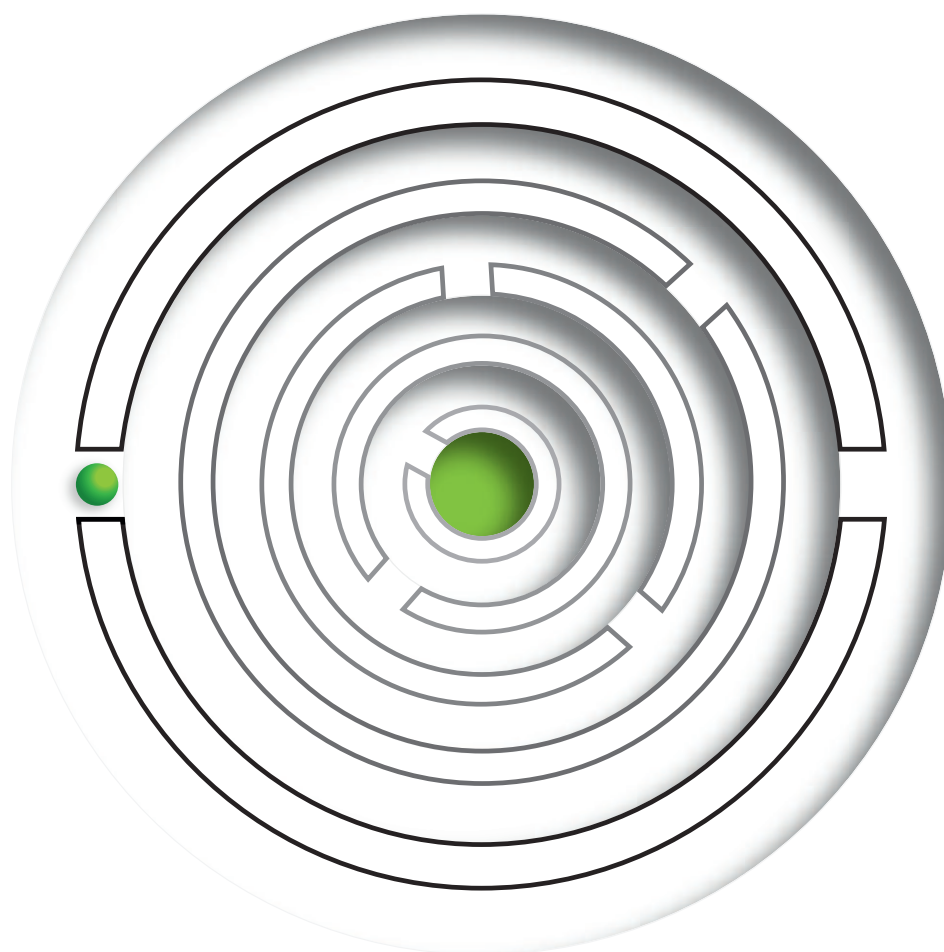




Outsourcing and Shared Services 2019-2023

Global, Middle East and UAE industry outlook



Abstract

Globally and regionally, the outsourcing and shared services (OSS) industry is transforming. By adopting new technologies, the industry is evolving from a pure cost-efficiency model to new innovative value-creation models. This tech-enabled transformation presents significant opportunities for the industry's potential impact and growth.

The OSS industry has exhibited this in the past, and will continue to do so in future. Across the world, the OSS industry has entirely transformed and enhanced the way organizations operate over the past 40 years. From tapping into economies of scale to pooling resources and expertise, businesses and governments can now provide services they could not before, far faster and more cost-effectively.

In recent years, innovations and advancements have given rise to new exponential technologies, leading to the digital disruption and transformation not only of organizations, but also of entire industries and even nations. Of these, cloud computing (CC), robotic process automation (RPA), and artificial intelligence (AI) are taking hold in the OSS industry and anticipated to have a significant impact going forward.

As the rate and pace of technology and digital disruption increases, organizations are struggling to stay relevant, fueling the need for OSS to sustain competitive advantage. Equally, such disruption is also rapidly transforming the OSS industry itself, leading to new and evolving service delivery models. This presents not only new challenges for the industry, but also opens up new frontiers and opportunities for OSS buyers, vendors and operators across the globe.

In the Middle East, Arab countries are undergoing major economic transformations, targeting non-oil growth. This has fueled the rapid adoption of new disruptive technologies and raised OSS as a key non-oil industry of significant strategic importance, alongside ICT, telecom and adjacent knowledge-based industries.

Local OSS players are therefore similarly exploring the potential for CC, RPA and AI technologies to meet new needs around continuous product and service innovation, talent shortage, and rising cost pressures. To this effect, the Dubai Outsource City (DOC) Outsourcing Outlook Forum 2017 report found that a significant 29.3% of OSS industry conference attendees highlighted their usage of these transformational technologies.

In this context, Deloitte has collaborated with Dubai Outsource City (DOC) to assess the current state of the OSS industry, study the latest challenges, trends and opportunities associated with such transformational technologies and anticipate the impact this will have on the industry's future.

The whitepaper studies the OSS industry across these dimensions from a global, regional and local UAE perspective, where the UAE is one of the key OSS hubs and gateways to serving Arab countries across the Middle East. Based on this, the report provides an outlook of the OSS industry and offers a way forward for buyers, vendors and operators to capitalize on the opportunities that are present across the region.

Foreword: Dubai Outsource City



Ammar Al Malik
Managing Director of
Dubai Internet City and
Dubai Outsource City

Traditionally when people discussed outsourcing, it was associated with cost-cuts, loss of jobs and delegation of tasks. But over the years, the world of outsourcing has grown more dynamic and encompasses a multitude of functions that add significant value to companies of all sizes, from start-ups to multinational corporations.

In the past decade, I have witnessed the evolving nature of outsourcing and shared services (OSS) first hand in Dubai Outsource City, the region's largest specialized outsourcing hub dedicated to the growth and development of the OSS industry.

Companies are rapidly shifting their focus away from merely contracting out tasks. Instead, they are looking to work in partnership with specialist outsourcing providers to bridge the skills gap, streamline processes and maximize productivity. More importantly, businesses actively look towards outsourcing providers and shared services centers for ideation and innovation.

We all know that every industry has been impacted by technological advancements, and the OSS industry is no exception with companies integrating artificial intelligence, automation, cyber security and cloud computing into their processes and systems – resulting in more impressive offerings and efficiencies.

I remain convinced that the outsourcing industry will drive competitive advantages for companies in this modern era, and revolutionize the way we all do business.

Foreword: Monitor Deloitte



Emmanuel Durou
Partner, Head of Middle East
TMT Industry
Monitor Deloitte
Deloitte & Touche (M.E.)

Outsourcing and shared services (OSS) like ICT and telecom are key industries offering products and services that have helped businesses and governments alike to expand their capabilities and horizons, redefining how they operate and deliver. As OSS applies a high degree of technology, expertise, research and development (R&D) to optimize business models and operations, it is at the forefront of industries impacted by new disruptive technologies, in turn enabling the transformation of its users.

Across the world, buyers, vendors and operators of OSS are confronted with the new disruptive challenges as well as opportunities these technologies present. This is especially the case in the Middle East and in the UAE, where accelerated transformation is taking place at an industrial and even national scale, with ambitious modernization plans powered by rapid technology adoption to become amongst the leading digital markets in the 21st century. This is not only fueling significant demand for OSS, but also positions the industry as a key strategic enabler and success factor to realizing national modernization visions.

With this in mind, we welcome you to the “Outsourcing and Shared Services Outlook 2019-2023: Global, Middle East and UAE Industry Outlook”, a whitepaper Monitor Deloitte has developed in conjunction with Dubai Outsource City (DOC) to assess the OSS industry, offer an outlook and way forward for the region.

It has been an honor to work with DOC on this important study and we thank them for their vision, expertise and support. We also express our gratitude to the OSS partners and the industry experts that provided their invaluable insights in support of this paper. We are pleased and excited to share our collective insights and look forward to discussing your perspective on our report with you.

Global OSS overview and outlook

The outsourcing and shared services (OSS) industry has been rapidly transforming the way businesses across the world operate since the late 1980s. Over the past few decades the usage and application of OSS has become an effective and common business practice not just as a cost-cutting measure but also as a time-saver and enabler of innovation, acting as key to building a sustained competitive advantage.

Defining the OSS industry

Outsourcing

Primarily, outsourcing involves an organization hiring or subcontracting another specialized company or individual to perform certain tasks or functions at scale. This includes both IT outsourcing (ITO), involving the day-to-day management and operation of IT assets and processes (e.g. IT support, IT networks), as well as business process outsourcing (BPO), involving the ownership, administration and management of selected business processes or support functions based on defined measurable performance metrics (e.g. finance & accounting, human resources, customer & sales support).¹

Shared services

Unlike outsourcing, shared services (SS) traditionally involves the centralization of an organization's administrative and back-office functions (e.g. finance & accounting, human resources, IT, procurement). While this typically excludes core operations (e.g. content creation in a media production company), advancements are enabling shared services centers (SSCs) to expand across more core business processes (e.g. payments processing for banks), giving rise to a more global business services (GBS) or integrated business services (IBS) model.

