Everest Group
RESEARCH

Overview of Key Developments in Q3 2011

Global Sourcing (GS): Industry Trends – Preview Deck

EGR-2011-8-PD-0614

Contents

The increasing complexity of the outsourcing market has amplified risk exposure for companies

Factors driving increased risk

Vendor and model proliferation
Multiple service providers and business models

Large span of functions
Typically combination of many IT, BPO and some KPO services

Increasing scope
Significant proportion of operations now in low cost locations

Global delivery chain
Services often delivered from multiple locations with diverse risk footprint

Dynamic economies
Most delivery locations are emerging economies going through rapid change

Examples of risks

Regulatory risk
Ensuring compliance with regulatory guidelines in source and destination countries across service providers

Performance risk
Managing quality of service delivery, attrition, knowledge retention

Business case risk
Managing wage inflation without affecting quality of service

Data security and intellectual property risk
Implementing measures to safeguard data and intellectual property

Concentration risk

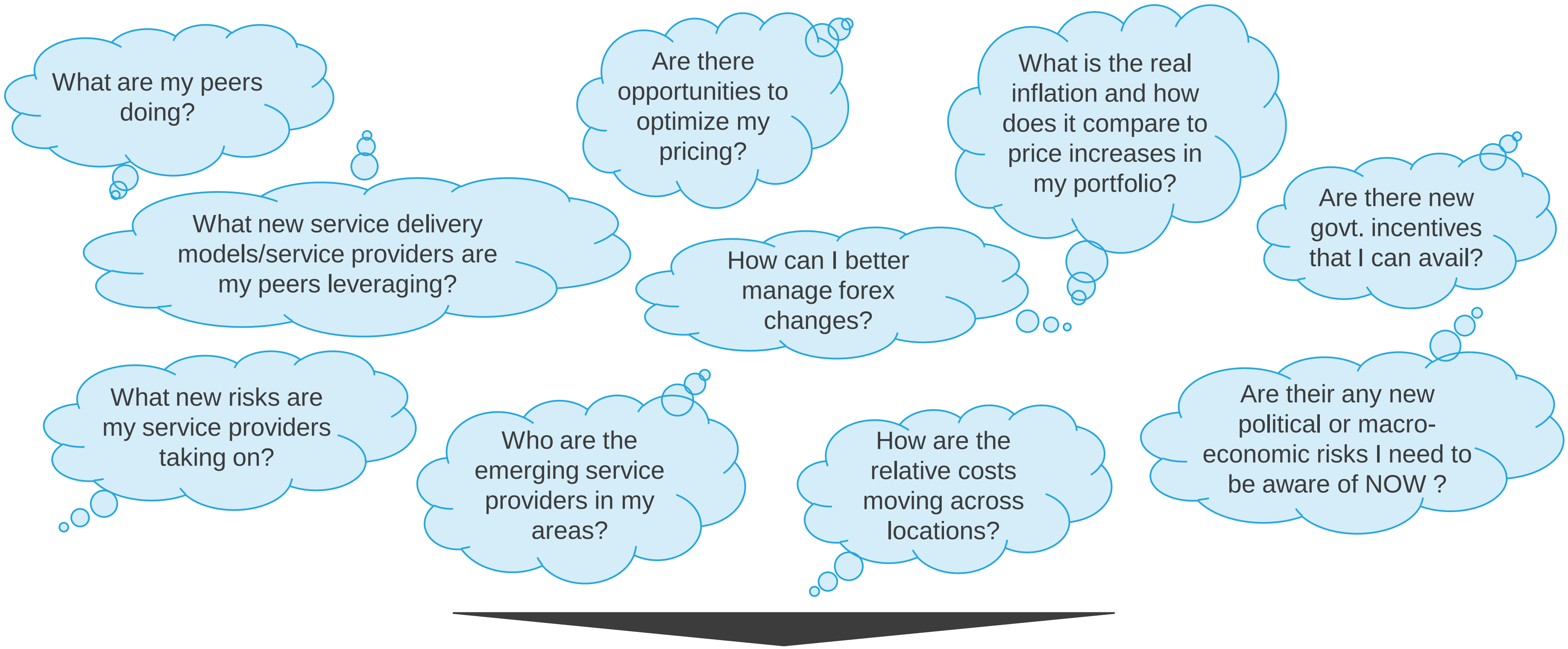
Business continuity risk

Currency risk

....

