Global Sourcing (GS)
Market Update: January 2010 – Preview Deck

Topic: Outsourcing and Offshoring Trends in Consumer Electronics

ERI-2010-2-PD-0382

Background, objective, and scope of research

	Description
Background	▪ This report analyzes key outsourcing and offshoring trends in the consumer electronics vertical across multiple dimensions and examines how leading consumer electronics majors have maximized value from global sourcing ▪ We have considered manufacturers of mobile handheld devices (e.g., Motorola, Sony Ericsson), home appliances (e.g., Sony, Philips, LG), computers (e.g., Dell, Epson), audio (e.g., Harman, Pioneer), and imaging (e.g., Canon, Nikon, Fujifilm) to be representative of the buyers in this industry
Objective	▪ Trace the evolution and adoption of global sourcing of services in the consumer electronics industry ▪ Develop perspectives on potential themes and opportunities that may influence the outsourcing and offshoring landscape in future ▪ Share themes and case studies on how companies have leveraged outsourcing as an enabler to corporate strategy and have maximized value from outsourcing
Scope	▪ **Outsourcing contracts:** All publicly announced third-party BPO and ITO deals in the consumer electronics vertical and signed from January 2002 to September 2009. In addition, the report includes analyses based on multi/single-process outsourcing deals from Everest's proprietary account intelligence databases ▪ **Captives landscape**: Analyses on captive landscape of leading consumer electronics companies ▪ **Services scope:** BPO (across FAO, HRO, PO, contact center, industry-specific services), and ITO (across Infrastructure Outsourcing – IO, and Applications Outsourcing – AO), Engineering and R&D (Outsourced Product Development), logistics and supply chain ▪ **Geographic focus:** Global including Americas (North America and Latin America), Europe, Middle East and Africa (EMEA), Asia Pacific (APAC) ▪ **Supplier landscape:** Key suppliers that have signed deals that are in the public domain with buyers in the consumer electronics vertical

Table of contents (page 1 of 2)

Topic	Page no.

Table of contents (page 2 of 2)

Summary of key messages (page 1 of 2)

Outsourcing transaction trends and value drivers

- The consumer electronics industry is a mature adopter of global sourcing. Multiple factors (e.g., market forces, emerging markets' needs, new business models, evolved vendor market) have driven consumer electronics buyers to increasingly outsource/offshore processes
- Consumer electronics companies witnessed two waves of outsourcing in the past decade. Large IT infrastructure deals drove first-time adoption of large IT Infrastructure deals; scope expansion beyond IT infrastructure and broad-based sourcing models drove the second wave. The next wave is expected to be driven by US$7 billion worth of existing contracts nearing their end of term that will be up for renewals and innovation in sourcing models and deal structures in the next two to four years

Buyer adoption – scope of services and sourcing models

- Consumer electronics companies have outsourced/offshored IT, engineering and R&D, and logistics to a large extent. The level of adoption of outsourcing/offshoring is relatively less evolved in non-voice business process (e.g., F&A) and to some degree in customer care
- Companies leveraged multiple sourcing models for global sourcing. Companies built global delivery networks leveraging multiple offshore locations to achieve cost arbitrage, access niche/scalable skills, and manage risks. Our analysis suggests that there is an increasing shift towards third-party outsourcing across various functions

Summary of key messages (page 2 of 2)

Supplier landscape and engagement models

- The supplier landscape serving the consumer electronics space is gaining in prominence as it has become large and evolved. While generalist global and offshore-centric suppliers demonstrated capabilities in providing traditional IT and BPO services, a new breed of specialists increasingly provide R&D, product development, and logistics services to consumer electronics companies
- Further, suppliers increasingly deliver high-value, end-to-end processes with increased ownership, innovative sourcing models and complex deal structures