Market overview and outlook

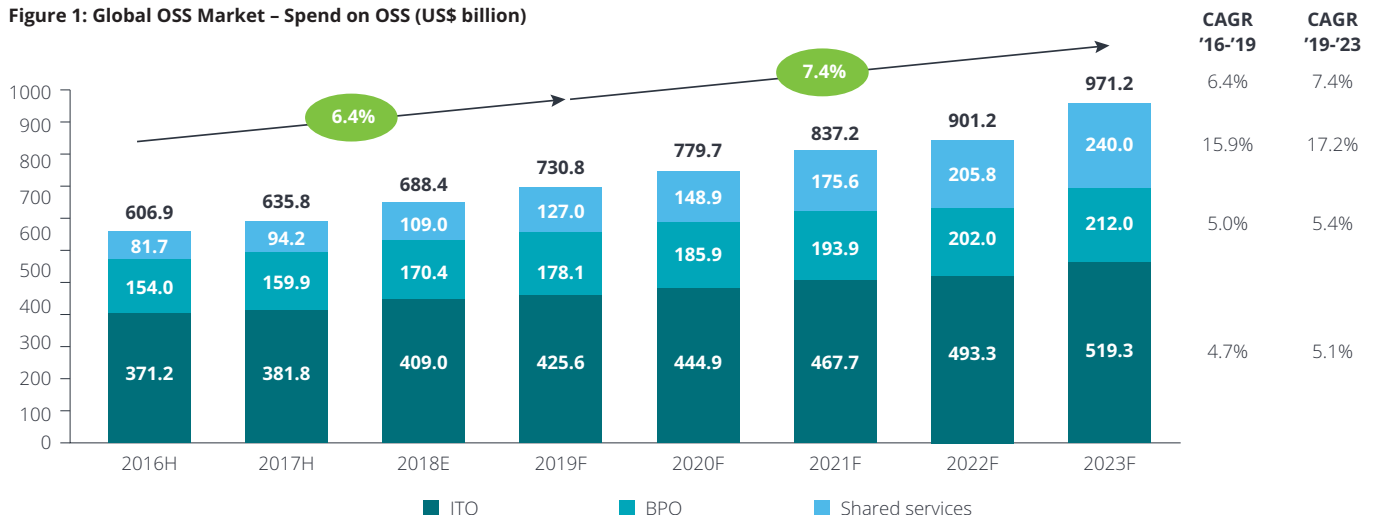
Globally, OSS has grown to become a mega multi-billion dollar industry. Last year alone worldwide spend on OSS operations and services is estimated to have reached US\$ 688.4 billion (see figure 1). With this representing almost double the growth of previous years (8.3% from 2017 to 2018 vs. 4.8% from 2016 to 2017), OSS market demand and growth is significant and accelerating.

Historically, OSS largely focused on traditional BPO. Over the years, various

waves of technology advancements have driven the mass enterprization of IT, which has given rise to ITO. Today, ITO is estimated to represent 58.2% of OSS spend, representing the vast majority of the OSS market in 2019. This is followed by 24.4% of OSS spend on BPO and 17.4% on shared services.

Going forward, socio-economic turbulence and uncertainty across the world is anticipated to exacerbate cost and competitive pressures, especially on multi-national businesses and governments. Coupled with ongoing advancements in technologies, such as robotics and artificial intelligence enabling new levels of process and cost efficiency in parallel, consensus amongst industry analysts and experts is that this will fuel acceleration in OSS spend for a number of years. As such, the OSS market is forecast to grow at an over 7.4% compound annual growth rate (CAGR) from 2019 to reach US\$ 971.2 billion by 2023.² At this rate, the OSS industry will exceed US\$ 1.0 trillion, within the next 6 years.

Figure 1: Global OSS Market – Spend on OSS (US\$ billion)



Source: Technavio, Gartner, Monitor Deloitte analysis

Key growth drivers and trends

Cost reduction

Traditionally, the practice of OSS has long been adopted by organizations to achieve cost reduction through labor arbitrage and retain focus on core competencies. Naturally, these remain the ultimate drivers of OSS spend and growth. This is illustrated in the bi-annual Deloitte Global Outsourcing Survey (DGOS), where 65% and 63% of outsourcing buyers and vendors surveyed in 2016 cited a focus on core business functions and cost reduction respectively as the primary benefits behind outsourcing spending decisions (see figure 2). This was also found in the bi-annual Deloitte Global Shared Services Survey (DGSSS), where 40% of shared services operators surveyed in 2017 highlighted cost reduction as the number one driver behind strategic decisions and investments in shared services and 17% cited the same for opening a new shared service center (SSC), moving an SSC or consolidating SSCs³ (see figure 3).

Strategic and competitive advantages

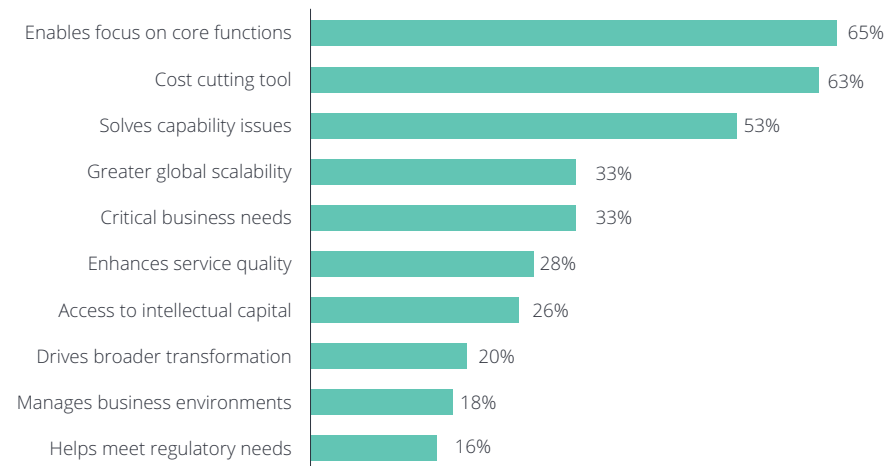
Yet, in recent years, the OSS industry and its drivers have considerably grown as organizations are now looking towards OSS to achieve a multitude of strategic objectives beyond just cost. While cost indeed remains a key driver, the ability for organizations to keep up and stay relevant in the modern age of disruption has become equally critical. Organizations recognizing this are now also investing in OSS to multiply performance (speed, quality), reduce capability as well as capacity gaps, increase agility, access intellectual capital, reach new markets and accelerate innovation across their business from back-office support to front-office product and service delivery.

Exponential technologies

The advent and adoption of new exponential technologies, is now enabling organizations to formulate disruptive OSS

Figure 2: Benefits and drivers of outsourcing

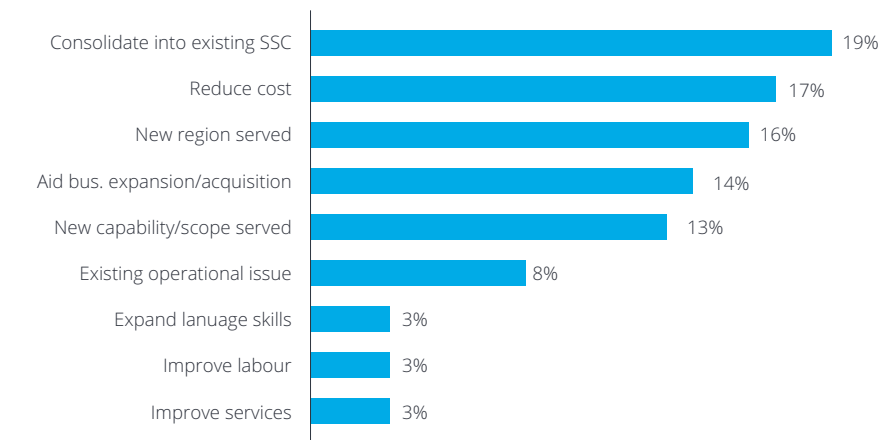
Question: How does your organization perceive the benefits of outsourcing?



Source: Deloitte Global Outsourcing Survey 2016

Figure 3: Rationale and drivers of shared services

Question: What is your rationale for opening a new SSC, moving an SSC or consolidating SSCs?



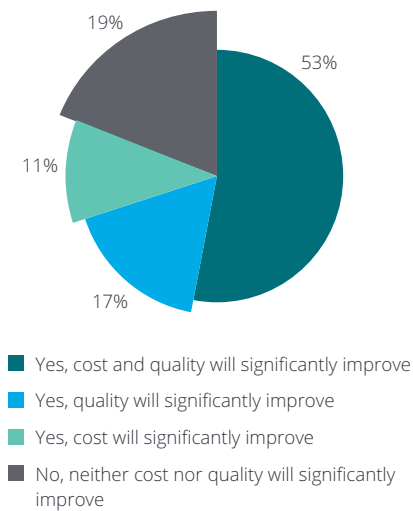
Source: Deloitte Global Shared Services Survey 2017

solutions to achieve both core cost reduction and new strategic imperatives. Organizations across the industry are recognizing this, with 81% of outsourcing buyers and vendors surveyed in 2016 affirming the importance of technology as a means to achieve these benefits (see figure 4 on next page).

81% of outsourcing buyers and vendors surveyed previously affirm the importance of technology as a means to achieve improved cost and quality benefits.

