How can you cut cost and still accelerate growth?

EY India GCC Cost, Value and Operations Benchmarking Study 2018

11th Edition

Building a better working world

Overview of EY India GCC
Cost, Value and Operations Benchmarking Study

EY India GCC Cost, Value and Operations Benchmarking Study 2018

This annual study provides GCCs with an understanding of key trends, strategic imperatives and cost and operations benchmarks

15+ Locations	Multiple Industries	Multiple Functions	Centre size ranging from 200 FTE to 1000+ FTE
(Metros, Tier-1, Tier-2 cities)	(Financial services, Consumer products, Retail, Technology, Pharma etc.)	(HR, Finance, IT, R&D, Analytics. etc.)	

Scope and focus areas

1 GCC trends and strategic imperatives

Talent
Changing talent landscape needs, hiring the right talent, policies aligned to millennial needs

Operating structure
Incubation of new services, insourcing, engagement with parent entity etc.

Innovation
Innovation ecosystem, governance models, start-up accelerators

Automation
Emerging technologies (e.g. Cognitive), partnerships, impact of automation

2 Cost and operations trend analysis

Overall cost trends
Y-O-Y trend analysis of key cost metrics

Leading Practices
Leading practices followed across the GCCs

3 Company specific cost and operations benchmarking

Manpower
Salary & Benefit cost, Recruitment cost, training cost

Facilities
Rental, building running, electricity costs

Business Travel
Airfare, accommodation, per diems, visa costs

Local Transport
Vendor, security & manpower costs, employee recovery

IT costs
Network & communications, hardware & software costs

1.2 Our approach for the study

Part-1: GCC Trends and Strategic Imperatives

1. Interviews with GCC CXOs on identified themes
2. Discussion on emerging trends with GBS leadership teams
3. Cross GCC analysis to identify emerging trends and exceptional cases
4. Prepare GCC Future trends report highlighting trends for GCCs of the future

Part-2: Cost and Operations Benchmarking

1. Collect data from various functions and reconcile with finance numbers
2. Compute benchmarks and validate with respective stakeholders
3. Prepare commentary on deviation from median
4. Prepare final report highlighting areas of focus for cost and operations optimization

