We are pleased to launch the 8th edition of the EY GIC Benchmarking study

Over the last decade, GICs in India have emerged as a powerful value creator, pushing boundaries and exploring ways to ensure that their operations can deliver value around ‘end to end process ownership’ and ‘driving innovation’ while sustaining the cost and operations advantage.

The EY India GIC cost and operations benchmarking study is in its eighth edition now and helps GICs benchmark their cost and operations vis-à-vis peers in the industry and articulate the value delivered in terms of cost and operations.

Key themes covered include overall GIC industry trends (including trends in key cost & operational parameters), leading operational practices and benchmarking of 150+ cost & operations metrics.

This study has unlocked significant opportunities for cost reduction for several of our participants who have initiated concerted measures to keep spends (esp. travel, transport and recruitment) in check through implementation of industry leading practices. We have also seen material savings derived by participants from last year who successfully executed similar cost saving initiatives.

We hope the findings of the report bring out valuable insights for you and I encourage you to share with us your questions, comments and feedback by writing to us at EYGIC.Forum@in.ey.com.

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Key themes

1. **GIC evolution over the last decade**

2. **Sustaining the fundamental cost proposition**

3. **Transformation expected in GIC operating model**

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Milan Sheth
Partner, Advisory Services and Technology Sector Leader
The 8th edition represents a diverse set of GICs across multiple industries, locations and services

This year’s study covered close to 30,000 FTEs with GICs spread across multiple locations and verticals such as banking, financial services, insurance, FMCG, telecom, shipping and technology.

### Industry verticals serviced

<table>
<thead>
<tr>
<th>Industry Verticals</th>
<th>% of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>BFSI</td>
<td>15%</td>
</tr>
<tr>
<td>Telecom &amp; Technology</td>
<td>38%</td>
</tr>
<tr>
<td>Conglomerate</td>
<td>15%</td>
</tr>
<tr>
<td>Others</td>
<td>15%</td>
</tr>
</tbody>
</table>

### Services provided

<table>
<thead>
<tr>
<th>Service Provided</th>
<th>% of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT - Others</td>
<td>42%</td>
</tr>
<tr>
<td>IT - App Dev</td>
<td>58%</td>
</tr>
<tr>
<td>Knowledge Based</td>
<td>58%</td>
</tr>
<tr>
<td>Date - High End</td>
<td>50%</td>
</tr>
<tr>
<td>Data - Rule</td>
<td>75%</td>
</tr>
<tr>
<td>Voice</td>
<td>25%</td>
</tr>
</tbody>
</table>

### Headcount

- < 500 headcount: 29%
- 500 - 2000 headcount: 49%
- 2000 - 5000 headcount: 16%
- > 5000 headcount: 6%

### Locations covered

- Delhi / NCR
- Ahmedabad
- Mumbai
- Pune
- Bangalore
- Chennai
Over the last decade, GICs in India have emerged as a powerful value creator, maturing from low cost delivery centres to global competency centres which serve as a hub for complex processes.

The Indian GIC landscape comprises of 825+ players, generating revenues ~ USD 16 billion with employment of 530,000+ people. More than 40% of GICs globally are located in India and offer an entire gamut of services ranging from IT services, software products, ER&D and BPM services.

Traditionally, GICs have been viewed as a delivery arm than a strategic arm. However over the last decade, GICs are rapidly moving up the value chain, driven by macro-economic circumstances, changing customer demands, emerging technologies and business priorities.

GICs are now pushing boundaries & exploring ways to ensure that they can deliver value beyond traditional cost savings to ‘end to end ownership model’ and ‘driving disruptive innovation’.

GICs are also demonstrating increased ownership of the processes that are being delivered by them. Several GICs now act as global process owners for the entire process chain partnering with business to drive key initiatives to enhance performance.

Mature GICs are now projecting a new face of performance measurement wherein they “own” the SLAs / KPIs. The GICs measure the SLAs / KPIs for performance measurement however the parent organization no longer monitors these service agreements as the GIC is considered an equal partner for delivery of defined business outcomes.

