operating margin for both global and offshore-heritage providers decreased sequentially while annually it increased for the former and decreased slightly for the latter
- The sequential decrease in the operating margin for global and offshore-heritage providers is attributed to the slowdown in sequential revenue growth as most providers are tackling a drop in discretionary spending by enterprises, which is affecting their ability to drive revenue growth
- Sequential revenue growth was muted in Q1 2023 and can be expected to further slow in the coming quarters as most providers quoted pessimistic growth outlooks citing large deals that take more than usual to translate into revenue



- **M&A and alliances:** the current quarter has experienced a further deceleration in M&A transactions among providers as they are increasingly becoming more cautious in spending due to immediate revenue erosion
- There was a notable increase in alliances signed in Q2 2023 as providers partnered with hyperscalers and hi-tech companies for their generative AI offerings and integrated them into custom-tailored business solutions and joint industry applications
- **Headcount and attrition analysis:** headcount growth was negative for both global and offshore-heritage service providers as they are focused on protecting margin and increasing utilization. Attrition seems to have settled at ~17%-and is not expected to move significantly in either direction



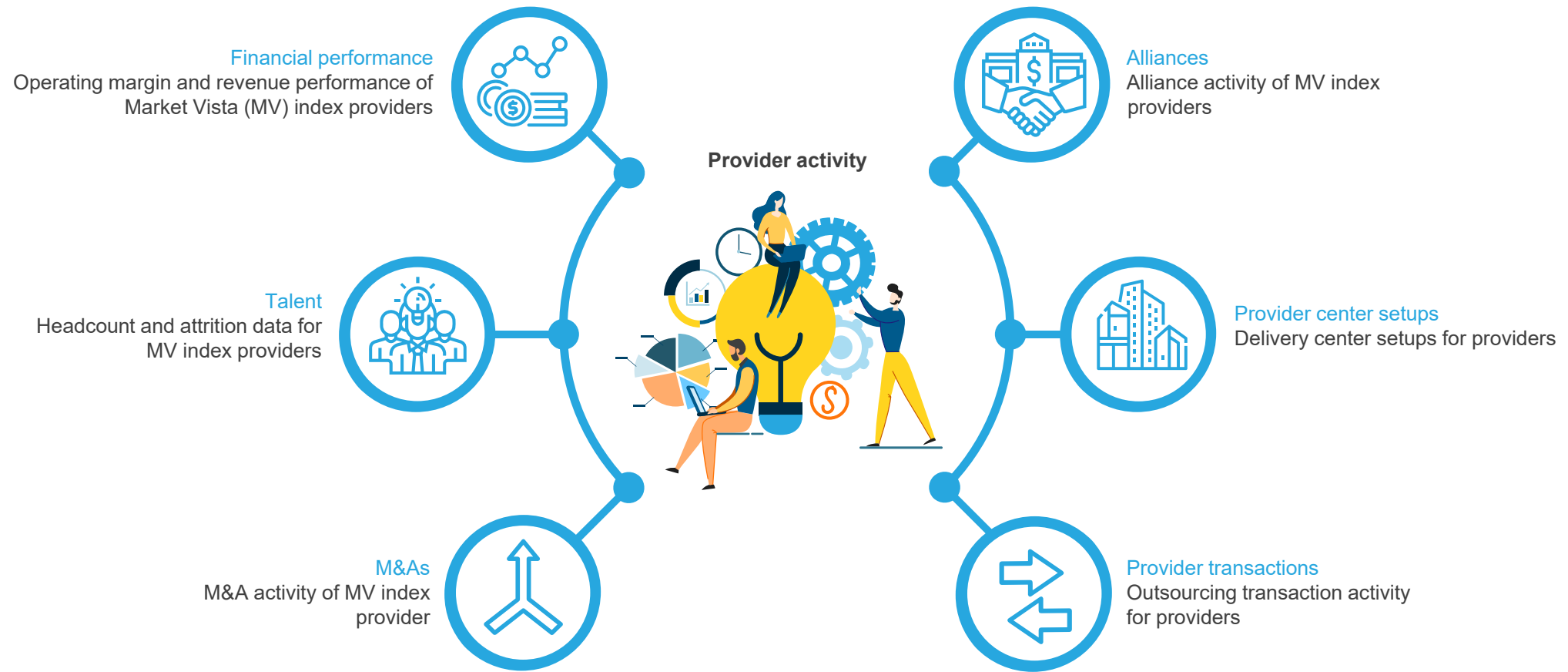
- **Transaction analysis:** there was a notable increase in deals signed by healthcare providers as they continued to spend on modernizing legacy systems
- Further, there was a slight increase in deals signed by the retail sector as enterprises focused on improving customer experience through automation-driven modernization



For detailed information, please refer to the Dashboard section of **Everest Group – Market Vista™ Q3 2023 – Appendix**

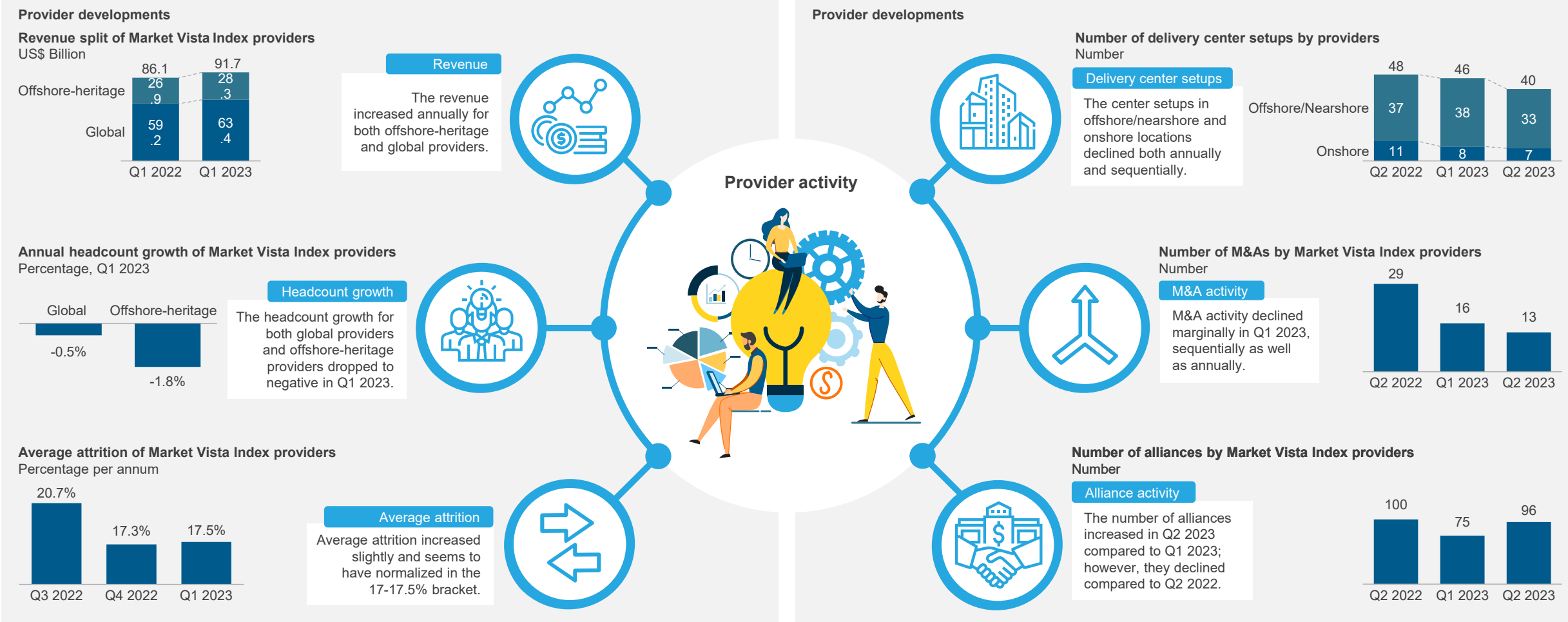
Provider developments | framework for assessment

Provider developments

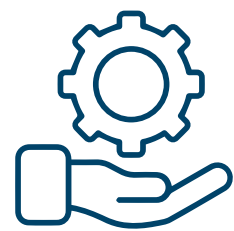


Provider developments | overview

Delivery center setups declined in Q2 2023; there was a sequential slowdown in headcount growth for both global and offshore-heritage providers



Provider ratings | methodology



Location analysis	Mergers & Acquisitions (M&A) and alliances analysis	Transaction analysis
<p>The transaction analysis provides an overview of the publicly announced transaction activity, share of providers, and distribution of deals by functions. The M&A and alliances analysis and the location analysis cover all the publicly announced M&As, strategic alliances, and partnerships signed by providers and the opening of new centers by providers. They exclude planned centers, highlighting offshore and onshore activity, respectively. providers are classified into high-, moderate-, and low-activity players by using weighted averages on the combination of overall activities that include transactions, M&As, and locations.</p>		

Provider developments | Market Vista™ Index providers

Engineering providers



1 This report covers only IBM Consulting
2 AKKA and Modis merged to join Akkodis
Note: Worldline, Atos's payment group, was deconsolidated from Atos' account

For detailed information, please refer to the Dashboard section of Everest Group – Market Vista™ Q2 2023 – Appendix

Provider developments | overview (page 1 of 2)

Market activity tracker¹

● Increased from last quarter ● Decreased from last quarter ● Same as last quarter

Providers	Movement in ratings vs. Q1 2023	Number of centers set up		Number of M&As and alliances		Number of deals					
		Offshore	Onshore	Acquisition	Alliance	ITS	BPS	ES	Digital	Multi-function	
High activity in Q2 2023 ²											
Cognizant	●	2	0	0	5	4	4	0	0	2	
Tech Mahindra	●	2	0	0	6	5	0	0	1	0	
Wipro	●	1	1	2	6	5	0	0	1	0	
Moderate activity in Q1 2023 ²											
Accenture	●	0	0	6	14	3	1	0	2	0	
Atos	●	3	0	0	4	0	0	0	0	0	
Capgemini	●	0	0	1	4	1	0	0	2	0	
CGI Group	●	0	0	0	3	7	0	0	3	0	
Conduent	●	1	0	0	2	0	0	0	0	0	
DXC Technology	●	0	0	0	4	5	0	0	1	0	
EPAM Systems	●	1	0	0	2	0	0	0	0	0	
Genpact	●	1	0	0	2	0	1	0	0	0	
Globant	●	0	0	2	1	0	0	0	0	0	
HCL	●	0	0	0	4	8	0	0	0	0	
IBM	●	1	0	3	9	0	0	0	5	0	
Infosys	●	0	1	0	3	2	0	0	3	0	
Kyndryl	●	0	1	0	5	10	1	0	0	0	
L&T Technology Services	●	0	0	0	4	0	0	0	4	0	
LTIMindtree	●	0	0	0	4	7	1	0	0	0	
NTT DATA	●	0	0	0	3	2	0	0	0	0	
Persistent Systems	●	1	1	0	2	0	0	0	0	0	
TCS	●	0	0	0	1	12	3	0	4	1	
TTEC	●	2	0	0	0	0	0	0	0	0	

1 Providers are classified into high-, moderate-, and low-activity players by using a weighted average on the combination of overall activities that include transactions, M&As, and locations

2 Within the high-, moderate-, and low-activity players classification, the providers are listed alphabetically

Provider developments | overview (page 2 of 2)

Market activity tracker¹

● Increased from last quarter ● Decreased from last quarter ● Same as last quarter

Providers	Movement in ratings vs. Q1 2023	Number of centers set up		Number of M&As and alliances		Number of deals				
		Offshore	Onshore	Acquisition	Alliance	ITS	BPS	ES	Digital	Multi-function
Low activity in Q2 2023 ²										
Automatic Data Processing (ADP)	●			Limited information around deals, M&As, alliances, and location activity						
Akkodis	●			Limited information around deals, M&As, alliances, and location activity						
Alten	●			Limited information around deals, M&As, alliances, and location activity						
Arvato Systems	●	3	0	0	4	0	0	0	0	0
Bertrandt	●	0	0	1	4	1	0	0	2	0
Concentrix	●	0	0	0	3	7	0	0	3	0
Cyient	●			Limited information around deals, M&As, alliances, and location activity						
EXL	●			Limited information around deals, M&As, alliances, and location activity						
Mphasis	●	1	0	0	2	0	0	0	0	0
Teleperformance	●	1	0	0	2	0	1	0	0	0
Unisys	●			Limited information around deals, M&As, alliances, and location activity						
WNS Global Services	●	0	0	0	4	8	0	0	0	0

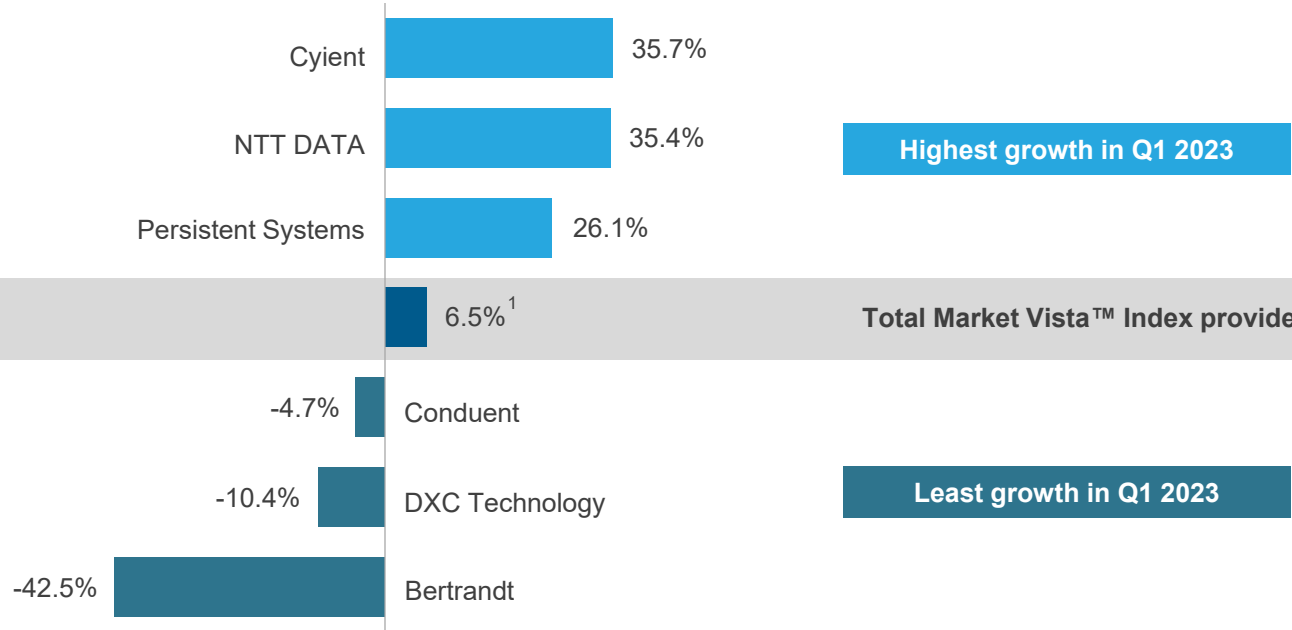
1 Providers are classified into high-, moderate-, and low-activity players by using a weighted average on the combination of overall activities that include transactions, M&As, and locations

2 Within the high-, moderate-, and low-activity players classification, the providers are listed alphabetically

Provider developments | Market Vista™ Index providers financial performance

The top and bottom three providers in terms of annual financial growth

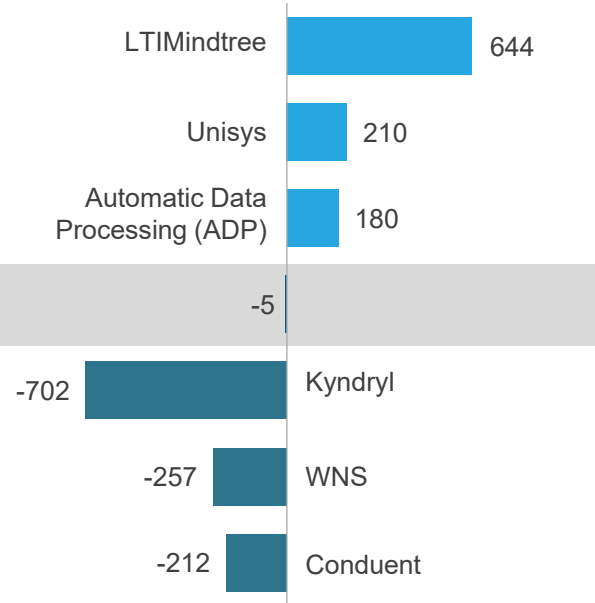
By annual growth in revenue¹
(Q1 2023 vs. Q1 2022)



Highest growth in Q1 2023

Least growth in Q1 2023

By annual growth in operating margin²
(Q1 2023 vs. Q1 2022)
Basis points (bps)

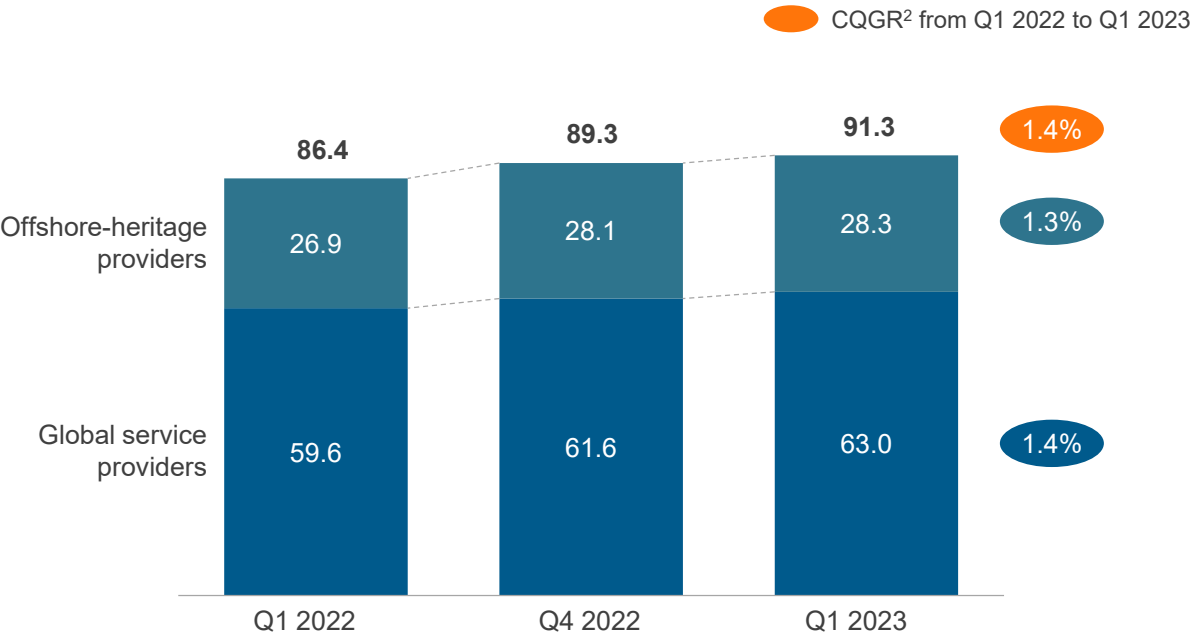


¹ Revenue excludes Akkodis and Arvato Systems as the quarterly comparative figures are not available
² Normalized operating margin excludes Akkodis, Alten, Arvato Systems, Atos, Capgemini, and Teleperformance, as the information is not available

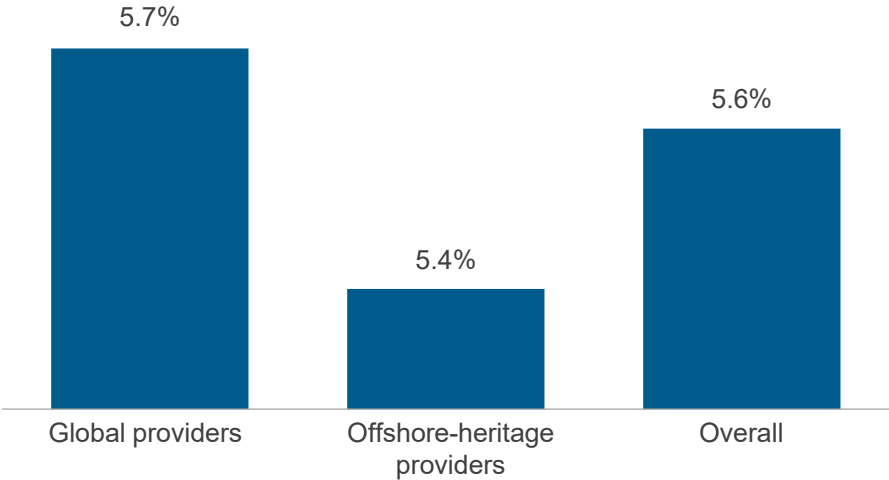
Provider developments | Market Vista™ Index providers revenue

Overall revenue increased on an annual and sequential basis

Trends in quarterly revenue¹ by provider category
US\$ billion



Annual growth in revenue¹ (Q1 2023 vs. Q1 2022)



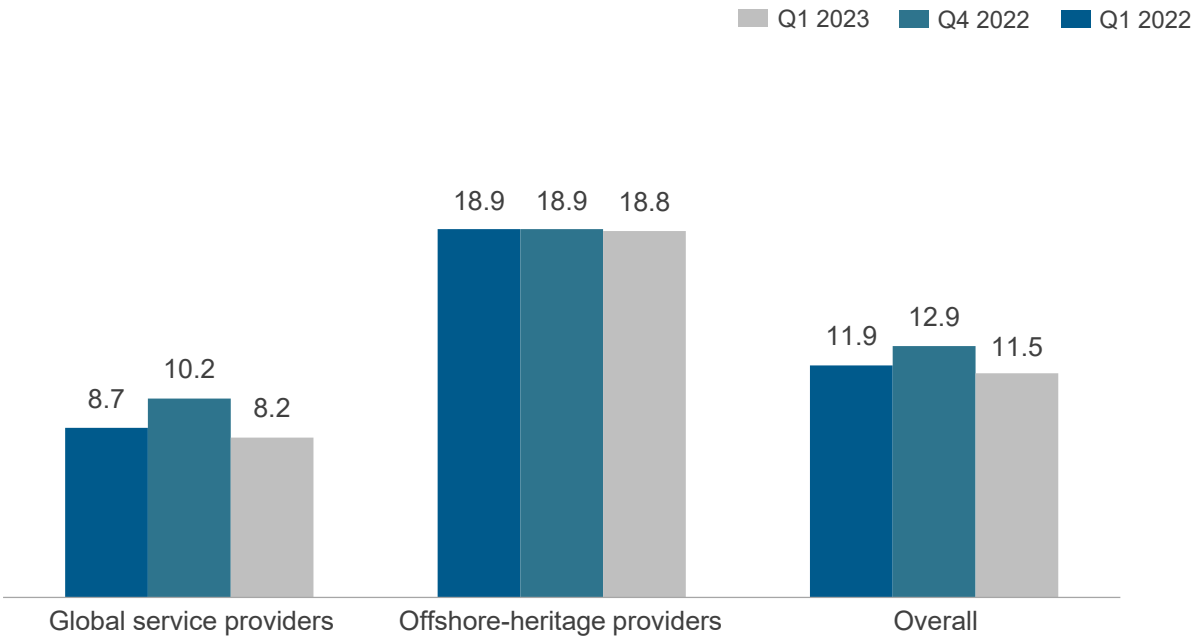
In Q1 2023, the cumulative revenue across providers grew at a CQGR of 1.4%. Global providers grew at a CQGR of 1.4% and offshore-heritage grew at a CQGR of 1.3%. While both offshore-heritage and global providers experienced a slight increase in revenue in Q1 2023, going forward, growth is expected to slow as most providers quoted pessimistic growth outlooks citing drop in discretionary spending by enterprises as the primary reason.

