



fieldfisher

The current state of the outsourcing market

We asked our Technology & Data team a series of questions about the state of play of the Outsourcing market.

Here is what we found...

2024

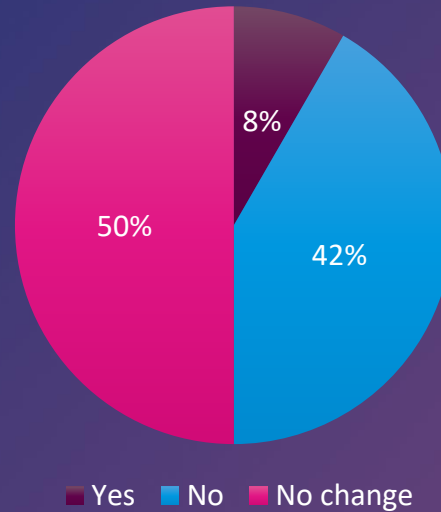
This survey

- We surveyed the Fieldfisher outsourcing team across our network, covering the UK, Europe and Silicon Valley.
- The results reflect the transactions we have been involved in and our conversations with clients.
- We would love to hear your views to help us increase our reach. Contact us by emailing: oliver.gray@fieldfisher.com to add to the survey.

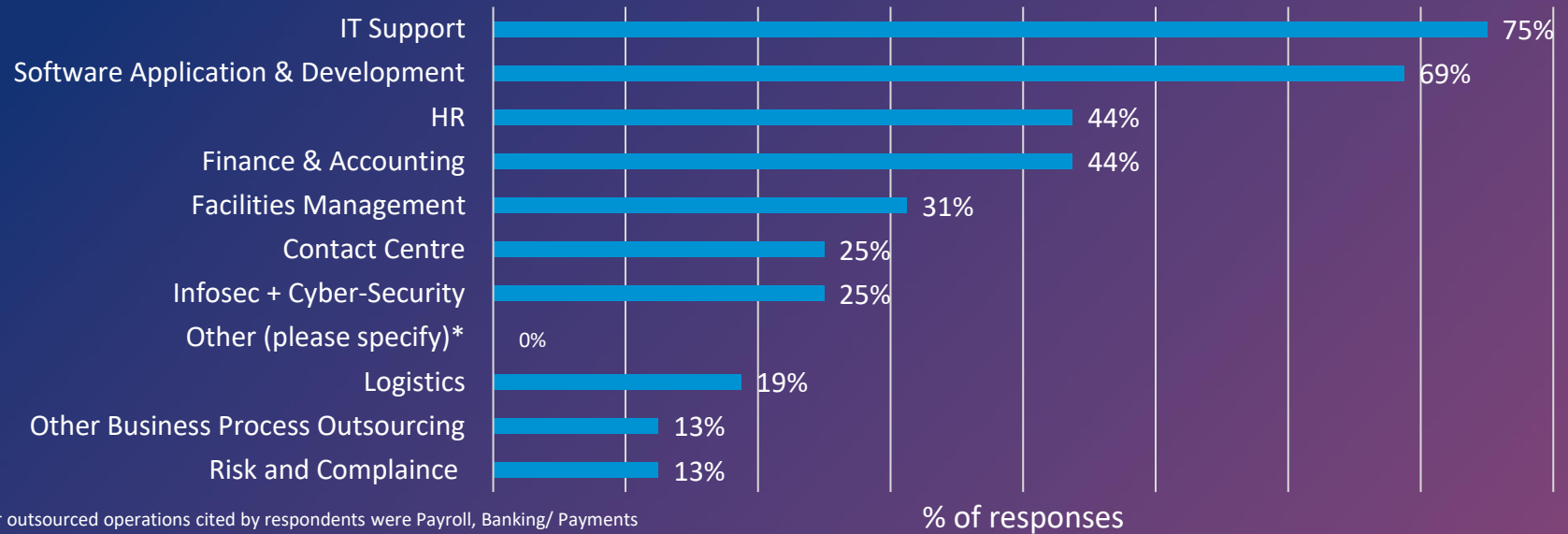
State of the market

- The volume of outsourcing transactions is dropping overall, with few customers looking to increase their portfolio of outsourced services.
- IT outsourcing and software development remain key functions driving outsourcing transactions.
- BPOs may be less popular than previously.
- Access to better technology and cost savings remain the key drivers for outsourcing.
- Financial Services remains the most active in outsourcing transactions.

