India GIC Cost and Operations Benchmarking Study

Key takeaways

10th edition
We are pleased to share the key takeaways from the tenth edition of the GIC Cost and Operations Benchmarking Study

Global In-house Centres (GIC) in India continue to be powerful value creators, pushing boundaries and exploring ways to ensure that their operations can deliver value around “end to end process ownership”, “driving innovation”, and “focussing on new technologies” while sustaining the cost and operations advantage.

The EY India GIC Cost and Operations Benchmarking Study, now in its 10th edition, enables GICs to benchmark their cost and operations vis-à-vis their peers, and articulate the value delivered. During this year’s study, 100+ cost and operations metrics of GICs from diverse industries like banking, telecom etc., were analysed.

With the overall cost structure increasing by a CAGR of 8%, GICs are looking to optimize costs. The major drivers for this rising cost are manpower and IT and communication costs which are increasing by a CAGR of 12% respectively. This study has helped unlock significant opportunities for cost optimization for several of our participants, who have initiated concerted measures to keep spends in check through implementation of industry leading practices. The best in class GIC among this year’s participants was identified to operate at an overall cost structure that was 70% of the median.

A key emerging theme is the deployment of intelligent automation through robotics. Robotics Process Automation (RPA) is increasingly gaining traction in the GICs as it enables them to achieve greater efficiency and accuracy, while generating cost saving opportunities.

I hope the findings of this report will bring out valuable insights for you and I encourage you to share with us your questions, comments and feedback by writing to us at eygicforum@in.ey.com. I look forward to continuing our discussion on this constantly evolving and exciting industry.

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**Key themes**

1. Participant profile and key findings
2. Reinventing the Global In-house Centres
3. Cost and operation metrics
4. GIC Leadership Forum

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**Milan Sheth**
Partner - Technology, Media & Telecommunication Advisory Leader
Participant profile

The benchmarking study this year had participation across diverse industries including banking, financial services, telecom, technology and manufacturing. The study covered over 20,000 Full Time Equivalents (FTEs) providing services across voice, data, knowledge based, IT Application development and support.

**Industry verticals serviced**

- BFSI: 19%
- Technology & Telecom: 14%
- Professional Services: 24%
- Others: 43%

Source: EY Analysis

**Headcount**

- < 200 headcount: 15%
- 200 - 500 headcount: 10%
- 500 - 1000 headcount: 20%
- > 1000 headcount: 55%

Source: EY Analysis

**Services provided**

- Application development: 100%
- Knowledge based services: 67%
- Data high end: 50%
- Data rule based: 67%
- Voice services: 17%

Source: EY Analysis

**Locations covered**

- Bengaluru: 11%
- Chennai: 28%
- NCR: 35%
- Mumbai: 16%
- Others: 10%

Source: EY Analysis
# Overall cost mix benchmarks

<table>
<thead>
<tr>
<th>Cost category</th>
<th>All-Participant % cost per production headcount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manpower cost</strong></td>
<td></td>
</tr>
<tr>
<td>Salary and benefits: production staff</td>
<td>62%</td>
</tr>
<tr>
<td>Salary and benefits: support staff</td>
<td>6%</td>
</tr>
<tr>
<td>Staff training</td>
<td>1%</td>
</tr>
<tr>
<td>Recruitment</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Transport cost</strong></td>
<td></td>
</tr>
<tr>
<td>Local transport</td>
<td>3%</td>
</tr>
<tr>
<td>Business travel</td>
<td>4%</td>
</tr>
<tr>
<td><strong>IT cost</strong></td>
<td></td>
</tr>
<tr>
<td>Total IT and communication</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Facilities cost</strong></td>
<td></td>
</tr>
<tr>
<td>Facilities (including depreciation)</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Other costs</strong></td>
<td></td>
</tr>
<tr>
<td>Consultancy/Outsourcing costs</td>
<td>5%</td>
</tr>
<tr>
<td>Administration and Miscellaneous</td>
<td>1%</td>
</tr>
<tr>
<td><strong>Total cost per production headcount</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: EY Analysis

<table>
<thead>
<tr>
<th>Cost category</th>
<th>FY 14 - FY 16 CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manpower cost</td>
<td>12%</td>
</tr>
<tr>
<td>Transport cost</td>
<td>3%</td>
</tr>
<tr>
<td>IT and communications cost</td>
<td>12%</td>
</tr>
<tr>
<td>Facilities cost</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Total % increase</strong></td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: EY Analysis

- Overall cost increased by 8% over the benchmarking period with manpower, facilities and IT and communication costs increasing over the years
- Salary and benefits cost of production and support staff continues to be the largest contributor at 68% of total cost, followed by facilities cost which constitutes 10% of the total cost

### Variations in cost between Best in class, Median and High cost centres

<table>
<thead>
<tr>
<th></th>
<th>Median</th>
<th>Best in class</th>
<th>High cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>70.33%</td>
<td>131.15%</td>
<td></td>
</tr>
</tbody>
</table>

