



**Our Take**

# From growth catalyst to growth engine

**Evolution of GCCs in India's retail and consumer space**

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On the horizon



From back-office operations to frontend innovations, global capability centres (GCC) in the retail and consumer (R&C) industry in India may have come a long way, but there is more ground to cover. PwC India's R&C team spoke to several R&C GCC leaders and organised a roundtable recently to co-create a strategy that could further propel their growth as distinctive value drivers. **Rajesh Ojha** and **Ravi Kapoor** give the lowdown.

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# Marking the journey

Recently, a US retail MNC leased about 1 million sq ft of office space in Bengaluru to set up a new GCC as part of the expansion of its India operations, marking one of the largest lease deals in the country in 2024.

Another retail chain also set up its first GCC in India to manage its key finance processes, and in the process, streamlined its finance and supply chain management functions to complement its operations in the US market.

Yet a third R&C GCC – that serves as an innovation champion for its parent organisation – is currently working on using generative artificial intelligence (GenAI) to create hyper-personalised customer experiences.

A fourth GCC is delivering value across business, technology and shared services for its parent organisation's home improvement business.

Over the last couple of years, global grocery stores and consumer electronics retailers too have set up shop in India to expand their footprint.

Examples abound that indicate GCCs in diverse R&C segments are seeing an uptick in India owing to the strategic and quantifiable value they are delivering for their parent companies. In most cases, these GCCs analyse changing customer behaviour and preferences to ensure that the parent companies accordingly align their business strategies with customer centricity. This transformation of R&C GCCs from basic service delivery units to integrated hubs of value creation has been driven by their increasing strategic importance in the global operations of the parent companies, enabled by technological advancements and a skilled talent pool.

With consumers becoming increasingly fastidious and demanding when it comes to shopping offline and online, the global R&C industry has been in constant reinvention mode to keep pace with this ever-changing consumer landscape with its demands of personalisation, ethical sourcing and strict regulatory compliances, all the while running scalable and profitable operations. This is where R&C GCCs step in, with a laser focus on not only operational efficiencies, but also on building newer capabilities through investment in research and development (R&D). This has led to building new capabilities that have delivered innovative solutions for seamless operations across geographies.



## The R&C GCC landscape in India

In the early 2000s, several MNCs began to explore India as a destination for setting up their back-office operations. The primary drivers were cost arbitrage, availability of skilled talent and the ability to operate 24/7 due to time zone differences. R&C sector companies set up customer support centres and basic IT support operations in Bengaluru, Pune and Hyderabad.

From the mid to late 2000s, the scope of GCCs expanded and R&C companies shifted their more complex functions to India, including finance and accounting, human resources, and procurement. During this period, the MNCs owned and operated their own centres rather than outsourcing to third-party service providers.

From the early 2010s, a few GCCs in India began to transition from being cost centres to becoming strategic assets that contributed to business growth. Global retail chains started to view their India-based GCCs as innovation hubs. These centres began to play a critical role in driving digital transformation initiatives around e-commerce platforms, mobile applications and customer analytics. Senior leadership roles of global stature within these centres gained prominence, with more strategic decision making being decentralised to the GCCs in India.

The late 2010s to early 2020s saw the R&C sector undergoing rapid digital transformation, and the GCCs in India became pivotal in enabling this shift. They began to focus on advanced technologies such as AI, machine learning (ML), big data analytics and cloud computing.

In some instances, these GCCs began to integrate more closely with global operations, offering seamless support across various functions and at times providing end-to-end capabilities – from product development and innovation to front/middle and back office transformation and customer experience management. Today, there is an increasing emphasis on sustainability in the product development cycle as well as the services delivered. The diversification of the services sector and India's significant contribution to all service opportunities in the world explains why the country, with its solid GCC infrastructure, is often known as 'the office of the world'.