Most large companies have capabilities in global risk management. However, the level and type of risk exposure that is emerging from the globalization of services is unprecedented

Sourcing leaders are being asked to manage risks associated with global sourcing and support the delivery of transformational results



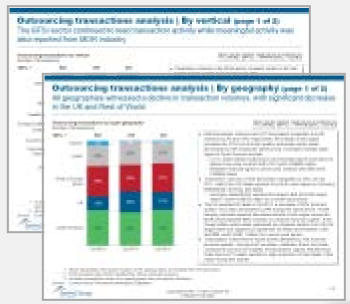
Key decisions that Sourcing managers need to support

- Comparison with peers
- Location risk management
- Service provider selection and optimization
- Design of new deals
- Price benchmarking and contract renewals

Market Vista encompasses a suite of offerings that track the overall global sourcing market

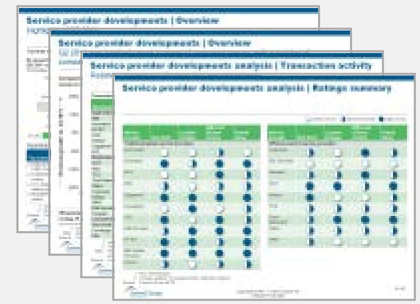
Overall sourcing market

- Detailed analysis of trends by industry vertical and geography
- Report of transaction volume, size, and momentum
- Perspective on events with significant industry impact (e.g., M&A)
- Implications of regulatory changes



Service provider landscape

- Updates on service provider market share, capabilities, and performance
- Service provider profiles, including data on:
  – Transactions
  – Location footprint
  – M&A activity



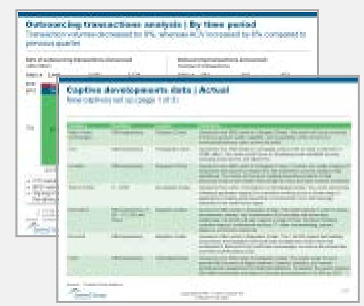
MARKET VISTA

Location data and dynamics

- Data on market activity in key offshore geographies
  – Political
  – Macroeconomic
  – Promotion incentives
- Trends in wage inflation, attrition, and arbitrage

Processes and models

- Process-level trends
- Captive set-ups, divestures, and overall trends
- Fact-based insights on adoption of emerging pricing models
- Data and perspectives on new opportunity areas



Quarterly report | **Primer** | **Location database** | **Breaking viewpoint** | **Location insights e-newsletter** | **Service provider capability profiles** | **Industry trends**

Industry trends complement the Market Vista suite through quarterly reports focused on industry-specific global sourcing data, developments and insights

Each quarterly Industry Trends report captures developments across three key areas

1 Outsourcing transactions

- Outsourcing transactions trends
  - Industry-specific transaction growth
  - Comparison with overall market growth
- Transaction analysis
  - By function, geography, and sub-vertical
  - By processes and sub-processes
  - By new deals and restructured/renewed deals

2 Captive market analysis

- Industry-specific captive announcements
  - Captive setup and expansion
  - Captive announcement details
- Notable captive divestures with details

3 Service provider activity and deals

- Key developments amongst service providers
  - Transaction activity
  - Share of service providers
- Significant outsourcing deals signed by leading companies
  - Listing of major BPO/IT outsourcing deals

Industry trends comprise of four quarterly reports for each of the six key industries comprising majority of the global sourcing industry

Key sub-verticals covered (illustrative)

Industry	Key sub-verticals covered (illustrative)
1 Banking, Financial Services, and Insurance (BFSI)	• Banking • Insurance • Other financial services
2 Manufacturing, Distribution, and Retail (MDR)	• Automotives and Auto-components • Consumer packaged goods • Heavy and Light Manufacturing • Retail, distribution, and logistics
3 Energy and Utilities (E&U)	• Oil and Gas • Petro-chemicals • Utilities
4 Healthcare	• Pharmaceutical and Life Sciences • Healthcare payers • Healthcare providers
5 Technology	• Software – products and R&D • Semiconductors • Computer hardware and peripherals
6 Telecom	• Telecom service providers and manufacturers • Telecom networks