¹ Revenue excludes Akkodis and Arvato Systems as the quarterly comparative figures are not available
² Compound quarterly growth rate
Source: Company disclosures, websites, and press releases

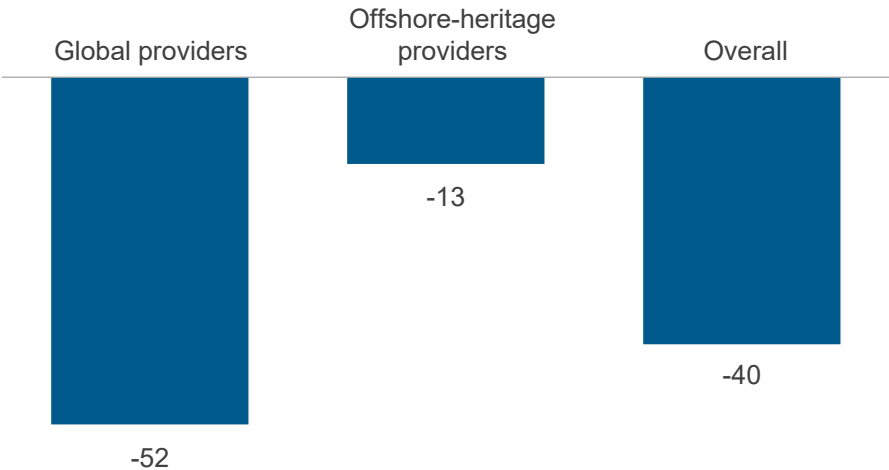
Provider developments | Market Vista™ Index providers operating margin

The overall operating margin decreased sequentially; however, it remained flat annually as providers tightened Selling, General, and Administration (SG&A) expenses and focused on improved utilization

Trends in operating margin¹ by provider category
Percentage



Annual growth in operating margin¹ (Q1 2023 vs. Q1 2022)
Basis points



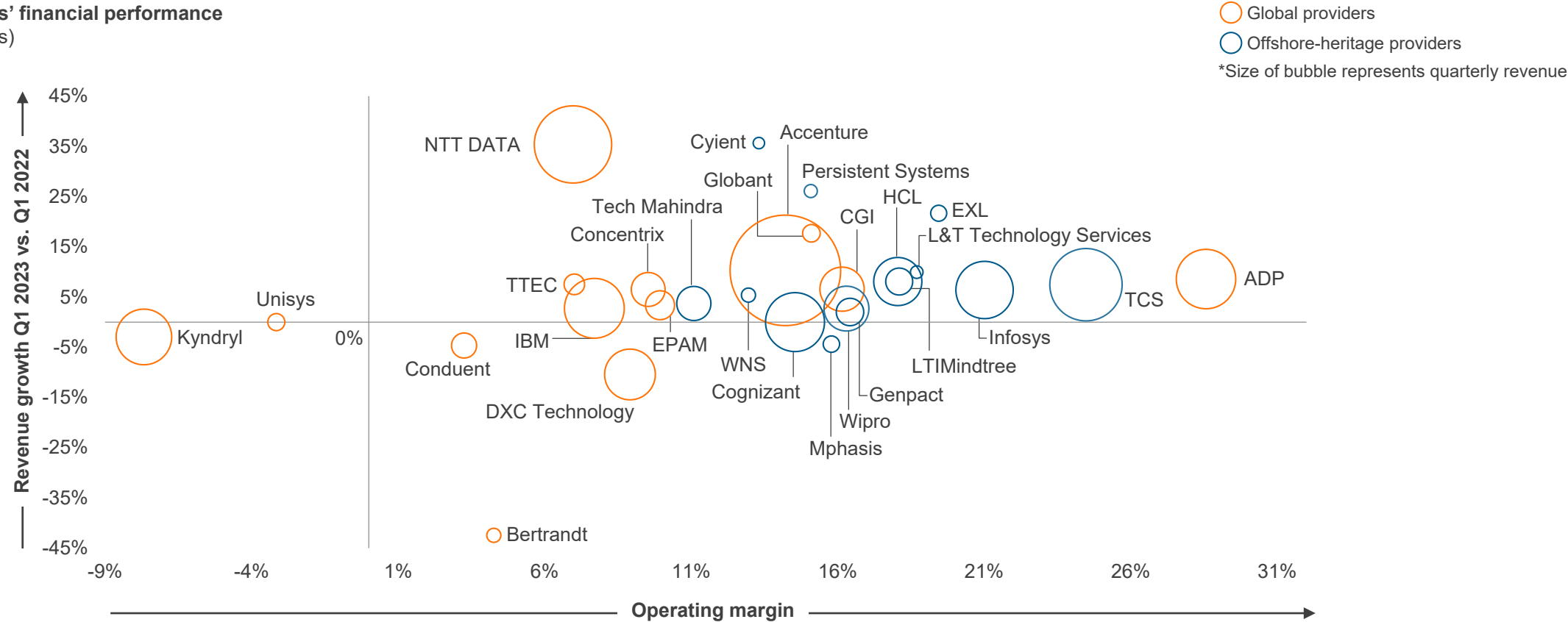
- Operating margin decreased by 140 bps and 40 bps on a sequential and annual basis respectively across the entire provider group. For offshore-heritage providers, the operating margin decreased on a sequential and annual basis by 10 bps. Global providers experienced a decrease of 150 bps and 50 bps in the operating margin sequentially and annually respectively
- The top three providers in terms of annual growth in the operating margin were LTIMindtree (644 bps), Unisys (210 bps), and Automatic Data Processing (ADP) (180 bps). The providers that saw the maximum sequential fall in the operating margin were Kyndryl (-702 bps), WNS (-257 bps), and Conduent (-212 bps)

¹ Normalized operating margin excludes Akkodis, Alten, Arvato Systems, Atos, Capgemini, and Teleperformance as the information is not available
Source: Company disclosures, websites, and press releases

Provider developments | Market Vista™ Index providers overview

Majority of both global and offshore-heritage providers experienced positive annual revenue growth during the quarter

Comparison of providers' financial performance
(Based on Q1 2023 results)



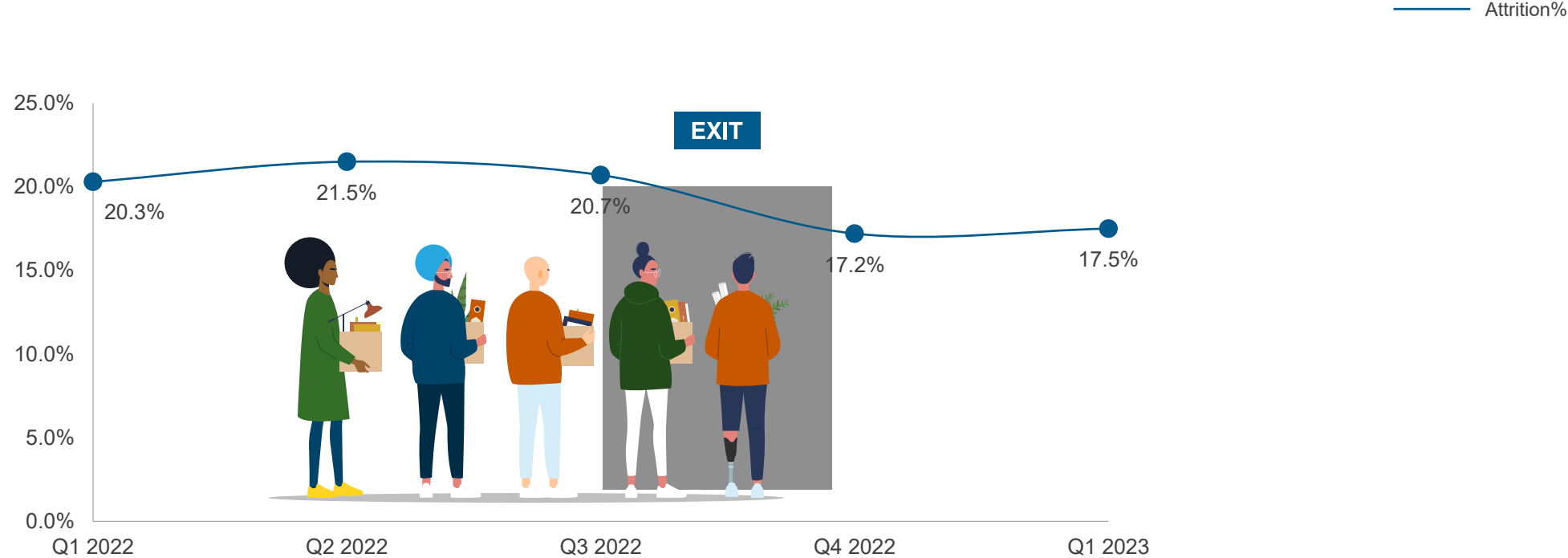
Barring Bertrandt, Conduent, DXC Technology, Kyndryl, and Mphasis, all other providers reported an annual revenue increase in Q1 2023.

Note: Analysis excludes Akkodis, Alten, Arvato Systems, Atos, Capgemini, and Teleperformance, as the information is not available
Source: Company websites, financial releases, and press releases

Market Vista™ Index providers | attrition rate

Market activity tracker

Attrition rate of MV index providers
Percentage



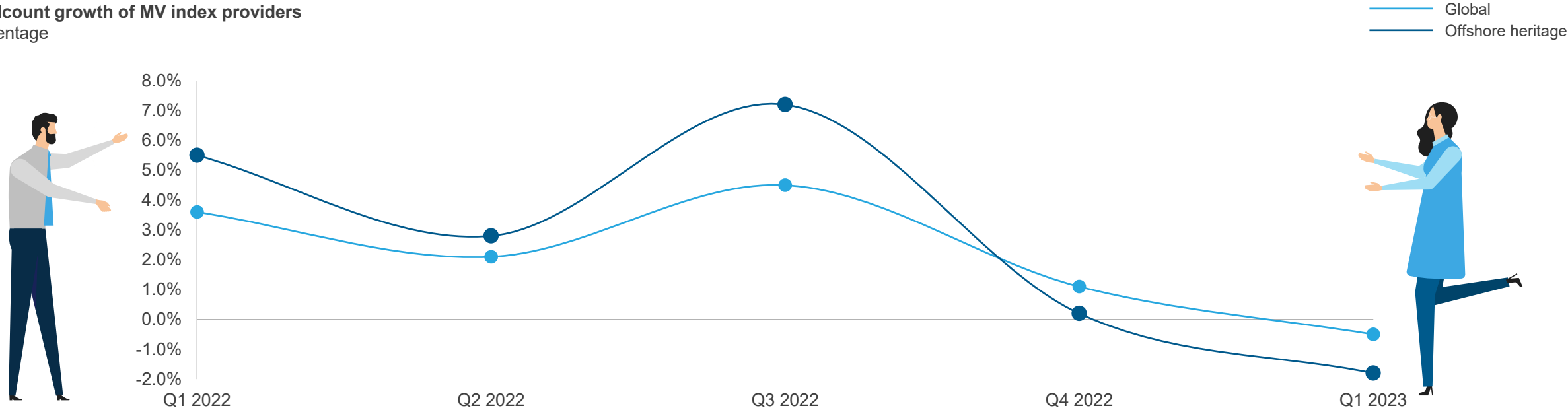
Average attrition rate increased by 20 bps sequentially to reach 17.5% in Q1 2023. After declining for two quarters in a row, attrition seems to have settled in the 17-17.5% level and with demand-side pressures easing up, it is not expected to move significantly in either direction.

Note: Akkodis, CGI Group, Conduent, Concentrix, Cyient, IBM, Kyndryl, Mphasis, NTT DATA, Teleperformance, TTEC, EPAM Systems, Unisys, ADP, Alten, and Bertradandt, do not report attrition
Source: Company websites, financial releases, and press releases

Market Vista™ Index providers | headcount growth

Market activity tracker

Headcount growth of MV index providers
Percentage



As expected, headcount growth further declined and crossed below zero as providers are not back-filling roles and are focusing on increasing utilization while they are tackling revenue erosion from slowdown in discretionary spending by enterprises i.e., their ability to drive additional revenue from ongoing projects.

Note: Akkodis, CGI Group, Conduent, Concentrix, Cyient, IBM, Kyndryl, Mphasis, NTT Data, Teleperformance, TTEC, EPAM Systems, Unisys, and ADP do not report headcount numbers
Source: Company websites, financial releases, and press releases

Providers | key developments by providers in Q2 2023

Key developments



Deloitte in India is planning to add more than 50,000 employees to its workforce in the next three to five years to scale up its presence and service portfolio in the country.



TCS is planning to make 40,000 campus offers to recent graduates in the FY 2023-24.



Cognizant partnered with Google Cloud to train 25,000 of its employees in Google Cloud AI.



HCLTech plans to hire 15,000 recent graduates in FY 2024. It onboarded all of the recent graduates it hired in FY 2023 and is looking to keep the campus recruitment momentum going in FY 2024 to reduce dependence on laterals.



Wipro launched Wipro ai360 and announced plans to invest US\$1 billion in AI over the next three years. The investment will focus on expanding Wipro's AI capabilities across service lines and will also include the cost of training its 250,000 workforce in AI.



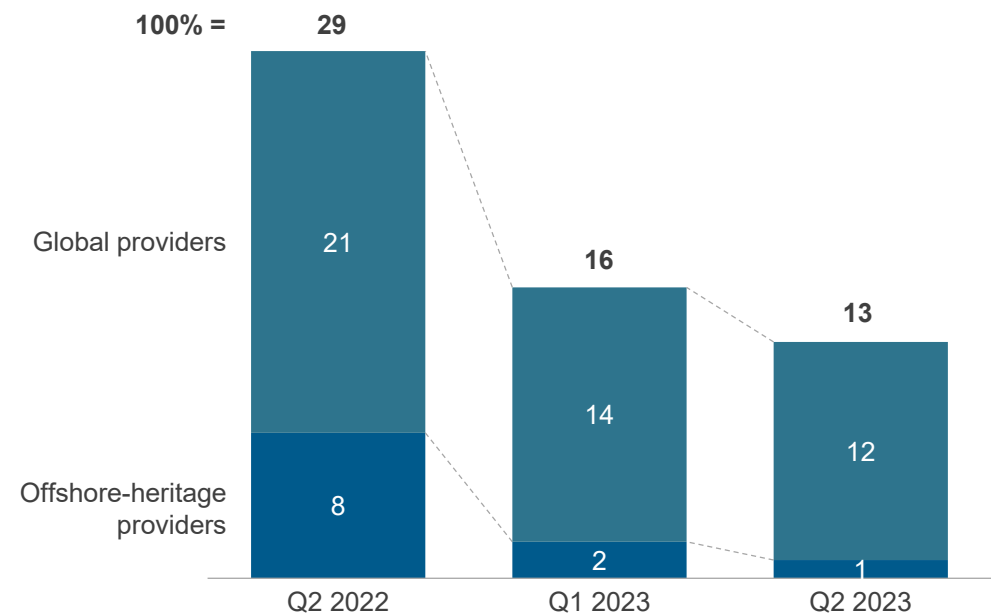
Accenture announced a US\$3 billion investment over three years in its data and AI practice. It will invest in assets, industry solutions, ventures, acquisitions, talent, and ecosystem partnerships to develop skills and capabilities across predictive and generative AI. The investment also aims to double Accenture's data and AI practice talent to 80,000 professionals.



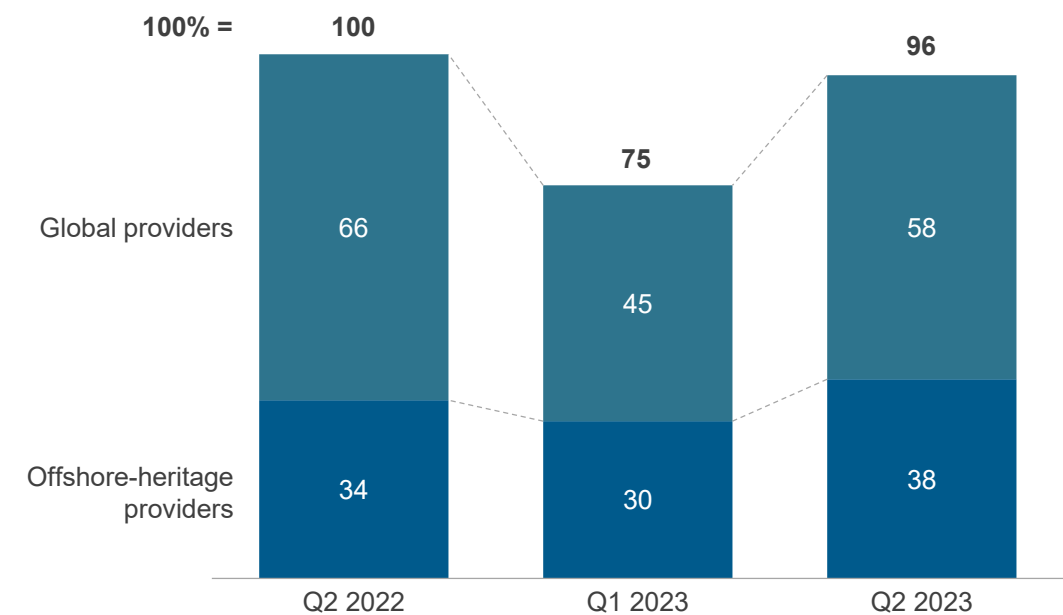
Provider developments | Market Vista™ Index providers M&As and alliances

M&A activity declined sequentially and annually; alliances activity for providers increased in Q2 2023 compared to Q1 2023

M&As by provider category
Number of M&As



Alliances by provider category
Number of alliances



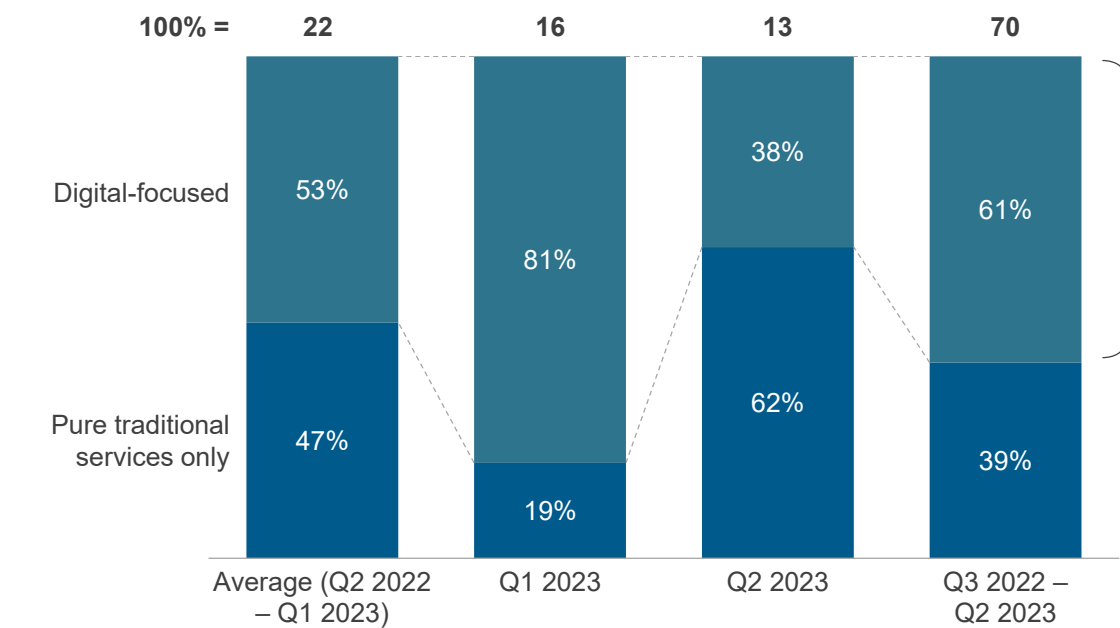
- The current quarter experienced a further deceleration in M&A transactions among providers as they are cutting back on spending and pursuing acquisitions with high synergy and cross-selling opportunities
- Alliance activity significantly increased from 75 in Q1 2023 to 96 in Q2 2023. This increase was observed in both offshore-heritage providers and global providers, with the latter experiencing a slightly greater impact

Source: Company websites and press releases

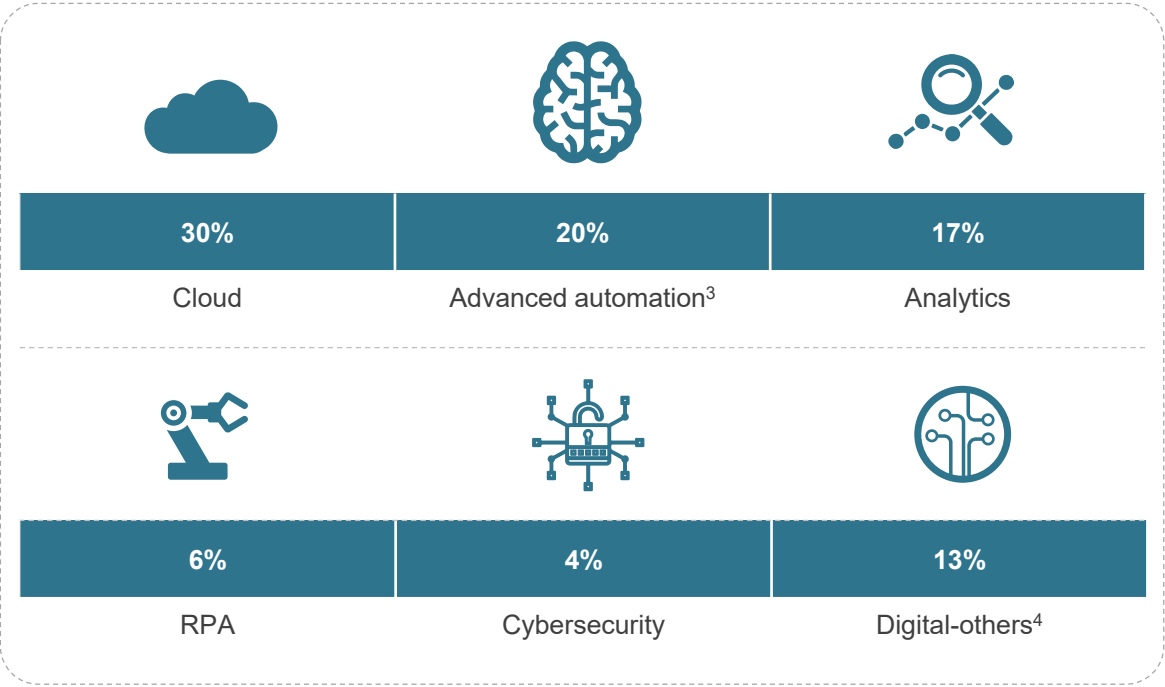
Provider developments | Market Vista™ Index providers M&A analysis by digital component

Cloud and advanced automation continue to lead the digital components of M&A activity by providers

M&As by type of service
Number of M&As



Distribution by digital components^{1,2}
Q3 2022 – Q2 2023; percentage of digital M&As²



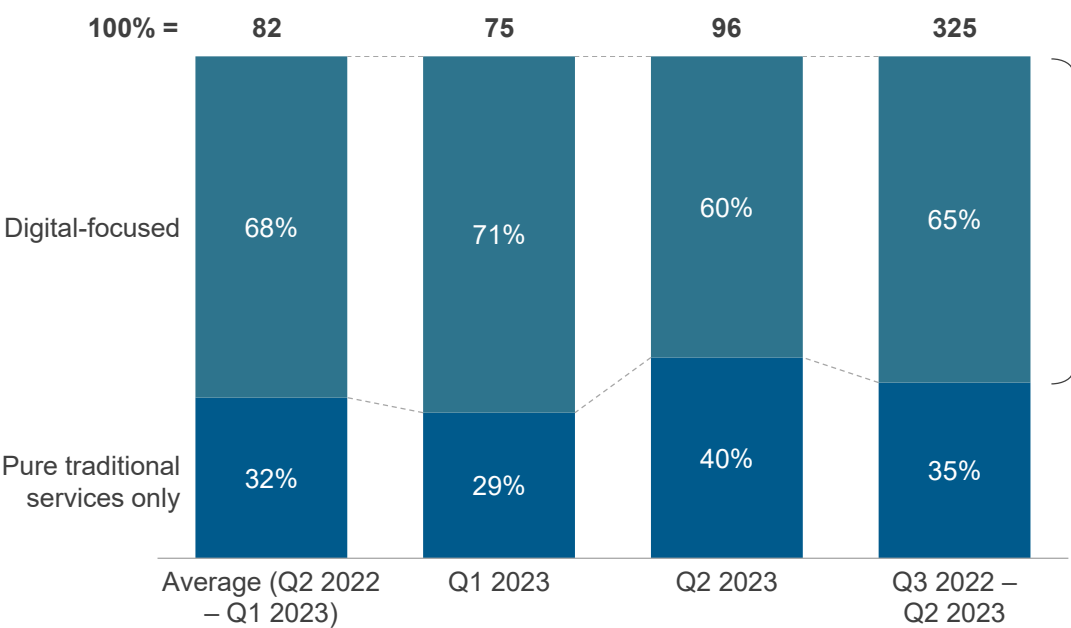
Cloud, advanced automation, and analytics were among the top focus areas for providers within digital-focused acquisitions.

1 Represents the top five digital components
2 Total does not add up to 100% as many acquisitions have multiple digital components
3 Advanced automation includes AI, ML, and cognitive technologies
4 Others include digital services such as IoT, social, mobility, digital interactive, enterprise platform services, and blockchain

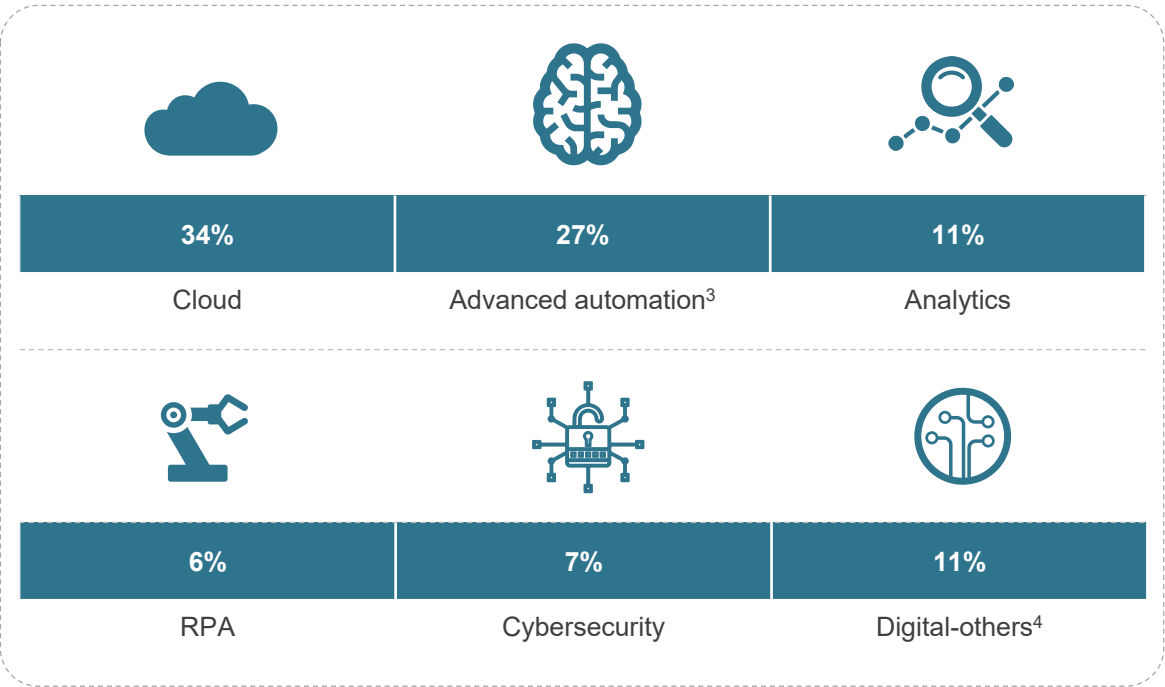
Provider developments | Market Vista™ Index providers digital-focused alliances

Cloud and advanced automation continue to be the leading digital components in alliances for providers

Alliances by type of service
Number of alliances



Distribution by digital components^{1,2}
Q3 2022 – Q2 2023; percentage of digital alliances²

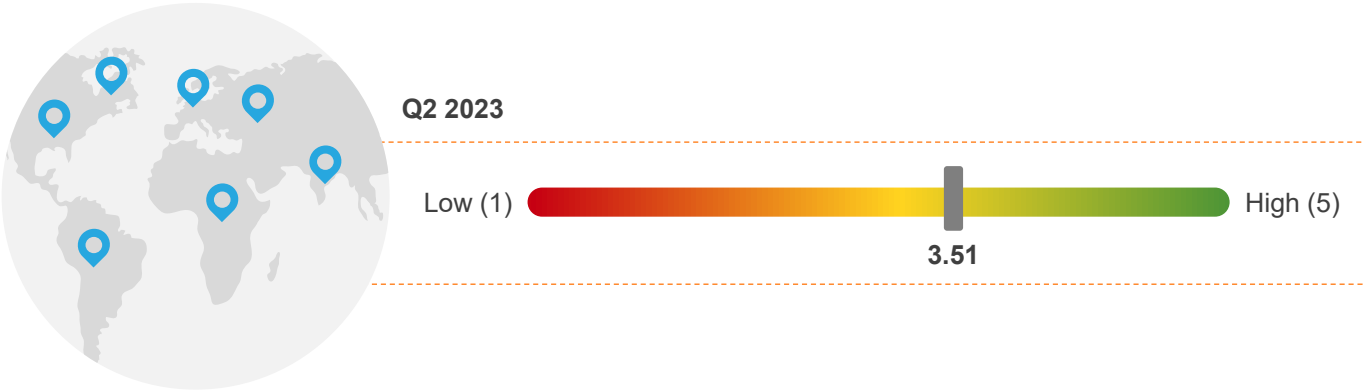


Cloud and advanced automation were among the top focus areas for providers within digital-focused alliances.