Figure 4: Importance of technology in outsourcing

Question: Do you believe that technology will improve your organization's cost and quality?



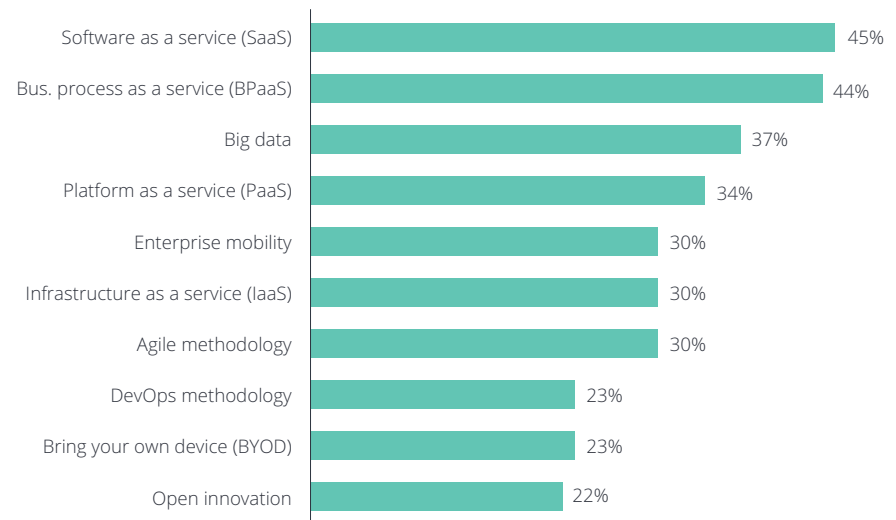
Source: Deloitte Global Outsourcing Survey 2016

This has led to revolutionary shifts in the OSS industry, especially in service delivery models, with the emergence of cloud-enabled “as-a-service” models and process automation seeing increasing demand from OSS buyers (see figure 5).

Such disruptive OSS solutions are challenging traditional OSS to drive and sustain competitive advantage. Yesterday, OSS was about cutting costs and improving back-office services. Today, disruptive OSS is about increasing

Figure 5: Demand for tech-enabled outsourcing services

Question: To what extent will the following technologies impact your future decisions to increase outsourcing?



Source: Deloitte Global Outsourcing Survey 2016

collaboration to integrate services that organizations cannot build fast-enough on their own, business process automation and digital transformation of shared service centers.

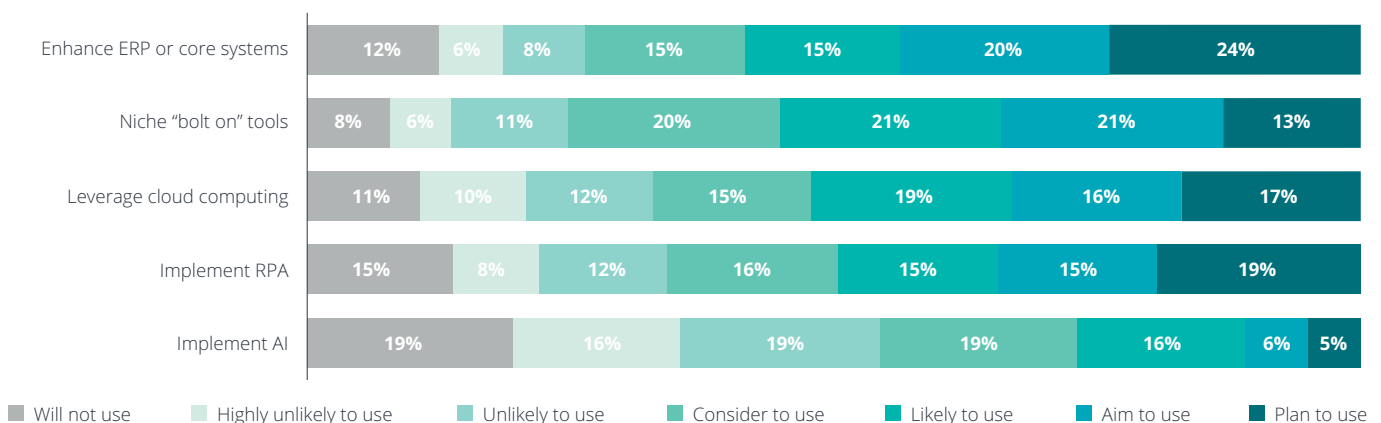
In response to this paradigm shift, more than half of the organizations surveyed in the latest DGOS are adopting, or are considering adopting disruptive solutions to drive performance, improve time to market, and increase product and service innovation.

Similarly, close to half of shared service center operators surveyed recently mentioned they are likely to implement cloud computing and RPA solutions, with almost a third likely to implement AI solutions to increase automation in their organizations (see figure 6).

The underlying exponential technology trends driving this shift and disruption in the OSS industry is cloud computing, RPA and AI. Each technology in its own right has had a profound impact on OSS, which is examined in turn.

Figure 6: Technology adoption for automation in shared service centers

Question: On a scale of 1 to 7, what methods are you likely to use over the next 12 months to increase automation in your SSC or GBS?



Source: Deloitte Global Shared Services Survey 2017

Global OSS trend: Cloud computing

Cloud computing (CC) services are defined as standardized, highly automated offerings in which computing resources, complemented by storage and networking capabilities, are owned and hosted by a service provider and offered to the customer on demand. Such IT-enabled services provide elasticity and scalability, following a subscription-based or consumption-based pricing model.⁴

Of all new exponential technologies observed in the OSS industry, cloud computing is and has been by far the most transformative to date. It has given rise to many of the “as-a-service” models observed and has fueled growth in supporting adjacent IT services (e.g. data center services, enterprise network outsourcing), which has catapulted ITO into a multibillion-dollar market in its own right.

Most notably, business process as a service (BPaaS), which is simply cloud-enabled BPO, has now become close to a US\$ 40 billion market and is challenging traditional BPO (TBPO), at double the CAGR over the past 2 years (8.8% BPaaS vs. 3.9% TBPO from 2016 to 2018). With analysts expecting this growth gap to sustain if not widen, BPaaS is forecast to capture the TBPO share to represent almost a third of the BPO market in 2023.

Within ITO, infrastructure as a service (IaaS) is by far the fastest growing of all OSS services, having grown by over 30% CAGR since 2016. With analysts expecting this super-growth to sustain, IaaS is projected to multiply more than three-fold from US\$ 31 billion in 2018 to almost US\$ 100 billion in 2023, over 10% of the entire OSS market.

Such super-growth and spend potential on cloud-based services has led to very high cloud adoption by OSS players. This is confirmed in the latest DGOS 2018, in which 93% of outsourcing vendors and buyers surveyed reported that their

Figure 7: Objectives for adopting cloud

Question: What are your objectives for adopting cloud? (top five responses)



Source: Deloitte Global Outsourcing Survey 2018

organizations are considering or have already adopted cloud services.⁵

The resounding success of this technology in terms of market demand and growth is attributed to the range of key benefits it offers. It has enabled instant access to innovative technologies while avoiding mainstream challenges such as lengthy implementation times, high capital expenditure, and extensive planning. It is highly elastic, enabling on-demand access to services, economies of scale and operational flexibility (see figure 7). These advantages have opened opportunities for OSS to transform OSS buyers, vendors and Shared Service Centers (SSCs) internal processes and develop new and innovative service offerings.

From a function perspective, while cloud adoption is significant across all BPO function segments, cloud-based HR BPO is amongst the largest and fastest growing. Analysts estimate spend on HR BPaaS services to be worth over US\$ 13.9 billion in 2018, and expect this to grow at 8.7% CAGR to reach almost US\$ 21.9 billion in 2023. Spending on packaged cloud human capital management (HCM) applications alone is expected to reach US\$ 4.7 billion by 2021.⁶ A strong case in point is Exertis, a European technology distribution and service provider, which migrated its HR processes to the cloud (see figure 8).

Figure 8: Mini case study on cloud computing in OSS



Source: Exertis, interviews, Monitor Deloitte research and analysis

Global OSS trend: Robotic process automation

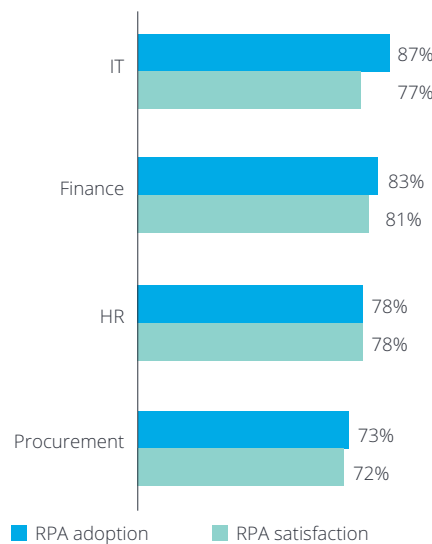
Robotic process automation (RPA), software that can automatically execute routine, repetitive, structured work based on rules, is now also taking hold. After cloud, RPA is the most widely adopted emerging technology across the OSS industry. A recent survey by Gartner found 48% of shared services organizations are evaluating next steps in RPA adoption and usage,⁷ and recently the DGOS 2018 found that 72% of outsourcing organizations are at least considering or already adopting RPA, citing performance enhancement, speed to market, error reduction, streamlining and access to new technology as key reasons for its usage.⁸

Surveys conducted by Deloitte also illustrate RPA is gaining widespread acceptance, adoption and satisfaction across functional segments (see figure 9). IT and finance are the largest users (87% and 83%) followed closely by HR and procurement (78% and 72%). All functions reported reasonably high levels of satisfaction for RPA (all above 70%), indicating how rapidly this technology has already matured and how deeply it has been adopted globally.