1.2 Participant profile

Thought Leadership

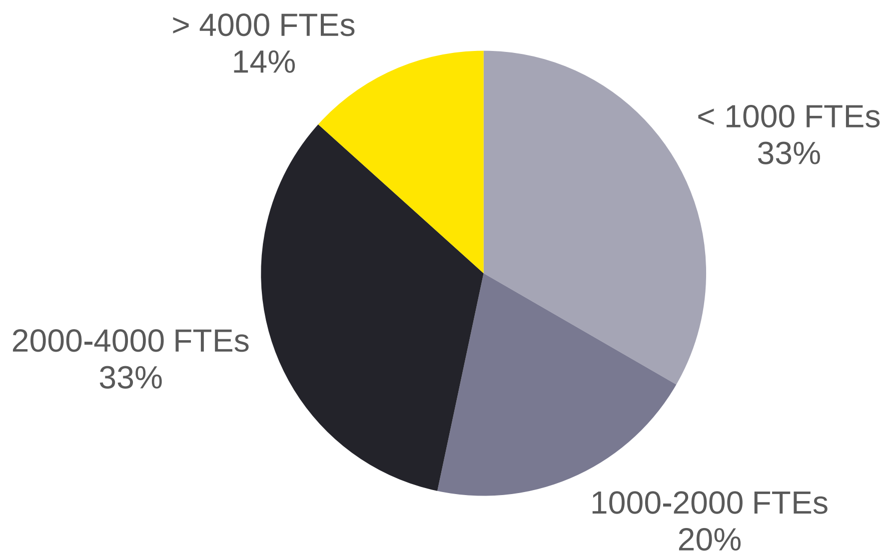
35+
Interviews with GCC leaders

15+
Interviews with EY GBS leaders

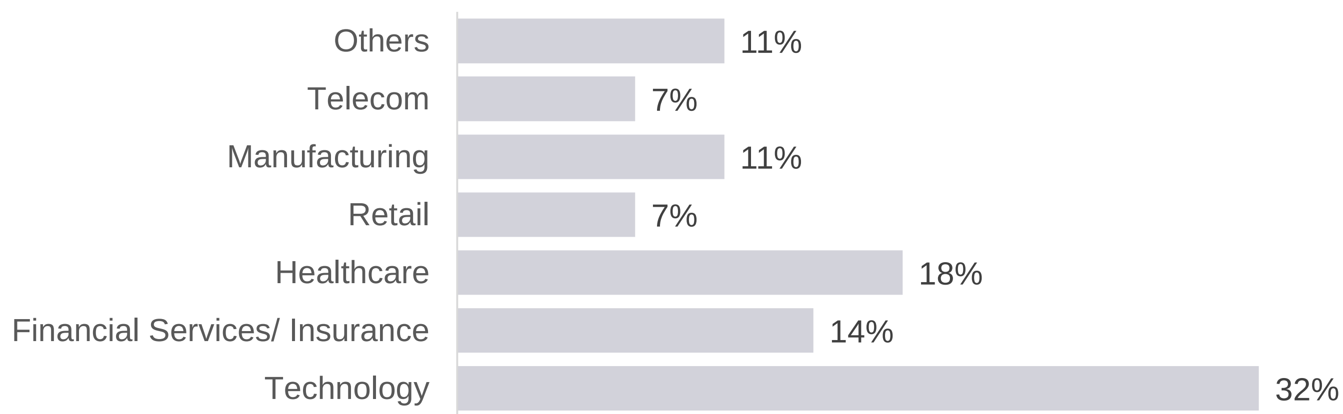
Insights from GCC leadership forum

Insights from
300+
GCC & BPM engagements

Scale of Operations

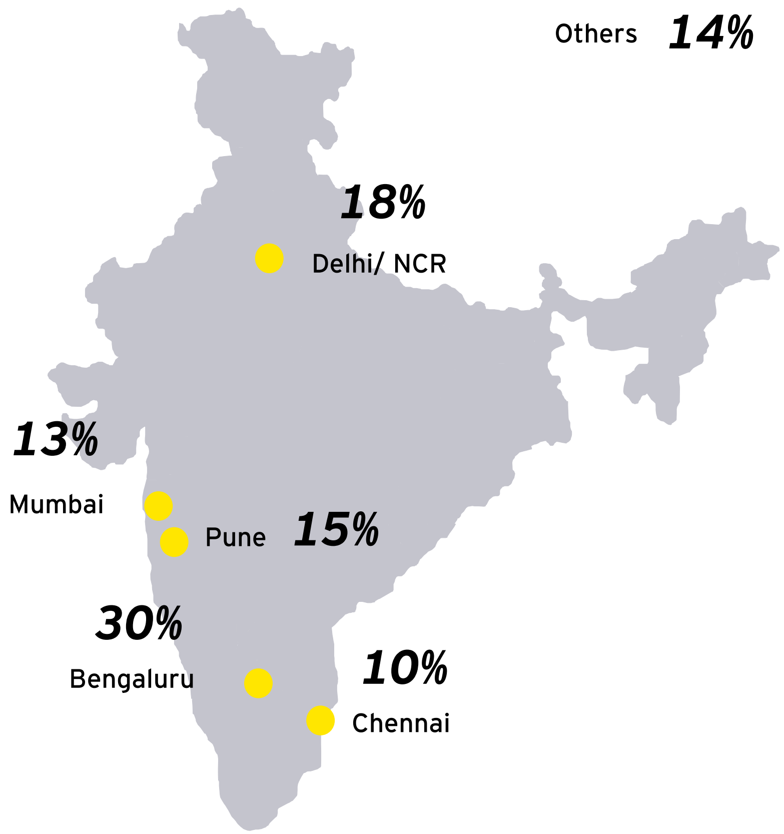


Participation across industries