Are your clients planning to outsource more of their operations in the next 12 to 24 months?

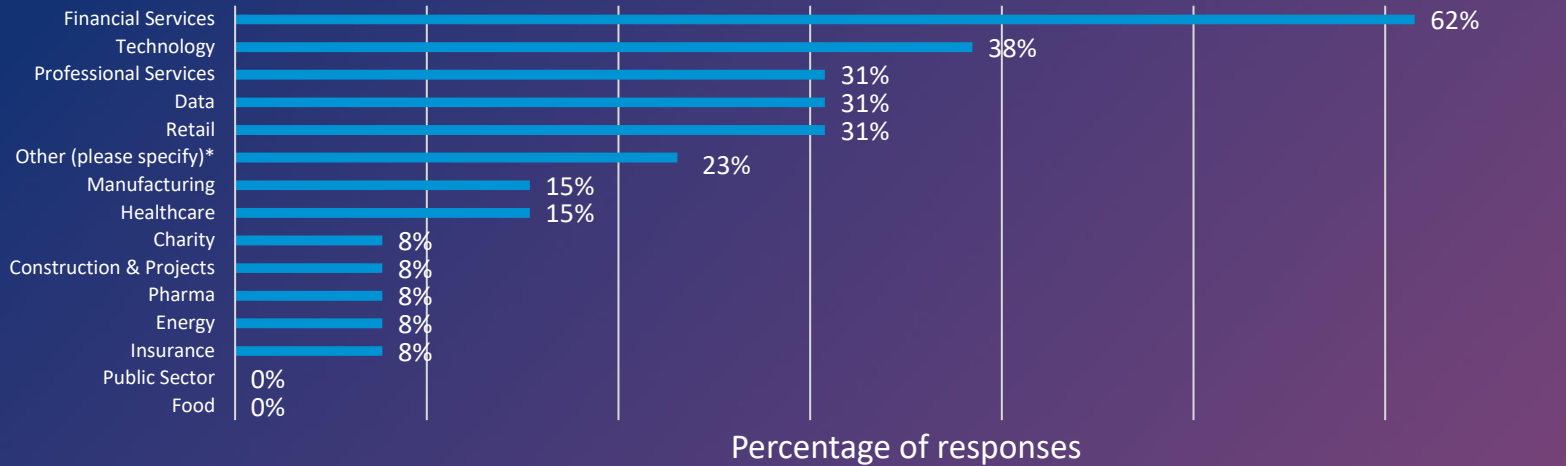


What operations are clients most commonly outsourcing?



*Other outsourced operations cited by respondents were Payroll, Banking/ Payments operations/ Data centres and warehousing

Which sectors are the most active in seeking to outsource their operations?