1 Represents the top five digital components
2 Total does not add up to 100% as many acquisitions have multiple digital components
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Provider developments | outsourcing health index

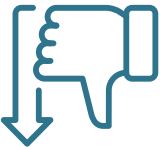
Outsourcing health index¹



Health index (Q1 2023 – Q2 2022)			
Q1 2023	Q4 2022	Q3 2022	Q2 2022
3.19	3.1	2.66	2.28



Favorable factors	Unfavorable factors
<ul style="list-style-type: none">• Outsourcing transactions increased 12% compared to the previous quarter. Notably, significant growth has been observed in areas such as IT infrastructure network and IT system integration as well as HR benefits-specific services. This highlights a growing trend among businesses in various industries including retail and government• An overall increase in long-term contracts reflects a prevailing trend among buyers to keep modernizing their technology stacks with emerging technologies such as generative AI and automation. These contracts not only serve to reduce the risk of falling behind in adopting these technologies but also foster improved relationships with providers, enhancing their competitiveness	<p>A slowdown in new business contracts, which is linked to economic worries, is affecting the outsourcing sector this quarter. Despite an increase in the number of contracts for outsourcing services, enterprises are prioritizing renewal contracts, resulting in a slowdown in fresh global IT contracts</p>



Outsourcing industry transactions rose by 12%, with a notable growth in IT infrastructure, system integration, and HR benefits services. Adoption of emerging technologies such as generative AI and automation increased to optimize operations, remain competitive, and provide better products and services to customers in a technology-driven world. However, economic concerns impacted new business contracts, affecting the outsourcing industry and fresh global IT contracts.

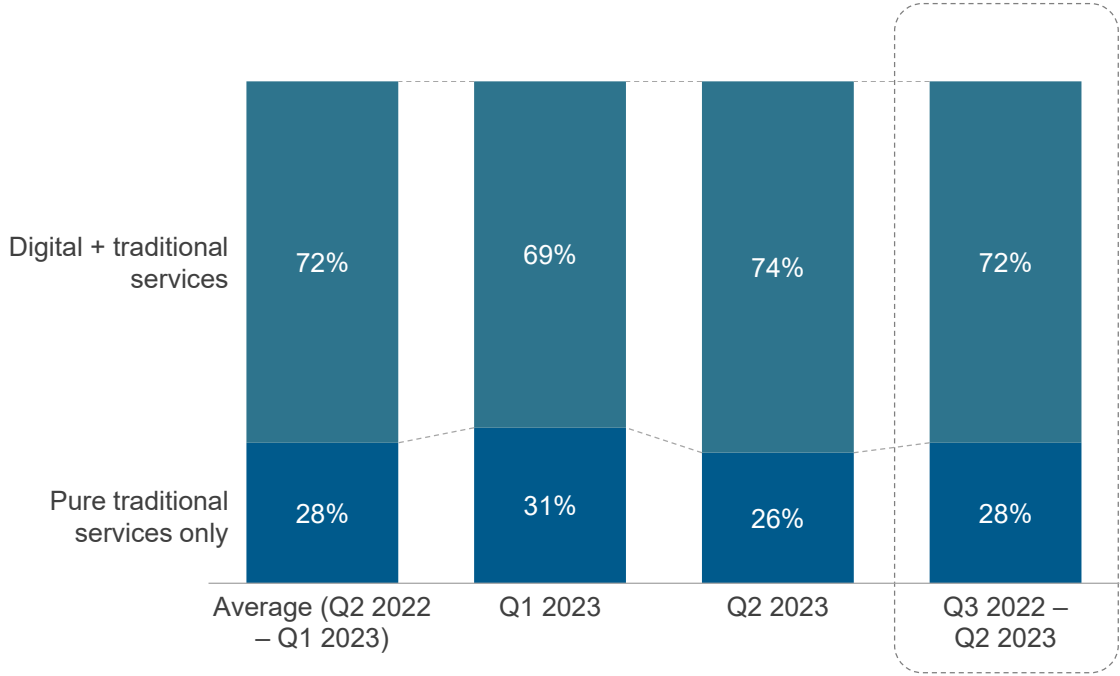
¹ Health Index calculated based on total number of transactions, total deal ACV, the share of digital deals, and diversification across industries and geographies

Provider developments | outsourcing transactions analysis by digital component

Digital services continued to dominate transaction activity, driven by advanced automation and cloud deals

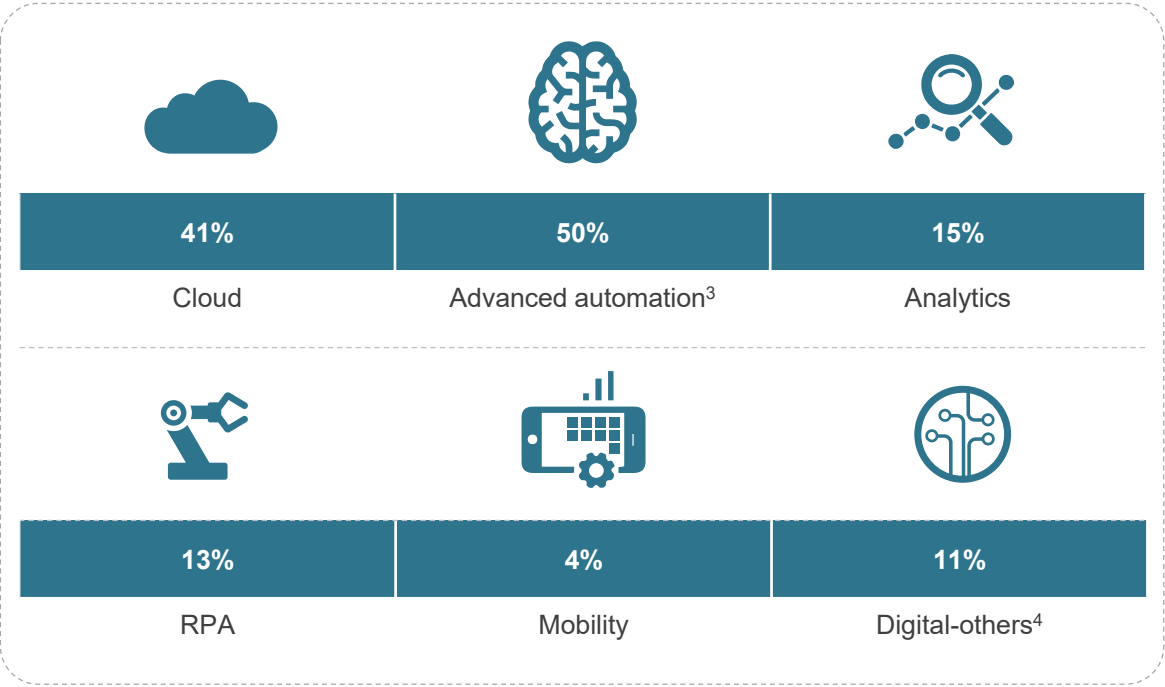
Outsourcing market activity

Percentage share of publicly announced outsourcing transactions



Distribution by digital components^{1,2}

Q3 2022 – Q2 2023; Percentage share of publicly announced outsourcing transactions



The share of digital-focused transactions continued to dominate. The proportion of advanced automation and cloud deals also grew compared to the preceding quarter.

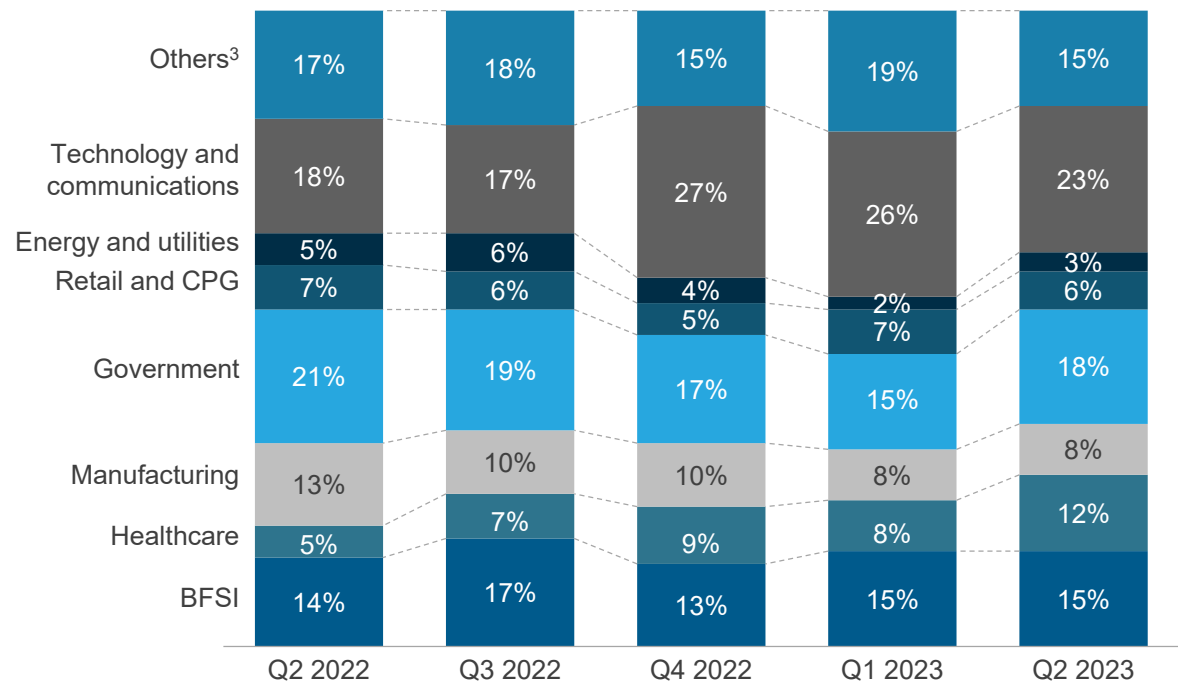
1 Represents the top five digital components
2 Total does not add up to 100% as many transactions have multiple digital components
3 Advanced automation includes AI, ML, and cognitive technologies
4 Others include digital services such as cybersecurity, social, IoT, and blockchain

Provider developments | outsourcing transactions analysis by vertical (page 1 of 2)

Outsourcing in the manufacturing and BFSI verticals remained stagnant; the healthcare vertical share increased compared to past four quarters

Outsourcing transactions by vertical^{1,2}
Percentage share of publicly announced outsourcing transactions

ITS, BPS, AND ENGINEERING TRANSACTIONS



- Deals in the healthcare sector increased in the current quarter compared with the previous one. There was a 34% increase in healthcare provider contracts, especially in digital and IT outsourcing, with a focus on application development and AI services
- The energy and utilities sector has slightly increased in Q2 2023 compared to the previous quarter as there has been some increase in response toward IT outsourcing contracts, particularly those involving system integrations and network services
- The technology and communications vertical slightly decreased in the overall and ITS segments. The primary reason for the share decline is a substantial decrease in the number of signed contracts, with nearly half of these contracts being associated with the telecom industry and ITS services

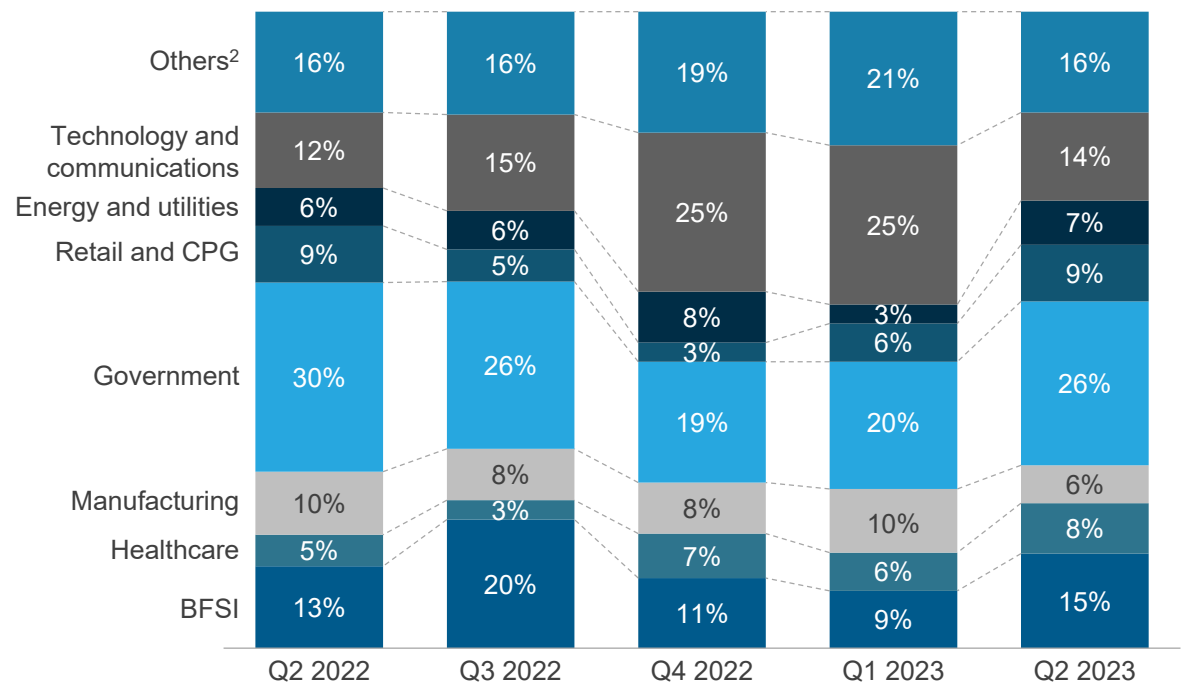
1 The deal volume per iteration may vary due to continuous enhancements to the Transaction Intelligence (TI) database
2 The exact share of deals may vary due to rounding off of the decimal points
3 Includes audit and consulting, legal, architecture and real estate, agriculture, chemicals, mining and metals, pulp and paper, hospitality and tourism, passenger, and freight and distribution. This also includes transactions where the buyer's identity/industry was not disclosed
Source: Everest Group Transaction Intelligence Database

Provider developments | outsourcing transactions analysis by vertical (page 2 of 2)

Despite the decrease in BPS contracts within the Energy and utilities sector, there was an increase in the demand for cloud services that was primarily directed toward enhancing the customer experience

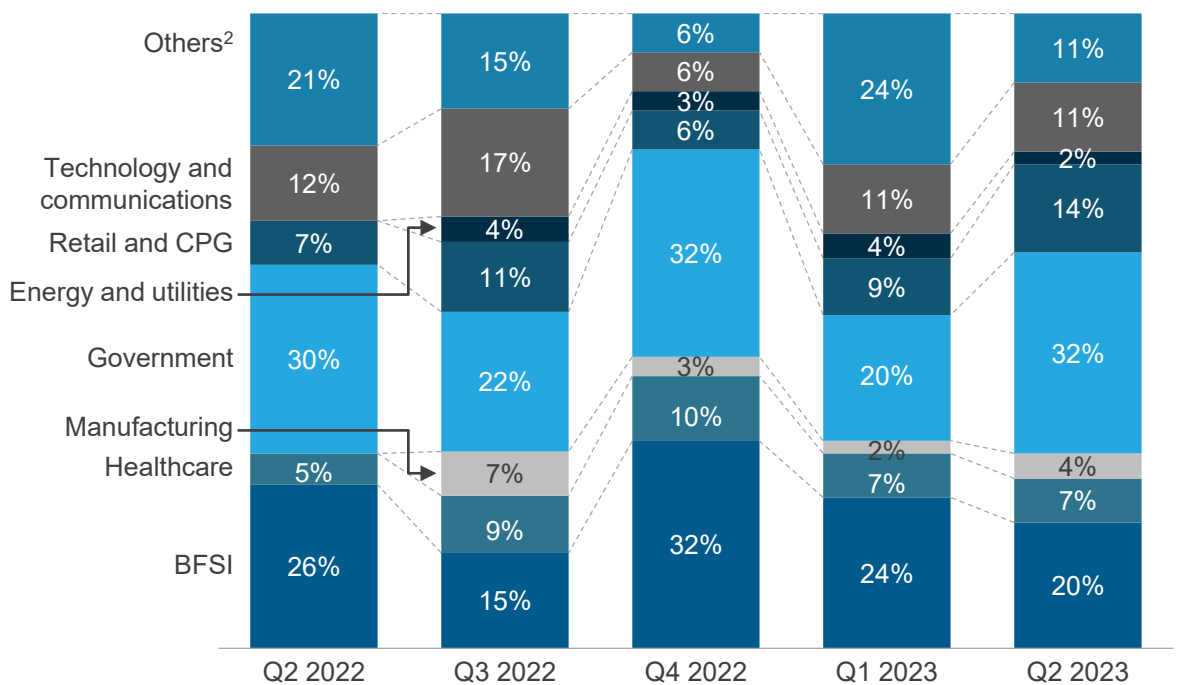
ITS transactions by vertical¹

Percentage share of publicly announced outsourcing transactions



BPS transactions by vertical¹

Percentage share of publicly announced outsourcing transactions



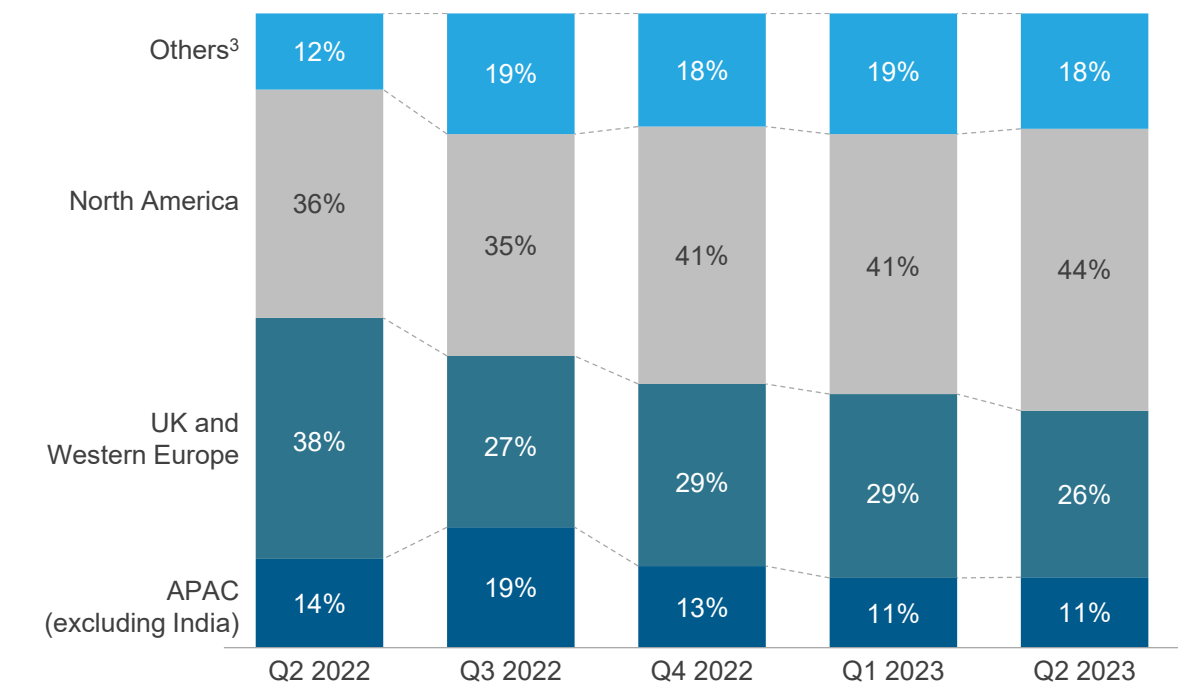
¹ The deal volume per iteration may vary due to continuous enhancements to the TI database
² Includes audit and consulting, legal, architecture and real estate, agriculture, chemicals, mining and metals, pulp and paper, hospitality and tourism, passenger, and freight and distribution. This also includes transactions where the buyer's identity/industry was not disclosed
Source: Everest Group Transaction Intelligence Database

Provider developments | outsourcing transactions analysis by geography (page 1 of 2)

Consistent contract agreements in the APAC (excluding India) region driven with a remarkable upswing in digital contracts within Australia and China were prominently observed

Outsourcing transactions by buyer geography^{1,2}
Percentage share of publicly announced outsourcing transactions

ITS, BPS, AND ENGINEERING TRANSACTIONS



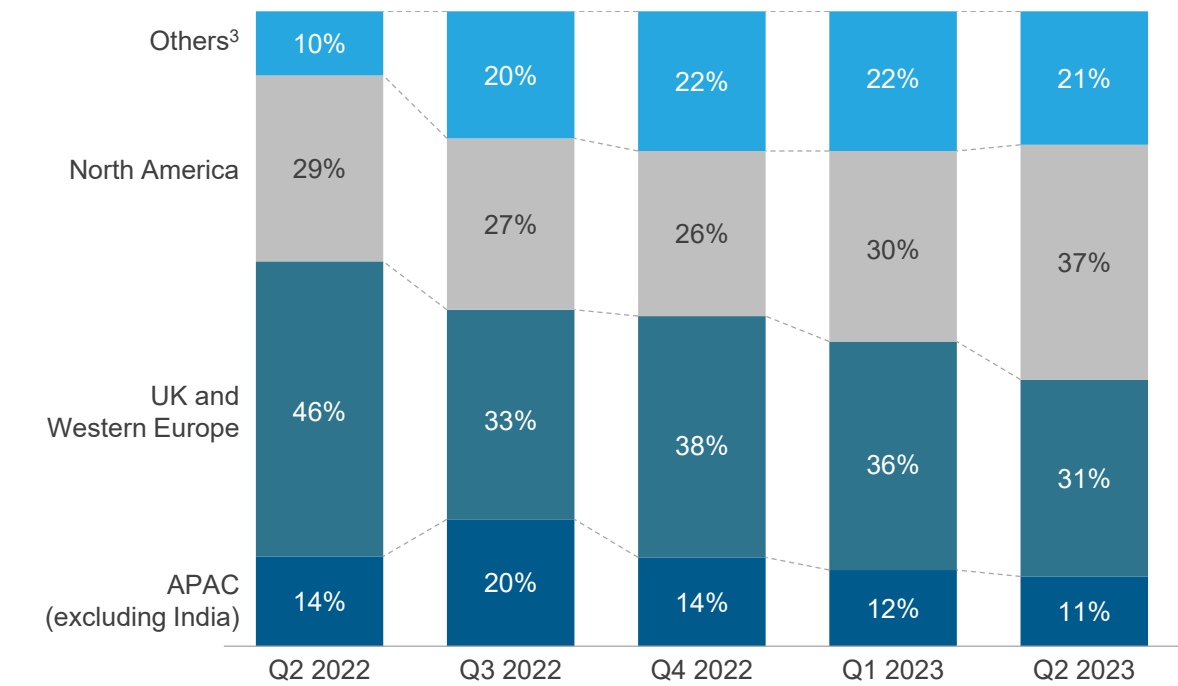
- In Q2 2023, the share of outsourcing deals in the UK and Western Europe declined; however, there was an increase in BPS deals in the region. Companies actively pursued contracts and strategic partnerships in diverse functions including finance and accounting, pension/welfare services, security services, and facilities management
- During Q2 2023, the market share of the North American region has increased. This rise was mainly attributed to the surge in deals signed for ITS, particularly in areas such as application development, IT maintenance, IT infrastructure, system integration, and cloud migration services. These developments indicate a strong emphasis on innovation and technology adoption to boost growth and operational efficiency across various industries compared to the previous quarter

1 Buyer geography is the buyer location or the signing region associated with the transaction
2 The deal volume per iteration may vary due to continuous enhancements to the TI database
3 Others includes the CEE, Middle East and Africa, Latin America and the Caribbean, India, and transactions where the signing region was not publicly disclosed
Source: Everest Group Transaction Intelligence Database

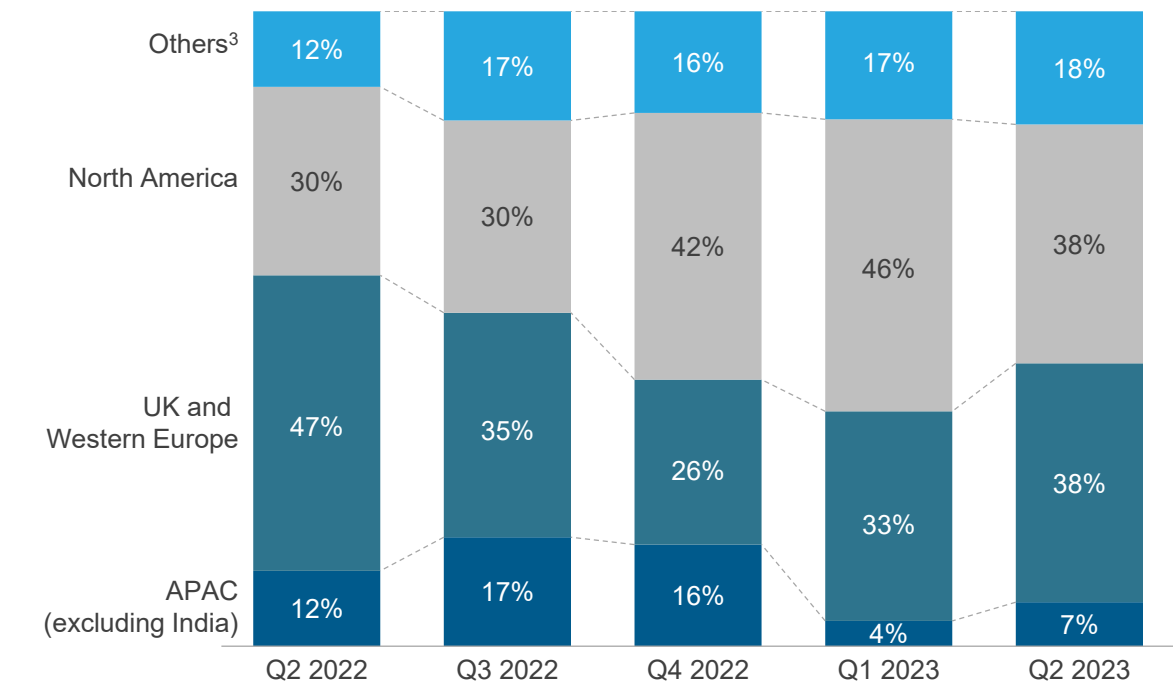
Provider developments | outsourcing transactions analysis by geography (page 2 of 2)

The BPS sector's share in APAC (excluding India) has grown, propelled by the rising demand for back-office, accounting, and cloud services with the aim of boosting presence and operational efficiency

ITS transactions by buyer geography^{1,2}
Percentage share of publicly announced outsourcing transactions



BPS transactions by buyer geography^{1,2}
Percentage share of publicly announced outsourcing transactions