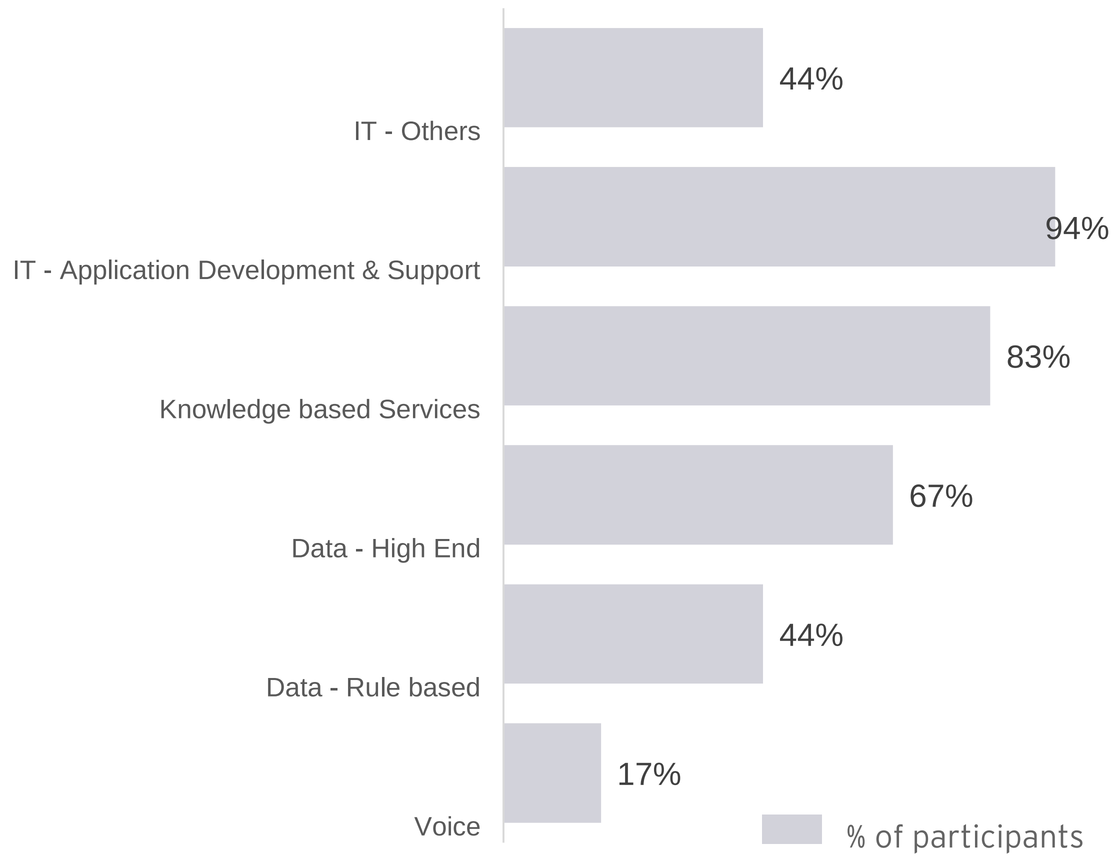


1.2 Participant profile: Cost and operations benchmarking

Location



Services Provided



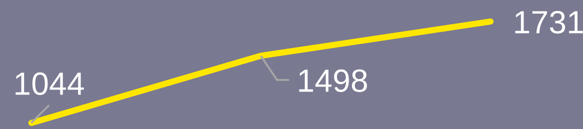
Key assumptions

- Benchmarks provided are based on data received from participants for the 2018 study
- Cost figures are in Indian Rupees and considered for the period April-2017 to March-2018

