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Everest Q2 Report: Outsourcing Market Activity Led By Banking Sector, BPO Services, and North American Buyers

Focus Areas: Financial Services, Latin America, EMEA Contact Center Suppliers

Press release

DALLAS, August 4, 2010 – Outsourcing contracts signed by banking, financial services and insurance firms (BFSI sector) in the second quarter this year represented the highest volume of activity since the fourth quarter of 2008 and significantly contributed to a third consecutive quarter of increased transaction volumes in the outsourcing industry, according to Everest, a global [consulting](#) and [research](#) firm. The global outsourcing market saw a 12 percent increase in transaction volumes with continued growth led by Business Process Outsourcing (BPO) services, BFSI sector deals contributing one-fifth of overall global market activity, and North America and Europe driving three-fourths of all global transactions. A one-hour [Webinar](#) will be held August 17, 9 a.m. CDT, to present study findings and insights.

Everest's [Market Vista: Q2 2010](#), a quarterly report on global outsourcing and offshoring activity, reports global transaction volumes for the second quarter were valued at US\$3 billion in annual contract value (ACV). North American transaction activity in the second quarter increased 3 percent but ACV declined by 16 percent compared to the previous quarter.

Other second quarter 2010 findings include:

- BPO market activity increased by 15 and 33 percent in transaction volumes and ACV respectively. [IT Outsourcing \(ITO\)](#) registered a decline in ACV by 22 percent
- The BFSI vertical saw a 41 percent increase in transactions. Most contracts were signed in the banking sub-vertical; volume was double over the previous quarter
- The MDR (manufacturing, distribution, retail) vertical witnessed decreased activity but increases were found in healthcare, technology and telecommunications sectors
- A healthy captive market witnessed a fourth consecutive quarter of robust growth with 38 new announcements and no divestments, signaling the captive model remains an important component of sourcing portfolios
- Offshore activity saw 32 delivery centers established in the second quarter, the majority in Asia followed by Eastern Europe and Latin America
- China moved into the category of "mature location," an elite group previously comprised of only India and the Philippines
- Consolidated revenues increased across offshore-centric suppliers whereas traditional global suppliers saw revenues drop during the quarter. Operating margins dropped for both classes of suppliers
- M&A activity increased with 12 acquisitions compared to nine in the first quarter as well as 61 alliances compared to 52 in the previous quarter

"The overall services sourcing market remains on a slow and steady growth path marked by indicators such as sustained transaction activity, captive activity, delivery center growth, and renewals and restructuring of contracts," said [Eric Simonson](#), managing partner of Research, Everest. "Now, there exists a sizeable number of mature, large buyers who are focused on evolving and optimizing hybrid sourcing strategies that leverage offshore, onshore and captive models with less emphasis on mega deals."

Everest's quarterly Market Vista reports provide data and analysis of deal trends in the outsourcing and offshoring market, captive

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landscape, current and emerging locations, key [supplier intelligence](#) insights, and key developments across the top 20 financial services companies globally.

The Market Vista Q2 report also includes these focus sections:

- Geography profile of Latin America includes analysis of labor arbitrage sustainability, operating costs, operating cost inflation and currency trends. Cities profiled include Mexico City, Monterrey, Buenos Aires, Sao Paulo, Rio de Janeiro, Santiago and San Jose
- [Location optimization](#) insights include emergence of offshore delivery from Tier II and III cities in India, China's flexible exchange rate policy impact on operating cost, and decreased offshore activity in Eastern Europe due to the economic recession in EU countries as well as lower demand
- [Vista Primer](#) provides an overview of key contact center suppliers in the Europe Middle East and Africa (EMEA) region for French language support

Quarterly Market Vista reports comprise key developments among 20 leading global suppliers. Traditional supplier profiles include [Accenture](#), [ACS Xerox](#), [Atos Origin](#), [Capgemini](#), [Convergys](#), [CSC](#), [Hewitt](#), [HP Enterprise Services](#), [IBM](#), [Dell Services](#) and [Unisys](#). Offshore-centric supplier profiles include [Cognizant](#), [EXL](#), [Genpact](#), [HCL](#), [Infosys](#), [Mahindra Satyam](#), [Tata Consultancy Services](#), [Wipro](#) and [WNS](#).

The [Webinar](#) will be held August 17 at 9 a.m. CDT; 2 p.m. GMT Standard Time. To register, please visit: www.everestresearchinstitute.com/Events/Webinars.

[Market Vista](#) is a subscription service with four reports published per year, now enhanced to also include [location datasets](#), [Breaking Viewpoint briefings](#), [Market Vista Primer](#) and [Global Locations Insights newsletter](#). For information about the [Market Vista: Q2 2010](#) report or other research services, please visit www.everestresearchinstitute.com, email info@everestresearchinstitute.com, or call +1-214-451-3110.

About Everest

[Everest Group](#) is a global consulting and research firm that comprehensively serves the sourcing market. An industry leader since creating the sourcing consultancy practice in 1991, Everest has earned a worldwide reputation for ongoing innovation by helping clients capture optimum value through sourcing strategies and implementation. Everest provides information, insight, and advice to help buyers, suppliers, and enablers of services effectively navigate all stages of the sourcing lifecycle. Committed to thought leadership, Everest is noted for its fact-based analyses and insights on the outsourcing, offshoring and shared services marketplace. For more information, please visit www.everestgrp.com and www.everestresearchinstitute.com.