



Delivery Location Announcements by Service Providers and Global In-House Centers in Q1 2017

May 2017 | Author: **Hema Santosh, Principal Analyst, HfS Research**

The Delivery Location Portfolio Is a Balancing Act

Q1 2017 saw service providers and organizations balance their selection of locations for in-house shared services centers and global delivery centers. We tracked 82 new moves announced this quarter. 34 Services providers reported they were building or expanding new centers and shutting down two; 42 global in-house centers (GICs) reported they were building or expanding, one was downsizing, and five were shutting down.

Service providers are establishing a presence in the United States (US). In addition to talent, infrastructure, government support, and proximity to clients when automation addresses cost concerns, the main driver is the shifting business model to hire more local talent to reduce dependency on H1B1 visas. GICs are selecting the US to consolidate operations in one location. While, India, which was the most favored location for captives, had only two new GICs against the 10 new centers reported in the US.

After the formalization of Brexit, the United Kingdom (UK) and Ireland are in a downturn as location options. For example, Coca-Cola and Whirlpool announced redundancies in their shared services centers in Ireland. Adikteev closed its captive center in London to consolidate the company's operations in Paris.

In the Philippines, service providers and enterprises are in a wait and see situation. Only one new delivery center was announced during this quarter.

HfS Research believes that the changing business priorities and emerging fundamentals of **OneOffice™** are influencing these location movements.

According to the Digital OneOffice concept, enterprises need their support functions such as IT, finance, HR and supply chain, aligned with supporting the customer experience, as opposed to operating in some sort of vacuum.

The accessibility to right technologies, customers and talent will be a key, that will unlock the ideal global delivery portfolio.



Key Takeaways

The key findings of this study are as following:

- » **The US Continues to Attract Investment.** Local and state governments are providing attractive tax subsidies and cash incentives to lure new centers. Ultra Electronics, Amgen, John Deere, and others set up delivery centers with government incentives. In the last quarter, HfS Research saw 11 new captive centers and three expansions across shared services, customer care, healthcare, and software development. Ten service providers took advantage of the incentives and tax rebate programs.
- » **Brexit Affects Location Choice in the UK and Ireland.** Captives are deliberately reducing their presence in the UK and Ireland. Coca-Cola, Adikteev, and Whirlpool announced plans to reduce shared services in Ireland. Ireland was a favorite location before Brexit. However, during this quarter, we saw only one center opened here; three were shut down or were decreased. HfS Research expects the UK and Irish government after Brexit to come up with new policies to attract investments, but until then, there will be a downward spiral.
- » **Other Countries Across Europe Experienced Enhanced Activity.** New centers involved shared services, software innovation, R&D, technical delivery, and cloud/SaaS services. Poland saw UK companies, such as Arrow ECS, shifting their shared services base from London to Krakow. This trend will intensify as the UK formalizes Brexit.
- » **Slowdown Occurred in the Philippines Because of the Political Situation.** The recent violence has affected the volume of new centers; only one opened this quarter. Further, a BPO firm lost a U.S. client worth 400 jobs. However, HfS Research predicts this political agitation will end shortly, and the number of shared services centers will increase.
- » **Availability of talent for emerging technologies.** This was the primary motive for 32% of the new centers and expansions announced in the US during this quarter. Organizations such as Salesforce, Spotify, Xceptor, Wipro, and Pokémon invested in new centers in the US to attract right set of skills for Artificial Intelligence (AI) and Cloud technologies.



Exhibit 1: Q1 2017 Infographic (part 1)

HfS Location Tracker - Q1 2017

Global In-House/Shared Services and Service Provider Location Activities by Quarter

Every quarter HfS tracks the expansion of service providers and enterprise in-house shared service delivery centers. This is a summary of the announcements concentrating on Q1 2017, the quarter ending March 2017