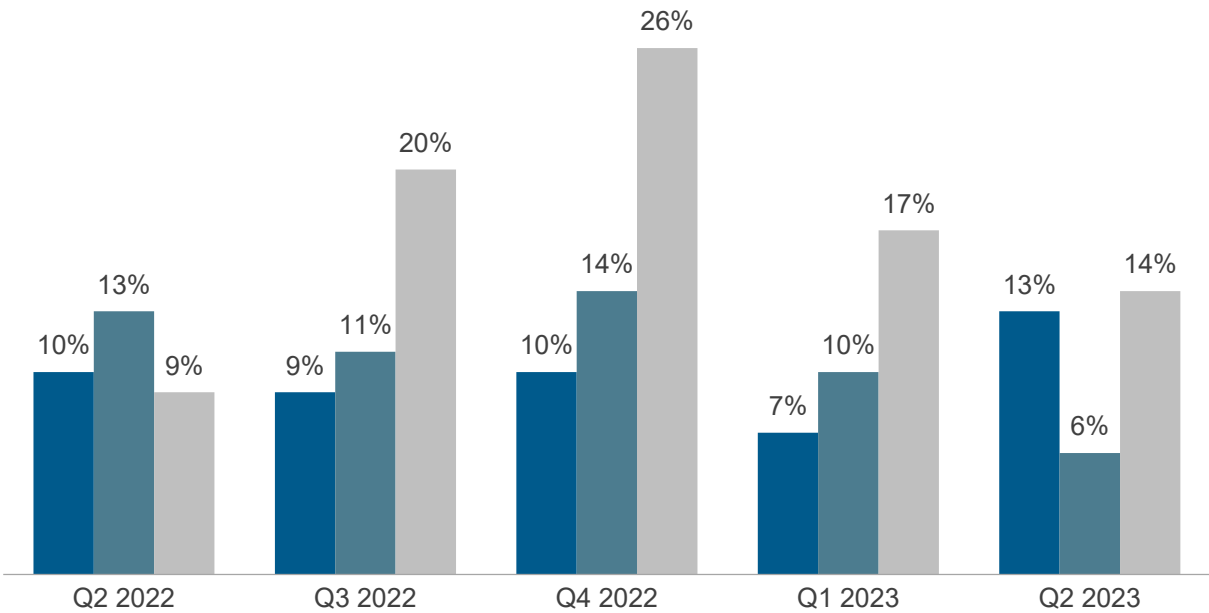
1 Buyer geography is the buyer location or the signing region associated with the transaction
2 The deal volume per iteration may vary due to continuous enhancements to the TI database
3 Others includes the CEE, Middle East and Africa, Latin America and the Caribbean, India, and transactions where the signing region was not publicly disclosed
Source: Everest Group Transaction Intelligence Database

Provider developments | outsourcing transactions analysis by deal type

In Q2 2023, the share of renewals / restructured deals increased specifically in manufacturing and cyclical commodities sectors; Since Q3 2022, renewals / restructured deals in BPS have significantly outpaced ITS

Share of renewals / restructured¹ deals
Percentage share of publicly announced outsourcing transactions

■ Share of renewals / restructured deals
■ Share of renewals / restructured deals – ITS
■ Share of renewals / restructured deals – BPS



Major outsourcing transactions nearing end of term

Buyer	Provider	Function scope
US Army Research Laboratory	Palantir Technologies	AI
BanBien	KIO Networks	Others (legal, marketing)
Centers for Medicare and Medicaid Services (US)	ICF International	IT application (Maintenance)

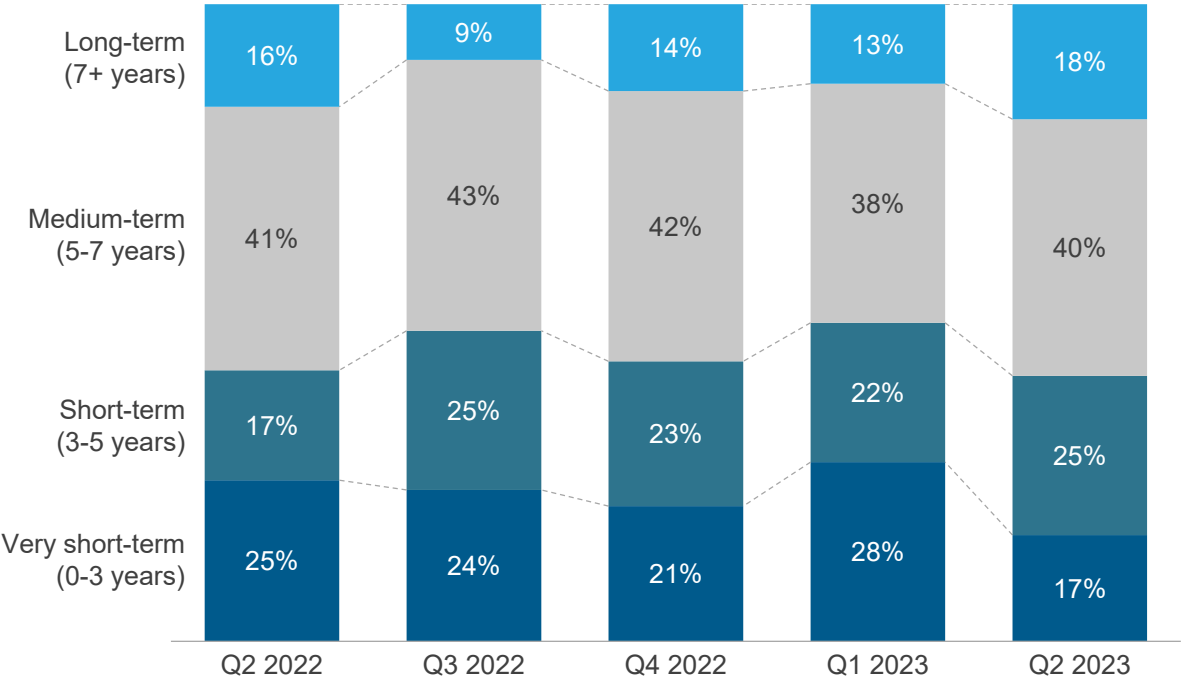
¹ Instances where the scope was extended or expanded, and the provider remains the same as in the original contract
Source: Everest Group Transaction Intelligence Database

Provider developments | outsourcing transactions analysis by deal term (page 1 of 2)

Share of long-term, medium-term, and short-term deals increased in Q2 2023 compared to Q1 2023, attributable to desire for stability, strategic partnerships, and cost-efficiency

Outsourcing transactions by deal term^{1,2,3}
Percentage share of publicly announced outsourcing transactions

ITS, BPS, AND ENGINEERING TRANSACTIONS



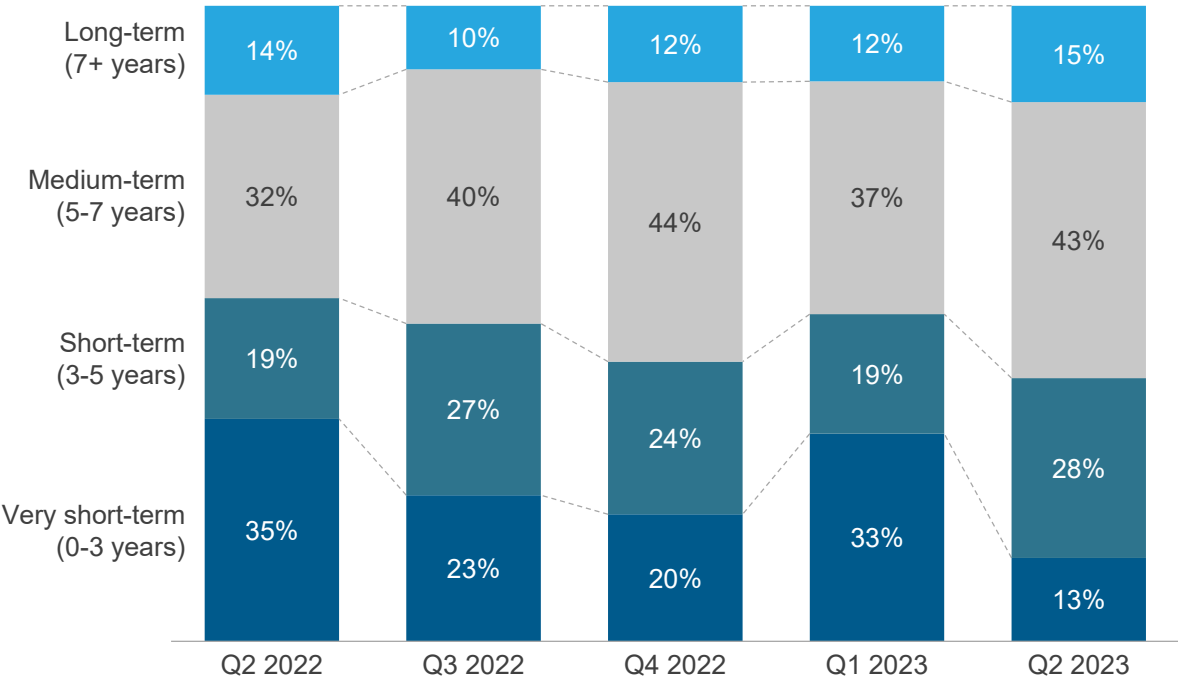
- In Q2 2023, the proportion of medium-term deals (overall, ITS, and BPS deals) increased compared to the previous quarter. This was primarily due to a consistent demand for reliable and specialized IT support services, particularly in the helpdesk and technical assistance domains, from various industries such as government entities, retails, and cyclical commodities
- Long-term deals significantly increased in the overall market compared to the previous quarter as enterprises prioritized contracts centered around modernizing and enhancing IT systems, especially in the domains of cloud services, benefit management, public service platforms, and visa systems
- In Q2 2023, the overall ITS and BPS market declined in the proportion of very short-term deals compared to previous quarters. This was primarily due to a decline of 46% in ITS contracts compared to the previous quarter

1 Contracts, where the deal term is not known, have been excluded from this analysis
2 The deal volume per iteration may vary due to continuous enhancements to the TI database
3 The exact share of deals may vary due to rounding off of the decimal points
Source: Everest Group Transaction Intelligence Database

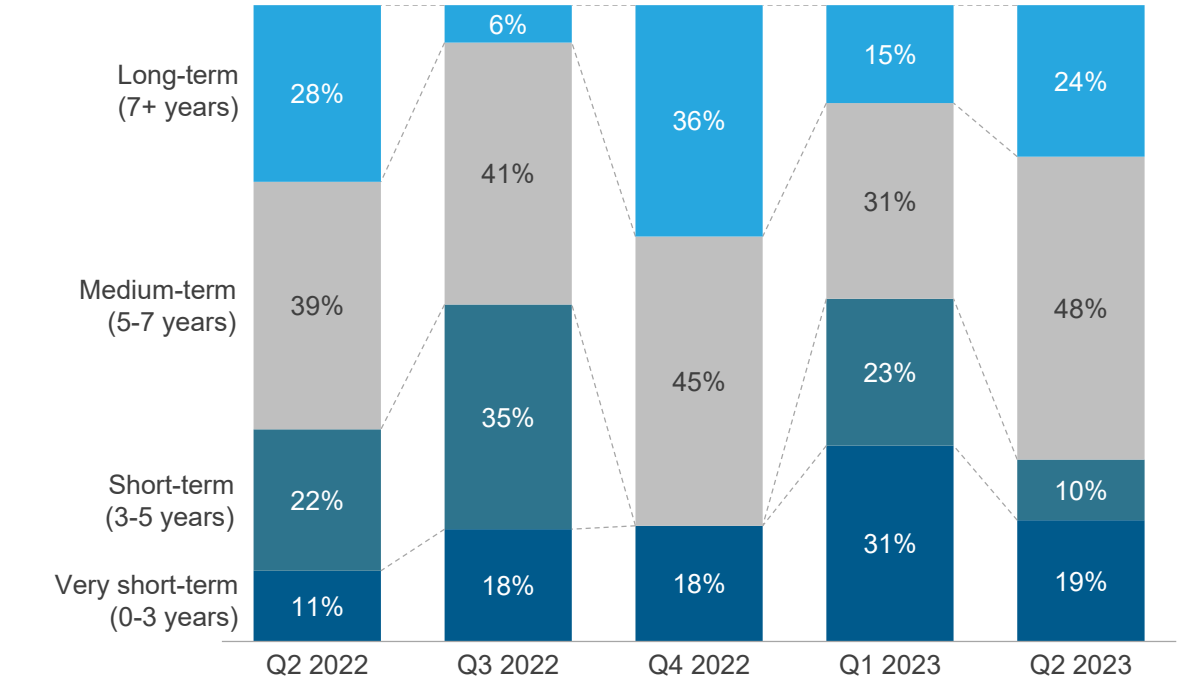
Provider developments | outsourcing transactions analysis by deal term (page 2 of 2)

In Q2 2023, the share of very short-term ITS deals declined sharply compared to Q2 2022 as enterprises shifted to focus on the modernization of legacy systems and long-term RoI projects

ITS transactions by deal term^{1,2,3}
Percentage share of publicly announced outsourcing transactions



BPS transactions by deal term^{1,2,3}
Percentage share of publicly announced outsourcing transactions



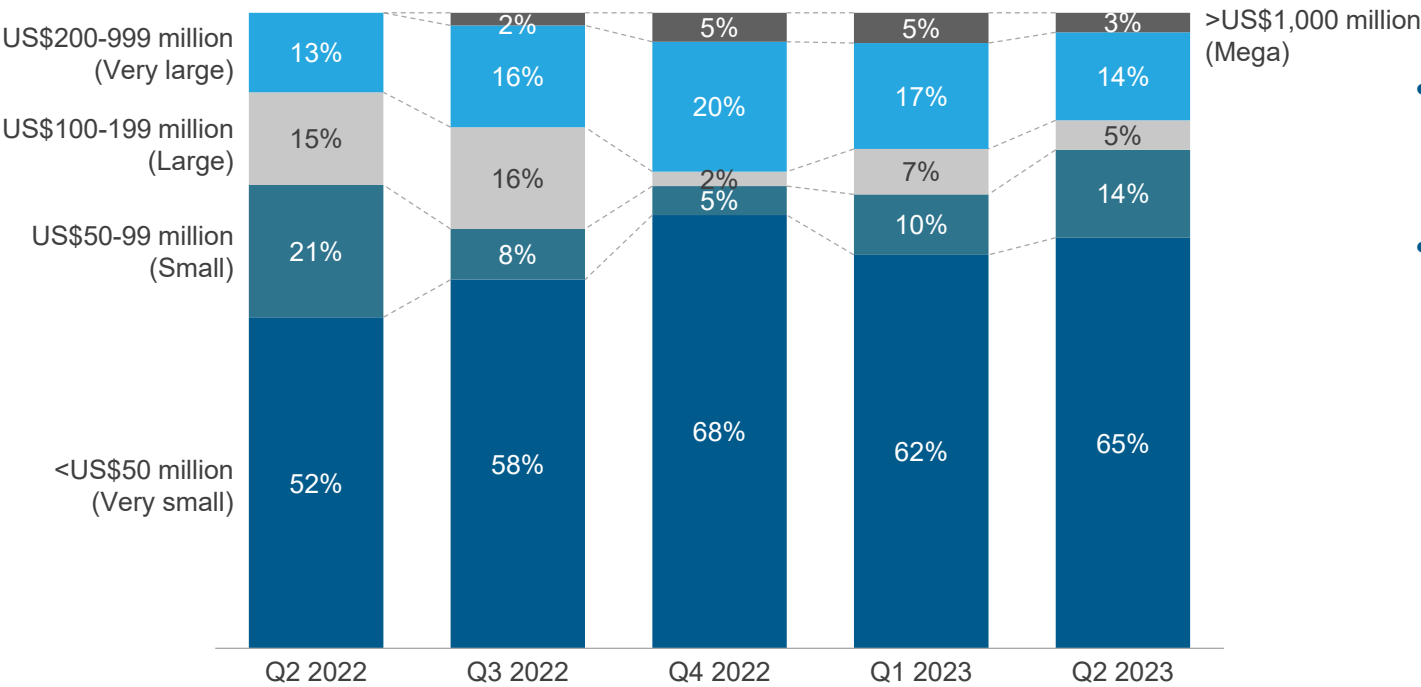
1 Contracts, where the deal term is not known, have been excluded from this analysis
2 The deal volume per iteration may vary due to continuous enhancements to the TI database
3 The sum of ITS and BPS transactions may not match up to the overall number owing to the presence of engineering deals
Source: Everest Group Transaction Intelligence Database

Provider developments | outsourcing transactions analysis by deal size

In Q2 2023, the market experienced an increase in very small deals, propelled by the growing demand for BPO, cybersecurity, and cloud services, with the US being the major contributor to this trend

Outsourcing transactions by deal TCV^{1,2,3}
Percentage share of publicly announced outsourcing transactions

ITS, BPS, AND ENGINEERING TRANSACTIONS



- Very small deals increased compared to the previous quarter due to an increase in demand for BPO services being signed across North America and the UK regions. This demand was particularly significant for data management support services and transportation services
- In Q2 2023, the share of mega and very large contracts declined, while the number of deals within this category remained unchanged. This situation mirrors the consistent demand for IT and cloud services. The percentage of deals attributed to mega and very large contracts was impacted by the overall rise in the share of deals falling into the very small category






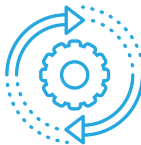


1 Contracts, where the deal term is not known, have been excluded from this analysis
2 The deal volume per iteration may vary due to continuous enhancements to the TI database
3 The exact share of deals may vary due to rounding off decimal points
Source: Everest Group Transaction Intelligence Database

Provider developments | major deals in Q2 2023

Number of very large deals increased in Q2 2023

Examples of major deals signed in Q2 2023

NOT EXHAUSTIVE

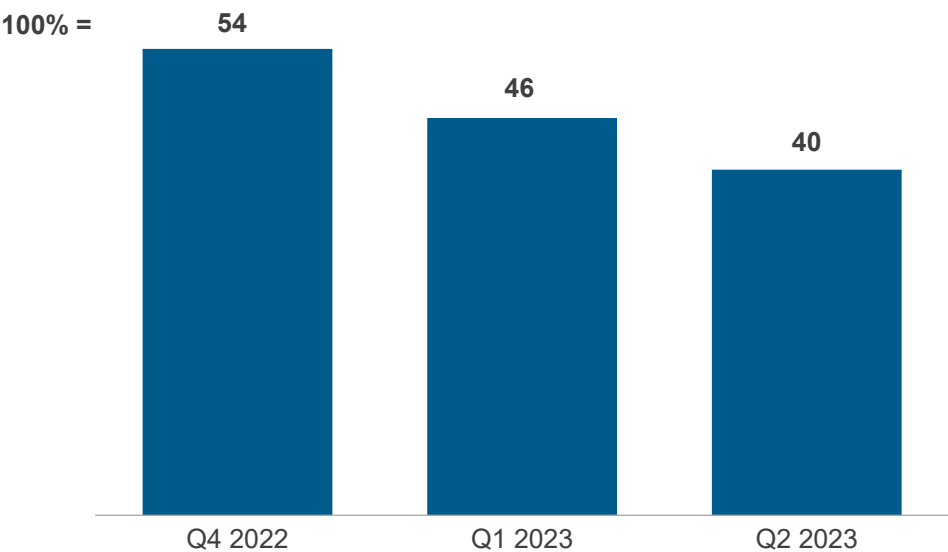
 Buyer	 Vertical	 Provider	 Deal value (US\$ million)	 Contract duration	 Functional scope	 Services	 Type of deal
US Army	Government	General Dynamics Information Technology	1700	5	ITS	IT Application (Maintenance); IT Infrastructure (Help/Service Desk)	Mega
Department of the Treasury (US)	Government	Science Applications International Corporation (SAIC)	1300	7	ITS	IT Infrastructure (Network); IT Infrastructure (Help/Service Desk), Cloud; Cyber security	Mega
Federal Systems Integration and Management Center (US)	Government	Science Applications International Corporation (SAIC)	889	5	ITS	IT Application (Development); IT Application (ERP Implementation); IT Infrastructure (Network); IT Infrastructure (Help/Service Desk), Cloud; Cyber security; Enterprise Platform Services	Very large
Stafford Lynch (Ireland)	Transportation and logistics	Outsource Group	542	NA	ITS	IT Application (Maintenance); IT Infrastructure (Help/Service Desk); IT Infrastructure (General)	Very large

Source: Everest Group Transaction Intelligence Database

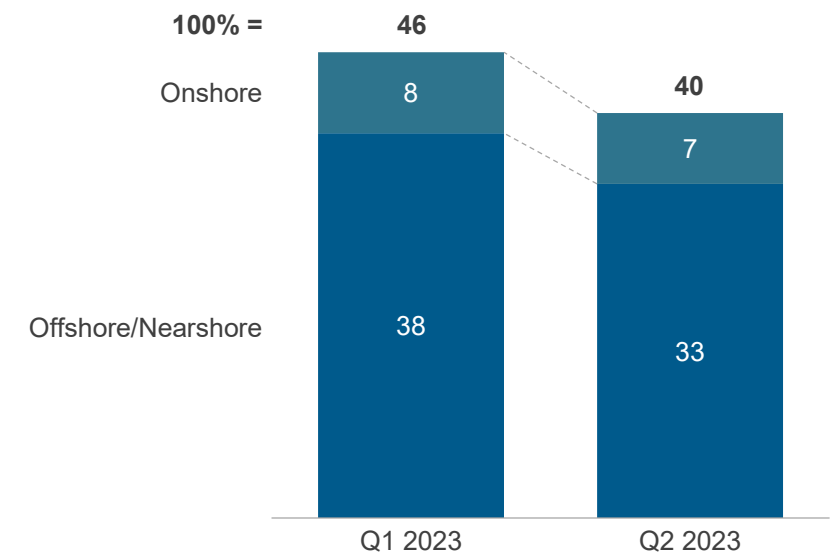
Provider developments | location activity

The overall new delivery center setups for providers decreased in Q2 2023, compared to Q1 2023 and Q4 2022

Delivery centers opened by providers
Number of new center setups and expansions



Delivery centers opened by provider by region
Number of new center setups and expansions



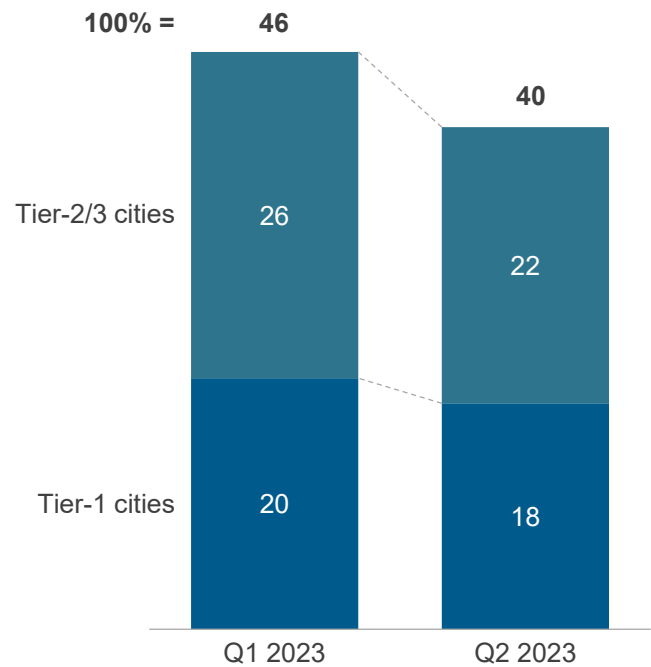
- Location activity decreased sequentially with 40 new centers/expansions in Q2 2023
- Offshore/Nearshore activity declined in Q2 2023 with 33 new centers/expansions, out of which 19 centers were set up in tier-2/3 cities

Source: Company websites and press releases

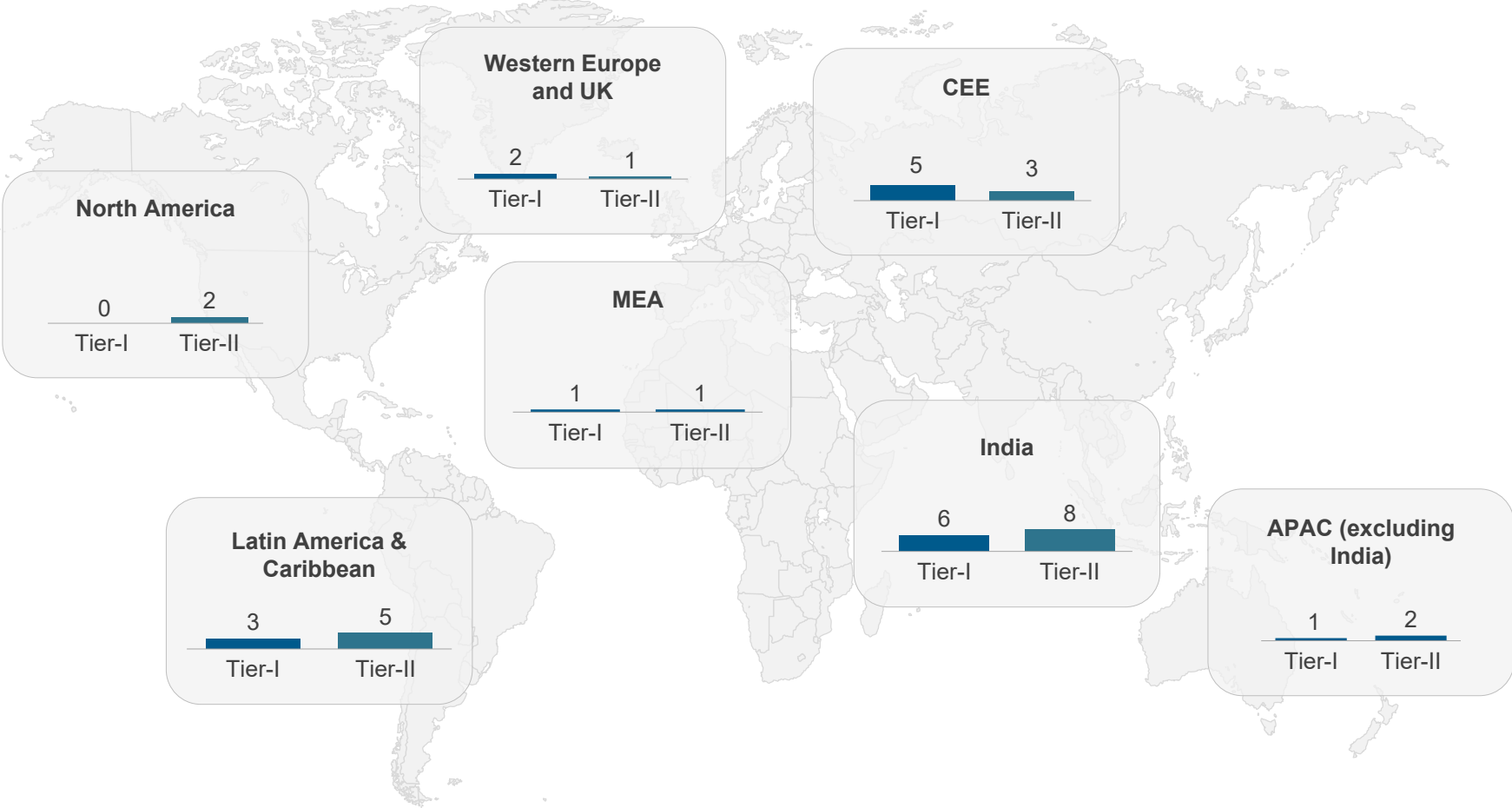
Provider developments | location activity

