Everest Group

Market Insights™

New World [Dis]order

The Global Services Outlook for 2017-18

Five predictions for 2017-18

Technology takeover
Service providers will engage technologies to meet new client value expectations, disrupting delivery models

Market deceleration
The outsourcing market growth rate will continue to decline over the next 12 to 24 months

DIY
There will be an increasing preference among enterprises for in-house service delivery

Where to?
Enterprises will redefine their location portfolios based on the changing nature of skills and service delivery models

Digital champions
GICs will increasingly champion their enterprises' digital agendas

Global services outlook 2017-18

Technology takeover

Service providers will engage technologies to meet new client value expectations, disrupting delivery models

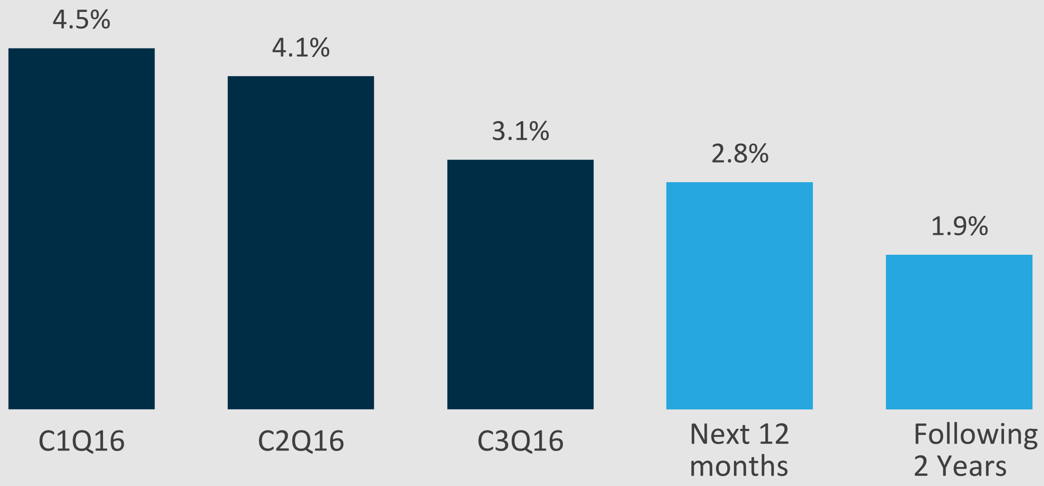
Service Model	Traditional expectations	New expectations
Value proposition	Cost reduction	Effort elimination
	Capacity	Outcomes
	Process	Innovation
Talent model	Scale	Skills and expertise
	Labor	IP and automation
	Entry-level	Experts
	Offshore	Local / Best-shore
Governance	Technical SLAs	Business metrics
	Contracts	Relationship

Global services outlook 2017-18

Market deceleration

The outsourcing market growth rate will continue to decline over the next 12 to 24 months

Historical and forecasted industry growth trends based on analysis of leading service providers
(YoY revenue growth in organic constant currency terms)



- *The growth rate decline is due to structural issues facing the industry – macro uncertainties, technological disruptions, and competition*
- *Broad-based decline expected across all key sectors and services **except***
  - *Sector: Healthcare*
  - *Services: Engineering services, analytics, products and platform support*

Global services outlook 2017-18

DIY

There will be an increasing preference among enterprises for in-house service delivery. We expect a shift in skew of relative mix between in-house model(s) and outsourcing, not a complete pendulum swing.

Enterprises will continue to leverage both in-house delivery and outsourcing and be more intentional about how to optimize their overall sourcing model.

Reasons for shifting skew

Increase productivity

Deliver more specialized/complex/core work

Increase breadth and depth of service delivery ownership

Accelerate value benefits beyond arbitrage

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Where to?

Enterprises will redefine their location portfolios based on the changing nature of skills and service delivery models

Key drivers	Impact on location portfolio
Demand for new and scarce skill sets (e.g., IoT and analytics)	Consolidated portfolio with fewer locations
Increasing adoption of automation and DevOps	Better distribution of work to align with the location's talent value proposition and not costs
Greater emphasis on geopolitical and other business risks	Develop Center of Excellence (COEs) to support breadth of services / niche skills

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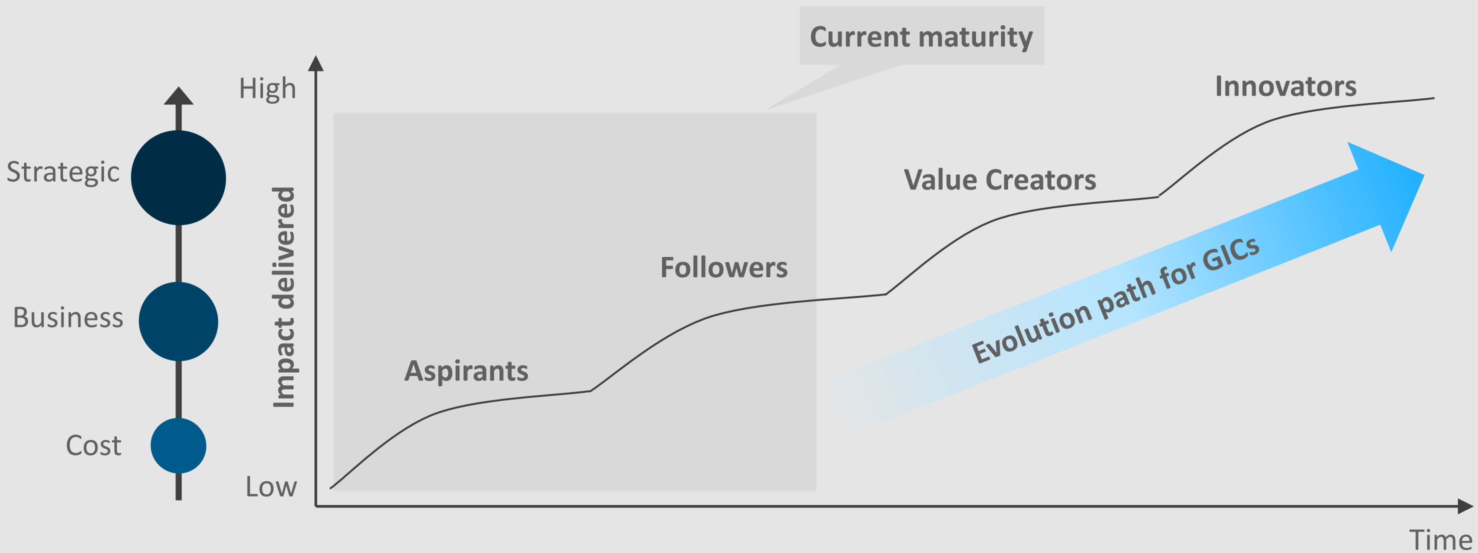
Digital champions

GICs will increasingly champion their enterprises' digital agendas



Key drivers

- *Increased endorsement from the enterprise and shift toward insourcing*
- *Established foundation and an insider's view*
- *Tight integration with existing core business*
- *Strong adjacency with existing focus on driving efficiency and optimization*

Additional Resources

- Market Vista™: Q4 2016
- Webinar Deck: Market Vista™ 2016 Year-in-Review and Outlook for 2017
- Technology in BPS – Service Provider Profile Compendium 2016
- The Impact of Technology on HR GICs – A Call to Action

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From **insight** to ***action***.

About Everest Group's Market Insights™

Everest Group's Market Insights reveal actionable intelligence from across the full spectrum of our research in concise, easily accessible infographics

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