The country's skilled talent pool and government incentives have ensured that GCCs in India move further up the maturity curve. The Karnataka government, for instance, launched a draft GCC policy with the aim of generating an economic output of USD 50 billion and attracting 500 new GCCs by 2029, creating 3.5 lakh jobs.<sup>1</sup>

Today, there are more than 80 R&C GCCs located in Bengaluru, NCR, Hyderabad and Pune, staffed with over 80,000 employees (see Figure 1). Of these GCCs, 50% are headquartered in the US, and more than 50% were established between 2016 and 2022. GCCs however are now more multi-locational, as parent organisations are slowly moving away from Tier-1 cities to leverage not only cost benefits but also talent pool and retention benefits that Tier-2 and Tier-3 cities offer. Moreover, with innovation and transformation moving front and centre, nearly 42% of the total talent recruited in the last two years has been in the engineering R&D space.

Figure 1: The R&C GCC journey

### 80+

GCCs in India belong to the R&C sector out of a total of over 1,600 GCCs in the country

### ~42%

of the total talent added in the last two years was in engineering, and research and development, which has been growing at a CAGR of 10.7%

### 80k+

GCC employees work in the R&C sector

### ~45

R&C GCCs were established between 2016 and 2022

### 40+

Of the total number of R&C GCCs in India are headquartered in the US

### 64%

acquisitions have been driven by technology and portfolio expansion

**Bengaluru, NCR, Hyderabad, Pune** are the most preferred GCC locations, hosting over 60 R&C GCCs

### 3rd

largest sector to have the highest global roles within GCCs

## Innovation

The operational framework of R&C GCCs is evolving from cost arbitrage to innovation and transformation

Source: PwC analysis



<sup>1</sup> <https://economictimes.indiatimes.com/news/india/karnataka-unveils-gcc-policy-aims-to-generate-usd-50-billion-economic-output-by-2029/articleshow/113734445.cms?from=mdr>

## Capability expansion of R&C GCCs

It usually takes a few years and alignment with the parent organisation's business objectives for R&C GCCs to shift focus from mere cost arbitrage to innovation hustling. In the past, the cost of recruiting talent in India, regardless of the specialisation in skill, would typically be only a quarter or so of the cost incurred in the other parts of the world. Today, as GCCs move up the value chain with their specialised work on product innovation, this cost is nearly the same. Parent organisations,

however, are willing to pay more for these specialised value accretive skills. Moving beyond driving efficiency and routine administrative tasks, GCCs in the retail space have acquired a cutting edge through R&D, innovation and value-driven business consulting that entail the use of big data, predictive analytics, AI and ML. Typically observed to exist in one of the following five zones of operations, they also move between the zones as and when needed.

Figure 2: Five zones of operation

Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
				
<b>Back-office operations</b>	<b>Cost arbitrage</b>	<b>Data analytics and digital transformation</b>	<b>Front-office operations</b>	<b>Innovation and business consulting</b>
Primary focus is on operational efficiency, process standardisation and high-volume transactions.	Primary focus is on IT services, customer support and routine administrative tasks.	GCCs in this zone focus on big data, predictive analytics, AI, ML, digital strategy and customer behaviour analytics.	These GCCs have a laser focus on enhancing customer experience, managing brand reputation and supporting sales operations.	These GCCs prioritise R&D, new product development, strategic planning and high-value consulting.

Source: PwC analysis

- I. **Back-office operations:** This is mostly observed in GCCs that have just set up shop in India.
- II. **Cost arbitrage:** In the R&C space, GCCs often operate with slim margins. So, regardless of their maturity and vintage quotient, cost arbitrage is a top priority.
- III. **Data analytics and digital transformation:** For R&C GCCs, this is a game changer. Given the quantum of customer data that is generated in real time, the speed and quality of insights extracted from such data are critical to promote customer centricity.
- IV. **Front-office operations:** This is a focus area for R&C GCCs, especially because an enhanced and seamless customer experience is largely driven by quality data analytics.
- V. **Innovation and business consulting:** Some of the more mature and larger GCCs are leading from the front and guiding the parent organisations on technology adoption. Having augmented development teams, they are focused on doing more managed outcome work and turnkey transformations.