Number of delivery center setups by providers decreased sequentially; however, the split between tier-1 and tier-2/3 cities remained similar

Delivery centers opened by providers
Number of new service delivery centers



Distribution of centers by geography
Q2 2023 number



Source: Company websites and press releases

02

GBS market trends

- Key GBS market developments in Q1 2023
- In-house delivery center activity | overview
- GBS health index
- GBS market analysis by center activity
- In-house delivery setups and expansions by region
- GBS market analysis by function
- GBS market analysis by vertical
- Key developments in the GBS market
- Key developments by digital component



Global Business Services | key market developments in Q2 2023

GBS center setup activity for Q2 2023 increased for both onshore and offshore/nearshore regions in comparison to Q1 2023



Functions: ER&D services continue to be the most leveraged across onshore and offshore locations

- In offshore/nearshore regions, under ER&D center setups, there was an increase in mechanical center setups primarily driven by automotive enterprises for autonomous driving solutions, while under BP, there was an increase in the share of center setups for legal and marketing services
- In onshore regions, there was a modest increase in enterprises setting up new centers focused on developing new sustainable and clean energy solutions



Geography: the share of the UK and Western Europe and APAC (excluding India) in offshore regions increased significantly

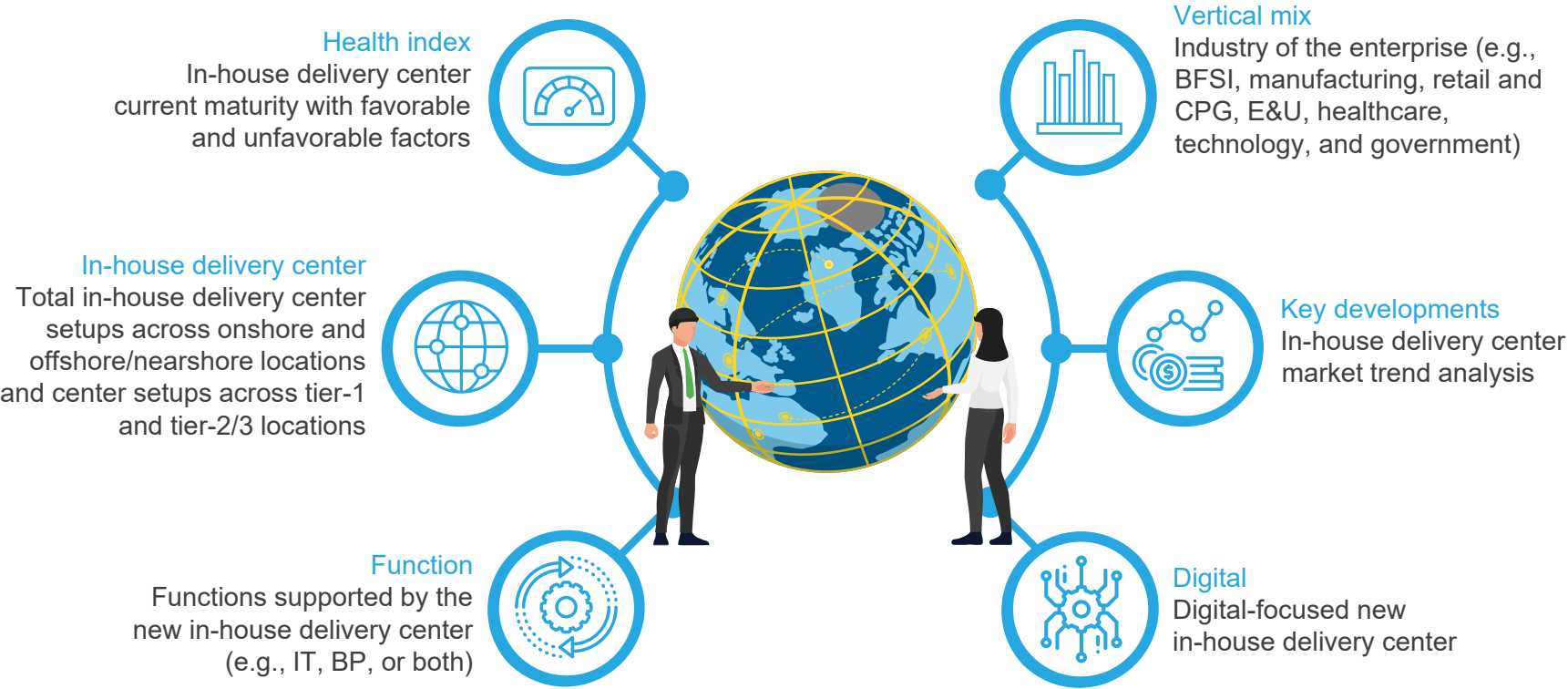
- In Q2 2023, market activity in the UK and Western Europe in onshore region increased significantly with 30 setups compared to 13 in Q1 2023. Enterprises looked to set up in-house delivery centers for autonomous driving and low-carbon sustainable solutions as they hope to leverage the favorable regulations and policies around green technologies in the region
- APAC (excluding India) in offshore/nearshore region experienced a significant increase in the number of setups with 14 setups in Q2 2023 compared to eight in Q1 2023, mostly in China and Vietnam to develop AI-based capabilities and leverage their rich technological talent pool



Industry: in Q2 2023, the manufacturing vertical left behind technology and communications sector to hold the largest share

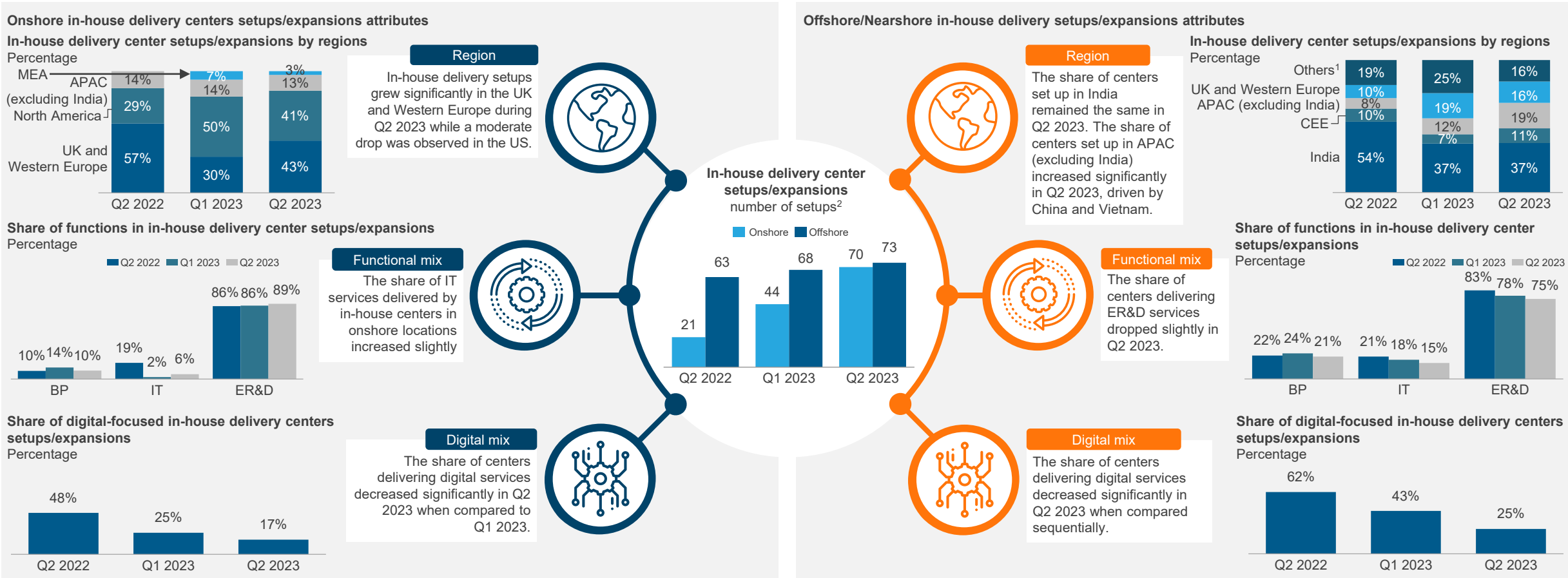
- The manufacturing sector experienced a moderate increase in both offshore and onshore locations as enterprises established in-house delivery centers focused on developing autonomous connected vehicle technologies and enhanced their electric vehicle battery capabilities
- The BFSI vertical experienced a surge in offshore locations as enterprises look to establish in-house delivery centers dedicated to enhancing their mobile and digital banking capabilities aimed at improving customer experience

GBS market activity | framework for assessment



In-house delivery center activity | overview

In offshore locations, India continued to lead the in-house delivery center setups; in onshore locations, the share of the UK and Western Europe increased significantly in Q2 2023



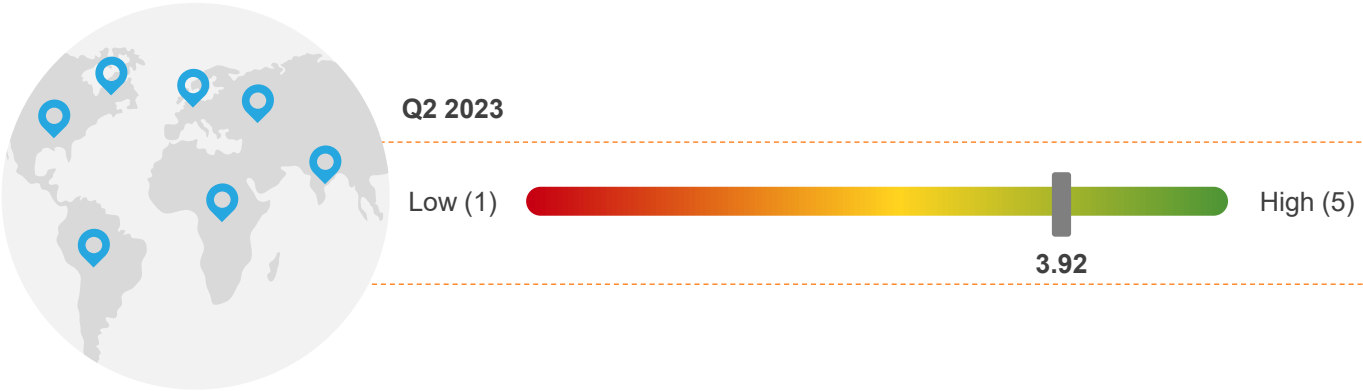
1 Others – Latin America, Middle East and Africa, and Canada

2 The center volume per iteration may vary due to continuous enhancements to the GBS database

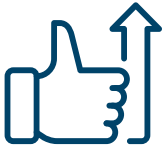
Source: Everest Group (2023)

Global Business Services health index

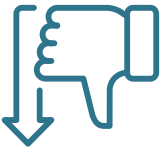
GBS health index¹



Health index (Q1 2023– Q2 2022)			
Q1 2023	Q4 2022	Q3 2022	Q2 2022
3.17	3.43	3.16	2.8



Favorable factors	Unfavorable factors
<ul style="list-style-type: none">Automation and AI are increasingly being used to automate tasks in global in-house delivery centers, freeing up employees to focus on more strategic and value-added workWhile the cost of delivery continues to be a core driver for outsourcing, an increased number of organizations are setting up new in-house delivery centers for innovation-driven business outcomesNew in-house delivery centers are primarily being set up in cost-efficient locations as organizations are focused on cost reduction as their primary objective to combat changing global economic dynamics	<ul style="list-style-type: none">In the current macroeconomic environment, enterprises are focusing more on offshoring and outsourcing as the onus is on realizing cost savingsAs in-house delivery centers demand high running costs, enterprises are divesting them to providers. A couple of notable divestitures in the last six months – 4iG acquired Vodafone’s business unit in Hungary and Infosys acquired Danske Bank’s IT center in India



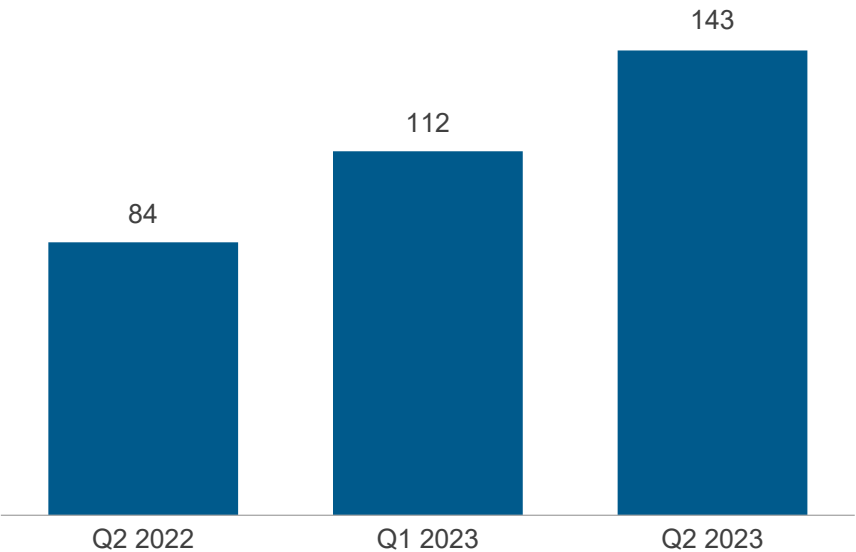
At an overall level, GBS market activity increased significantly in Q2 2023 driven by increase in the North American and the UK and Western European regions as enterprises are looking to set up innovation/R&D centers close to their customer markets.

¹ Health Index calculated based on total number of center setups, share of new adopters, share of digital-focused center setups, and diversification across industries and geographies

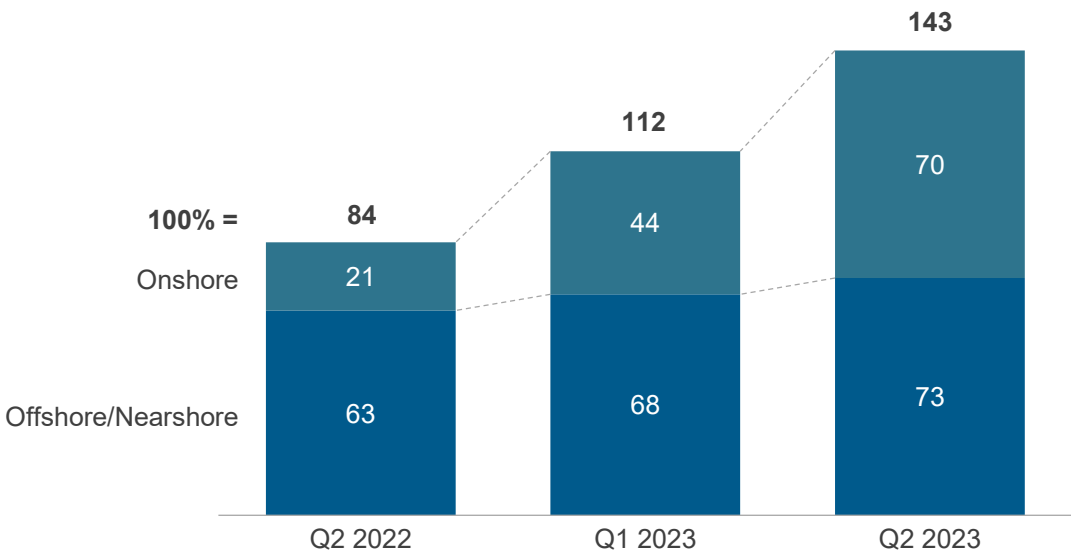
In-house delivery center developments | center activity

The overall in-house delivery center setups increased significantly in Q2 2023, compared to Q1 2023

In-house delivery centers opened by enterprises
Number of new center setups and expansions



In-house delivery centers opened by enterprises by region
Number of new center setups and expansions



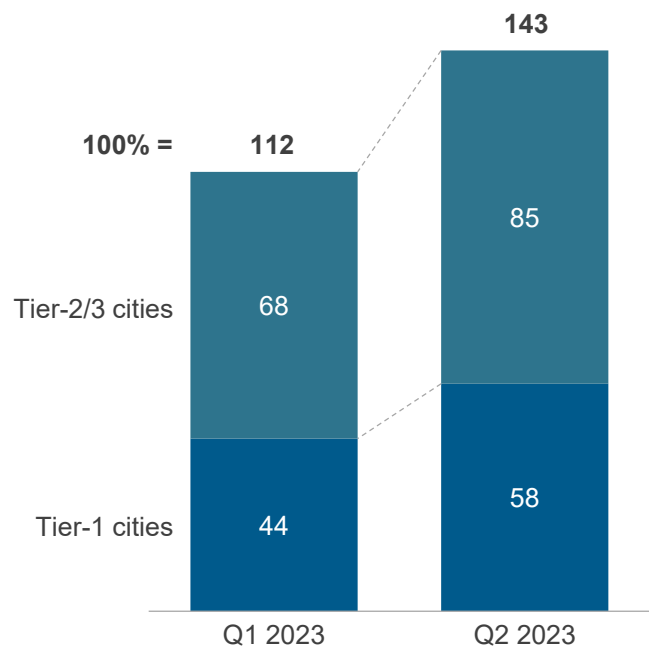
- In-house delivery centers setups increased with 143 new centers/expansions in Q2 2023 compared to 112 in Q1 2023
- Offshore/Nearshore activity increased slightly in Q1 2023 with 73 new centers/expansions, out of which 34 centers were set up in tier-2/3 cities. However, onshore activity increased significantly with 70 new centers/expansions, out of which 59 centers were set up in tier-2/3 cities

Source: Company websites and press releases

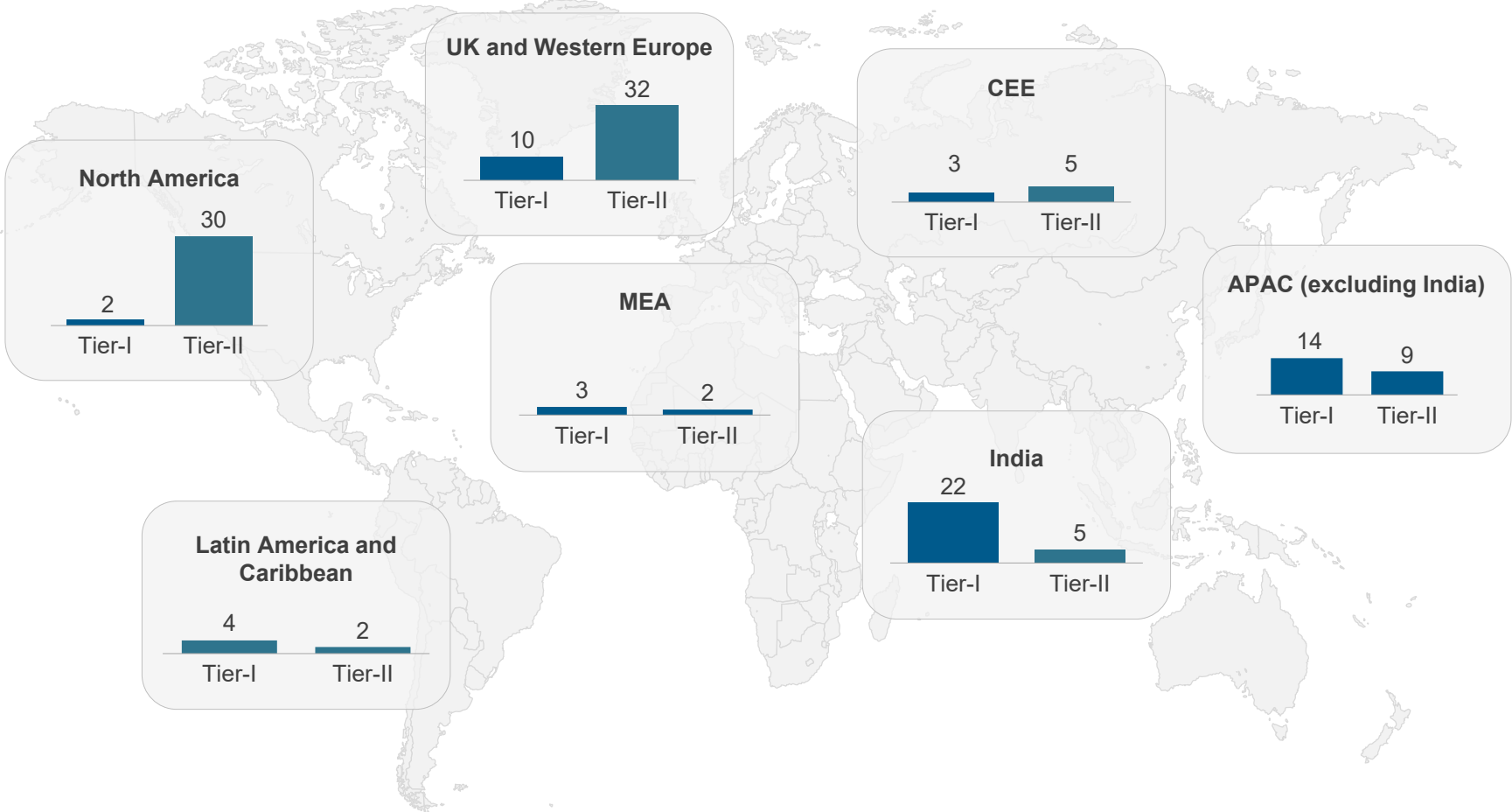
In-house delivery center market analysis | center activity

Activity in tier-2/3 cities increased significantly in Q2 2023 as they continue to be a preferred destination for low-cost talent deployment

In-house delivery centers opened by tier
Number of new service delivery centers



Distribution of centers by geography
Q2 2023; number



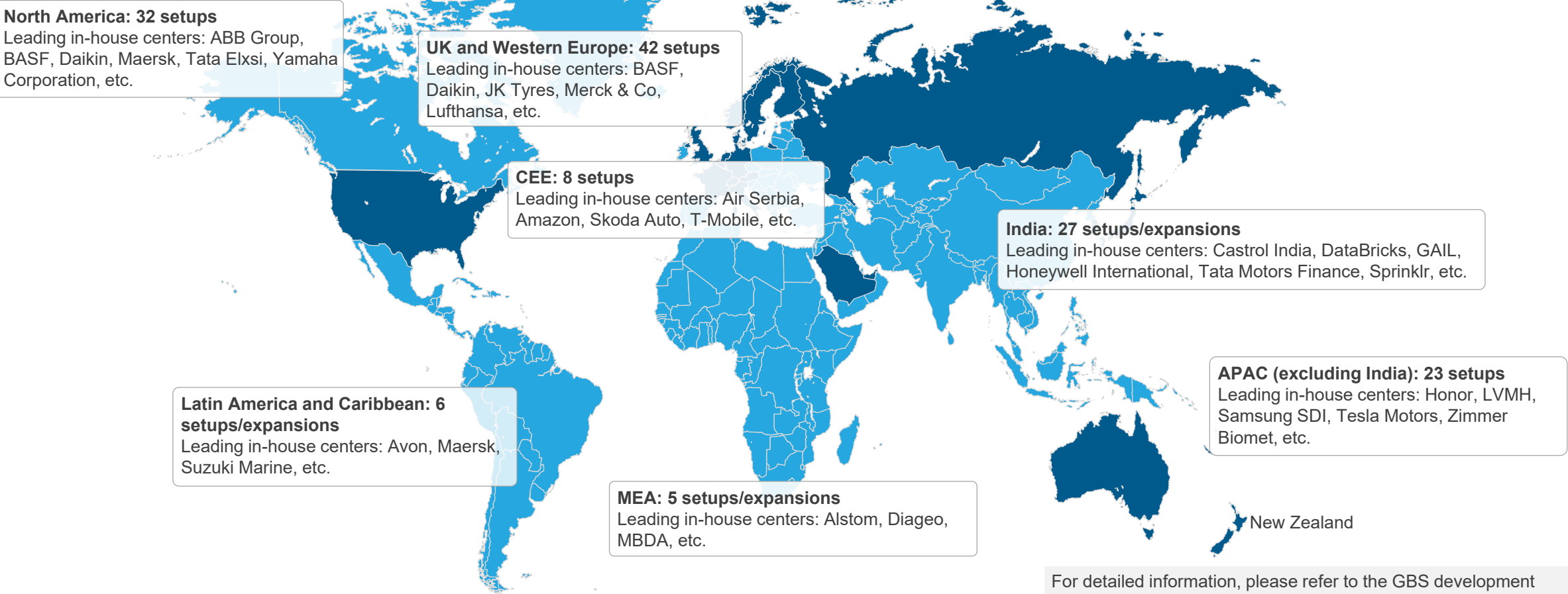
Source: Company websites and press releases

In-house delivery setups and expansions | by region (offshore, nearshore, and onshore)

Key enterprises

NOT EXHAUSTIVE

Onshore Offshore and nearshore



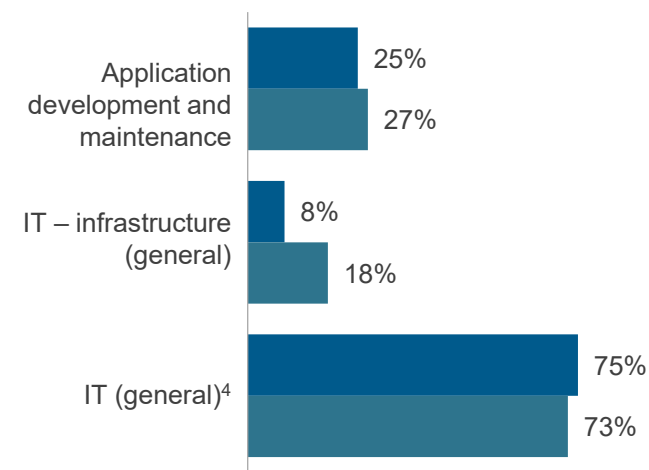
Source: Everest Group GBS Database 2023

For detailed information, please refer to the GBS development tab in the **Everest Group – Market Vista™ Q2 2023 – Appendix**

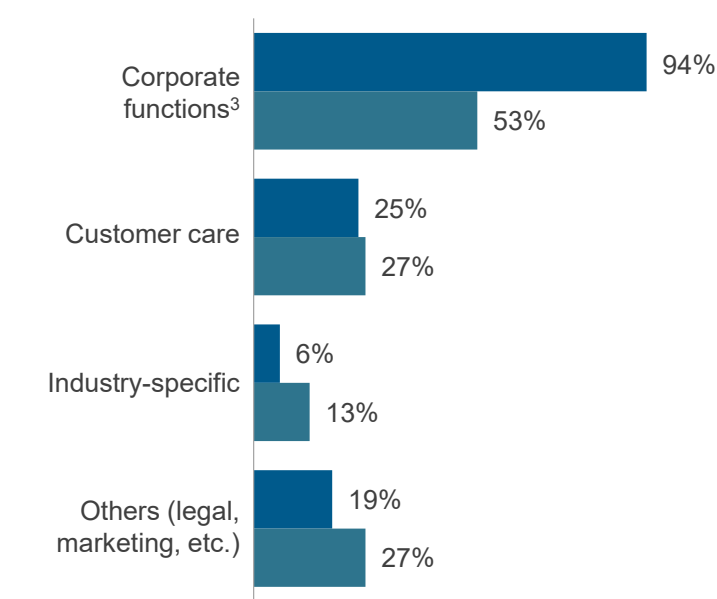
Offshore GBS market analysis | offshore/nearshore functional distribution