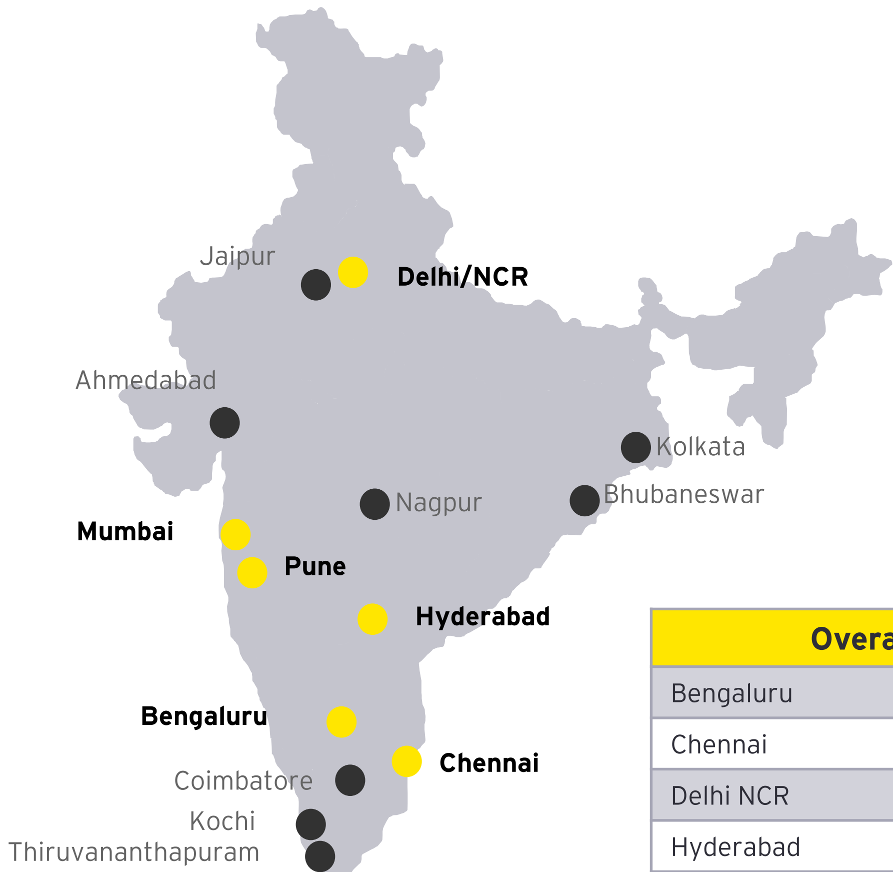
GCC cost and operations trend analysis

Overall cost

Annual Average GCC Operations cost/FTE



13.5% CAGR (2014-18)



Legends

Emerging locations · Established locations

Overall Cost per FTE		
Bengaluru	1845	15%
Chennai	1525	11%
Delhi NCR	1768	14%
Hyderabad	1685	18%
Mumbai	1790	12%
Pune	1545	12%

Focus of GCCs has moved beyond cost to value

Cost arbitrage has traditionally been a major advantage for Indian GCCs. This remains a hygiene factor today with a lot more focus on value driven metrics

GCCs are looking at Tier II cities for expansion

Tier II cities are gaining acceptance as a secondary centre for multi-location GCCs in India due lower infrastructure costs

India continues to provide significant cost advantage

Indian GCCs are able to show cost benefit to their parent organisations in dollar terms

Notes:

1. Cost per production headcount trends: FY14 – FY18 (Annual figures; all cost in Rs. '000s)
2. Data points for FY 14, FY 16 and FY 18

Manpower costs

Salary & benefits
7% CAGR
905 1017 1187

Training
8% CAGR
10 11 13.7

Recruitment
3% CAGR
13.8 12 15.5

Facilities costs

Facilities costs
134 143 210
12% CAGR

IT & communication costs

IT & communication costs
83 104 108
5% CAGR

Travel Costs

Business Travel
64 67 71
2.5% CAGR

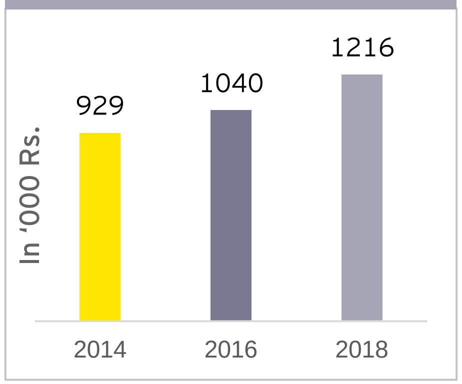
Local Transport
50 46 41
5% CAGR

Notes:
1. Cost per production headcount trends: FY14 – FY18 (Annual figures; all cost in Rs. '000s)
2. Data points for FY 14, FY 16 and FY 18