# Driving the growth of R&C GCCs

The following are some of the key insights that emerged from our discussions with the R&C GCC leaders and the roundtable event:

- Most R&C GCCs have an open channel of communication with their respective parent organisations.
- They manage talent by focusing on the career growth path of their workforce to minimise attrition. Factoring in diversity, equity and inclusion (DE&I), they ensure pay parity, incorporate the latest technologies and provide upskilling opportunities.
- Innovation and digital transformation with an eye on costs are areas where GCCs add maximum value for the parent organisations.
- Areas of challenge include developing metrics around value creation and charting out a definite path for leadership roles.
- Advantages such as the availability of specific technical skills at a competitive rate in India, and prioritisation of select competencies by the parent company on the back of a supportive and aligned framework enable several R&C GCCs in India to take on the bulk of the work. This makes them the last line of defence for these competencies globally.

Tapping into the country's technology-ready talent pool with adequate government support and incentives has helped GCCs in the R&C space morph into value creation centres that can adapt to changing consumer demands, help address supply chain challenges such as issues in inventory management and logistics, and embrace smart factory and advanced warehouse operations, storage optimisation, and management of the shift from pellets to baskets in warehouse management. R&C GCCs have solved store-level automation with retail robots. Also, with more demanding and well-informed customers urging global retailers to integrate sustainable and ethical practices across the value chain, the GCCs in India give them the necessary roadmap to do so while continuing to scale and optimise costs.

Consider, for instance, the issue of tracking inventory, critical for any retail chain. One such GCC has walked down the innovative path to design battery-operated cameras that send alerts for low stock on shelves and ensure availability of products, thus propelling growth of the parent company. In another instance, the data analytics team of an R&C GCC helped minimise inventory shrinkage and calculate optimum markdown prices for clearance products to achieve optimal sales for its parent company.



# Trends in the R&C GCC space

For GCC leaders in India, a one-size-fits-all approach in the retail space is a strict no-no. Investments are prioritised in alignment with the objectives and vision of the parent organisation. For instance, a large agribusiness and food-centric GCC in India focuses on solving working capital issues instead of adopting cost-cutting measures of 10% year-on-year. Therefore, its investments are in line with that objective.

On the other end of the spectrum, a smaller apparel retail GCC, which set up shop in India within the last two years, spends much of its investments on front-office transformation. Yet another e-commerce giant believes in investing in certain capabilities with a long-term vision to be future ready, although the capabilities may seem futuristic in the current scenario.

Some of the emerging trends of GCCs in the R&C space are as follows:

## Enhancing value for parent organisations

Cost arbitrage is no longer a wow factor for GCCs. They are willing to recruit talent at a higher cost and augment the development teams, to concentrate more on outcome-driven projects and turnkey transformations that help the parent companies to grow and stay ahead of the curve. In fact, most of these retail GCCs play a central role in enabling key finance functions such as source-to-pay, financial planning and analysis, invoice-to-cash, and record-to-report for MNCs. By investing in GCCs in India, retail players get to keep such operations 'in-house'.

A large GCC client in the R&C industry would initially outsource expensive legal work to top law firms. Realising the merit in taking this on internally, it subsequently shifted the competency in-house, enabled by a partnership with PwC India.

Another example of driving greater value for the parent company is that of a GCC set up in India which adopted a 4-3-2-1-0 framework for itself, assigning a key performance indicator (KPI) - 40+ NPS (net promoter score), 30% efficiency, 200mn value, 1st quartile benchmark, 0% deficiency - to each metric to define KPIs early in the journey, self-evaluate, and relay the metrics to the global parent company.