In some of the mature GICs, the leadership team is part of the global governance council and have been assuming increased end to end responsibility over the years. They now play a key role in taking strategic decisions that not only affect the GIC, but the organization as a whole.

GICs have also realized that measuring and articulating the value that they have been delivering is critical to their sustenance. They are now beginning to articulate the value delivered based on some well-defined levers:
Sustaining the fundamental cost proposition: multifaceted approach

- Overall cost increased by ~6% compared to last year despite inflationary pressures
- While several GIC high cost centres operate at ~35-40% higher than the median, best in class GICs operate at ~15-20% lower through adoption of multiple levers/leading practices

Variation in costs between Best in class, median and high cost centers

<table>
<thead>
<tr>
<th>Percentage</th>
<th>GIC Median</th>
<th>GIC Best in class</th>
<th>GIC High cost centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>78%</td>
<td>137%</td>
<td></td>
</tr>
</tbody>
</table>

~20-25% difference between GIC median and Best in class

Typical cost saving opportunities

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>60-65%</td>
<td>15-20%</td>
</tr>
<tr>
<td>Facilities</td>
<td>20-25%</td>
<td>15-25%</td>
</tr>
<tr>
<td>Transport costs</td>
<td>06-12%</td>
<td>15-20%</td>
</tr>
<tr>
<td>IT &amp; Communication</td>
<td>10-15%</td>
<td>15-25%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

~15-25% savings can be realized through multiple levers

Optimize service delivery

- GICs are increasingly exploring process automation to improve productivity and lower cost while improving error rate
- This trend is particularly evident in transactional processes (such as P2P, O2C in Finance), vertical specific processes (e.g. FS - reconciliations etc.) and IT
- Robotic process automation (RPA) in particular is being discussed & adopted

Optimize talent management

- Talent management is a core focus for GICs looking to move up the value chain
- Several GICs have undertaken measures to optimize span & restructure the pyramid, improve productivity and utilization
- Adoption of performance linked & softer motivational incentives have increased

Contract consolidation/renegotiation

- Indirect costs such as travel and transport are also being targeted as quick wins
- Negotiating with vendors for consumption based billing models (e.g. per seat billing models), consolidation of contracts for volume discounts, rigorous tracking of SLAs are some of the key initiatives

Transform the channel mix

- Recruitment & training spends have seen significant reduction through deployment of newer channels such as web/social media based training and hiring, outsourcing non core activities (e.g. screening of resumes) etc
Global in-house centres have undergone a radical transformation in the last few years breaking away from traditional shackles of being a ‘low cost centre’ to being ‘strategically relevant’ to the parent.

While cost arbitrage and delivering efficiencies remain hygiene considerations during the initial years of transition and stabilization, mature GICs are now exploring ways to evolve their strategy and operating model to remain relevant to the parent organization.

There also exists a section of GICs who struggle to overcome issues inherent to their operating model such as multiple misaligned regional hubs for similar activities, ‘BU/geography processing’ silos, non-standardized processes/technology, low end portfolio of services, poor visibility of value delivered and other similar woes.

Majority of GICs undergo a slow transformational journey, initially evolving to Centres of excellence by leveraging their end to end process expertise and deep domain knowledge to take complete ownership of service delivery excellence.

Gradually these centres also transform as a hub to drive innovation and create disruptive solutions for local and global markets. In our experience as advisors to many GICs embarking on this journey, we have witnessed multiple levers being leveraged by GICs who effectively transition to being a ‘Global Innovation Center’.
Multiple levers used to transform into ‘Global Innovation Centers’

1. **Expand functional & geographic scope**
   - The journey starts with showcasing existing capabilities to get buy in from management to enhance functional & geographic scope (e.g. F&A - R2R, FP&A)
   - GICs attempt to transition high end complex processes in similar domains coupled with expanding existing service portfolio to new geographies

2. **Ensure a ‘seat at the table’**
   - Advanced GICs generally function as independent units with representation in the global council
   - They are also empowered to take sourcing decisions with several GICs outsourcing low end transactional services to third party vendors while focusing on ‘value added’ activities