In Q2 2023, the share of centers delivering corporate functions and software services declined while the share of embedded, mechanical, IT infrastructure, and industry-specific BPS services increased significantly

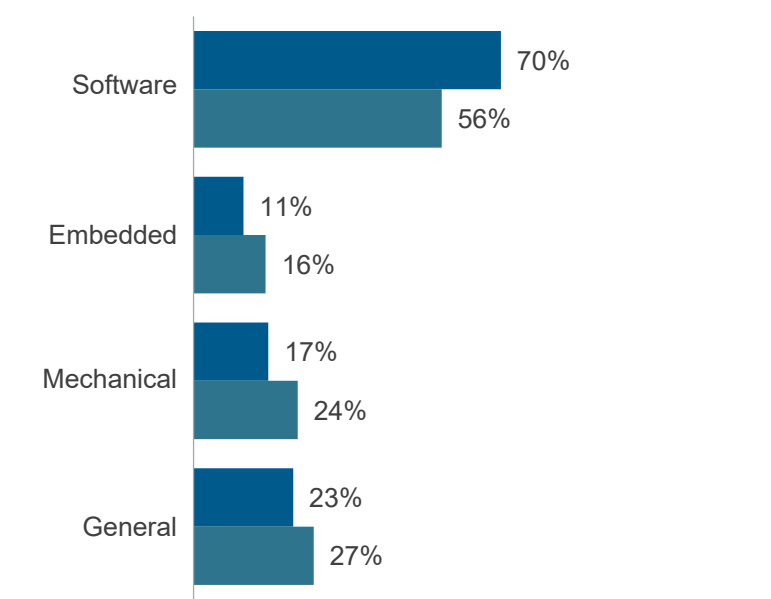
ITS by process^{1,2}
Q1-2 2023



BPS by process^{1,2}
Q1-2 2023



Engineering by process^{1,2}
Q1-2 2023



- Under engineering centers, software remains the key driver with a 56% share of new center setups, while there was an increase in mechanical setups by automotive enterprises in India and China primarily for low-cost benefits and rich talent pool proposition
- Corporate functions led in-house delivery centers' activity for BPS center setups; however, its share decreased significantly in Q2 2023

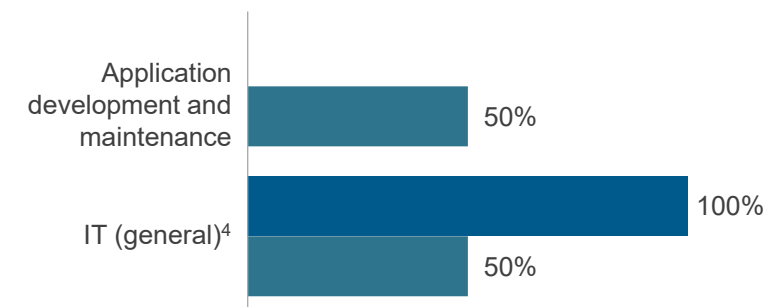
1 Includes multi-function centers
2 Frequency of occurrence of individual processes may not add up to the total, as the scope of a center often involves multiple processes
3 Corporate functions include Finance & Accounting (F&A), Human Resources (HR), supply chain, and BPO (general)
4 IT processes that cannot be classified under any categories due to limited information are represented under IT (general)

Source: Everest Group GBS centers database; 2023

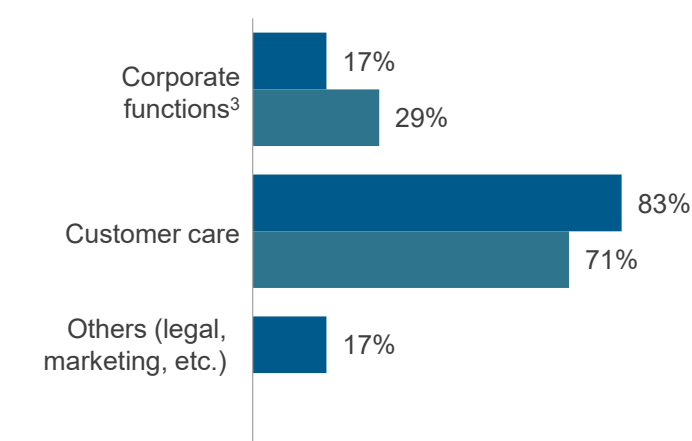
Onshore GBS market analysis | functional distribution

In Q2 2023, the share of mechanical services increased for autonomous driving and low-carbon solutions while there was a modest increase in centers delivering corporate functions

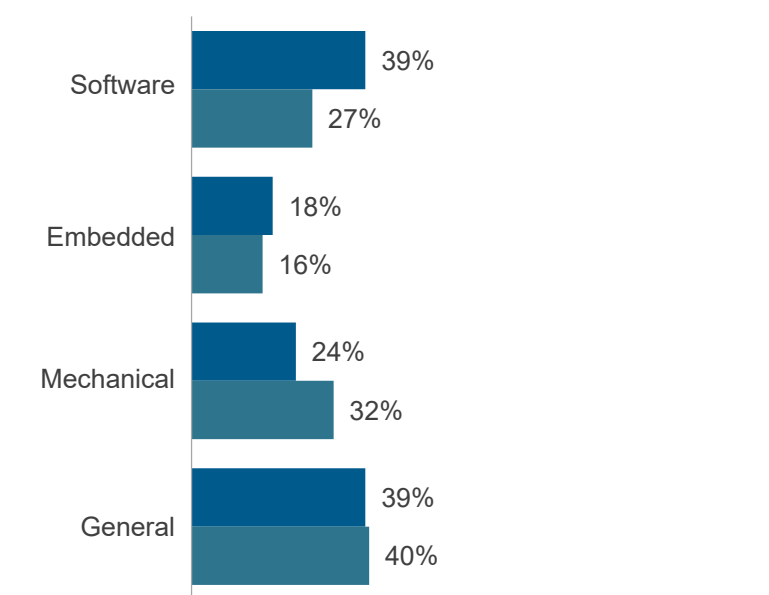
ITS by process^{1,2}
Q1-2 2023



BPS by process^{1,2}
Q1-2 2023



Engineering by process^{1,2}
Q1-2 2023



- Under engineering centers, engineering general was the key driver with a 40% share of new center setups focusing on developing sustainable and clean energy capabilities. The centers were primarily set up in the UK and Western Europe to leverage the favorable regulations and policies around green technologies in the region
- There was a significant increase in enterprises setting up centers in North America and the UK and Western Europe to leverage mechanical engineering services

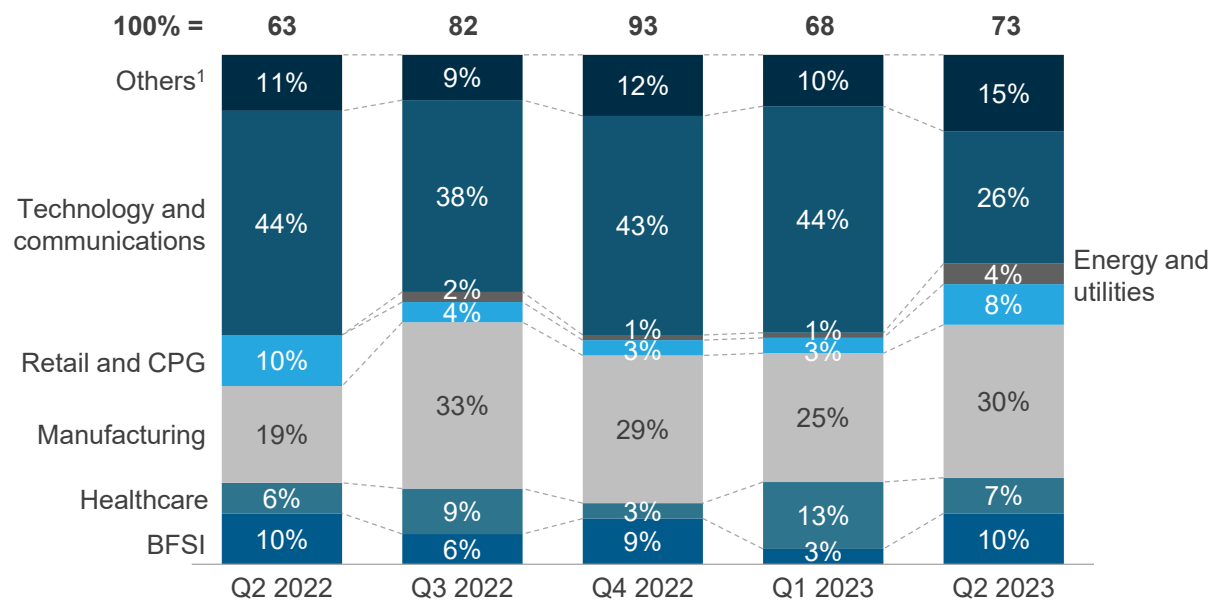
1 Includes multi-function centers
2 Frequency of occurrence of individual processes may not add up to the total, as the scope of a center often involves multiple processes
3 Corporate functions include Finance & Accounting (F&A), Human Resources (HR), supply chain, and BPO (general)
4 IT processes that cannot be classified under any categories due to limited information are represented under IT (general)

Source: Everest Group GBS centers database; 2023

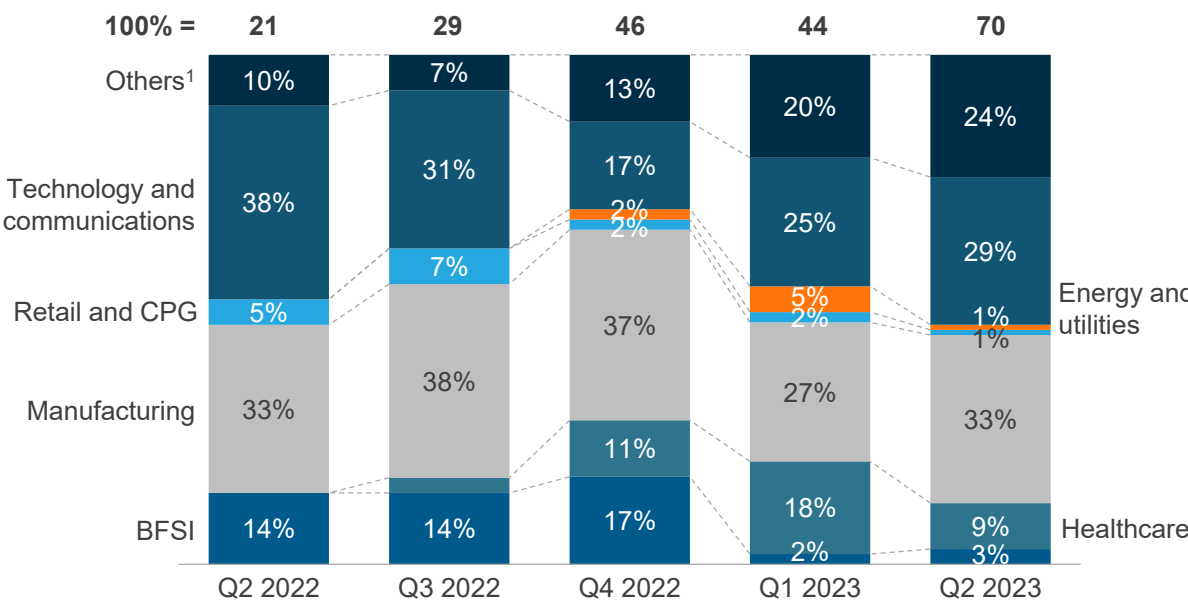
In-house delivery center market analysis | by vertical

The share of setups by manufacturing companies is the biggest in both offshore and onshore locations; the share of setups by technology and communication decreased significantly in offshore locations

Offshore in-house delivery center setups and expansions by vertical



Onshore in-house delivery center setups and expansions by vertical



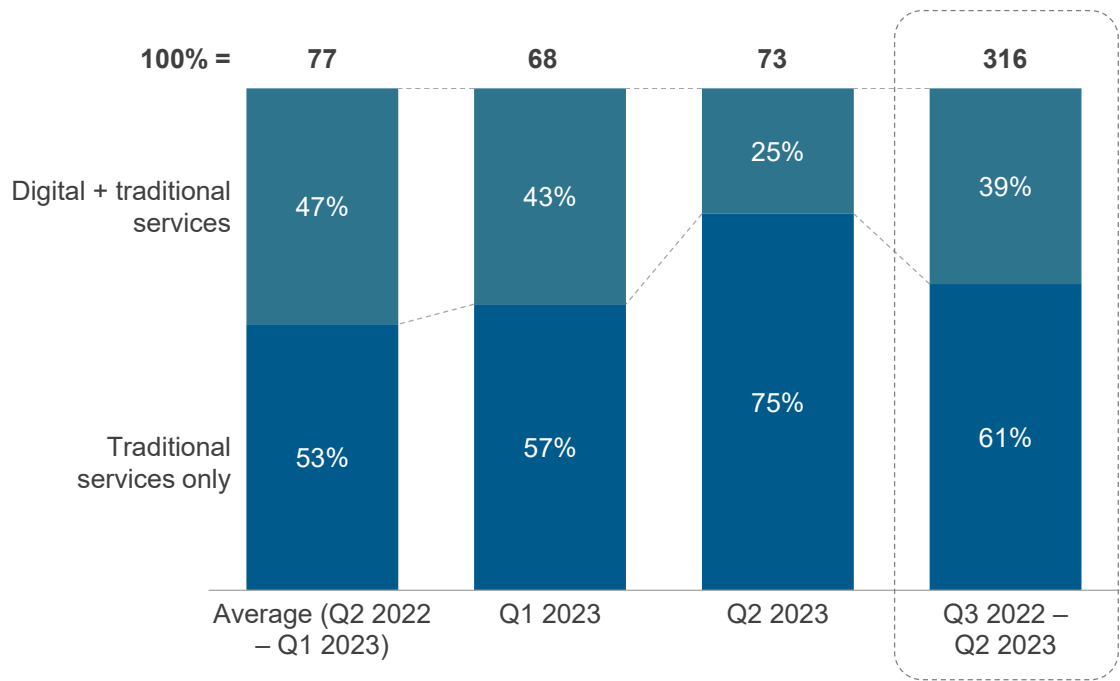
- The share of the manufacturing vertical increased moderately in both offshore locations and onshore locations as enterprises set up in-house delivery centers for connected e-mobility vehicles and battery technologies, while the share of healthcare enterprises decreased moderately in offshore locations and decreased significantly in onshore locations
- In onshore locations, the share of new centers set up by technology and communications enterprises increased moderately, of which most centers were set up in North America and the UK and Western Europe to leverage digital technologies such as AI, blockchain, cybersecurity. However, the share of setups by technology and communications companies decreased significantly in offshore locations

¹ The others vertical includes business and professional services, government, hospitality and tourism, and transportation and logistics sectors

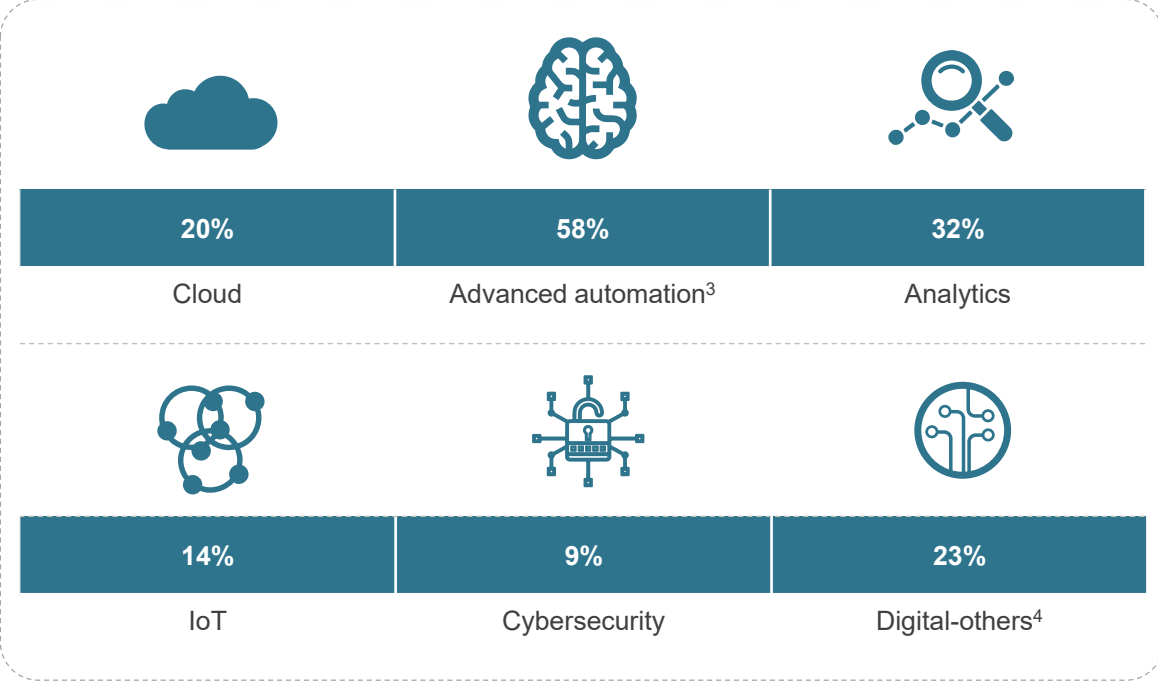
Offshore/Nearshore GBS market analysis | by digital component

The share of digital-focused centers decreased significantly in offshore and nearshore locations; center setups continue to be driven by advanced automation, analytics, and the cloud

Offshore/Nearshore GBS market analysis
Number of in-house delivery setups and expansions



Distribution by digital components¹
Q3 2022 – Q2 2023; percentage of digital in-house delivery setups and expansions²



Although the number of centers setups for advanced automation declined in Q2 2023, advanced automation continues to be the most utilized digital service in offshore and nearshore locations. The technology sector is employing automation for its generative capabilities and improving their customer experience platforms and the retail sector is employing automation for providing personalized products and services to their customers.

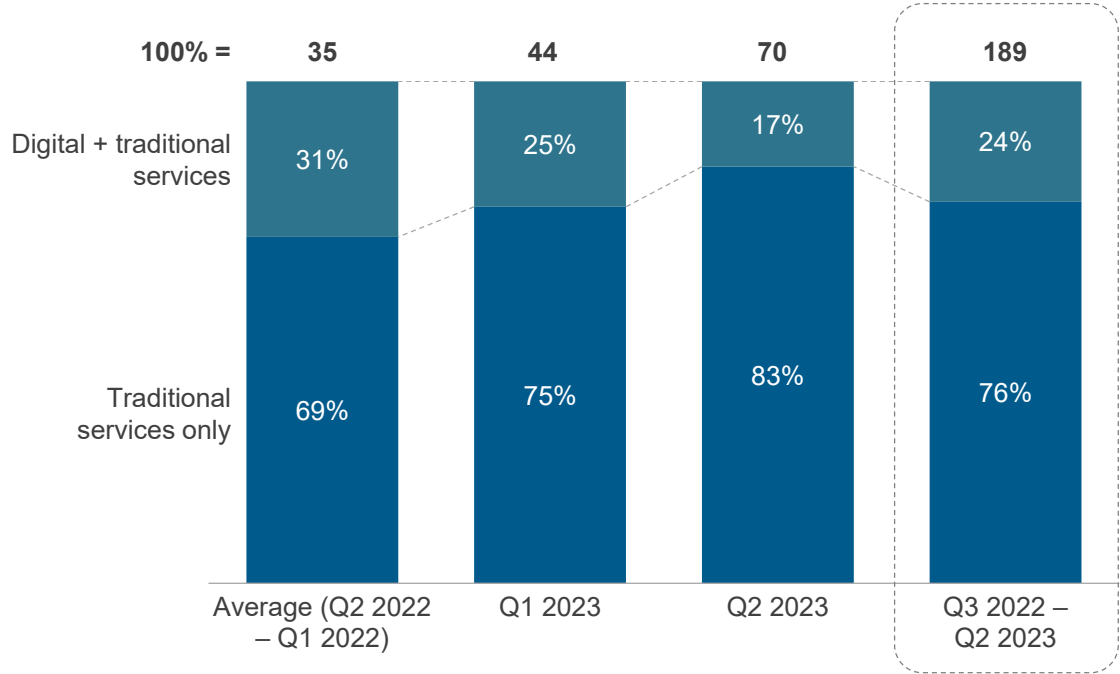
1 Represents the top five digital components
2 The total does not add up to 100% as many centers have multiple digital components
3 Advanced automation includes AI and cognitive technologies
4 The others vertical includes digital services such as Robotic Process Automation (RPA), blockchain, mobility, and others

Onshore GBS market analysis | by digital component

The share of digital-focused in-house delivery center setups decreased significantly in onshore locations; these were primarily set up for advanced automation and analytics

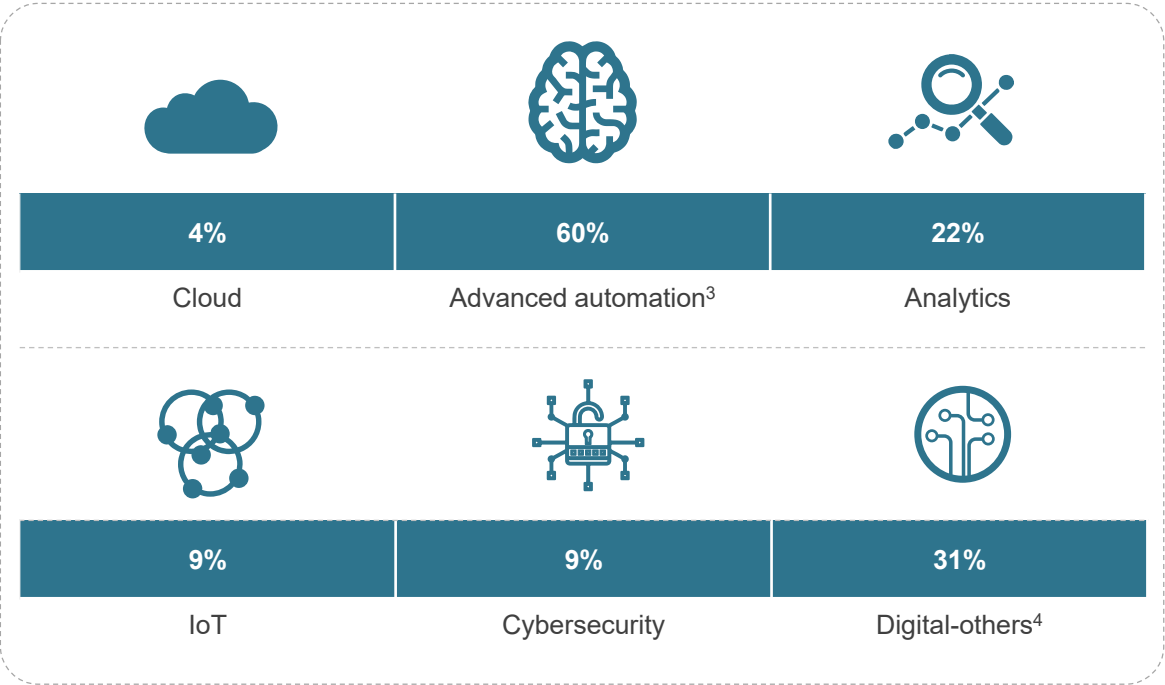
Onshore GBS market analysis

Number of in-house delivery setups and expansions



Distribution by digital components¹

Q3 2022 – Q2 2023; percentage of digital in-house delivery setups and expansions²



During the quarter, the number of advanced automation services centers remained the same when compared with Q1 2023 and continued to be the most leveraged digital capability. In onshore locations, advanced automation was primarily leveraged by the technology sector for automation and robotics solutions. The share of cybersecurity and IoT also increased compared to Q1 2023

¹ Represents the top five digital components
² The total does not add up to 100% as many centers have multiple digital components
³ Advanced automation includes AI and cognitive technologies
⁴ The others vertical includes digital services such as Robotic Process Automation (RPA), blockchain, mobility, and others

GBS market analysis | key developments in Q2 2023

Key developments



Lloyds Banking Group plans to hire 600 employees to its technology center in Hyderabad, India, to enhance the company’s customer experience and build its in-house technical capability.



T-Mobile plans to hire about 500 employees for its technology hub in Warsaw, Poland, to work on application systems engineering, network service innovation, and global connectivity solutions. The center will also work on the deployment of 5G standalone and fiber-optic networks, as well as automation and ML.



Tata Elxsi announced its plans to add 200 employees in its Troy, Michigan center to support electric vehicles and green mobility, software, and digital engineering for Original Equipment Manufacturers (OEMs) and tier-1 suppliers.



Daikin plans to hire about 120 employees for its development center in Ghent, Belgium, with an investment of US\$153 million, to focus on research and development of low-carbon heat pump heating and cooling technology.



Lufthansa Group plans to hire 300 employees for its office in Barcelona, Spain, to develop new technological solutions in user experience on planes, reservations, and customer service.



03

Location trends and risks

- Summary of market activity
- Locations activity | overview
- SP vs. GBS
- Market activity index
- Digital market activity
- Locations dashboard

Locations | summary of market activity

Center setup activity for Q2 2023 increased for onshore and remained flat for offshore/nearshore regions in comparison to Q1 2023



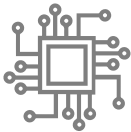
- Offshore vs. onshore:** location activity in Q2 2023 involved 106 new offshore/nearshore and 77 new onshore center setups
- In offshore/nearshore regions, India led the activity, whereas CEE and APAC (excluding India) had good growth
 - In onshore regions, activity continued to be dominated by new center setups in North America



Location tier activity: setups in tier-2/3 cities in the onshore region significantly increased to 63 compared to 39 in the previous quarter. While in offshore locations setups in tier-2/3 cities dropped from 55 to 44 in Q2 2023. Tier-2/3 cities continue to be an attractive alternate to tier-1 cities in onshore locations as they offer significant cost benefits along with similarly rich talent pools.