A good example of RPA adoption and usage is visible in the financial services industry, in which one of Australia's largest banks applied RPA to automate various processes across its finance, HR and other administrative support functions, achieving significant cost reduction, process optimization and more effective resource allocation (see figure 10).

As the benefits of RPA in enabling business enhancement and expansion are further realized, its acceptance will only increase, driving continued growth in RPA adoption, usage and developments. This in turn will amplify RPA's capabilities and its transformative potential for OSS.

Figure 9: RPA adoption and satisfaction in OSS



Source: Deloitte Global Outsourcing Survey 2018

Figure 10: Mini case study on RPA in OSS



Australia's fourth largest bank implements RPA to automate administrative tasks.

Challenge

ANZ was incurring significant costs in outsourcing administrative tasks (e.g. finance, HR and support functions), wherein the processes were highly manual and the majority of the employees' time was spent on fixing errors.

Solution

They integrated RPA bots in the existing systems of finance, HR, payments, helpdesk support, and mortgage processing to reduce these costs.

Impact

The number of employees involved in these processes decreased from 40 to 2. These employees were then moved to more rewarding and high-value tasks.

Source: ANZ, interviews, Monitor Deloitte research and analysis

Global OSS trend: Artificial intelligence

Unlike RPA, which automates routine and repetitive structured work, artificial intelligence (AI) represents the next natural evolution in automation, where computer systems can perform tasks that normally require human intelligence such as intuition, judgement, creativity, persuasion and problem solving. This includes but is not limited to cognitive computing, machine learning, computer vision, deep learning and natural language processing. Such technologies have the potential to improve productivity, ease decision making and interactions, as well as enable a new field of innovative services.

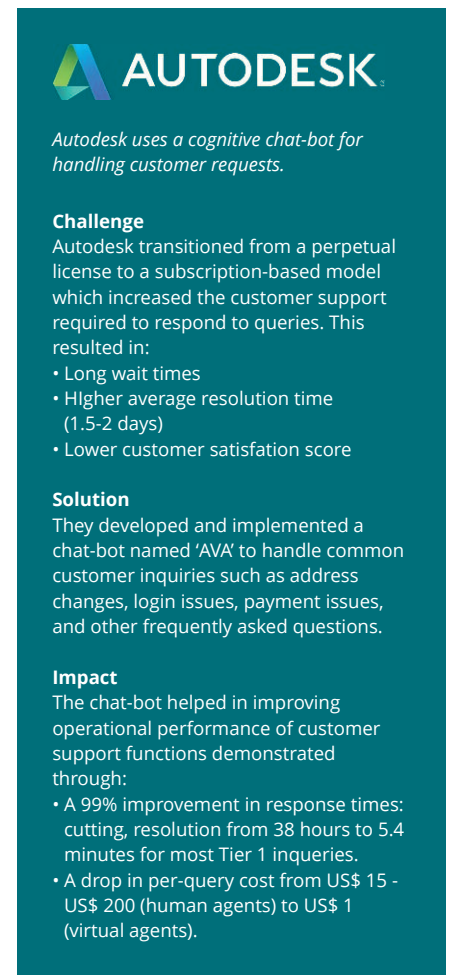
While AI is still nascent, some OSS players are already exploring its potential by enhancing RPA with cognitive capabilities, enabling processing and analysis of unstructured data (e.g. text, voice, images, handwriting). Of the DGOS 2018 respondents using RPA, about one-third are also implementing cognitive automation, while another 59% plan to do so in the next 18 months.

Another key use case is the emergence of chatbots, programs that mimic conversations with people using AI techniques. Chatbots can automate a variety of business processes from technology helpdesks, customer contact centers, HR recruitment, to procurement and compliance checking.

Adoption of chatbot technology is fast growing not only among OSS buyers and providers but also across various industries, predominantly in customer service centers, enabling an enhanced user experience with operational benefits (e.g. 24x7 accessibility, high handling capacity, low maintenance costs and faster turnaround). A good example of this can be seen in Autodesk's adoption and usage of chatbots for handling customer requests, which yielded transformative time and cost savings at scale (see figure 11).

Such transformative benefits will in turn accelerate adoption and developments in AI-driven automation. The pace and extent of this is illustrated in one survey, which found 67% of industry professionals reportedly expecting chatbots to outperform mobile apps in the next 5 years.⁹ As such, some analysts expect the global chatbot market to grow by 37% per annum in the next 3-5 years,¹⁰ generating potential time savings of over four minutes per enquiry and a predicted US\$ 8 billion in cost savings for business per year by 2022.¹¹

Figure 11: Mini case study on AI in OSS



Source: Autodesk, interviews, Monitor Deloitte research and analysis

Global OSS challenges

As industry-wide adoption of these emerging technologies and the advent of new disruptive OSS solutions start to gather pace, a range of associated challenges have emerged, with some being amplified. When selecting a disruptive OSS provider and designing solutions, executives' primary contractual concern is data security, followed by performance and resilience, and providers' compliance with laws and regulations (see figure 12).

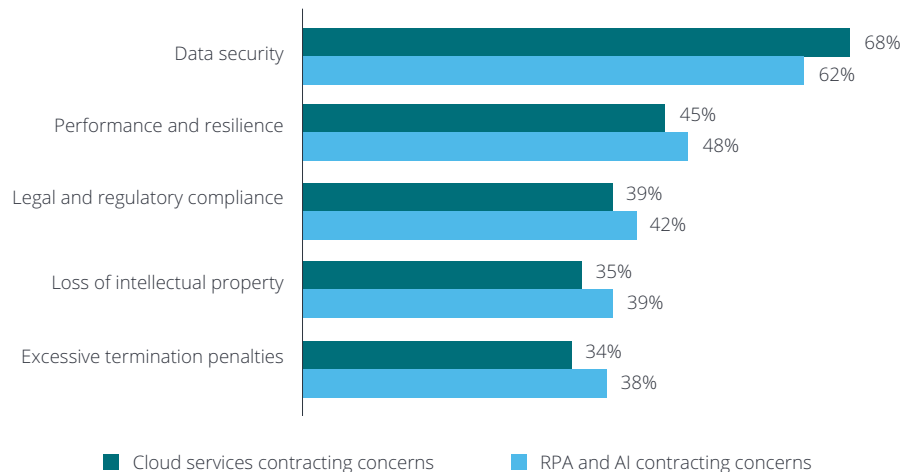
Cyber and data security

In today's digital age, cyber and data security is an ongoing challenge. This is naturally augmented in the OSS industry, given the nature of the business, typically involving sensitive data being processed or shared across different systems, third-party providers and jurisdictions. With both business processes and data migrating towards cloud and automation, the risks and costs of cyber breaches are far higher than ever before. OSS buyers recognize this and the need to proactively monitor data, risk and security protocols. As such, the percentage of outsourcing buyers taking measures to address cyber risks has dramatically increased from over 65% in the DGOS 2016 to 95% last year. In 2018, 78% of organizations reported that their outsourcing engagements were audited within the past 12 months, in line with 77% in the DGOS 2016.

Performance and resilience

A transformational journey to adopt disruptive cloud, RPA- or AI-driven processes and solutions can present significant risks to existing service quality levels and costs if not implemented effectively. A high initial investment, lack of technical expertise, organizational resistance or simply a poorly contracted deal with a vendor can also severely limit the benefits of these technologies and solutions.

Figure 12: Top 5 concerns with contracting disruptive OSS solutions



Source: Deloitte Global Outsourcing Survey 2018

Approximately half of OSS buyers surveyed in last year's DGOS cited organizational resistance and process fragmentation as their biggest implementation challenges when selecting an RPA solution and provider. Shared services organizations are facing this not only in terms of technology adoption, but also more broadly in terms of their shift towards a global business services (GBS) model, with 72% of SSC operators that do not have a GBS organization citing lack of process readiness, organizational support and high costs as key barriers.

To address this, OSS buyers are now taking a more strategic and structured approach to realize performance improvements and maintain resilience through any transformation journey. Key steps OSS buyers are taking according to the latest DGOS include increasing the scope of service in OSS contracts (34%), transforming processes vs. lifting and shifting (30%), investing in more robust service integration and transition (28%) and using external advisors (27%).

Legal and regulatory compliance

While laws and regulations are important to have in place, they typically lag behind the latest technology developments and tend to be more conservative and restrictive in nature, making this another key hurdle to overcome. Challenges in compliance, with restrictive or even over-regulation on data sharing and hosting, can discourage adoption of public cloud solutions, for example. In the latest DGOS, for instance, 76% of OSS buyers surveyed indicated regulations around data privacy and protection are affecting their disruptive outsourcing decisions.¹² A well-considered solution strategy must therefore strike the right balance between achieving its benefits and meeting regulatory and security requirements.