3. **Create ‘talent hubs’**
   - GICs are now consciously expanding driven by skill availability more than cost
   - For instance F&A skills (esp. CAs) in Rajasthan and NCR, Engineering Research & Development in Pune, IT in Bangalore, Analytics in Chennai etc. are key talent hubs being leveraged

4. **Deploy global delivery network**
   - GIC organization structure is also undergoing change with GICs being organized by ‘process’ rather than ‘BUs or geographies’
   - Leading practice is to adopt a Global delivery network with Global Process Owners

5. **Newer commercial constructs**
   - Commercial constructs are also slowly undergoing a change with several GICs moving from ‘Cost plus’ to ‘Transaction based’ billing models
   - The attempt is to balance the image of being ‘one with the parent’ and creation of greater transparency

6. **Products/services for local & global markets**
   - Mature GICs are now creating innovation hubs which focus beyond process improvements to ‘breakthrough innovation’
   - They are working on products/services for local markets contributing to the ‘top line’ & ‘bottom line’
Key cost and operational metrics are benchmarked in the study

Three major sections of the report are:

- Cost Benchmarks: Top, Median & Bottom performance benchmarks across different GIC cost parameters
- Leading Practices: Leading operational practices in the GIC industry spanning manpower, travel, IT, facilities, risk and quality
- GIC Industry Trends: Overall GIC industry trends including the trends observed in key cost & operational parameters

Key cost and operational metrics covered include:

<table>
<thead>
<tr>
<th>Manpower</th>
<th>Facilities</th>
<th>Travel &amp; Transport</th>
<th>IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and benefits</td>
<td>Facility cost</td>
<td>Local transport cost</td>
<td>IT and communication cost</td>
</tr>
<tr>
<td>Training cost</td>
<td>Building running cost</td>
<td>Vendor cost</td>
<td>Hardware cost</td>
</tr>
<tr>
<td>Recruitment cost channels</td>
<td>Electricity cost</td>
<td>KM &amp; trip cost</td>
<td>Software cost</td>
</tr>
<tr>
<td>Span of control</td>
<td>Area per seat</td>
<td>Business travel cost</td>
<td>IT support cost</td>
</tr>
<tr>
<td>Attrition rate</td>
<td>Capacity and seat utilization</td>
<td>Airfare, allowance, accommodation, visa cost</td>
<td></td>
</tr>
<tr>
<td>Experience mix, education mix</td>
<td>Housekeeping/Security cost</td>
<td></td>
<td>Network and communication reimbursement cost</td>
</tr>
</tbody>
</table>
The EY GIC Leadership Forum, facilitated by EY, is a forum for senior leaders of GICs across India. Currently, it has 30+ senior leaders of leading GICs as its members.

The forum provides a platform for GIC participants to discuss areas of common interest and concern. The forum also undertakes initiatives of value to participants such as the annual cost benchmarking study, joint procurement pilots etc.

GIC Forum sample discussion topics:
► Driving innovation
► Technology and operations collaboration: Best practices
► Tax / Regulations impacting GICs
► GICs - delivering beyond the norm

What members have to say?

“The forum provides experience, learning and valuable insights, helping us find better solutions to the challenges we face. We are extremely happy to be part of the EY GIC Leadership Forum.”
- Leading Telecom GIC

“While it is difficult to update ourselves continuously, the forum provides us with a platform to share knowledge to keep ourselves abreast with latest industry trends.”
- Leading BFSI GIC

Benefits to Forum member participants
► Gain insight shared by industry experts into the latest trends in the GIC industry
► Validate issues or challenges faced by your organization with other members of the forum
► Collaborate to find solutions to common problems
► Share best practices to improve cost and operational effectiveness

For a customised presentation to your GIC clients on leading trends, please contact Vijay Shankar (bvijay.shankar@in.ey.com) or Divya John (divya.john@in.ey.com)
Follow us @EY_India (https://twitter.com/EY_India) and #eyfinance