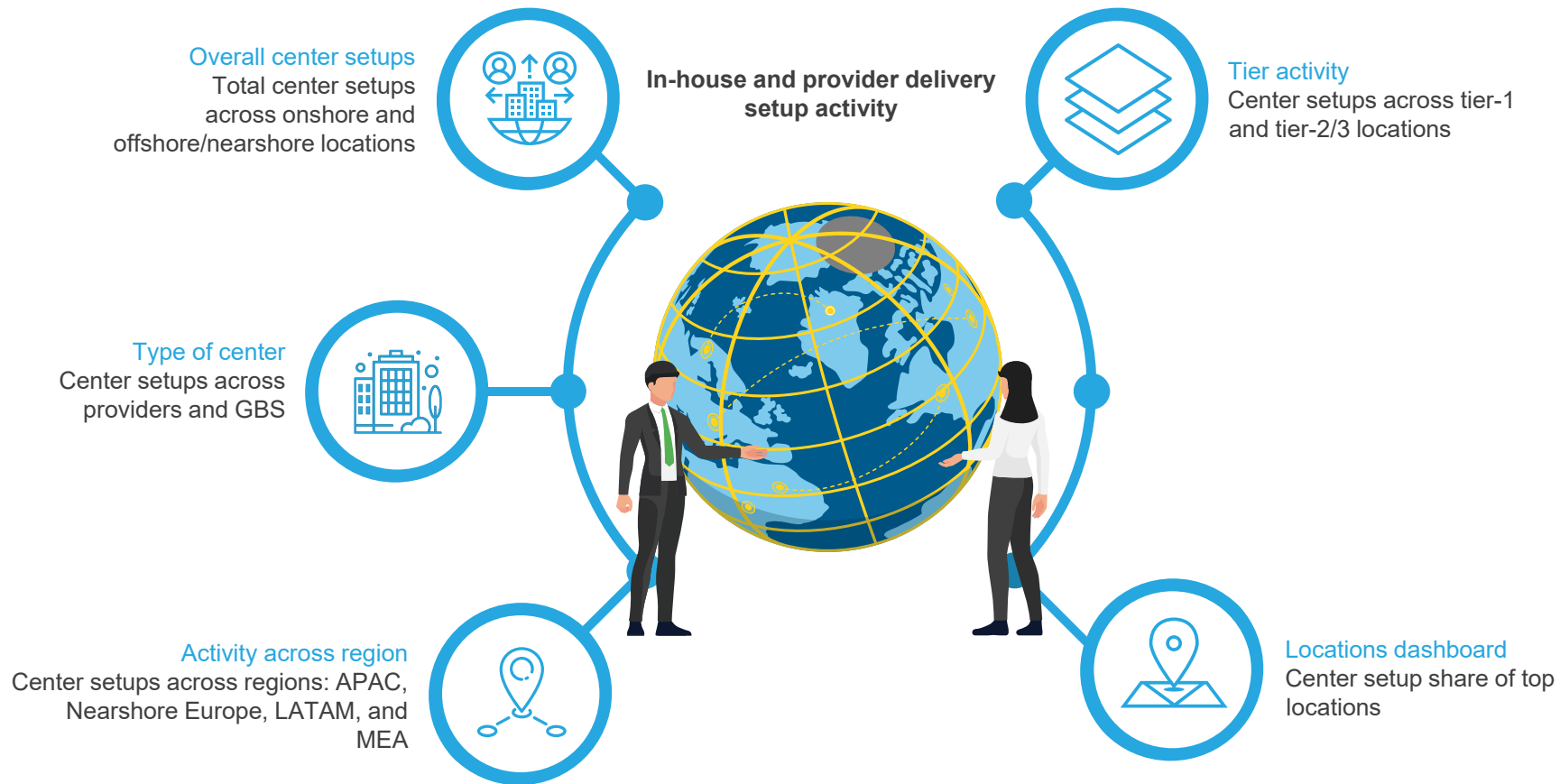
Type of organization: in terms of the type of organization, in-house delivery centers drove activity across both offshore/nearshore and onshore locations. providers' setup activity decreased for offshore locations, whereas there was minimal change in the activity in onshore regions, compared to the previous quarter.



Digital setups: advanced automation continued to be the leading segment across both regions as many companies have opened a Center of Excellence (CoE) and R&D centers to develop solutions leveraging AI.

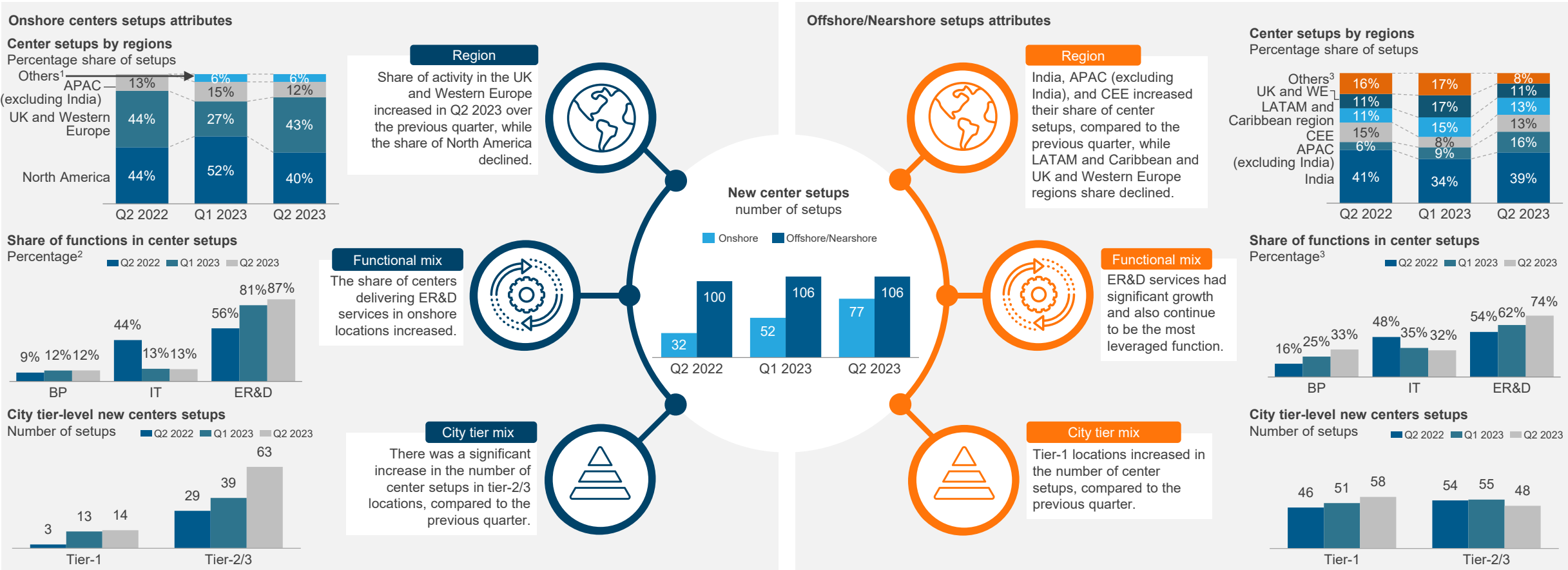
Location activity | framework for assessment

New overall center setups



Locations activity | overview

Offshore center setups continue to be dominated by India, while in onshore locations, North America drove the setup activity

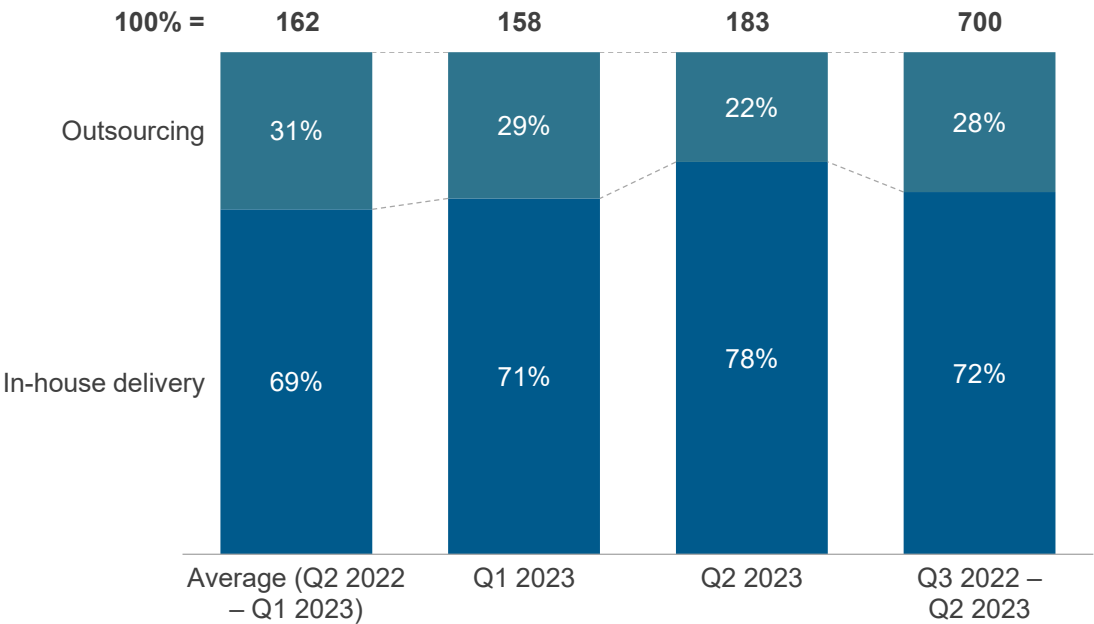


1 Others include Central & Eastern Europe (CEE) and Middle East and Africa (MEA)
2 The total does not add up to 100% as many centers are multi-functional
3 Others include MEA and Canada
Source: Everest Group (2023)

Locations activity | outsourced versus in-house delivery center setups

In-house delivery setups remain dominant, while providers see a slight decline in activity

Delivery center setups
Number of delivery center setups



The overall share of in-house delivery activity increased in Q2 2023 while there was a decline in activity by providers

In-house delivery setups continue to hold the majority share of setup activity. Providers’ activity decreased slightly with 40 new centers, compared to 46 in the previous quarter.

Provider center setups were slightly dominated by tier-2/3 cities in Q2 2023 as they take 55% of the share, though slightly less (57%) compared to tier-2/3 cities in the previous quarter.

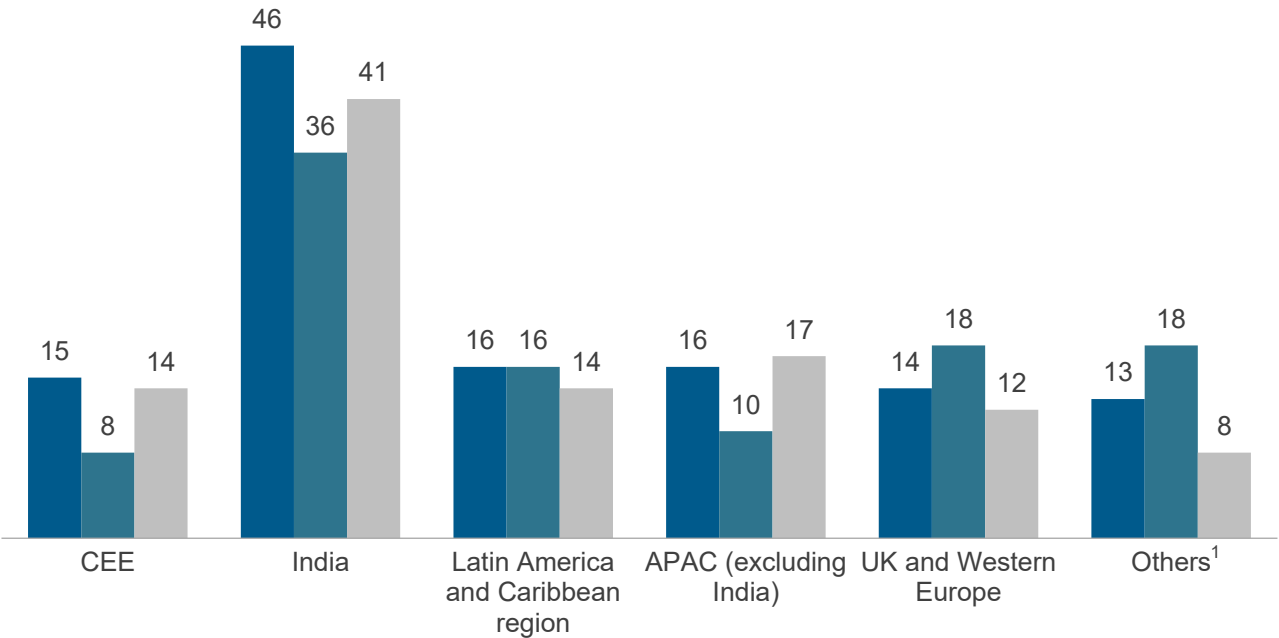
The **manufacturing** sector leverages the GBS model the most with enterprises establishing R&D and innovation centers primarily for innovation in chassis development and battery technologies.

Locations | offshore/nearshore market activity index by location

Growth in center setups in India, CEE, and APAC (excluding India); India continues to drive the overall activity

Market activity across geographies
Number of service delivery centers set up

Last four quarters' average Q1 2023 Q2 2023



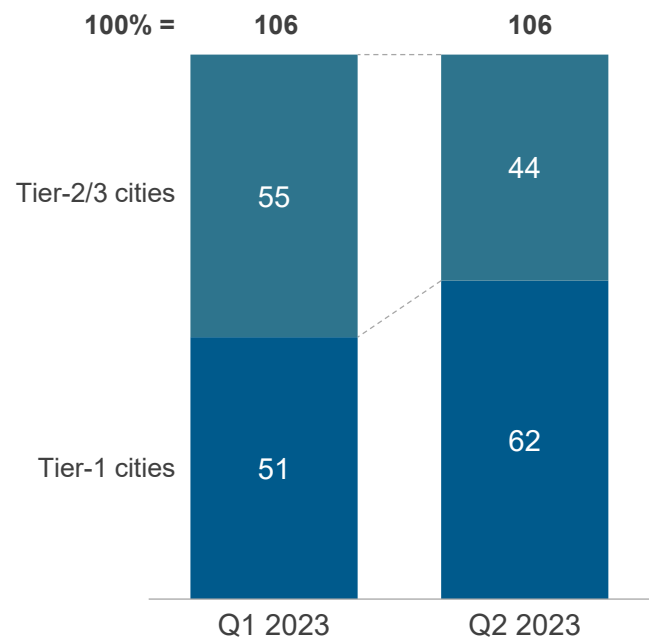
- The overall activity remained flat with 106 new center setups, compared to the previous quarter. India continues to drive overall activity with 41 centers out of which 26 are in tier-1
- There was an increase in activity in the CEE region – primarily in Poland, Romania, and Greece, as providers looked to expand their presence in the region and enterprises set up to gain access to localized talent pools
- Further, there was an increase in activity in the APAC (excluding India) region, driven by in-house delivery centers in China and Vietnam, as enterprises are setting up innovation centers focused on developing green and sustainable practices

¹ Others include MEA and Canada
Source: Company websites and press releases

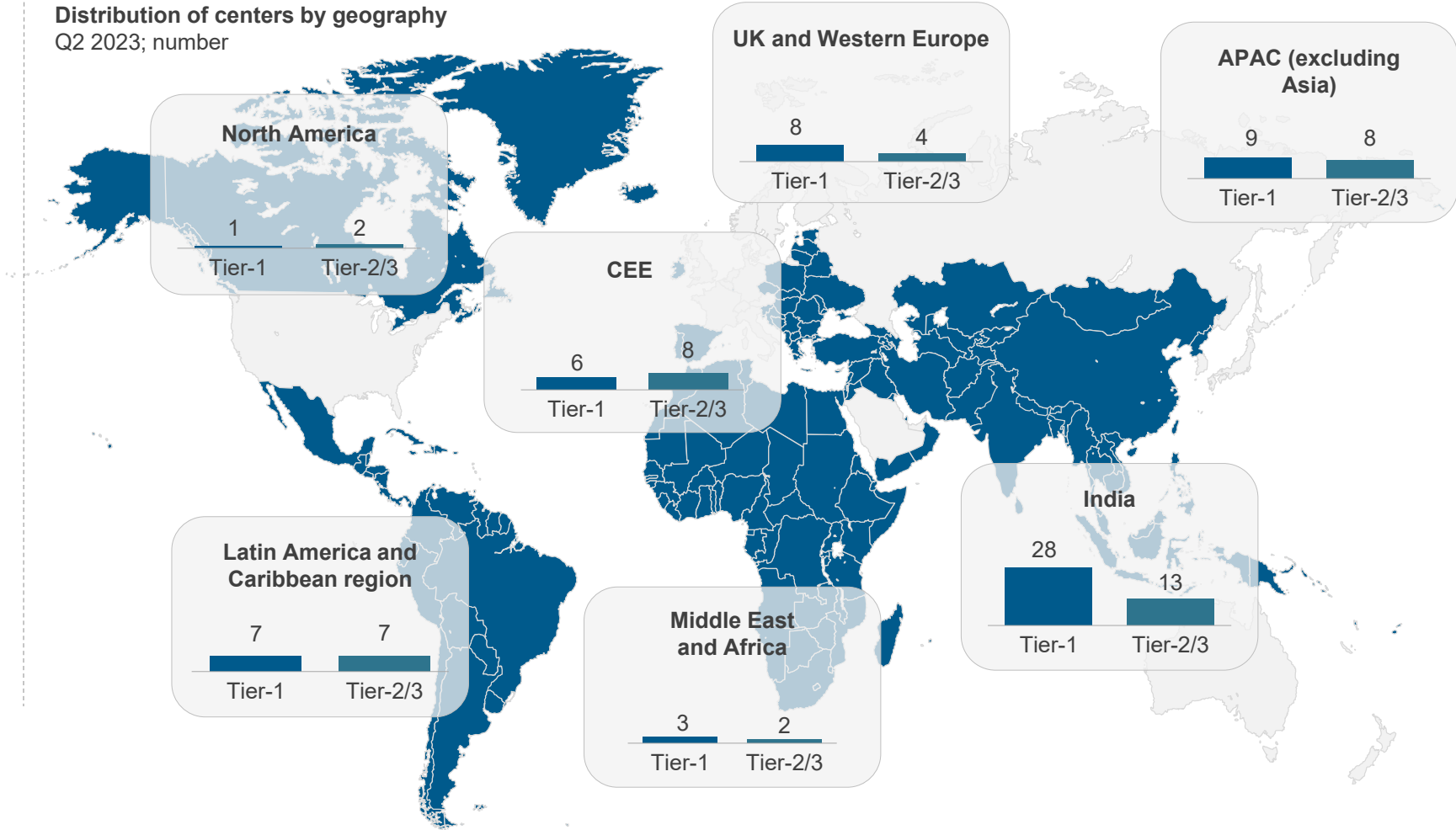
Locations | offshore/nearshore market activity index by tier

The overall activity remained flat since the last quarter; however, tier-1 locations experienced significant growth

Delivery centers opened in offshore/nearshore locations
Number of new centers



Distribution of centers by geography
Q2 2023; number



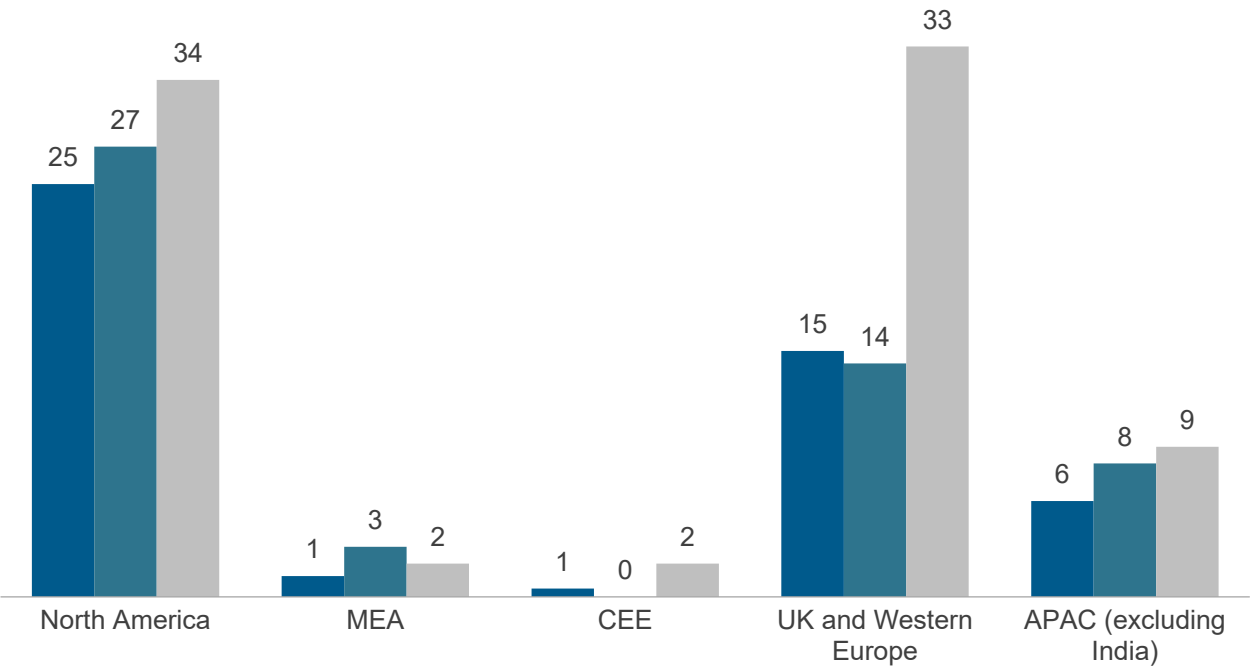
Source: Company websites and press releases

Locations | onshore market activity index by location

North America is continuing to dominate the new center setups, followed by the UK and Western Europe

Market activity across geographies
Number of service delivery centers set up

Last four quarters' average Q1 2023 Q2 2023



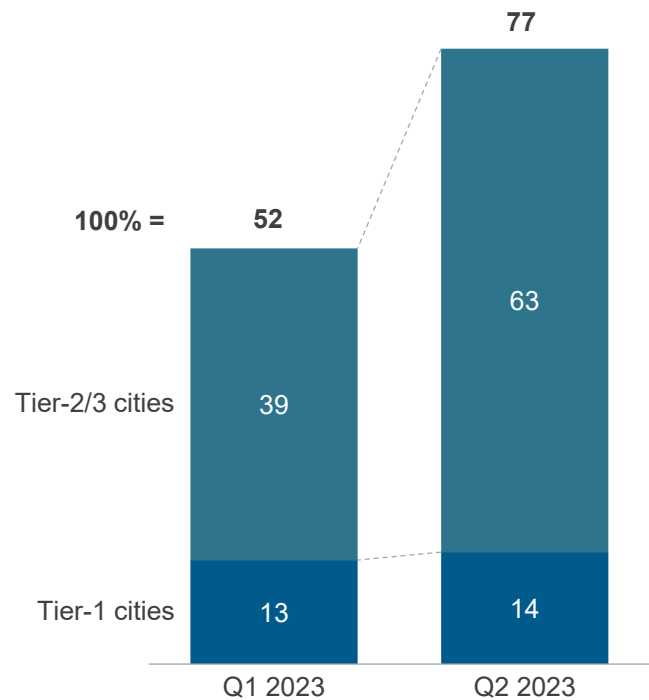
- New onshore center setups increased with 77 new centers in Q2 2023, compared to 52 in the last quarter
- Provider center setups declined marginally with the number of new center setups standing at seven, compared to eight in the previous quarter. In-house delivery continued to dominate with ~78% share in the overall onshore activity in Q2 2023
- North America continues to dominate in new center setups in Q2 2023 followed by the UK and Western Europe
- The increase in the UK and Western Europe was attributed to automotive companies setting up R&D/innovation centers for chassis development and battery technologies. Enterprises are setting up in the region to leverage developed talent and to be close to the major European automotive markets

Source: Company websites and press releases

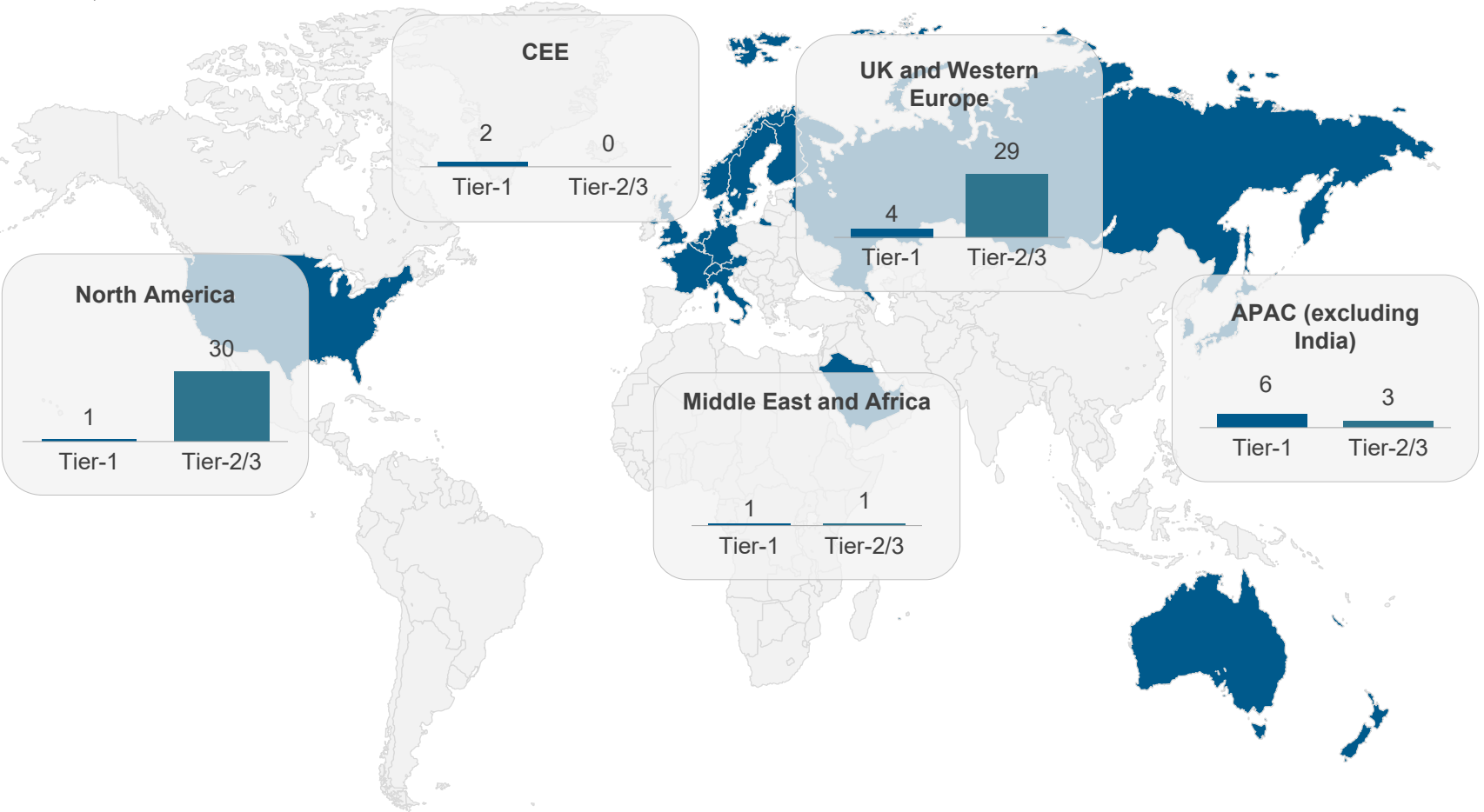
Locations | onshore market activity index by tier