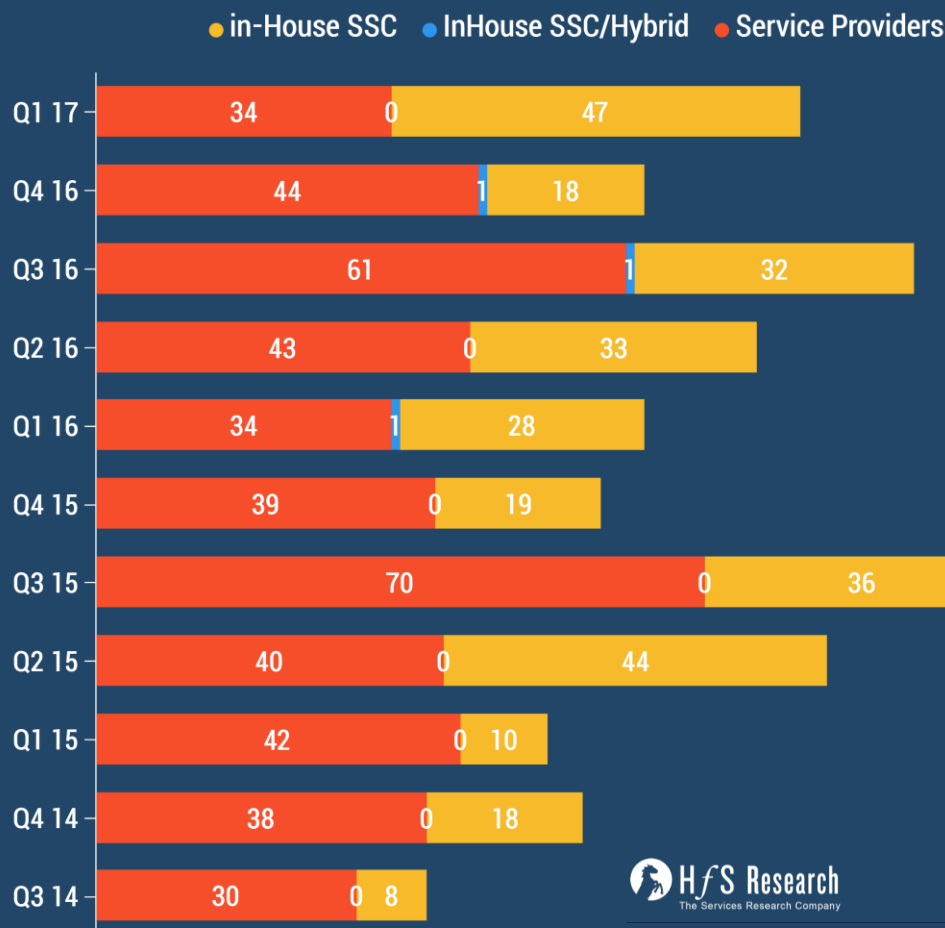




Exhibit 1: Q1 2017 Infographic (part 2)