Global OSS opportunities

While the OSS industry is being confronted with key challenges arising from disruptive OSS technology trends, a number of significant opportunities are also prevalent.

Government: an emerging sector

Increasing economic pressures and demands on the scale of public and social services is making governments an attractive industry segment for OSS players, as they seek avenues to slash costs, scale up, and retain operations and jobs onshore. A good example of this is the recent US federal government policy announcements to re-shore jobs for US workers.

Government bodies are also evaluating emerging technologies to further cut down costs. For instance, the Finnish shared services center for finance and HR (Palkeet) recently implemented an RPA solution automating a variety of business processes. By deploying two dozen robots to free up to 116 full time employees' worth of manual work and refocus staff on high-value tasks, the solution will enable Palkeet to upscale quickly without working staff harder, to reach its productivity goals and generate as much as US\$ 6-7 million in cost savings by 2020.¹³

Finance, HR and IT: the usual suspects

Finance, HR and IT, largely due to the transactional nature of their business processes, are the most popular functions to outsource and perform in SSCs. In the DGOS 2016, outsourcing providers' top three services were for finance (100%), IT (50%) and HR (43%). In the DGSSS 2017,

Increasing economic pressures and demands on the scale of public and social services is making governments an attractive industry segment for OSS players.

finance and HR were the top two functions performed by SSCs (88% and 63%). These functions are also the highest adopters and first to be transformed by cloud and automation technologies, all with close to 80% RPA adoption and satisfaction rates in the DGOS 2018, for example. This coupled with plans to increase finance and HR outsourcing (39% and 36%) in the DGOS 2016, suggests that these functions will only continue to grow.

Mergers & acquisitions (M&A): a new niche

For M&A transactions, outsourcing is recognized as an attractive alternative to transition service agreements and in-house integrations. Outsourcing solutions free up key resources, improve time and cost efficiency, and generate synergies, accelerating integrations and yielding a 15-30% reduction in operating costs.¹⁴ In recent years, there has been a surge in organizations using outsourcing during M&A transactions, from 45% in the DGOS 2016 to 67% this year.¹⁵ This marked increase, coupled with a large M&A market worth a potential US\$ 4.2 trillion in transaction value worldwide in 2018,¹⁶ indicates multiple opportunity paths for OSS players in this space.

Blockchain: an emerging technology still underexplored

Blockchain, a decentralized distributed ledger technology; can eliminate many typical tasks and costs in traditional OSS models. For example, blockchain-based, inter-company netting systems can replace complex interdepartmental reconciliations, eliminate manual inventory tracking paperwork in supply chain systems and accelerate trading settlements from days to hours.¹⁷ One Japanese bank is even piloting smart contracts with an OSS vendor.¹⁸

Regional OSS overview and outlook

Regional OSS overview

While OSS as an industry is established and matured across most parts of the world, it is still developing and on the rise in the region. Traditionally, organizations in the Middle East did not work with OSS models as they preferred to retain full control of their business operations. Historically, operating under more stable and buoyant economic conditions, regional businesses also did not necessarily have as much of an impending need to do so.

Yet, over the past 15 years, increasing economic volatility, intense competition and higher operating cost pressures has made OSS more attractive, leading to its adoption and evolution into a multi-billion-dollar industry of its own in the region. The advent of digital, cloud and exponential technologies, now transforming various local industry verticals, is also accelerating regional OSS adoption and growth. One survey of OSS players by Dubai Outsource City (DOC) found that IT is the most outsourced function (28%), while another found that 43% of GCC SSCs are prioritizing technology automation.²⁰

The Middle East and North Africa (MENA) region hence consists of at least 150 shared service centers²¹ and over 50 outsourcing providers.²² As the region is unique with a diverse range of nationalities (expat and local), multiple languages, local dialects and cultures; the nature of businesses in the region is highly localized, driving the majority of OSS players and operators with a presence in the region to be located either onshore or nearshore.

This is largely the case in GCC countries, where OSS players tend to operate on an exclusive regional model where serving local businesses is the prime focus.

This is especially evident in the UAE and KSA, where in terms of geographic footprint these markets represent 50-60% of the region's SSCs and host a far higher majority of MENA outsourcing providers and buyers.^{23, 24} As such, the regional OSS market is concentrated in these two markets. Together, outsourcing suppliers in the UAE and KSA alone have earned an estimated US\$ 2.38 billion mainly in onshore revenues in 2018. Of this, 75% is ITO (vs. 25% in BPO), driven by earnings in managed services and hosting services for local businesses. With double-digit growth (12-13% CAGR) expected by analysts over the next few years across the full range of OSS services and segments (BPO, ITO, SSC), UAE and KSA outsourcing suppliers could potentially earn over US\$ 4.31 billion in annual onshore revenues by the end of 2023.^{25, 26}

Largest OSS markets: UAE

Of all MENA countries, the UAE is the largest OSS market and most popular OSS destination. Analysts have estimated UAE outsourcing providers alone earned over US\$ 1.38 billion in onshore outsourcing revenues in 2018 (US\$ 404 million in BPO revenues and US\$ 976 million in ITO revenues).²⁷ As a regional hub, the UAE serves not only local businesses but also those with a pan-Arab presence and operations in neighboring countries. As such, a third of MENA's SSCs and most outsourcing players are UAE-based, despite being the most expensive in office rent and workforce salaries.²⁸ Recent SSC surveys

reflect this, which have found 60% of UAE SSCs support businesses operating across MENA. Key attraction factors include its strategic location between the East and West, easy market accessibility, and a diverse workforce given its range of local and foreign universities. In addition, the UAE's relatively liberal infrastructure regulations, which includes the creation of multiple free zones and creation of Dubai Outsource City (DOC) (the only business community in the Middle East dedicated to OSS), have also enabled and attracted many OSS players to bring their operations to this region.

The creation of Dubai Outsource City (the only business community in the Middle East dedicated to OSS), has enabled and attracted many OSS players to bring their operations to this region.

Largest OSS markets: KSA

Saudi Arabia as the largest GCC economy is another significant emerging OSS market. While it is the second most popular destination for OSS players, it is also the fastest growing. Almost a quarter of MENA's SSCs and most outsourcing providers are KSA-based, dedicated to serving the Kingdom's organizations, especially in the construction and government sectors.²⁹ Like the UAE, Saudi Arabia is also a billion dollar OSS market, estimated by analysts to be worth around

Of all MENA countries, the UAE is the largest OSS market and most popular OSS destination.

US\$ 1 billion in onshore outsourcing revenues in 2018 (US\$ 194 million in BPO revenues and US\$ 807 million in ITO revenues).³⁰

Key OSS markets: Rest of GCC

Kuwait and Qatar are also primarily onshore OSS markets, representing around 13% and 10% of MENA's SSCs. Bahrain as well. All GCC governments stand out for the number of government SSCs, which is similar to the trend and best practices of governments in North America, the UK and Australia – all mature OSS markets. A good regional example of this is the Qatar Foundation's SSC in Qatar.

Strategic OSS markets: Egypt

Egypt, the region's most populous country, with some of the region's most well established universities, is a key knowledge economy and another attractive market for OSS. Operators can access a plentiful workforce and enjoy one of the most cost-effective operating environments in the region. As such, Egypt holds 13% of MENA SSCs.³¹

Strategic OSS markets: Jordan

Similarly, OSS activity in Jordan is also rife, driven by its own knowledge economy and talent base, skilled in core OSS functions such as accounting and logistics. Organizations such as Azadea Group, a premier lifestyle retail company, opened a SSC in Jordan in 2017.³² In 2018, business process services company Teleperformance D.I.B.S also opened a global delivery center in Jordan to provide hybrid onshore and offshore delivery

across the travel, logistics, telecom, financial services and public sectors.³³

Strategic OSS markets: Rest of Levant and North Africa

Francophone countries, particularly Morocco, Algeria, Tunisia and Lebanon, also serve as low-cost nearshore alternatives for Europe and even North America. A recent SSC survey for instance, found one of every two SSCs in Morocco supporting operations in Europe. Similarly, all SSCs surveyed in Algeria and Libya were found to support operations in North America.³⁴ Across MENA, the survey found a maximum of nine SSCs supporting Europe and ten supporting North America, potentially 10-13% of MENA's SSCs.

Regional OSS outlook

The ability and versatility in scope to serve businesses locally, regionally and internationally, with the range of attractive options offered by each country makes the Middle East a significant consideration for OSS players. This coupled with already high onshore as well as increasing near and offshore OSS demand, a strong appetite for ITO services and adoption of new disruptive cost-efficient OSS-enabling technologies will all not only reinforce but also accelerate regional OSS market growth.

Local OSS overview and outlook: UAE in focus

Market overview

The UAE, encapsulating these OSS demand drivers, is at the forefront of the region's OSS industry development and growth. As mentioned earlier, it is the largest in the region in terms of onshore outsourcing revenues, driven mainly by healthy local market demand to cut costs of domestic operations. As the UAE is an established regional and international business hub, many UAE-based companies also have business operations across borders, driving significant spend on offshore OSS as well. Additionally, this drives spend by local organizations on SSCs to centralize, internalize and in many instances reshore some of their operations at home in the UAE, making it the most popular destination in the region for SSCs as well.