20+ pages in each Industry Trends report

Quarterly Industry Trends reports for each industry

24 Industry Trends reports across six industries in a year

Everest Group RESEARCH

Contents

Each Industry Trends quarterly report comprises 20+ pages of insight and data

Illustrative Table of Contents

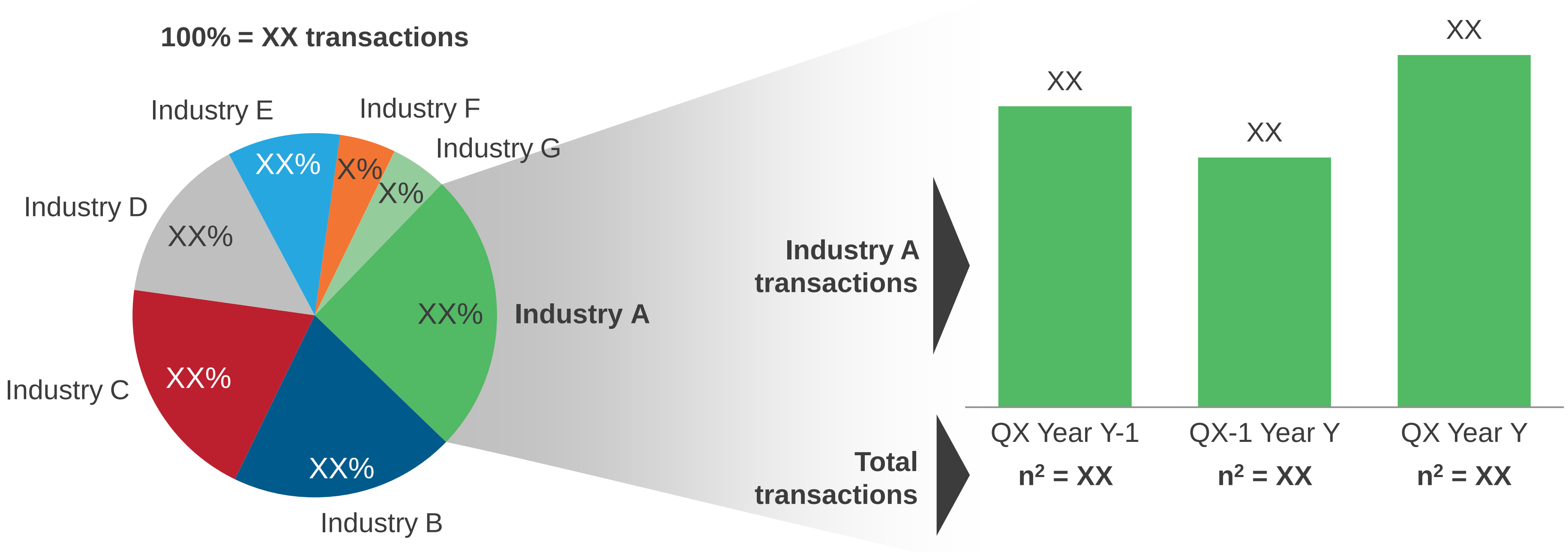
Topic

Section I: Outsourcing transaction trends

Industry A accounted for XX% of total reported outsourcing transactions in QX Year Y with volumes increasing compared to XX