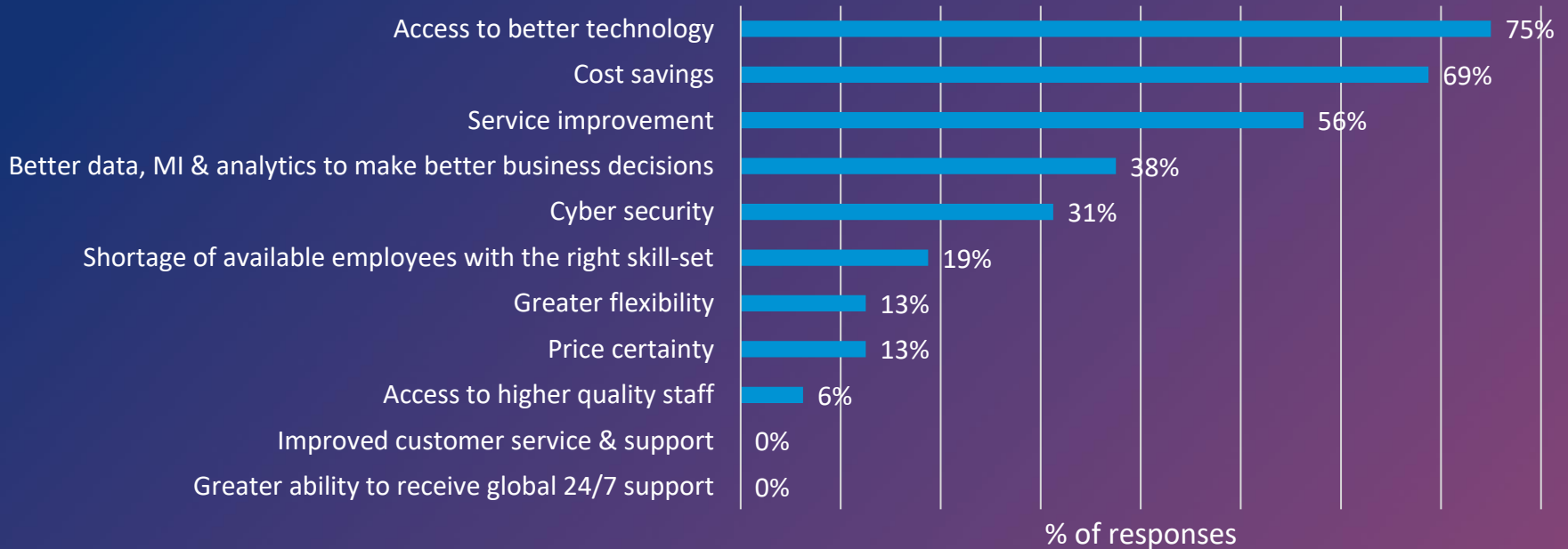


*Other sectors cited by respondents were the Logistics/ Supply chain/ Automotive/ Communications/ Chemicals sectors