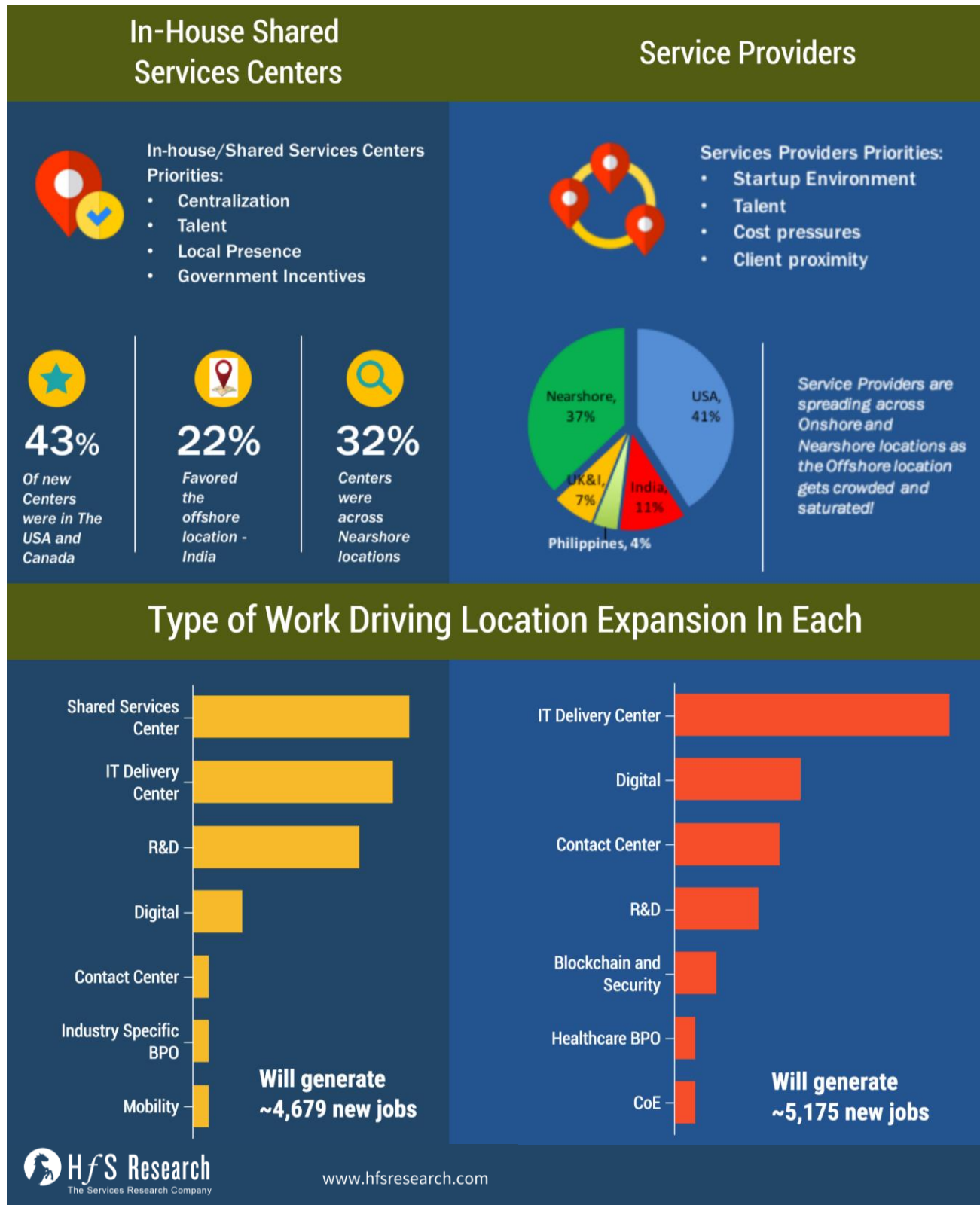




Exhibit 2: Location Tracker for Service Providers

Service Provider	Country	City	Expansion/ New/ Shutdown	Month	IT / BPO	Type of Work / Sub- processes	Details/Notes
Accenture	USA	Portland, Oregon	New	Mar-17	IT	IT Delivery Center	To work closer with clients in Oregon. Accenture expect to add 50 people in the next two years
Accenture	Latvia	Nordic	New	Mar-17	IT	Liquid Studio	The Liquid Studio provides clients with an open environment to make their business built for change through new skills, processes, technologies and ways of working
Akamai	Costa Rica	San Jose	New	Mar-17	IT & BPO	Center of Excellence	The Costa Rican center will be dedicated in providing customer service to Latin America
Capgemini	Singapore	Singapore	New	Feb-17	IT	Applied Innovation Exchange (AIE)	It marks as the 10th center to be part of Capgemini's Global AIE network and aims to expand the region's innovation capacity
ClearStructure Financial Technology	USA	New York	New	Mar-17	IT	Tech Support Center	Apart from servicing existing customers, ClearStructure to focus on growing new opportunities
Cognizant	Hong Kong	Hong Kong	New	Feb-17	IT	Technology Development Center	To serve the regional and local clients apart from building technical and business capabilities in the region
Cognosante	USA	Fargo, ND	New	Jan-17	BPO	Healthcare BPO	To consolidate its Fargo operations from two facilities to one larger office.
Concentrix	New Zealand	Wellington	New	Jan-17	BPO	Customer Care	Opened this delivery center to serve the new international technology client
Conduent	USA	Alamogordo	Shut Down	Feb-17	BPO	Customer Care	The facility served for a single client and changing client needs/contract forced the center to shutdown



Service Provider	Country	City	Expansion/ New/ Shutdown	Month	IT / BPO	Type of Work / Sub- processes	Details/Notes
Convergent Outsourcing	Philippines	Iloilo City	New	Mar-17	BPO	Customer Care	Attracted to the abundance of highly talented contact handling resources in Iloilo
CSC	Australia	Adelaide	New	Feb-17	IT	IT Delivery Center	To work closer with its new client, Adelaide government agencies in the state. CSC will make a \$5 million investment to establish the new office.
Deloitte	Ireland	Dublin	New	Jan-17	IT	Blockchain	To serve its clients in Europe and the Middle East.
Deloitte	Mexico	Queretaro	New	Feb-17	IT	Technology Development Center	It is a technology lab, churning out software and apps for government agencies as well as companies in the financial services and healthcare industries.
GFT	Brazil	Curitiba	New	Mar-17	IT	Technology Development Center	To serve the local market in Latin America along with client proximity with North American region
HCL	India	Hyderabad	New	Feb-17	IT	Tech Support Center	To open the center by 2018 and employ almost 1000 students from the University
Infinity Tracking Ltd	USA	Baltimore	New	Feb-17	IT	Digital Marketing Technology	Backed by a \$15 million venture capital investment to increase the proximity to big, local clients and access to the city's talent
KM2 Solutions	Barbados	Bridgetown	New	Feb-17	BPO	Call Center	Barbados has long been at the center of KM2's operations in the Americas.
Luxoft	Malaysia	Penang	New	Feb-17	IT	IT Delivery Center	been granted Multimedia Super Corridor (MSC) Malaysia status from the Malaysia Digital Economic Corporation (MDEC), which provides a wide range of incentives, including fast tracking of expatriate relocations, tax incentives and operational support.