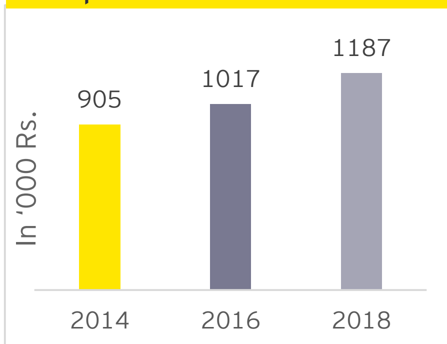
2.1 GCC cost trends: **Manpower cost**

Overall manpower cost per production headcount	2014	2018		
	9,29,000	12,16,000	7%	CAGR increase between 2014 & 2018

Overall manpower cost per production headcount

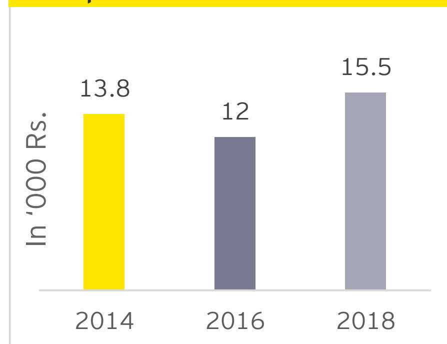


Salary & Benefits cost per production headcount



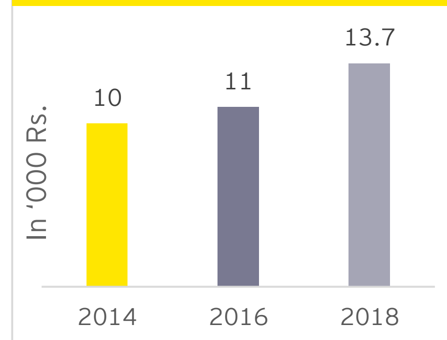
CAGR (2014-18) 7%

Recruitment cost per production headcount



CAGR (2014-18) 3%

Training cost per production headcount



CAGR (2014-18) 8%

Strategic priorities and drivers of cost

- Incubation of new products/services leading to investment in niche skills and capability centres
- Investment in building differentiated employer proposition
- Strategic Automation

GCC cost trends: Manpower cost

Strategic priorities and drivers of cost

Incubation of new products/services leading to investment in niche skills and capability centres

Investment in building differentiated employer proposition

Strategic Automation

Focus on building product/ process ownership

- Innovation is a key KPI for GCC leaders. 200+ digital COEs, 190+ active incubators/accelerators are present in India today
- Focus on enhancing IP has necessitated hiring of people with niche skills and experience at a premium

Focus on defining and creating "art of the possible" for employees

- Aligning employees with global roles to develop an overall understanding of processes and strategic objectives of the company
- Shift from a service to product centric mindset

Defining a robust employer brand

- Highlight the organisation as an employer which is driving the future of work - innovators and market leaders
- Leverage multiple avenues for brand building e.g. campus events, workplace evaluation surveys

Creation of an inclusive workplace

- Initiatives to foster workforce diversity e.g. a leading FS GCC is targeting 30% female representation in senior roles across business lines
- Similar infrastructure irrespective of service line to foster a "One Team Culture"
- Flexible work options - Work from home policies, sabbaticals etc.