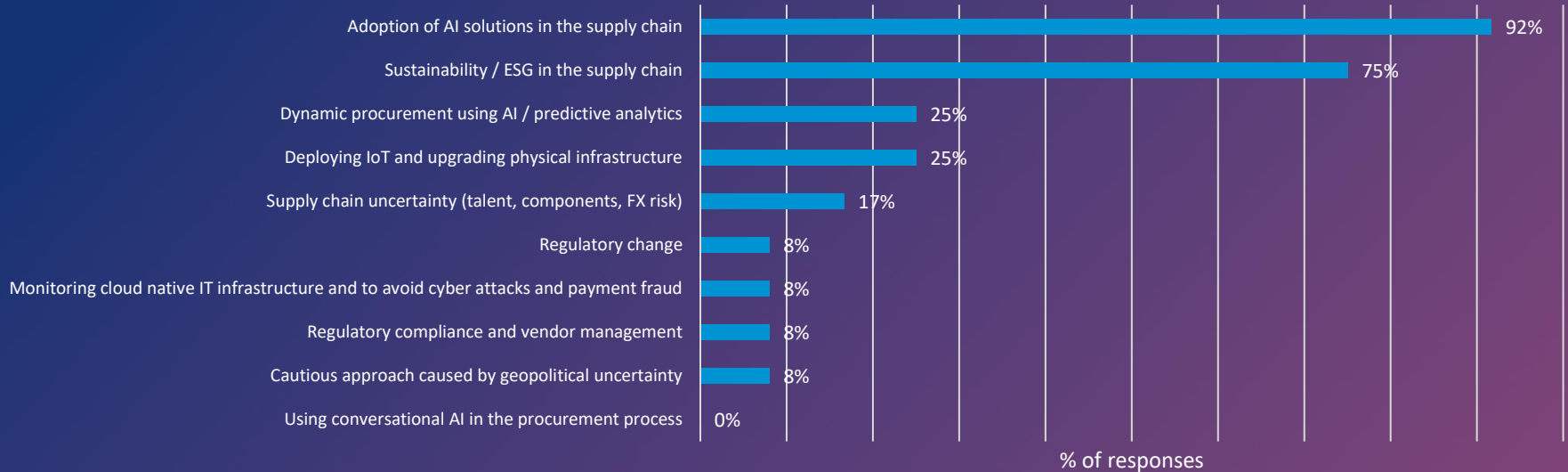
Key drivers for transactions

- Access to better technology and cost savings remain the key drivers for outsourcing.
- AI is changing what is possible for outsourcing solutions, and a key topic for any business looking to outsource for the first time or restructure an existing function.
- The focus on ESG is changing the conversation around outsourcing transactions, with the potential for legislative change to impact on businesses in the future.
- Upgrades to physical infrastructure are driving new outsourcing transactions, with Internet of Things and the data generated opening the door to new and innovative solutions.

What do you currently see as the key priorities for businesses when outsourcing?



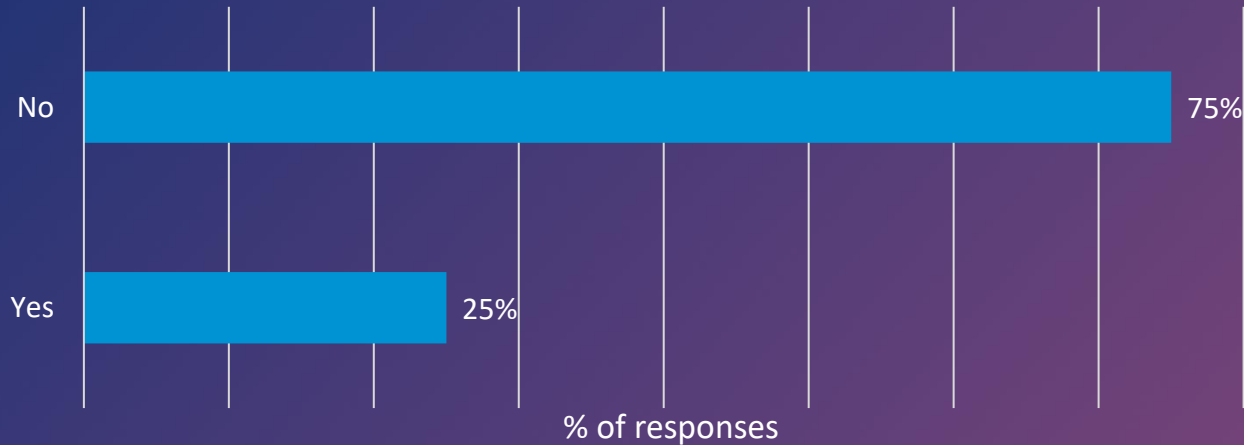
What will be the most impactful trends within the sourcing and digital transformation market over the next 12 months?