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Match Trade Technologies	Poland	Warsaw	New	Jan-17	IT	Tech Support and Business Development Center	To support current and new clients from Europe and Asia
Microsoft	Costa Rica	San Jose	Expansion	Feb-17	BPO	Customer Care	Set up a new customer service center to support its operation across the region with the ability to speak in Spanish and Portuguese
Microsoft	USA	St. Louis, Montana	Expansion	Mar-17	IT	Development Center	Center will be in CORTEX as a regional headquarters for states such as Missouri, Kansas and Tennessee, Ervin Flores
NetApp	India	Bangalore	New	Mar-17	IT / BPO/ ER&D	Shared Services, R&D and Development of Hybrid Technologies	This center aims at becoming the customer support center to cater to the Asia-Pacific market apart from being a large expansion of the company's footprint in India.
Nuvias	Switzerland	Zurich	New	Feb-17	IT	IT Delivery Center	To serve clients locally in Switzerland, which have been serviced earlier from the German office
ORBCOMM	India	Hyderabad	New	Mar-17	IT	Software Development Center	Apart from serving the global business, the firm is planning to tap the Indian market
SAP	Israel	Raanana	New	Jan-17	IT	Technology Development Center	To serve clients locally
Skype (Microsoft)	Sweden	Stockholm	Shut Down	Mar-17	IT	Tech Support Center	To reduce its geographical spread and co-locate teams
Smartsheet	USA	Boston, MA	New	Jan-17	IT	IT Delivery Center	It is the second office, located in the heart of Boston



Service Provider	Country	City	Expansion/ New/ Shutdown	Month	IT / BPO	Type of Work / Sub- processes	Details/Notes
Snapchat	UK	London	New	Jan-17	IT	Technology Development Center	To tap the advertising revenues from the growing customer base in UK
Snowflake	USA	Seattle	New	Mar-17	IT	Cloud R&D	Seattle is emerging as one of the leader in cloud technology outside the San Francisco Bay Area
Solium Capital Inc.	Germany	Frankfurt	New	Mar-17	IT and BPO	SaaS	supporting the Company's growing international customer base in the EMEA region
TeleTech	USA	Las Vegas, NV	New	Mar-17	BPO	Customer Care	As a prime option for providing services supporting a leading satellite programming provider
Wipro	USA	Detroit	New	Mar-17	R&D	Automotive Engineering Centre	To employ local talent in the development and validation of automotive cockpit electronic products such as navigation systems, connectivity systems, instrument clusters, head-up displays, advanced safety systems, etc.
Xceptor	USA	New York	New	Mar-17	IT	Data	to be closer to some of the key institutions it already works with by offering an increased range of services
Y3 Technologies	Singapore	Singapore	New	Mar-17	IT	Innovation Centre	To serve the clients in Singapore and APAC Region

Source: HfS Research, 2017.

Note: Actual timing of the location moves may differ, but media announcements or news appeared in Q1 2017.



Exhibit 3: Location Tracker for In-House Shared Services Center

Service Provider **Country** **City** **Expansion /New/ Shutdown** **Month** **IT / BPO** **Type of Work / Sub-processes** **Details/Notes**