Source: EY Analysis

- The high cost centres observed during the study operate at ~30-35% above the median cost
- There were several GICs operating with overall cost structures that were ~25-30% lower than the median. The practices adopted by these cost effective centres have been compiled to form the leading practices across facilities, talent management & sourcing, transportation etc.
Key metrics and leading practices for cost optimization

**Manpower cost:**

**Key metrics and leading practices**

- Increasing percentage of hiring through employee referrals to reduce recruitment cost and enable access to a higher quality talent pool
- Increasing the retention level of all employees, especially top talent, by implementing a early warning system that identifies risks in employee attrition on a quarterly basis

**Salary and benefits cost of production and support staff per production headcount (in INR ‘000s)**

<table>
<thead>
<tr>
<th></th>
<th>Best in class</th>
<th>Median</th>
<th>High cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and benefits cost</td>
<td>733</td>
<td>1,017</td>
<td>1,353</td>
</tr>
</tbody>
</table>

Source: EY Analysis

**Transport and travel cost:**

**Key metrics and leading practices**

- Many GICs are recovering the local transport cost from employees, indicating a long term strategic intent to move to a self conveyance model
- Companies today are challenging the “need for travel” to ensure that only the right people travel, especially for non-project travel such as sales, client/delivery management

**Travel spend per production headcount (in INR ‘000s)**

- 67

**Local transport cost per production headcount (in INR ‘000s)**

- 48

Source: EY Analysis
Key metrics and leading practices for cost optimization

**Facility costs:**

**Key metrics and leading practices**

- Adopting an integrated facility management approach, by outsourcing facilities management activities
- Optimal management of power consumption during holiday seasons and non-regular shifts through regular sweep walks by housekeeping staff

**Facility cost components per sq.ft (in INR)**

- Rent per sq.ft: 842
- Building running cost per sq.ft: 299
- Electricity cost per sq.ft: 220

Source: EY Analysis

**IT and communication cost:**

**Key metrics and leading practices**

- Automating IT service help desk through self service web portals
- Adoption of leasing model for end user mobility devices to reduce overhead maintenance cost
- Implementing desktop virtualization to reduce IT infrastructure requirements

**IT and communication cost breakdown**

- Total hardware cost: 16%
- Total network and communication cost: 19%
- Total software cost: 64%
- Total IT support cost: 0.2%

Source: EY Analysis
Way ahead for GICs

Over the last few years, GICs have experienced a paradigm shift from being offshore delivery centers to value providers that support the growth of their global enterprises by advancing their differentiation and innovation agenda.

Transforming to value providers

The disruptive digital and intelligent automation (IA) technologies are the primary drivers for this transformative journey of GICs. The adoption of digital technologies like IoT, mobility, analytics and RPA, and drive efficiencies by streamlining internal processes.

GICs are now aiming at enabling their parent organization maintain a competitive edge in the market. They now act as global process owners for the entire process chain, partnering with the business to drive key initiatives to enhance performance.
The journey of Global In-house Centres as a tool for back-office efficiency has now reached an inflection point. More so than ever, there are existential questions for traditional GICs, bringing into spotlight the question: Is there a demonstrable value beyond labor arbitrage? While this has been simmering over the last five years, the expectations are now definitively reset.

Expectation = Value @ Speed

- New age global in-house centres have the need to deliver value beyond labour arbitrage as they are no longer a mere support system. There has been a need for faster turnaround, demonstrable productivity gains and for delivering actionable insights.
- Aided by ground breaking technologies and remarkable advancements in robotics, back-office operations are being transformed into future-ready business support centres. These technologies have exhibited demonstrable gains in efficiency and productivity while cutting down on process complexities. This is catapulting all back-office support systems to a new platform, where technology and automation plays a defining role.
- Automation with human intelligence or automation with a human touch is redefining the way tasks are being allocated and performed in an enterprise. To begin with, Intelligent Automation (IA) was primarily used in the manufacturing processes and later extended to other functions. IA adoption calls for a well-deliberated, well-calibrated approach along with receptivity to continuous learning and change. RPA is the first step to IA for several organizations.
- The key benefit of RPA implementation is quick delivery of business integration needs, which a traditional legacy system would not be capable of delivering. Another benefit is the delivery of innovation with industrial strength without losing control. RPA also helps create a flow across systems streamlining business processes.
- RPA journey of several companies cover the following critical steps:
  - Identifying areas/functions within the business where RPA opportunities exist and examining the benefits of deploying RPA.
  - Creating a detailed implementation plan and benefit case.
  - Delivering automation solutions by partnering with IT, support functions, business and service providers.
  - Course correction as required during business operations.
Let the journey begin!

Traversing the IA journey at the GICs has to be purposeful and needs to be driven by a shared vision with the parent, helping determine the speed and choices that the GIC will have to make along this journey. This requires being in-sync with the GIC’s current position in the value chain and the target state it aspires to achieve. GICs can simultaneously navigate up the value continuum as well as the automation maturity curve. With every automation technology experimentation, the journey along this path will open up new opportunities for scaling up the automation process, finally elevating and transforming the back-office support room into a new age digital business technology centre.