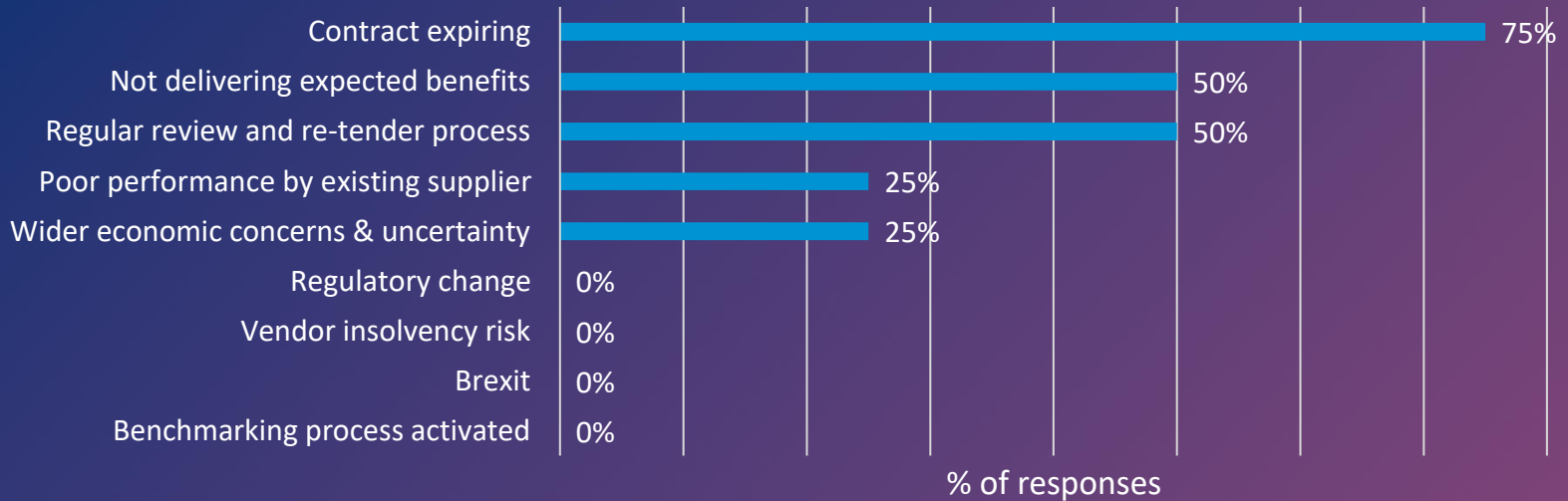
Existing deals

- We anticipate approximately 25% of clients to be looking to re-negotiate their key outsourcing contracts in the short to medium term.
- Much of this will be due to good contract management.
- However, there is still a high percentage of expected renegotiations due to poor supplier performance OR a failure to achieve expected benefits.
- Macro factors such as Brexit and regulatory change have not lead to mass re-negotiations.

Are your clients re-negotiating any of their outsourcing arrangements in the next 12-24 months?