Adikteev	UK	London	Shut Down	Feb-17	IT	Software Development Center	Consolidating its operations back to offices in Paris post Brexit
Alibaba	India	Mumbai	New	Jan-17	IT	Software Development Center	The new office is Right Next to Amazon's Office
Amazon	USA	Bellevue, WA	Expansion	Jan-17	IT	IT Delivery Center	To attract Talent and to tap on Talent
Amazon	Costa Rica	Bogota	New	Jan-17	IT	Tech Support Center	To cater to the local & regional clients
Amgen	USA	Tampa	New	Mar-17	IT & BPO	Shared Services Center	Supported by the public-private Tampa Hillsborough Economic Development Corporation (EDC) is set to start operation in October
anyoption	Israel	Israel	Shut Down	Feb-17	BPO	Call Center	Due to the recent regulatory amendments in Cyprus that were recently introduced
Apple	UK	Cambridge	New	Feb-17	R&D	Language Processing	A VocalIQ (Apple Acquisition) office that specializes in language processing to have been refocused on improving Siri.
Arrow ECS	Poland	Krakow	New	Mar-17	BPO	Shared Services Center	To move to Poland some back-office functions previously fulfilled in the UK



Service Provider Country City Expansion /New/ Shutdown Month IT / BPO Type of Work / Sub-processes Details/Notes

Ascensus	USA	Arizona	New	Mar-17	IT & BPO	Shared Services Center	Apart from other sales and marketing activities, the office to support other back-office functions.
BlackRock Inc.	Hungary	Budapest	New	Jan-17	IT & BPO	ADM, Data, BPO	Hungarian government to provide for \$972,000 financial support for training purposes
BMW	South Africa	Midrand, Johannesburg	Expansion	Mar-17	IT	Software Development Center	The Campus will in future also house the SAP Shared Services Centre and IT Operations Solutions
Charter Communications	USA	Texas and Mexico Border	New	Mar-17	BPO	Customer Care	As part of the telecom firm's strategy to invest \$25 billion in the U.S. and to hire 20,000 American workers over the next four years
Coca Cola	Ireland	Drogheda	Reduction	Mar-17	BPO	Shared Services Center	As part of restructuring
Coca-Cola Hellenic Bottling (HBC)	Bulgaria	Sofia	Expansion	Jan-17	BPO	Shared Services Center	To invest 1.1 million for further expansion to support the increasing business and regions
CVS Health Corp	USA	Arizona	New	Jan-17	BPO	Healthcare BPO	a new shared services center in Arizona to be replacing multiple locations around the country.
Dyson	Singapore	Singapore	New	Feb-17	IT	R&D	To get ahead with the capability to create a "24-hour research and development cycle



Service Provider	Country	City	Expansion /New/ Shutdown	Month	IT / BPO	Type of Work / Sub-processes	Details/Notes
Equifax	Costa Rica	Heredia	New	Jan-17	IT & BPO	Shared Services Center	Finance, procurement and accounting, in addition to strengthening the branches of information technology, information security and business operations
Etihad Aviation Group	Serbia	Belgrade	New	Mar-17	BPO	Shared Services Center	Availability of Multi-lingual lateral talent due to presence of other airline SSCs - To hire 685 people by 2020
Evernote	USA	Santa Clara, CA	Shut Down	Jan-17	IT	Data Center	Moving the data to Google Cloud
GoPro	Romania	Bucharest	New	Feb-17	IT	Software R&D	To add 100 additional hires this year for GoPro, which is amid a restructuring to return to profitability after falling camera sales in its dominant markets.
Grab	India	Bangalore	New	Mar-17	IT	Software Development Center	Expanding its engineering footprint, however, it will not expand into India.
Huawei	Egypt	Cairo	New	Mar-17	IT	Support and Training	To serve 29 countries in Africa and the Middle East
John Deere	USA	Iowa	New	Feb-17	IT	R&D	A university-Industry partnership - The Strategic Technology office is in the Iowa State University (ISU) Research Park
Kerry Logistics	Poland	Warsaw	New	Jan-17	IT	Shared Services Center	To enhance the cost efficiency and service competitiveness of the region
L&T Technology Services	Germany	Munich	New	Mar-17	IT & R&D	CoE	This near shore center will provide engineering and R&D services for the company's suite