Market size

Combining all of these demand drivers and areas of spend, the UAE's OSS market, in terms of total spend by UAE-based organizations on any OSS activities (at home or abroad), is estimated at over US\$ 4.8 billion in 2018 (see figure 13).

Accounting for disruptive developments impacting the OSS industry as well as the

UAE's agility and rate of adopting and harnessing new technologies, the market is forecast to represent US\$ 5.2 billion in total OSS spend in 2019 and expected to reach about US\$ 6.8 billion by 2023, representing a CAGR of 7% over 2019-23.³⁵

Market demand and supply

While local demand in terms of OSS spend is healthy (over US\$ 4.8 billion in 2018), local supply in terms of revenues earned by local outsourcing players (over US\$ 1.3 billion in 2018) is insufficient, representing less than one third (27%) of the UAE OSS market. This suggests significant offshore spend and a major undersupply by UAE-based players to meet local demand. This is further reinforced by the fact that only 50 out of 150 regional SSCs exist in the UAE (a small fraction of hundreds of thousands of UAE organizations that could also have SSCs).

The apparent local OSS demand-supply gap (implying room for local OSS growth) and the healthy growth trajectory in the UAE's OSS spend (demand), even under a more conservative disruptive scenario, represents a significant opportunity and ground for the OSS industry and its

players to expand the scope of their work, services and presence in the UAE.

Market composition

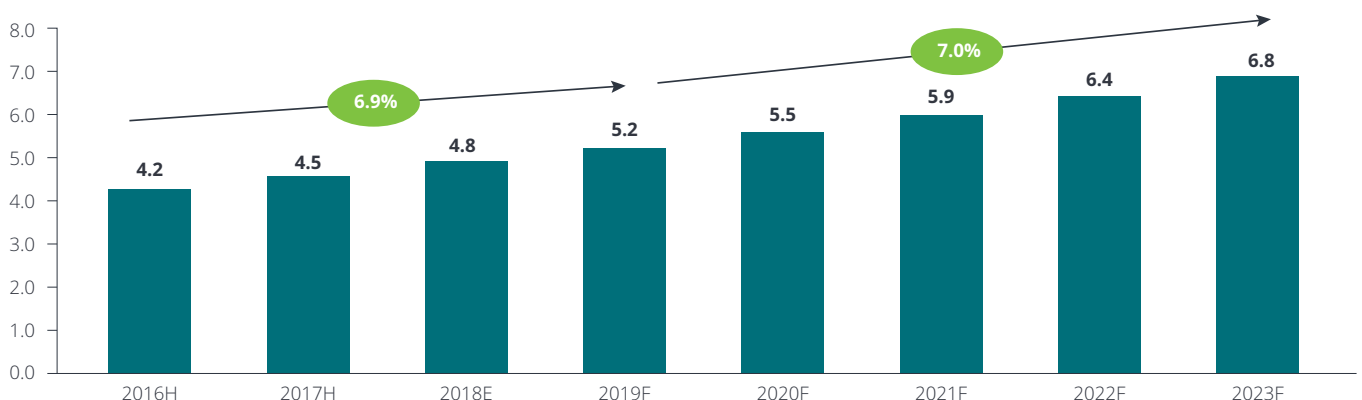
Structurally, UAE market spend on OSS is largely concentrated in a few key industries and functional areas.

Market segments by industry

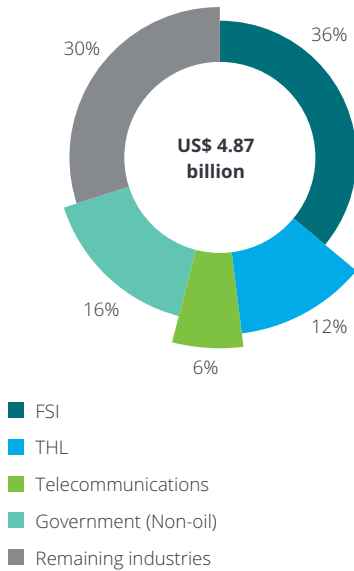
By industry, the majority of UAE OSS spend emanates from the financial services industry (FSI), representing a significant 36% share of OSS spend in 2018. In line with global OSS trends, FSI is by far the largest spender on OSS. This is followed by the public sector (UAE government entities), travel, hospitality & leisure (THL) industry, and telecoms industry (operators), representing 16%, 12% and 6% of UAE OSS spend respectively (see figure 14). Other prominent industries with high OSS spend levels include oil & gas (O&G), retail, services and construction, collectively with other industries representing the remaining 30% of UAE OSS spend.

FSI companies in particular, consisting of large banks and insurance companies, are the longest standing and most mature OSS users, locally and globally.

Figure 13: UAE OSS market size and forecasts (US\$ Billion)



Source: OSS interviews, Monitor Deloitte research and analysis

Figure 14: OSS spend by industry 2018

Source: OSS interviews, Monitor Deloitte research and analysis

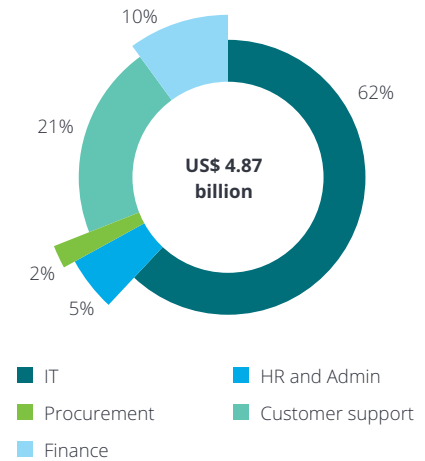
The industry is highly competitive and aggressive in its application of OSS to maximize profitability from its operations. As such, FSI organizations outsource and carve out the widest array of support functions and business activities, from the processing of insurance claims to handling of mortgage applications. UAE FSI policies and regulations, such as the UAE Central Bank and Ministry of Finance policies mandating banks to retain key and costly parts of their operations onshore (e.g. compliance), are retaining and even stimulating local OSS spend. The need for experienced call center agents to handle high value UAE clients with care across multiple languages (especially in Arabic) is also driving spend on specialized local call center services. For instance, Dunia set up its own SSC Dunia Services to facilitate not only call center services but also IT and procurement as well.

After FSI, THL companies are amongst the major OSS spenders in the UAE, predominantly investing in outsourcing non-core functions such as customer support. THL companies are increasingly outsourcing their call center services across the UAE. Prominent examples of this include Jumeirah Group, one of the UAE's top THL companies, which has set up its own SSC in DOC, including call center and housekeeping services.

Market segments by function

By function, UAE OSS spend is concentrated across two key functions, IT and customer support, which together represent 83% of UAE OSS spend (see figure 15).

This is naturally in line with global OSS market trends, as IT represents 62% of UAE OSS spend and ITO represents 58% of the global OSS market. The IT function is the most commonly outsourced as it relies on disruptive and ever-evolving technologies, requiring specialized skills and teams to operate at scale and cost. Customer support, representing 21% of UAE OSS spend, remains largely focused on call center services. However, local OSS players are increasingly spending on applying automated call routing and chatbot technologies to maximize the capacity and efficiency of customer call handling and support.

Figure 15: OSS spend by function 2018

Source: OSS interviews, Monitor Deloitte research and analysis

Although the majority of OSS spend is on IT and customer support functions, the UAE, in line with global trends, is also becoming a more cross-functional OSS market. HR & administration, for instance, represents a sizeable 10% of UAE OSS spend, followed by procurement at 5%. Finance, representing 2% of OSS spend, is another emerging function, driven by the increased outsourcing of traditional payment operations as well as the introduction of new tax laws across the GCC (e.g. VAT in UAE, KSA and soon Bahrain).

By function, UAE OSS spend is concentrated across two key functions, IT and customer support, which together represent 83% of UAE OSS spend. This is naturally in line with global OSS market trends.

Landscape of OSS players

The landscape of OSS players in the UAE, given the strong market demand for OSS, is plentiful and diverse. There are over 100 OSS players in the UAE market, almost evenly split between outsourcing and shared services centers (see figure 16).

Across key OSS areas and sectors (industries), the UAE market hosts players ranging from major traditional international BPOs (e.g. Teleperformance, Manpower) and ITOs (e.g. Cognizant, SAP, Oracle, Microsoft, Wipro, Atos), to homegrown champions (e.g. Dunia, Dulsco, Back Office, Alpha Data).

The range and spectrum of players makes the UAE not only a relatively fragmented OSS market but a significantly competitive one as well.

The landscape of OSS players in the UAE, given strong market demand for OSS, is plentiful and diverse. There are over 100 OSS players in the UAE market, almost evenly split between outsourcing and shared services centers.

Even with this number and level of OSS players, the market still has plenty of opportunity and room for growth, which has enabled recent market entries from tech giants including the likes of Amazon Web Services and Alibaba Cloud to carve out their own position in UAE's vast and fast growing ITO segment.

The figure below highlights a selection of key players across different sectors (industries) for the OSS market in the UAE.