There was an increment in new center setups in tier-2/3 cities, while tier-1 center setups remained almost same compared to the previous quarter

Delivery centers opened in onshore locations
Number of new centers



Distribution of centers by geography
Q2 2023; number

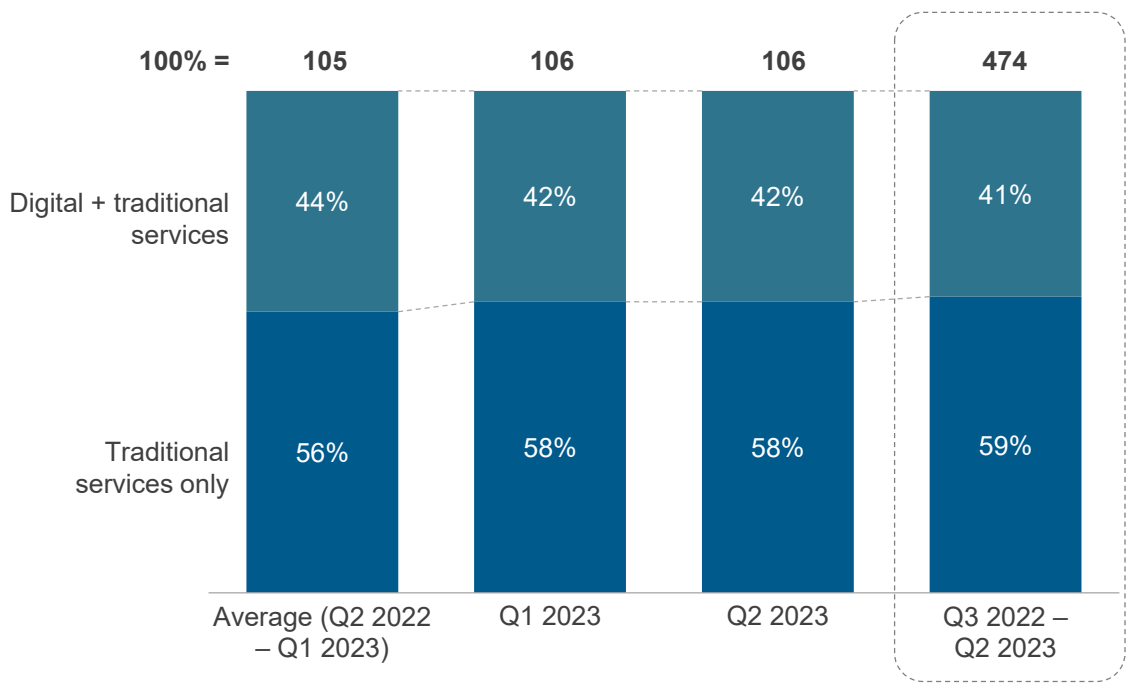


Source: Company websites and press releases

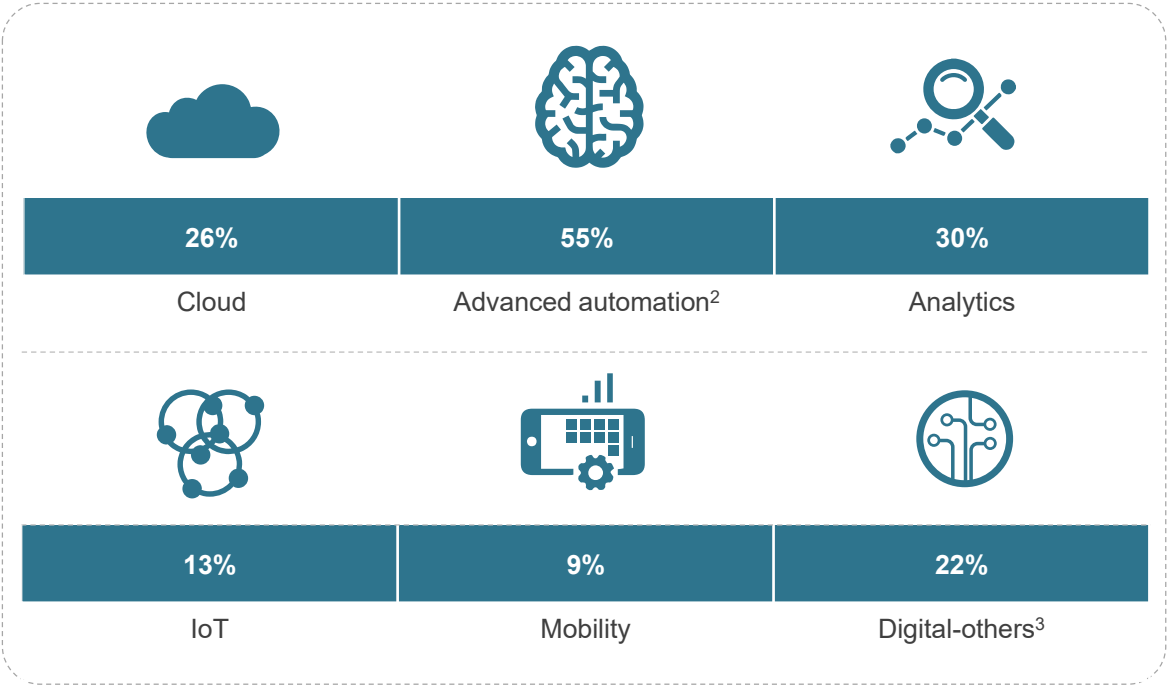
Locations | offshore/nearshore digital market activity

Advanced automation continued to lead within digital services in Q2 2023, followed by analytics and cloud

Offshore/Nearshore location activity
Number of service delivery centers set up



Distribution by digital components
Percentage of digital services delivery centers set up¹



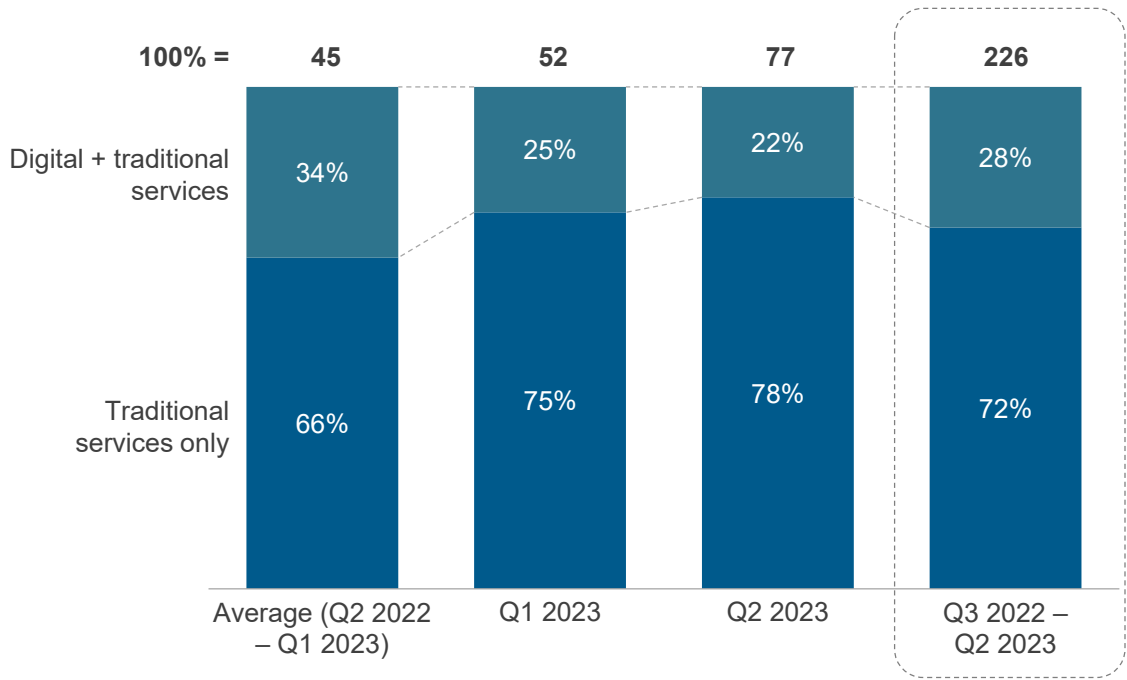
- This share of center setups focused on digital services was flat compared to the previous quarter
- Across the digital-focused center setups, advanced automation and analytics continue to have a significant share in the overall digital services provided by new centers
- In the regional mix, digital activity was led by India in Q2 2023

¹ Includes new centers that have multiple digital components
² Includes AI and cognitive technologies
³ Others include digital components such as RPA, social, cybersecurity, and blockchain

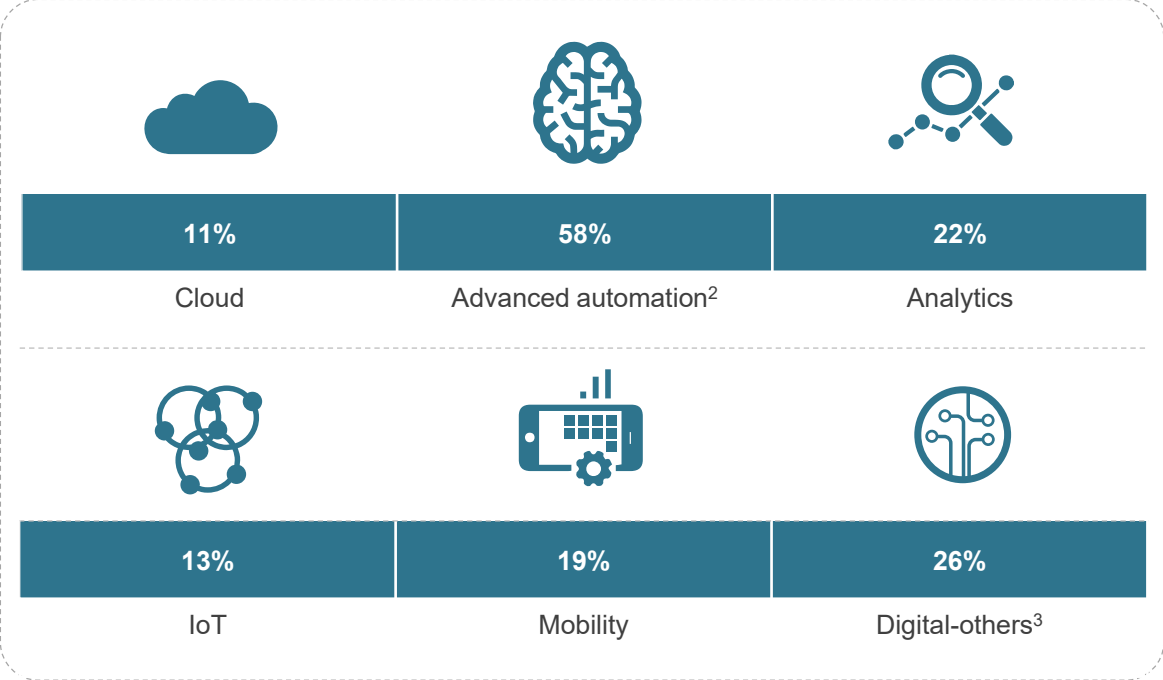
Locations | onshore digital market activity

Advanced automation continued to lead within digital services in Q2 2023, followed by analytics and mobility

Onshore location activity
Number of service delivery centers set up



Distribution by digital components
Percentage of digital services delivery centers set up¹



- In Q2 2023, the share of onshore center setup activity for digital services decreased compared to Q1 2023
- Among digital services, advanced automation and analytics continued to be the major services delivered by new centers
- In Q2 2023, the US drove digital activity within the onshore region

¹ Includes new centers that have multiple digital components
² Includes AI and cognitive technologies
³ Others include digital components such as RPA, social, cybersecurity, and blockchain

Locations dashboard

Market activity tracker

Location	Top cities ¹	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	Philadelphia, New York	31	↑	↑	↑	↑
England	Liverpool, Oxford	9	↑	↑	↑	↑
Germany	Heidelberg, Brunsbuttel	7	↑	▬	↑	↑
Japan	Tokyo, Yokohama	3	↑	↓	↓	↑
Singapore	Singapore	3	↑	▬	▬	↑
Top offshore/nearshore location						
India	Bangalore, Hyderabad	41	↑	▬	↑	↑
China	Shanghai, Shenzhen	9	↑	↑	↓	↑
Spain	Barcelona	8	▬	↓	▬	↑
Poland	Krakow, Warsaw	5	↑	▬	↑	↑
Ireland	Dublin	4	↓	▬	↓	↓
Costa Rica	San Jose	3	↓	↓	↓	↓
Canada	Vancouver	3	↓	↓	▬	↓
Romania	Iasi	3	↑	↑	↑	↑
Vietnam	Hanoi	3	↑	▬	↑	↑
Honduras	San Pedro Sula	2	↑	↑	↑	▬

↓ Decreased from last quarter

▬ Same as last quarter

↑ Increased from last quarter

Low

Moderate

High

- The share of top onshore locations center setup activity increased in Q2, compared to the previous quarter; also, the share of top offshore/nearshore locations center setup activity increased in Q2 compared to the previous quarter
- The share of in-house delivery centers increased in most locations in Q2 2023 versus the previous quarter
- The leading onshore locations have highly favorable operating and business environments, whereas most of the leading offshore/nearshore locations have moderate risk exposure

1 Top cities are determined by number of delivery center setups

04

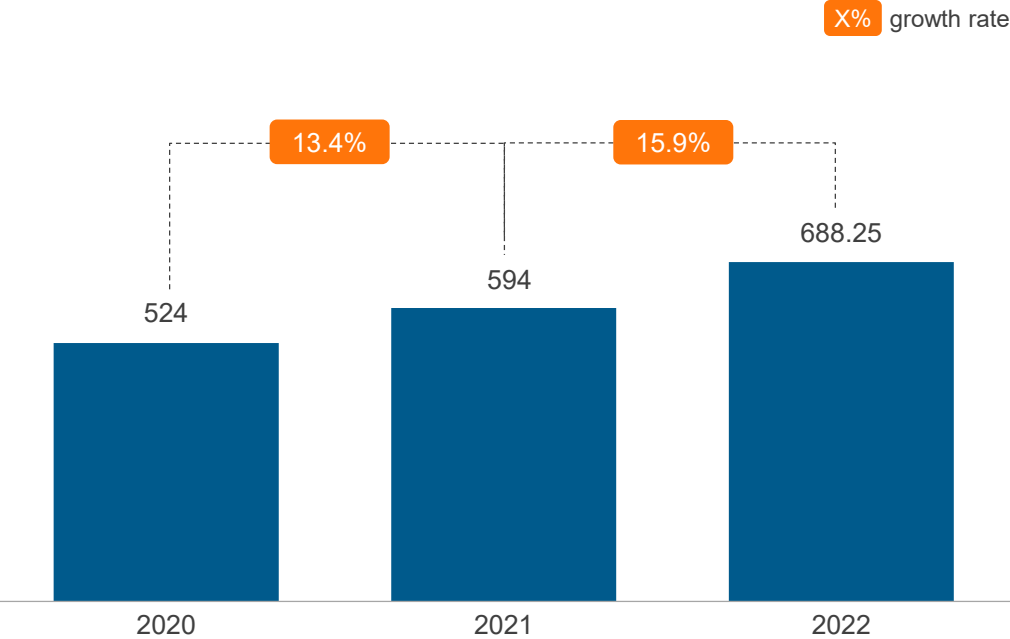
Engineering/R&D

- Change in engineering service spending
- Key business challenges in engineering services
- Top business priorities in engineering services

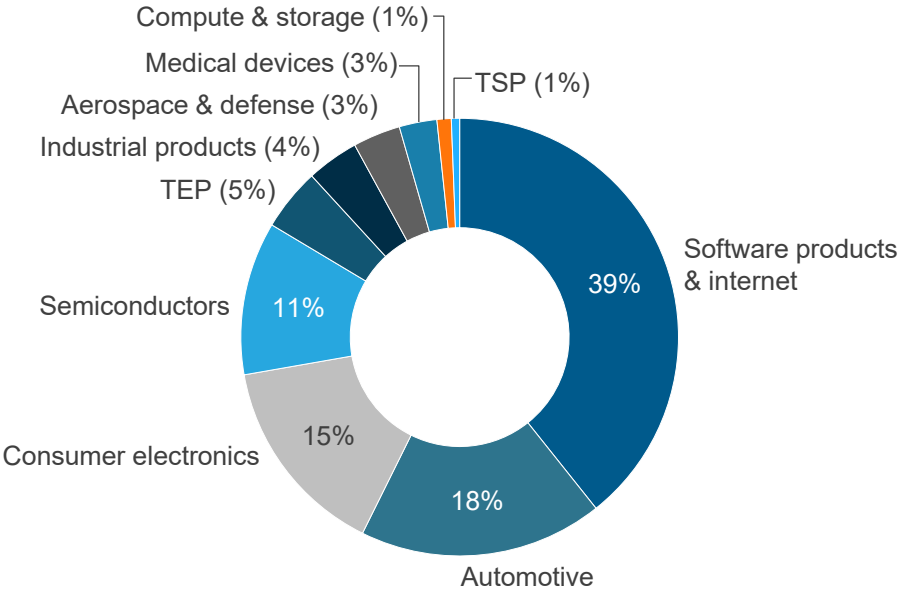
ER&D top 200 overview

Enterprises featuring in the ER&D top 200 list accounted for 49% of the total business ER&D spend

Global ER&D spend by enterprises featuring in the top 200 list
2020-22; US\$ billion



ER&D spend of enterprises featuring in the top 200 across industry verticals
2022; 100% = US\$688.3 billion



- The overall business ER&D spend in 2022 stood at US\$1.4 trillion, an increase of 5.1% from the previous year
- Enterprises belonging to software products & internet vertical spent the highest on ER&D activities in 2022 (US\$270.4 billion), followed by enterprises from the automotive industry (US\$124 billion)
- Approximately 70% of the top 20 enterprises were classified either under the software product & internet sector or the automotive sector

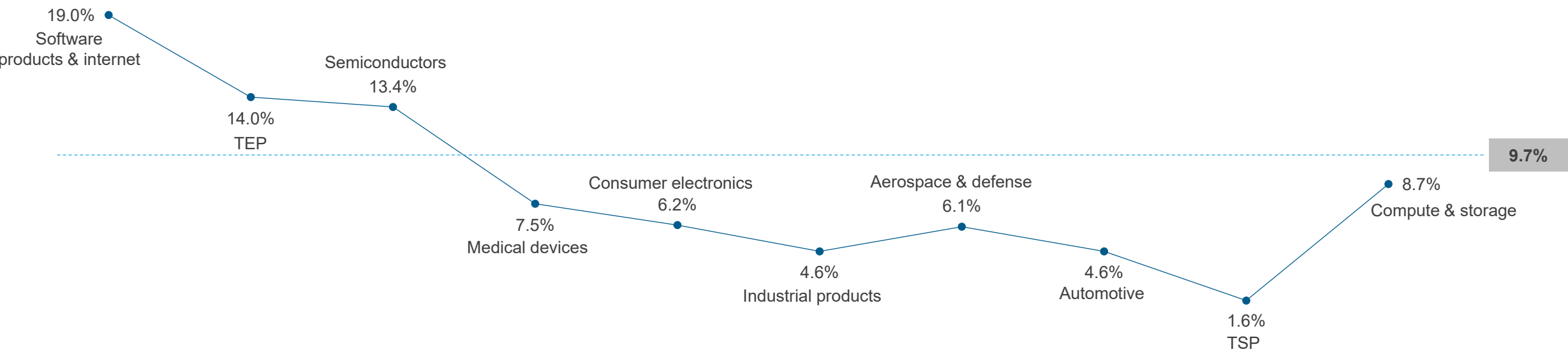
Source: Everest Group (2022)

ER&D top 200 overview

Spend intensity across industry verticals

Global ER&D spend intensity (as a percentage of revenue) of enterprises featuring in the top 200 list¹
2022; US\$ billion

..... Average ●—● Spend intensity

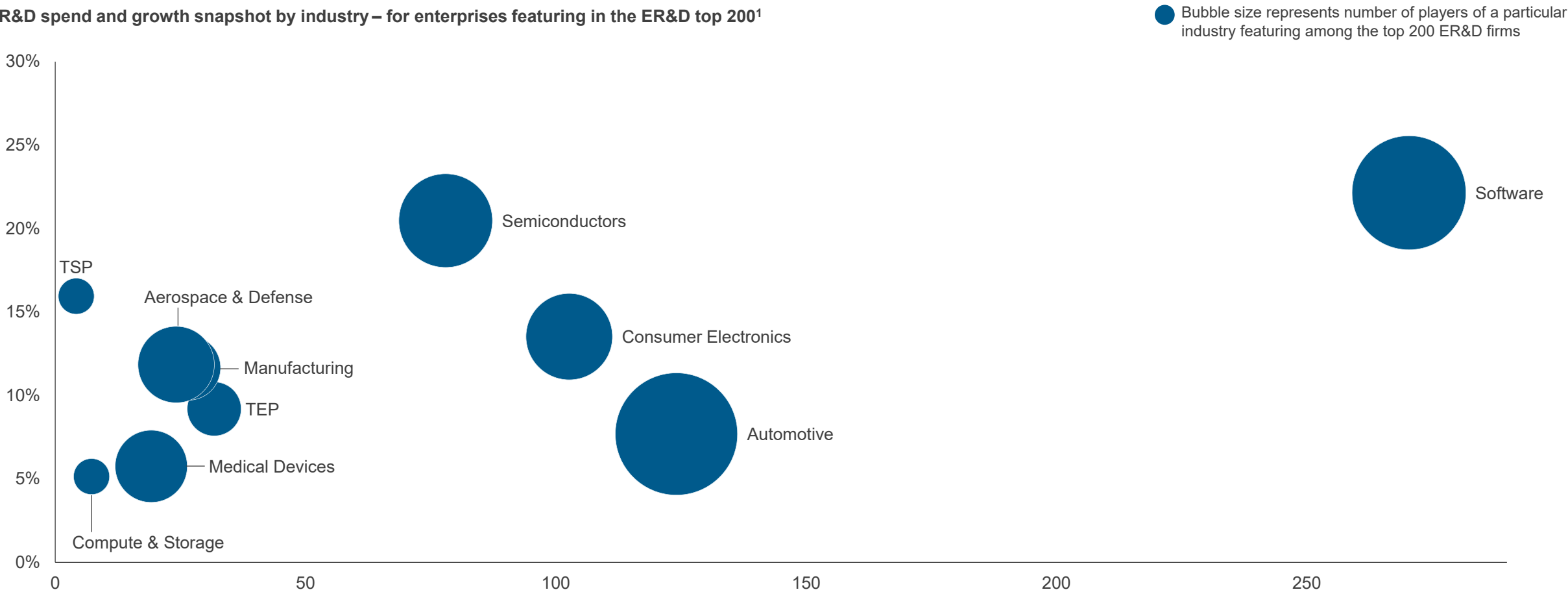


- In 2022, the top 200 enterprises in various industries allocated an average of 9.7% of their revenue to ER&D, marking a slight increase from 9.6% in 2021
- This slight increase in the spend intensity can be attributed to enterprises ramping up their spending on research and development (R&D) initiatives as they emerged from the pandemic
- Software products & internet, semiconductors, and telecom equipment providers verticals continued to have high spend intensities, reflecting the technology-centric nature of these industries

¹ ER&D spend intensity for an industry is the average spend intensities of all the firms within the ER&D top 200 for that industry. ER&D spend intensity for a firm is defined as its expenditure on ER&D activities as a percentage of its revenue
Source: Everest Group (2022)

The automotive vertical has the highest number of enterprises in the top 200 list, followed by the software products & internet vertical

ER&D spend and growth snapshot by industry – for enterprises featuring in the ER&D top 200¹



¹ Based on industry-wise aggregated figures for players featuring among the top 200 ER&D firms
Source: Everest Group (2022)

05

Appendix

Glossary of key terms used in this report

ACV	Annual Contract Value is the potential annual revenue associated with the transaction and estimated at the commencement of the contract (e.g., the sum total of revenue accrued to the provider from the transaction over the entire transaction term, usually measured in millions of dollars and divided by the duration of the contract)
Automation	Automation or Service Delivery Automation (SDA) is an umbrella concept where a series of human actions are automated by technologies in a business or IT process
Buyer	A buyer is the company/entity that purchases offshoring services from a provider of such services
CoE	Center of Excellence is a body in an organization that works across Business Units (BUs) or product lines within a BU and has leading-edge knowledge and competency in that area
Digital services	These include Social & interactive, Mobility, Analytics, Cloud (SMAC), cybersecurity, Internet of Things (IoT), automation, etc.
Enterprise	Parent organization or entity. Enterprises set up and manage captives / in-house delivery centers and outsourcing / third-party relationships
FTE	Full-time Equivalent. An effort equal to one employee working 100% of the time
Global sourcing	Global sourcing refers to a strategy wherein services are sourced from a country (or countries) different from the country (or countries) where the company receiving the services is located. It includes both offshoring and nearshoring
Nearshore	A special case of offshoring in which the services are provided from a different country, but one which is similarly situated as the country of the buyer. For example, major nearshoring locations for companies in the US include Canada and Mexico
Offshore	The transferring activities or ownership of a complete business process to a different country that is significantly and geographically separated from the country (or countries) where the company receiving the services is located (e.g., US-based enterprises offshoring to India). Companies may utilize offshoring either through an outsourcing arrangement with a third party or by establishing their own GBS presence in the offshore location
Onshore	When the services are provided in the same country in which the buyer (enterprise) is located
Service delivery center	The facilities/locations from where services are being provided. In the offshoring/outsourcing world, refers to captives / in-house delivery centers and centers of third-party providers
Source geography	Source geography is the buyer location or the signing region associated with the transaction

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, in-house delivery centers, and provider trendsAnnual report covering the summary of the quarterly reports, along with forward-looking views for the upcoming year	✓
Industry insights reports	These are industry-specific reports covering the details of global sourcing adoption in leading enterprises and markets (healthcare, life sciences, CPG, insurance, banking, capital markets, and oil and gas).	✓
Key issues in global sourcing reports	These are unique reports based on annual surveys that capture market sentiments across buyers and providers on the key aspects of the global sourcing industry.	✓
Location database	This is an annually updated database of location statistics (e.g., cost, attrition, and inflation rates) for 25 major cities.	✓
Blogs/Viewpoints	This includes viewpoints and blogs on contemporary global services issues of interest to enterprises, Shared Service Centers (SSCs) / in-house delivery centers, and providers.	✓
Webinars	This includes webinars with stakeholders in the subscriber organization on key market trends and developments highlighted in Market Vista™ research.	✓
Analyst consultation	This includes analyst access for personalized insights and additional perspectives.	✓

Research calendar

Market Vista™

Published

Planned

Current release

Reports title	Release date
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	June 2023
Market Vista™: Q3 2023	September 2023
Market Vista™: Industry Insights – Life Sciences	Q3 2023
Market Vista™: Q4 2023	Q4 2023
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