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							of infotainment consoles and its family of hybrid electric vehicles
Medium	USA	New York and Washington, D.C	Shut Down	Jan-17	BPO	Social Networking	As a broader plan to shift Medium's business model.
MegaFon PAO	Russia	Samara	New	Mar-17	BPO	Shared Services Center	Also planning to start providing services to third parties & their B2B clients to generate additional revenue
Melexis	Germany	Dresden	New	Mar-17	R&D	Innovation Center	It's one of the tenth center in Europe
Merk	USA	Arizona	New	Mar-17	IT	Healthcare Technologies	It will be its 4th Technology Hub in the country
Musafir.com	India	Pune	New	Mar-17	IT	Technology Development Center	For rapid scaling and supporting the ecosystem of other development centers across the country
Pokémon Co.	USA	Bellevue, WA	Expansion	Mar-17	IT	Gaming	Moving from the previous office to the newer bigger office with 80,000 square feet, an increase from the 60,000
Roche	Costa Rica	San Jose	New	Feb-17	IT	Shared services center	To provide IT services to the company's units in the United States and Canada
Salesforce	USA	Bellevue, WA	New	Jan-17	IT	R&D	To consolidate many offices in Seattle region into this one Bellevue location
Scotiabank	Canada	Toronto	New	Feb-17	IT	Digital Factory	To explore the financial technology market and the speeding up the development of



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							online and mobile banking solutions for its customers
Shell	India	Bangalore	New	Mar-17	IT	R&D	Shell Technology Centre, Bengaluru, will work closely with other 2 global centers
Shopify	Canada	Toronto	New	Jan-17	IT	R&D	To generate 100 new jobs in 2017, but if the ecommerce platform's plans hold out, it will scale to 1,000 employees in the city by 2019.
Spark	New Zealand	Christchurch CBD	New	Feb-17	IT & BPO	Cloud	To relocate 450 members to this new location to be close to the business in the region
Spotify	USA	World Trade Center, New York	New	Feb-17		Technology Development Center	Empire State Development, or ESD, will provide the company up to \$11 million in "World Trade Center Rent Reduction Program rent credits," which will be available for 15 years of Spotify's lease
Sumitomo Corporation Group	USA	California	New	Mar-17	IT	R&D	The office will serve as a hub for collaborative development between area venture capital firms ("VC's") and SCOA's many specialties
Superior Industries International, Inc.	Mexico	Chihuahua	New	Mar-17	BPO	Shared Services Center	To share knowledge and standardization of best practices
Transwestern	USA	Chicago	New	Feb-17	IT	Technology Development Center	The primary initiatives are to transition the entire IT system to a robust, cloud-based environment



Service Provider Country City Expansion /New/ Shutdown Month IT / BPO Type of Work / Sub-processes Details/Notes

Teleperformance	China	Kunming	Expansion	Mar-17	BPO	Call Center	To serve the Cantonese market operation and build Mandarin language capability
Ultra Electronics plc	USA	New York	Expansion	Mar-17	BPO	Shared Services Center	To consolidate business functions across its portfolio of 12 North American companies and create the common “back-office” unit
VimpelCom	Pakistan	Islamabad	New	Jan-17	BPO	Shared Services Center	To provide services to VimpelCom’s operating companies in Pakistan, Bangladesh, and Amsterdam
Warner Music Group (WMG)	USA	Nashville, Tennessee	New	Jan-17	BPO	Shared Services Center	Aims to make the new center a hub of innovation to develop new financial, legal, and administrative leaders by providing ongoing support, training, and opportunities for advancement.
Whirlpool	Ireland	Dublin	Shut Down	Mar-17	BPO	Shared Services Center	As part of the restructuring
Yelp	Denmark	Denmark	Shut Down	Jan-17	IT	Sales & Marketing	Exiting Europe Commercial Business
Youzu Interactive	India	Pune	New	Jan-17	IT	Technology Development Center	To invest up to \$10m in the developing Indian games market in 2017.

Source: HfS Research, 2017.

Note: Actual timing of the location moves may differ, but media announcements or news appeared in Q1 2017.



About the Authors

Hema Santosh



Hema Santosh is the Principal Analyst at HfS supporting research in data, finance and accounting and related business services, captives and global in-house centers. She has held senior research positions for organizations such as, Information Services Group, Accenture, Wipro and ITFinity Solutions. Her journey as a research professional has evolved over 14 years by working across facets of MIS, business planning, market forecast, market analysis, competitive intelligence and large strategic initiatives for the organizations she has worked with.

Hema understands the nuances and dynamics of the BPO and Technology industry. Her experience ranges from custom research, quantitative studies to qualitative secondary research conducted among financial services, government and media & telecommunication industries.

She holds a Bachelor's degree in Commerce from the University of Mumbai, an MBA specializing in Marketing from Manipal University and a certificate in full time 'Management Program for Women Entrepreneurs' from the Indian Institute of Management (IIM), Bangalore.

Hema lives in Bangalore with her husband and two sons. In her spare time Hema supports her family run coastal spice store, The Cutinha's. She enjoys inventing new spice blends and flavors for the family run business.

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