Figure 16: UAE OSS market players (selection)

Sector	Service area		
	Shared Service Centers (SSCs)	Business Process Outsourcing (BPO)	IT Outsourcing (ITO)
FSI	         	          	         
THL	  	   	      
Others	 	   	   

Source: Dubai Outsource City, IDC, Gartner, Monitor Deloitte research and analysis



UAE in focus: Key OSS trends and developments

Traditionally, UAE OSS spend was driven by simple cost-cutting mechanisms, achieved mainly through labor arbitrage and outsourcing high volume transactional processes (enabling lower transaction costs through economies of scale). Over the years, OSS benefits encouraged a wider range of business processes to be outsourced or shared, with players improving their OSS delivery capabilities and consolidating a wider range of OSS services to generate not only cost efficiencies but also unlock operational efficiencies.

The advent and adoption of new disruptive technologies such as cloud has since advanced OSS players' capability, agility and scale, in turn driving improvements in their service delivery quality, time and cost. As with the global OSS industry, this has been central to driving the increased demand and spend behind the UAE OSS industry's growth. While the UAE OSS industry is still developing and catching up to global market levels, adoption and progress is fast. This is illustrated in DOC's recent survey of UAE OSS players in 2017, in which 29% of respondents highlighted that they are already using transformational technologies such as RPA, cognitive intelligence, cloud and big data (see figure 17).

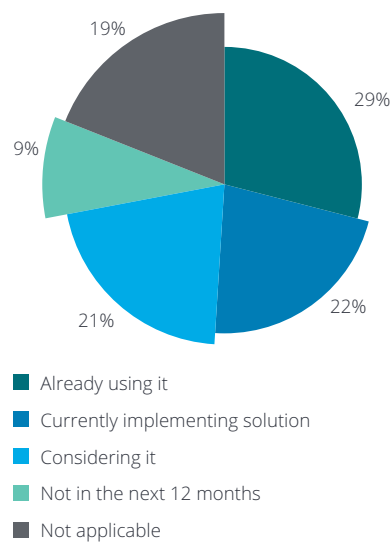
The uptake of these technologies has been driven by favorable government initiatives such as the UAE e-Government

While the UAE OSS industry is still developing and catching up to global market levels, adoption and progress is fast.

Strategy, UAE Innovation Strategy, UAE Strategy for Artificial Intelligence, and alignment with the objectives of the UAE Centennial 2071 Strategy.

Figure 17: Technology adoption by UAE OSS players 2017

Usage of transformational technologies such as robotic process automation, cognitive intelligence, cloud and big data



Source: DOC Outsourcing Outlook Forum 2017 (Post Event Report)

Cloud computing

Seen as key to national advancement by government and an essential enabler by businesses, cloud computing is the first and foremost technology undergoing rapid adoption and super-growth in the UAE. The country ranks highest in the MENA Cloud Competitiveness Index, driven by strong government policy initiatives (e.g. the development of a cloud-first policy strategy and guidelines by the telecom regulator³⁶), improvements in the connectivity quality to cost ratio, as well as the country's capacity to overcome plus willingness to accept business risks

associated with cloud adoption (e.g. cyber security).³⁷

The benefits driving this are also significant. A recent study by Google and Deloitte found that Google Cloud usage by businesses in the UAE alone directly contributed a combined US\$ 10-40 million in revenue expansion and cost savings. The indirect economic impact is even wider, with every US\$ 1 million spend on cloud services in the UAE estimated to have generated a downstream incremental US\$ 30-110 million in UAE GDP output over the past year.³⁸

Such benefits coupled with a strong local environment has led to the fast-paced adoption and spend on cloud services across both the public and private sectors, providing ideal market conditions for cloud-based OSS providers and services. Prominent examples include Abu Dhabi's G-Cloud and Dubai's CloudOne platforms, intended at easing access to IT resources for all local government entities.³⁹ In such demand conditions, analysts estimate UAE spend on cloud services to have already crossed US\$ 200 million in 2018, and forecast it to reach almost US\$ 300 million by 2020, exceeding US\$ 500 million by 2023.⁴⁰

Robotic process automation

Unlike cloud, RPA is still a relatively more nascent technology for the UAE than in other parts of the world, but with plenty of room for growth. A recent survey found 80% of ME businesses (largely from the UAE) still have not chosen an RPA solution provider yet, but have plans to do so in the next 6-18 months, with 54% currently considering BPOs to support intelligent automation implementations.⁴¹

While FSI companies are amongst the early adopters and investors in RPA, others from across the economic spectrum such as Landmark Group, ENOC and Emaar Hospitality, as well as various government entities, have also implemented RPA solutions already.⁴² One Dubai government entity achieved a 68% reduction in the average processing time of general and legal customer enquiries handling by implementing bots at key stages of its enquiry handling processes in its contact center (see figure 18).

Figure 18: Mini case study on RPA in local OSS



GOVERNMENT OF DUBAI

Created an omni-channel contact center for managing general and legal enquiries related to the ministry.

Challenge

- Maneuvering between screens was tedious for an advisor and to add to it the advisor had to perform 14 steps to complete the activity.
- Average time for this activity due to the above was anywhere between 22-25 seconds.
- Computer telephony integration (CTI) integration with the voice platform.

Solution

- After creating the process flow chart, identified areas where BOT can be deployed.

Impact

- 68% reduction in average processing time.
- Customers can be better served as the advisor is now able to focus on providing prompt responses to queries and can avoid redundant tasks.
- No breach of security as it mimics the advisor's actions.

Source: Dubai Government entity, interviews, Monitor Deloitte research and analysis

UAE BPO players are taking advantage of the rising traction of RPA by developing their own suite of RPA solutions, leveraging automation to transition from traditional BPO services towards BPM (business process management) services. Teleperformance D.I.B.S., for instance, has developed a service called "Phantom RPA (PRPA)", which automates back-office functions, manual support processes and provides intelligent data analytics and reporting for decision support. The solution claims to improve productivity efficiency by 30%.⁴³

Artificial intelligence

As with RPA, AI is also in its early stages of adoption in the UAE. However, like cloud, the government also sees AI as key to the UAE's future, taking major steps to boost its development and usage. The appointment of an AI Minister and launch of the UAE Strategy for Artificial Intelligence is a world-first, outlining government plans, demand and investment to harness AI as the 'next wave' of underlying technology to drive the UAE's smart government infrastructure and public service delivery.⁴⁴

Some instances of AI-based services have since emerged in the UAE. The most prevalent are chatbots for customer support (e.g. Emirates NBD's virtual assistant "EVA", Mashreq Bank's "Mashreq Bot", DEWA's "Rammas" chatbot).⁴⁵ Instances of other AI applications include intelligent analytics for decision support (e.g. AI-supported hospital management systems for the Ministry of Health and Prevention),⁴⁶ cognitive computing (e.g. Smart Dubai and Dubai Economic Development "Saad" service to support automated business license registration),⁴⁷ speech analytics and processing as well as AI solutions consisting of a combination of such services and capabilities.⁴⁸

Many if not all such AI services are applied and supported by local OSS operators and providers. Teleperformance D.I.B.S., for example, offers AI-based customer support services, which has helped airlines reduce customer enquiry handling times by 12% and costs by 30% (see figure 19).

Figure 19: Mini case study on AI in local OSS



BPO organization improves customer experience and reduces customer service costs through cloud and AI

Challenge

- Inflexible service delivery model and outdated technologies in business processes.
- Increasing customer expectations in terms of service quality, and user experience in the travel and hospitality sector.

Solution

- The organization shifted its business processes to the cloud for overcoming inflexible service delivery models.
- They developed an AI and RPA-based solution called 'IFARE' which automated the process of calculation refunds and schedule change charges for airline bookings.

Impact

- Through this solution, the organization has improved average handling time by 12% and reduced customer service costs by 30%.

Source: Teleperformance D.I.B.S, interviews, Monitor Deloitte research and analysis

While such examples of AI applications are limited, recent studies show that AI uptake in the UAE is now approaching a critical inflection point, expected soon to switch to high-paced growth. A recent survey of ME businesses (largely from the UAE) found 83% of respondents claimed to be either planning, piloting or implementing AI solutions in the next 6-18 months.⁴⁹ Analysts' forecasts also suggest UAE spend on cognitive and AI systems specifically could grow at least 30% per annum from around US\$ 15 million at the end of 2018 to reach close to US\$ 100 million in 2025.⁵⁰

Of this spend, analysts expect it to be focused on AI-supported IT and business services provided by the OSS industry (vs. stand-alone AI software and hardware for independently developed AI solutions).⁵¹ By sector, spend is anticipated to be led by FSI (representing a 25% share of spend) and public sector (government, education, and health care collectively representing close to a 20% share of spend),⁵² in line with wider technology adoption and OSS industry trends.