Perspectives on maximizing value from offshore outsourcing

- Companies leveraged global sourcing as a driver of competitive advantage to enable corporate strategy. There are instances of consumer electronics companies leveraging global sourcing to enable strategy in multiple ways – drive cost competitiveness, achieve process excellence, and drive innovation
- Learnings from companies that successfully maximized value from global sourcing suggest that an intentional and coordinated "go-forward" approach anchored on three guiding principles (adopting a more strategic approach, consolidation of supplier portfolio, and aligning internal organization) is key to driving impact

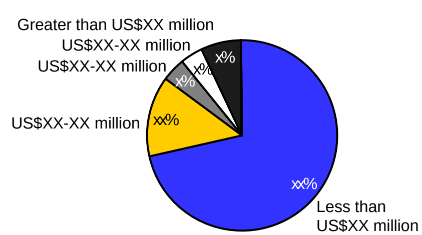
The study offers four distinct chapters providing a deep dive into key aspects of the consumer electronics market; below are four charts to illustrate the depth of the report

EVEREST RESEARCH INSTITUTE

ILLUSTRATIVE

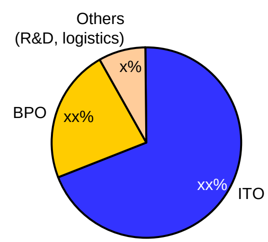
Analysis of transaction activity

Distribution of deal sizes within the total transaction universe in consumer electronics vertical
Number of deals



ITO deals comprise of ~XX% of the overall outsourcing transactions signed to date

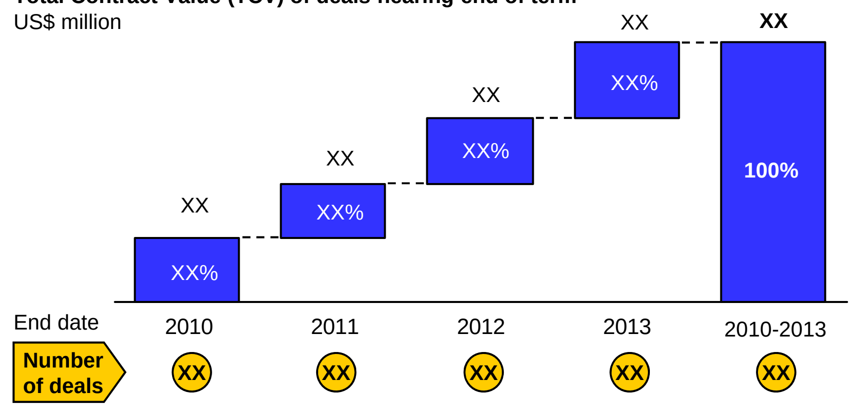
Split outsourcing transactions by functional scope
Number of deals



Although small in absolute terms, several large deals in excess of XX million, were signed in logistics and R&D

Analysis of opportunity from end-of-term deals

Total Contract Value (TCV) of deals nearing end of term
US$ million



Services sourced and sourcing models adopted by leading buyers

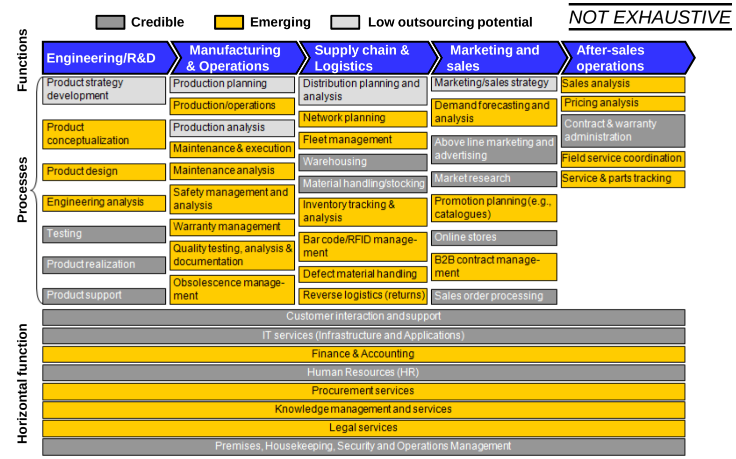
Adoption of global sourcing by consumer electronics majors across functions