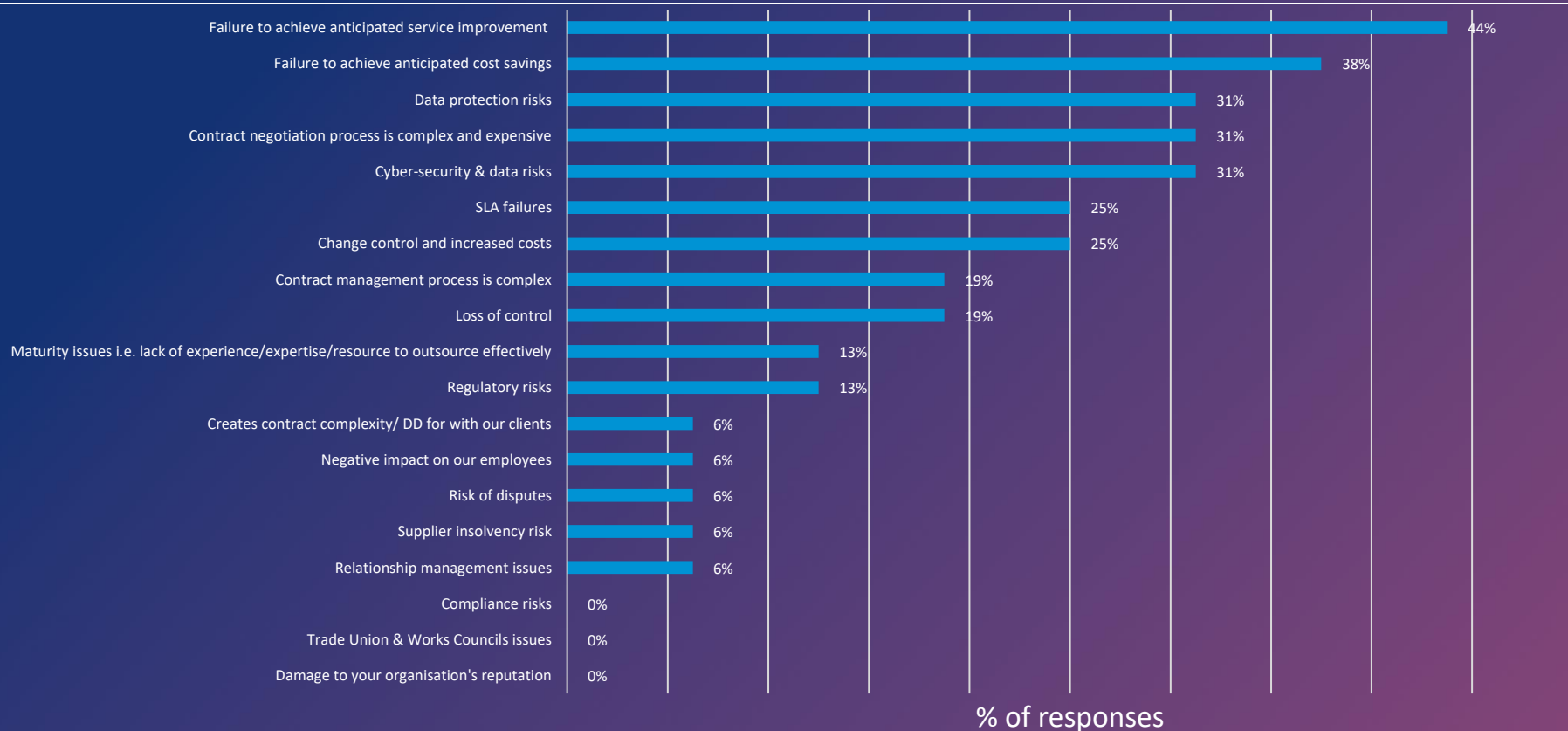
If 'yes' to the previous question, what are the key reasons that the client is re-negotiating?



Key risks

- The key risks to outsourcing projects remain failure to achieve the anticipated service improvements or cost savings.
- Increasingly, data protection and cyber security also are becoming prominent risks when undertaking an outsourcing transaction.
- Customers are becoming more mature in their use of outsourcing, and as a result issues with business maturity and relationship management are not as prominent as they once might have been.

In your experience, what are the key risks with outsourcing for clients?



And finally...

Generally, have you seen a change in the use of outsourcing over the past 5 years?

- 62% of respondents said that the key change that they have seen in the use of outsourcing over the past 5 years has been the decreasing use of traditional outsourcing models (i.e. outsourcing to a third-party organisation) and a rise in the use of other models such as cloud sourcing (i.e. SaaS solutions).
- 32% of respondents said that they had seen an increase in sourcing models favouring a larger portfolio of vendors to support business operations (i.e. one vendor for cloud services, another for cyber security etc.) as opposed to major outsourcing models where these functions were covered by one external third party.
- A small percentage of respondents (6.25%) had noticed an increased focus on sourcing internally functions that would traditionally be outsourced externally, whether that be fully in house or within a low-cost jurisdiction hub.

If you could change one thing about outsourcing, what would it be?

- The outsourcing procurement process can be long and costly, and is ripe for improvement.
- Greater focus should be given to: understanding the service delivery process, defining the scope of work and what good delivery means.
- The fragmentation of regulation for different services can be challenging. A common international framework or legislation governing outsourcing could be beneficial in this regard.