Large scale investment in RPA reducing FTE count

- Organisations typically achieve 10-15% FTE savings on automating processes during the initial implementation (<1 year)
- This can rise upto 35% FTE savings on automated processes as the processes are institutionalised (>3 years)

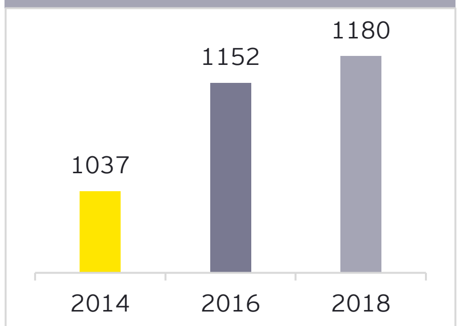
Investments in re-skilling employees impacted by automation

- Work rotation across service lines to make employees cross skilled
- Focus on collaborative, creative, knowledge based assignments. Soft skills and ability to work independently are areas of increased focus
- Investment in e-learning assets for digital learning programs. On an average, 20% of total training hours is delivered through digital platform in GCCs

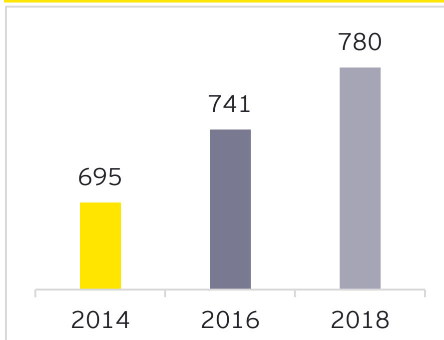
2.2 GCC cost trends: **Facilities cost**

Facilities cost per production headcount	2014	2018		
	1,34,000	2,10,000	12%	CAGR increase between 2014 & 2018

Overall facilities cost per sq. ft.

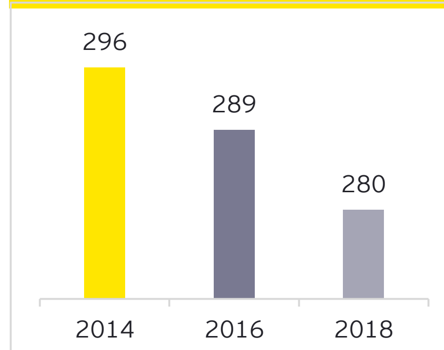


Rent cost per sq. ft.



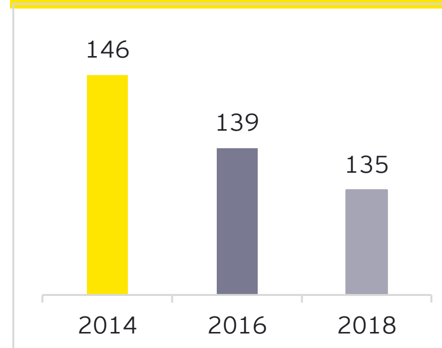
CAGR (2014-18) 3%

Building running cost per sq. ft



CAGR (2014-18) 1%

Electricity cost per sq. ft.



CAGR (2014-18) 2%

Strategic priorities and drivers of cost

- Green initiatives - sustainability in the workplace
- Immersive and engaging workplaces
- Facilities Management

2.2 GCC cost trends: **Facilities cost**

Strategic priorities and drivers of cost

Green initiatives - sustainability in the workplace | Immersive and engaging workplaces | Facilities Management

Investment in green initiatives

- LED lighting upgrades, EMS/monitoring controls, distributed energy resources (DERs) and HVAC system upgrades
- Carbon neutral facility design

Experience based connected workplaces

- Technological sophistication and communication infrastructure to support informal, unstructured group activities across geographies and functions
- Positive workplace experience through casual meeting places, game rooms, recreation areas etc.
- Initiatives around employee wellness - stand-up desks, exercise/meditation areas etc.