As AI proliferates across the UAE's various economic sectors and sections of society, new use cases for AI will also emerge, with analysts expecting further AI applications in defense, government intelligence, fraud analysis and investigation.⁵³

SMEs turning towards outsourcing

At home and abroad, the SME segment is large and expanding quickly. There are over 350,000 SMEs in the UAE, representing 94% of UAE companies, 86% of the workforce, and generating 60% of non-oil GDP.⁵⁴ Since 2016, the government has been working towards fostering the launch of 40,000 new start-ups by 2021, which, according to the Ministry of Economy, would grow SME contribution to non-oil GDP by 16% to reach 70% by 2021.⁵⁵

As local SMEs face tighter budgets, the need to scale fast at cost, and experience greater business volatility, they are turning to newer low-cost technologies and outsourcing solutions. To this effect, a recent survey found 70% of Dubai start-ups are already using cloud computing resources, 80% of which plan to increase the spend and range of cloud services they are using.⁵⁶ Outsourcing vendors are responding quickly to SME demand. Vendors such as Transguard Group have launched low-cost outsourcing solutions designed to cut SME overheads and increase their business efficiency, providing solutions mainly for admin, IT, HR, finance and procurement functions.⁵⁷

As AI proliferates across the UAE's various economic sectors and sections of society, new use cases for AI will also emerge, with analysts expecting further AI applications in defense, government intelligence, fraud analysis and investigation.

UAE in focus: OSS opportunities

The benefits and growth in OSS demand and spend driven by these key trends and developments illustrates how the UAE OSS industry has, still is and will continue to be positively disrupted. To stay on top of this disruptive wave, OSS players need to capitalize on the impending opportunities that remain and new ones that lie ahead: upgrading to the right capability (harnessing new technology), targeting the right buyers (emerging sectors), and offering the right services (evolving functions).

Harnessing new technology

Big data analytics and cloud is no longer an option; it is fast becoming mainstream in the industry and essential to stay relevant. RPA and AI, while still nascent today, will in a couple of years represent the next wave of OSS in the UAE.

Blockchain is another natural extension to this, with its own set of OSS use cases (e.g. as a layer of data security, enabling auditing of data used in automated and cognitive processes). The Emirates Blockchain Strategy 2021, which aims to migrate 50% of all government transactions to blockchain by 2021,⁵⁸ will also significantly boost adoption of this technology and encourage spending on OSS solutions leveraging it. Despite this, blockchain remains largely unexplored by the OSS industry, but also represents a major opportunity of its own.

Collectively, OSS supported by these new technologies alone represent a billion-dollar opportunity. OSS players who build and upgrade their capabilities today by harnessing these new technologies could tap into this, make a significant market impact and reap the benefits.

Emerging sectors: Government

While FSI organizations are catered to well by the OSS industry, government and public sector entities are still largely

underserved. The UAE government has established a major roadmap to outsource most government services to the private sector,⁵⁹ to help achieve its smart city and smart government ambitions⁶⁰ (e.g. call centers for customer support). Complementing this, the UAE's National Programme for Happiness and Positivity reinforces the need for citizen satisfaction and happiness with simple, efficient, cost-effective government services,⁶¹ achieved by effective OSS. These directives coupled with the latest set of national new technology strategies will generate incredible growth in UAE OSS spend, as UAE government OSS spend is anticipated to exceed US\$ 1 billion in 2023.

Evolving functions: Omni-channel customer service

Technology developments and advancements in customer service expectations have resulted in a paradigm shift in the way customers interact with organizations. UAE customers are demanding more digital interactions (e.g. instant messaging, social media and virtual assistants) with an omni-channel customer service (OCCS: seamless interaction and service across multiple platforms and communication channels working together in parallel). This is driving demand and spend on more digitally-enabled and integrated OCCS OSS solutions to help manage and optimize the customer experience (e.g. track interactions, servicing enquiries and feedback). A good example of this is Raya's omni-channel solution, which unified a leading automotive manufacturer's customer care channels, enabling a 360 view of its customer support processes (see figure 20).

UAE OSS providers are already offering traditional call center services, which today are worth just over US\$ 1 billion. But to protect and expand their position, OSS

Figure 20: Mini case study on OCCS in local OSS



Raya

Raya helped a leading automotive manufacturer streamline its customer service experience.

Challenge

- Client sought to centralize and unify their customer care operations (voice, email, chat, social media)
- Customer experience was poor due to inconsistency among different channels. The customer care services were provided by marketing agencies.

Solution

- Integrated the previously siloed platforms including – CRM (Oracle Siebel), social media tools (Sprinkler/Spredfast), and web-chat tool (LiveChat) to create a single consolidated place for all customer interactions.
- The solution provided the client 360 degree visibility of customer support services.
- Incorporated social media new business model into existing, customer care support provided across all countries. Facilitated development of customized marketing, sales, support programs.

Impact

- Provided consistent and unified customer care support across all channels.
- Increase overall efficiency and improved first contact resolution (FCR) rates.
- Increased sales volume as a reflection of an enhanced customer experience.

Source: Raya, interviews, Monitor Deloitte research and analysis

players will need to upgrade and digitize their customer support offering as it migrates into a more ITO-based service (e.g. chatbots replacing manned customer service teams).

UAE in focus: Way forward

Today, the terms “outsourcing” and “shared services” have gone beyond mere cost-cutting measures. OSS has transformed into a key business strategy, enabling firms to give maximum attention to their core competencies.

The outlook for the UAE OSS industry is positive as long as buyers and suppliers keep at the forefront of innovation. With the DGOS 2016 highlighting that 71% of OSS buyers believe technology adoption would make ‘location’ a far less relevant factor in outsourcing decisions, UAE OSS players need to leverage these exponential technologies to compete not just locally but also internationally.

With cloud computing going mainstream, coupled with RPA and AI entering their next phase of adoption, many business processes handled by traditional BPOs will become digitized, automated and evolve into IT-based processes and services, such that IT by our estimates will represent over 90% of UAE OSS spend by 2023 (vs. around 60% today). OSS players should recognize this opportunity and adjust, realign their business models, and embrace these emerging technologies to create new tech-driven services for their clients. In the future, organizations offering next-gen technology-enabled services at highly competitive prices will eventually become the new norm.

MENA's digital start-ups are also a critical enabler for OSS. The UAE is a widely recognized hub for the Arab world's digital startups,⁶² at least a third of which are already operating in cutting edge fields of interest to OSS players (i.e. in big data analytics, AI, software development).⁶³ OSS players should collaborate with these start-ups to improve their processes and develop next-gen tech-based services. Talent acquisition, development, and retention is also vital to the industry's future. Government and OSS players need to encourage talent attraction and growth. DOC, for example, is working to facilitate flexible employment opportunities for students within the TECOM Group Ecosystem (e.g. the Dubai Development Authority part-time employment visa for students at DIAC universities) and for freelancers in the customer service sector.⁶⁴

Beyond talent, the government also needs to work with OSS players to create a more attractive regulatory environment. Policies promoting technology adoption, long-term visas, and easing compliance requirements have been a few positive steps made to facilitate OSS growth. With these enablers in place, the UAE has the potential to be a formidable international destination for OSS.

71% of OSS buyers globally believe technology adoption would make 'location' a far less relevant factor in outsourcing decisions. UAE OSS players therefore need to leverage these exponential technologies to compete not just locally but also internationally.

OSS players should collaborate with start-ups to improve their processes and develop next-gen tech-based services.

The outlook for the UAE OSS industry is positive as long as buyers and suppliers keep at the forefront of innovation.

With the right technology and innovation enablers in place, the UAE has the potential to be a formidable international destination for OSS.

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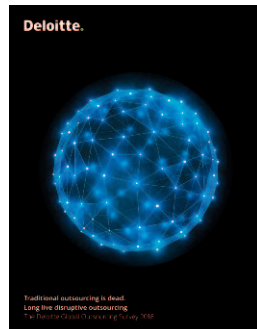
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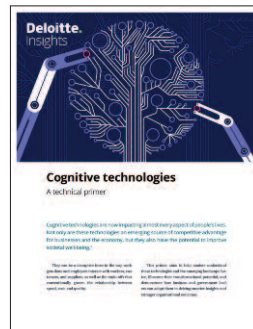
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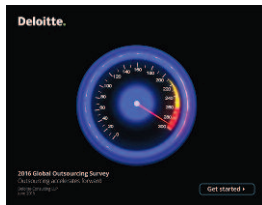
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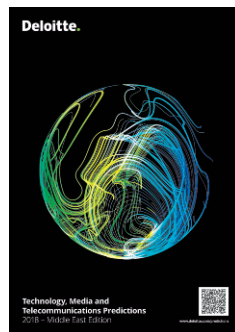


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22. Based on a market scan and consolidation of all major outsourcing providers (mainly BPO and ITO) across the region, cited across various sources. Sources: Dubai Outsource City, IDC, Gartner, Monitor Deloitte research and analysis
23. SSON mention that the UAE represents 27% of the 190 SSCs it counted in its SSC study covering 18 markets. This is equivalent to around 33% of about 150 SSCs estimated within MENA countries. Outsourcing providers in the UAE is based on a market scan and consolidation of all major outsourcing providers (mainly BPO and ITO) across the region, cited across various sources. Sources: Dubai Outsource City, IDC, Gartner, Monitor Deloitte research and analysis
24. SSON mention that KSA represents 19% of the 190 SSCs it counted in its SSC study covering 18 markets. This is equivalent to around 24% of about 150 SSCs estimated within MENA countries. Outsourcing providers in

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25. Outsourcing supplier revenues estimated. These are assumed to be onshore revenues only, and does not represent revenues earned by outsourcing providers for offshore outsourcing services. Source: United Arab Emirates Cloud, Hosted, Managed, and Outsourced Services Market 2015 Analysis and 2016–2020 Forecast, Dec 2016, IDC
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