Outsourced | Captive/ shared services

	IT services		BPO services					
Buyer	Infrastructure	ADM	Contact center	F&A	HR	PO & other BPO	Engineering/ R&D services	Supply chain
Company 1								
Company 2								
Company 3								
Company 4								
Company 5								
Company 6								
Company 7								
Company 8								

Outsourcing maturity across the value chain

NOT EXHAUSTIVE



Appendix: Additional research recommendations

The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content which may be of interest

1. **Outsourcing and Offshoring in the Oil and Gas vertical** (ERI-2009-2-R-0359); 2009 This research report examines outsourcing & offshoring activity in the oil & gas vertical. It identifies key trends across leading buyers and suppliers and provides an assessment of major transactions activity, BPO activity and as well as key IT sourcing profiles for six buyer firms. This study will assist both buyers and suppliers operating in the oil & gas vertical assess the current landscape and the potential for outsourcing both ITO and BPO services.

2. **Global Sourcing in Banking, Capital Markets and Insurance** (ERI-2008-2-R-0267); 2008. This research report provides an overview of global sourcing trends in financial services with a special focus on BPO in financial services. It examines and contrasts market maturity, value drivers, sourcing models and the supplier landscape, across the three key financial services segments – banking, capital markets and insurance.

3. **The Hidden Costs and Complexities of Managing Multiple Suppliers** (ERI-2009-7-W-0344); 2009. Everest's analysis of the cost and complexity of managing multiple ADM suppliers and how buyers can benefit from limiting the number of suppliers in their portfolio

For more information on this and other research published by the Everest Research Institute, please contact us:

Amneet Singh, VP Research: asingh@everestgrp.com
Karthik H, Research Director: hkarthik@everestgrp.com
Shyan Mukerjee, Senior Research Analyst: shmukerjee@everestgrp.com
Aminisha Gupta, Research Analyst: agupta@everestgrp.com
GS Team: GSTeam@everestgrp.com

Everest Research Institute
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240
Phone: +1-214-451-3110
E-mail: info@everestresearchinstitute.com

Get the answers today that lead to tomorrow's success

Everest has the resources, experience, and capabilities to provide companies with the strategic intelligence, analysis, and insight that are crucial to making the right decisions in today's outsourcing marketplace.

With the vision of our leadership team, the personal commitment, and indeed, the passion of our professionals to deliver real value to our clients, our organization is unsurpassed in its ability to guide your company's future success.

Everest Research Institute
Two Galleria Tower
13455 Noel Road, Suite 2100
Dallas, TX 75240
U.S.A.
+1-214-451-3110
www.everestresearchinstitute.com
info@everestresearchinstitute.com

Everest Group
150 E., 52nd Street, 16th Floor
New York, NY 10022
U.S.A.
+1-646-805-4000

Everest India
Ground Floor, Tower A
Unitech Business Park
South City - I, Gurgaon
National Capital Region
India 122001
+91-124-304-1000

Everest Australasia
409a Wattletree Road
East Malvern
VIC 3145
Australia
+61-3-9509-3933

Everest Canada
The Exchange Tower
130 King Street West,
Suite 1800
Toronto, ON
Canada M5X 1E3
+1-416-865-2033

Everest UK
1st Floor, Accurist House
44 Baker Street
London, W1U 7AL
United Kingdom
+44-870-770-0270

Everest Netherlands & Continental Europe
Atrium Building 3rd Floor
Strawinskylaan 3051
1007 ZX Amsterdam
Netherlands
+31-20-301-2138

Everest Australia
Level 6, 90 Mount Street
North Sydney
NSW 2060
Australia
+61-3-9509-3933