Employee welfare and culture

- Similar infrastructure across levels to foster free exchange of ideas and build team spirit
- Employee welfare initiatives such as "cashless cafeteria spend" via salary deduction and ID authentication

Collaborative workspaces

- Operate out of plug and play facilities with outsourced operations without the risk of long term leases, capital expenditure and maintenance

Increased facilities utilization

- Move towards open plan, unassigned workplaces
- Flexi-seating models and rotating shifts
- Smart security solutions like CCTV, access control to reduce physical security

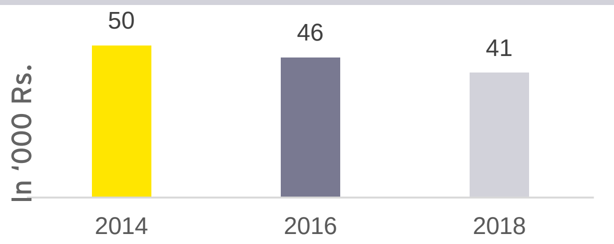
Self-Booking tools

- Implementing online service request tools to optimise deployment of staff, employee convenience, policy compliance etc

GCC cost trends: **Local Transport & Business travel cost**

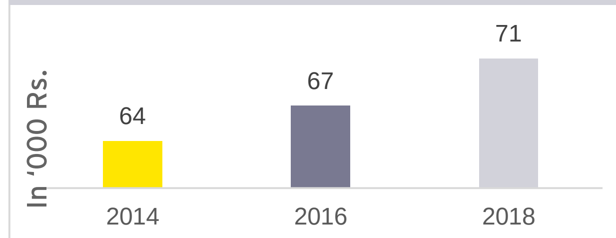
	2014	2018	CAGR	
Transport cost per production headcount	50,000	41,000	↓ 5%	CAGR decreases between 2014 & 2018
Business travel cost per production headcount	64,000	71,000	↑ 2.5%	CAGR increase between 2014 & 2018

Local Transport cost per production headcount



CAGR (2014-18) ↓ 5%

Business travel cost per production headcount



CAGR (2014-18) ↑ 2.5%

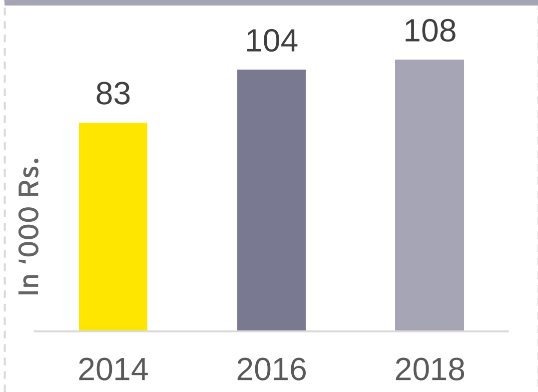
Strategic priorities and drivers of cost

↑ Global roles leading to greater business travel	↓ Travel policy for better control on bookings	↓ Alternate models and tech enabled solutions
▸ Increased collaboration between GCC and global teams for alignment of strategic objectives and trainings leading to increased number of trips	▸ Allocation of pre-defined travel budget to ensure reduced non-billable spend ▸ Reimbursement on actual spend rather than eligibility	▸ Tech enabled safety features for employees on company transport ▸ Cab aggregators emerging as a cheaper alternative to company maintained transport

2.4 GCC cost trends: **IT and Communication Cost**

IT & communications per production headcount	2014	2018		
	83,000	1,08,000	↑ 5%	CAGR increase between 2014 & 2018

IT & communication cost per production headcount



Strategic priorities and drivers of cost

Enterprise mobility

- Mobility enabled 'enterprise solutions on cloud' for anywhere-anytime access to business data
- Extensive use of on-demand access to services over the internet as opposed to on-premise infrastructure

Employee convenience through online service request tools

- Online service request tools, chat bots, mobile apps to process requests for employee assistance
- Quick and streamlined ticket resolution for continued operations

Cybersecurity and data privacy

- Proactive approach to cyber-security, data protection and compliance programmes. Indian cyber security market is expected to grow at 23% CAGR between 2018-2028

Modernisation and data cleansing

- Modernisation of legacy systems to reduce IT environment complexity, cost, increase data consistency, improve process flexibility etc
- Data cleansing and establishing a single source of truth

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