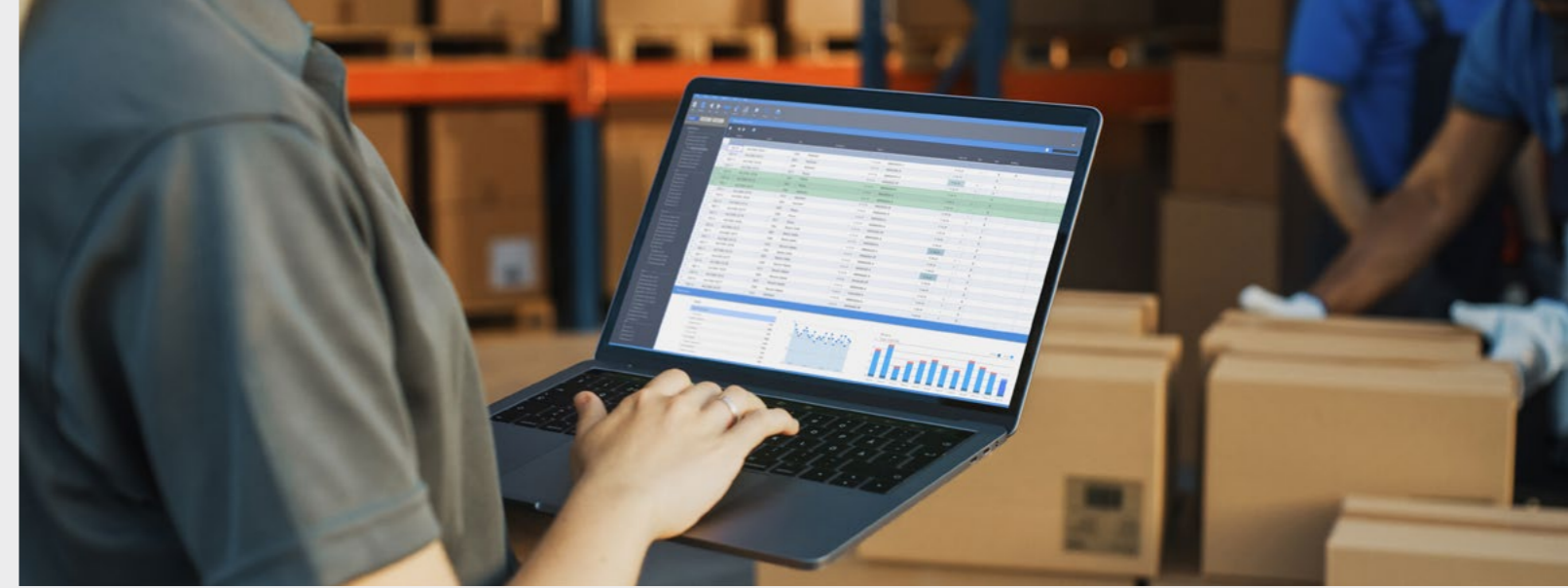
Figure 3: Value driven by R&C GCCs



## Focusing on centres of excellence with multi-disciplinary play

With India dominating the technology space in the global landscape, building centres of excellence to leverage this strength is natural. Enterprise mobility to analyse history, location and contextual information to make better sales decisions, alongside enablement through the use of GenAI are therefore priority areas for GCCs operating in the R&C space. Several of these GCCs have also set up centres of excellence around IT, finance, HR, operations, legal, supply chain management, procurement, and R&D.

The technology head of a large decade-old R&C GCC in India emphasised, in the course of the discussion with PwC India, the importance of doing more with less. Drawing primarily on in-house expertise, the GCC built a centre of excellence for data analytics that helped it to experiment with new age technologies such as GenAI and chatbots, and equipped it to advise not only the parent organisation but also its clients on making informed business decisions.