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Reinventing the global in-house centres
From back-office to business technology/engagement centres

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GIC value continuum

- Low
  - Transact
  - Efficient doer
- High
  - Strategize
  - Value partner
- Analyze

Intelligent automation continuum

- RPA
- ML*
- NLP/Semantics/NLG**

* Machine Learning  **NLP - Natural Language Processing  **NLG - Natural Language Generation
100+ cost and operations metrics were analyzed through this study

Key cost and operational metrics that are benchmarked in the study

Three major sections of the report are:

- **Cost and operations benchmarks**: Median and industry wise performance benchmarks across different GIC cost and operations parameters
- **Leading practices**: Leading operational practices at the GICs covering manpower, travel, transport, IT, facilities, risk and quality
- **GIC industry trends**: Overall GIC industry trends in key cost and operational parameters

**Key cost and operational metrics covered:**

- **Manpower**
  - Salary and benefits
  - Training cost
  - Recruitment channel costs
  - Span of control
  - Attrition rate
  - Experience mix, education mix

- **Facilities**
  - Rental cost
  - Building running cost
  - Electricity cost
  - Area per seat
  - Capacity and seat utilization
  - Housekeeping/Security cost

- **Travel and transport**
  - Local transport cost
  - Vendor cost
  - Business travel cost
  - Airfare, allowance, accommodation, visa costs

- **IT**
  - IT and communication cost
  - Hardware cost
  - Software cost
  - IT support cost
  - Network and communication reimbursement cost
# Manpower cost and operation metrics

<table>
<thead>
<tr>
<th>Overall headcount</th>
</tr>
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<tbody>
<tr>
<td>Manpower cost breakdown</td>
</tr>
<tr>
<td>Production split</td>
</tr>
</tbody>
</table>
| Benchmarks by service line
  - Data rule based services: Cost and operational benchmarks
  - Data high end based services: Cost and operational benchmarks
  - Knowledge based services: Cost and operational benchmarks
  - IT application development and support based services: Cost and operational benchmarks
  - IT others based services: Cost and operational benchmarks
| Support staff split |
| Support staff cost to company (CTC) |
| Recruitment: Average cost per hire
  - Recruitment percentage hires across recruitment modes
  - Recruitment cost by service line |
| Recruitment timelines |
| Conversion rate |
| Attrition rate |
| Training cost
  - Training split: Overall training
  - Training split: New joiner training
  - Training split: Existing employee training |
| Employee benefits |
| Employee Engagement |
Facility cost and operation metrics

<table>
<thead>
<tr>
<th>Facilities cost components per sq. ft.</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Rental cost</td>
<td></td>
</tr>
<tr>
<td>Area per seat</td>
<td></td>
</tr>
<tr>
<td>Capacity utilization</td>
<td></td>
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<tr>
<td>Seat utilization</td>
<td></td>
</tr>
<tr>
<td>Building running cost</td>
<td></td>
</tr>
<tr>
<td>House keeping staff per 10,000 sq. ft.</td>
<td></td>
</tr>
<tr>
<td>Security staff per 10,000 sq. ft.</td>
<td></td>
</tr>
<tr>
<td>Electricity cost</td>
<td></td>
</tr>
<tr>
<td>Units of electricity consumed</td>
<td></td>
</tr>
<tr>
<td>Per unit cost of municipal electricity</td>
<td></td>
</tr>
<tr>
<td>Per unit cost of self-generated electricity</td>
<td></td>
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</tbody>
</table>
## Local transport and business travel cost related metrics

### Local transport cost
- Net transport cost per user
- Overall transport cost per user
- Employee recovery per user
- Vendor cost per user

### Business travel cost
- Overall business travel cost breakdown
- Travel spend per FTE
- International travel cost per trip
  - International airfare cost per trip
  - International accommodation and allowance cost per trip
  - International visa cost per trip
- Domestic travel cost per trip
  - Domestic airfare cost per trip
  - Domestic accommodation cost per trip
**IT and communication cost related metrics**

<table>
<thead>
<tr>
<th>IT and communication cost breakdown</th>
</tr>
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<tbody>
<tr>
<td>IT spend per FTE</td>
</tr>
<tr>
<td>Network and communication cost per FTE</td>
</tr>
<tr>
<td>Bandwidth capacity utilization</td>
</tr>
<tr>
<td>Primary bandwidth per FTE</td>
</tr>
<tr>
<td>Hardware cost per FTE</td>
</tr>
<tr>
<td>IT assets per FTE</td>
</tr>
<tr>
<td>IT Support Cost per FTE</td>
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About the GIC Leadership Forum

The EY GIC Leadership Forum, facilitated by EY, is a forum for senior leaders of GICs across India; and currently, has over 100 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 benchmarking study, joint procurement pilots etc.

Summits were organized across Bengaluru, Pune, Chennai and NCR in the last twelve months, covering diverse topics such as:

- Digital workforce- A game changer for GICs
- Neo GIC for the new world
- Talent agenda for the future-ready GIC

Feedback from GIC Forum members

“I really enjoyed this occurrence of the forum! Great topics, conversation and insights for me to take back!”

- Large retail Captive

“Quite an insightful event that provided a great platform to share experiences and also pick up from others. Must be continued”

- Global leader in human resource solutions

Benefits to GIC Forum members

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

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