## Building a future-ready workforce

It is important for the workforce in a GCC to be in sync with the vision and mission of the parent organisation and, accordingly, invest and develop capabilities that can address the rapidly changing business requirements of the parent organisation. The three steps of incubation, maturity and scalability therefore are top priorities to ensure that the workforce is future-fit in a disruptive world characterised by volatility, uncertainty, complexity and ambiguity. GCCs are realising the importance of grooming, coaching and mentoring talent so that they are agile and equally adept at facing both headwinds and tailwinds.

A large R&C GCC in India has developed a technology university with three levels of certification – bronze, silver and gold level – to help upskill its employees. Employees are incentivised to complete the certifications to remain relevant and up-to-date with current tech trends and technologies implemented.

Other GCCs focus on industry tie-ups with start-ups to evolve and improve customer experience, co-create products, and conduct hackathons to get their R&D teams to help develop solutions to bring down turnaround time on critical processes from 20–25 days to 2–3 hours, keeping in mind ESG regulations.

## Cultivating an innovation mindset

Today's well-informed consumer is perpetually on the lookout for new experiences. The use of augmented reality and virtual reality is imperative to give customers what they seek. A customer-centric approach utilising data analytics can only be adopted by cultivating an innovation mindset. That is key when exploring new channels to strengthen outreach and address distinct customer needs and expectations at scale.

In the course of a discussion with PwC India, a leader of an alcohol beverage GCC highlighted how product innovation played a critical role in its sustainability

efforts. The GCC unit forayed into non-alcoholic beverages – introducing a new product segment. Simultaneously, they took steps to conserve water and generate greater value for the parent organisation.

## Assuming global leadership roles within the GCCs

India's GCC paradigm is changing. Today, the number of global leadership positions in GCCs has grown multifold – and these leaders with decision-making powers are instrumental in driving digital transformation, leveraging advanced capabilities and data-driven insights along with their teams spread across continents. The R&C sector is, in fact, the third largest sector to have the highest number of global roles within GCCs (see Figure 1).

A large FMCG GCC in India has an IT investment board, and senior executive members are responsible for taking decisions on the capital allocation for digital infrastructure for the company globally, along with setting key priorities pertaining to areas such as customer, consumer, finance and HR.

## Investing in proven areas of success

Decisions governing investments vary for GCCs in the retail space. While a few foray into new areas that show potential, most believe in investing in proven areas of success, aligned with the business strategies of the parent companies.

An e-commerce giant takes the proof-of-concept route while making new investment decisions. Another GCC leader in the R&C industry emphasised that they prefer being 'vocally self-critical' and state upfront if they believe another team is best suited to deliver on certain specific requirements. That not only helps build trust with the parent company but, more importantly, ensures that investments are made into proven areas of success.

## Oiling the R&C GCC wheels

Given the scope and opportunities they present, GCCs are a-changin'. The purpose of PwC India's discussion with the R&C GCC leaders and the roundtable event was to help co-create a strategy as partners to ensure that the going for GCCs remains smooth and the wheels, well-oiled to move to the next level within the next three to five years. The following are some of the action steps that may be considered:

### Do more with less

Instead of outsourcing certain functions, drawing on in-house expertise can help maintain the safety and integrity of critical functions such as finance and HR. This also helps exercise greater control and flexibility, make judicious use of first-party consumer data, and avert risks associated with third parties – thereby accentuating the value delivered by GCCs to the parent organisation.

### Chalk out SMART goals

While the perception of value is changing, having Specific, Measurable, Achievable, Relevant, Time-bound (SMART) goals and defining KPIs for the GCC business goes a long way in building trust and developing relevant capabilities. Transitioning from a 'fail fast' mentality to a 'learn faster' mindset on the back of self-monitoring KPI goals could provide an impetus to course correct and realign objectives and move towards goals swiftly.

### Focus on innovation as much as building capability

Cost arbitrage, availability of skilled professionals and talent management, and timely delivery of quality work through innovative solutions are key determinants of value creation in any R&C GCC in India, where speed is of essence. It is therefore important to ensure innovation and capacity building go hand in hand, for speed and scale.











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