Break-up of outsourcing transactions by industries
QX Year Y; Number

Index of outsourcing transactions[1]
Number

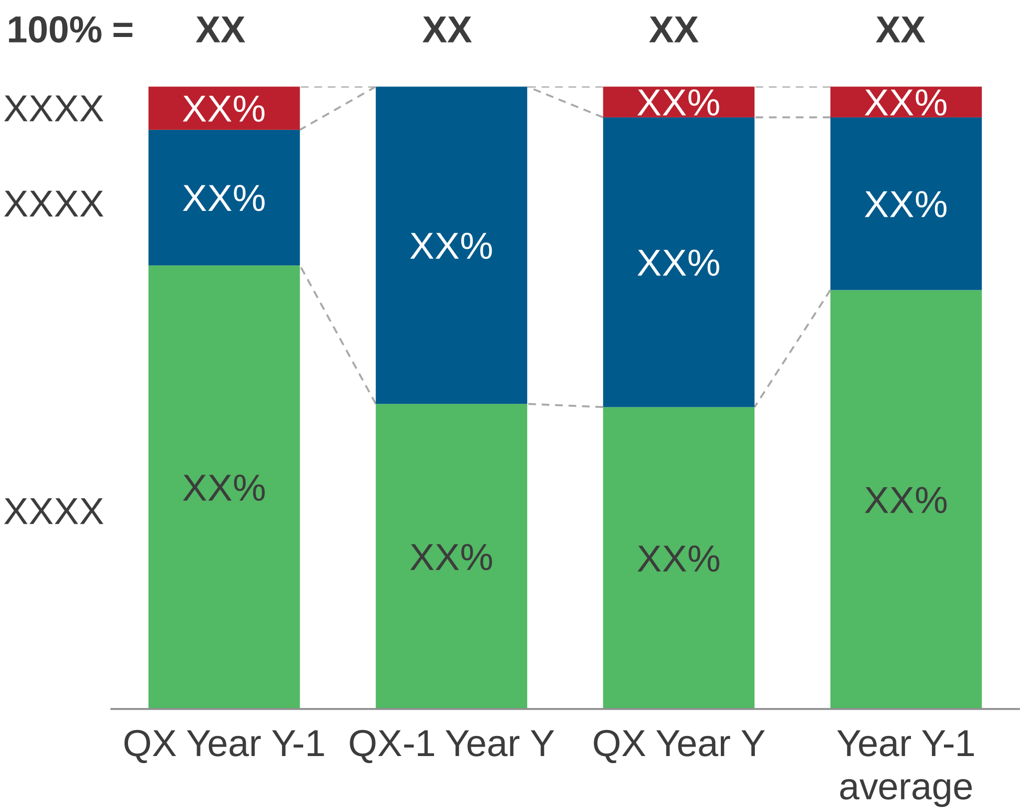


- The overall outsourcing market XXXX by XX % in QX Year Y compared to XXXX
- During the same period, transaction volumes in Industry A increased by XX%

1 Includes only data that has been publicly disclosed
2 n = Number of outsourcing transactions in the quarter, across all industries
Source: Everest Group Transaction Intelligence Database

Transaction volumes XXXX across both ITO and BPO functions

Break-up of industry specific transactions by function
Number



- ITO transactions in the XX industry XX by XX% compared to XXXX
- During the same period, BPO transactions registered XXXX
- XX contracts were signed having components of both BPO and ITO, compared to XX in the previous quarter

Source: Everest Group Transaction Intelligence Database

Section I: Outsourcing transaction trends

Higher outsourcing adoption in XXXX, XXXX, and XXXX

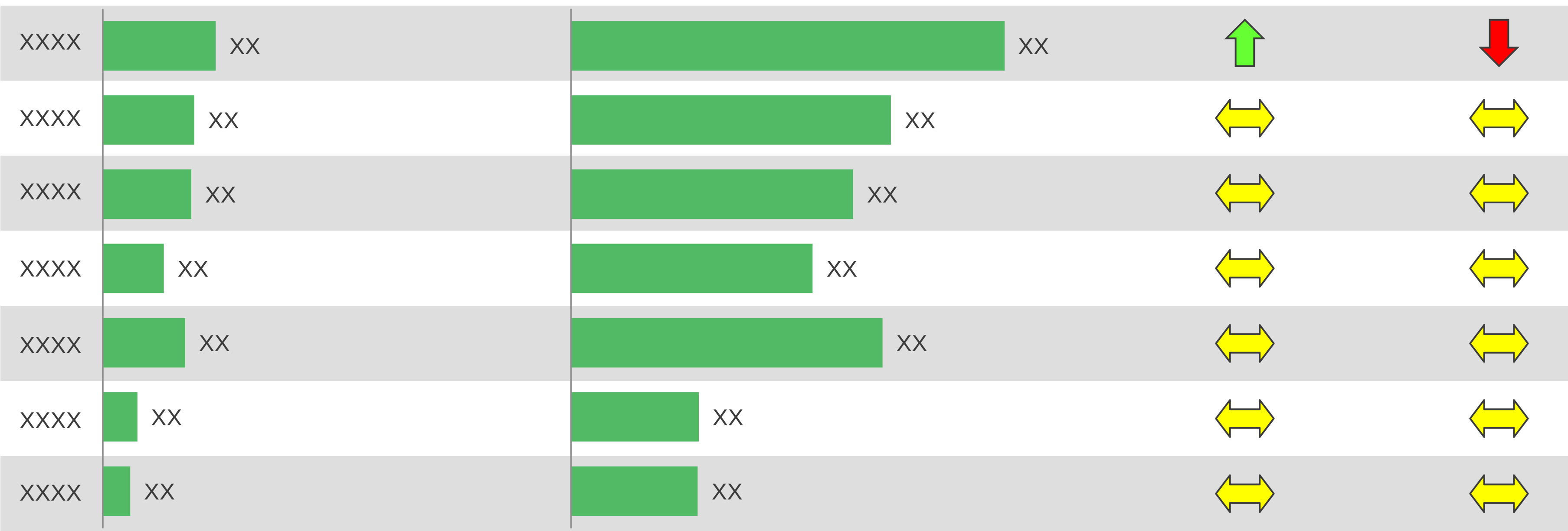
Decreased Similar Increased

Industry A ITO by process[1]
QX Year Y; Frequency of occurrence
Total = XX

Industry A ITO by process[1]
Year Y-1; Frequency of occurrence
Total = XX

Change in number of ITO transactions, by process[1]

QX Year Y-1 to QX Year Y | *QX-1 Year Y to QX Year Y*



- There is significant adoption of XXXX with about XX% deals having this component
- Except for XXXX, activity in all other ITO functions was similar to previous quarter and last year

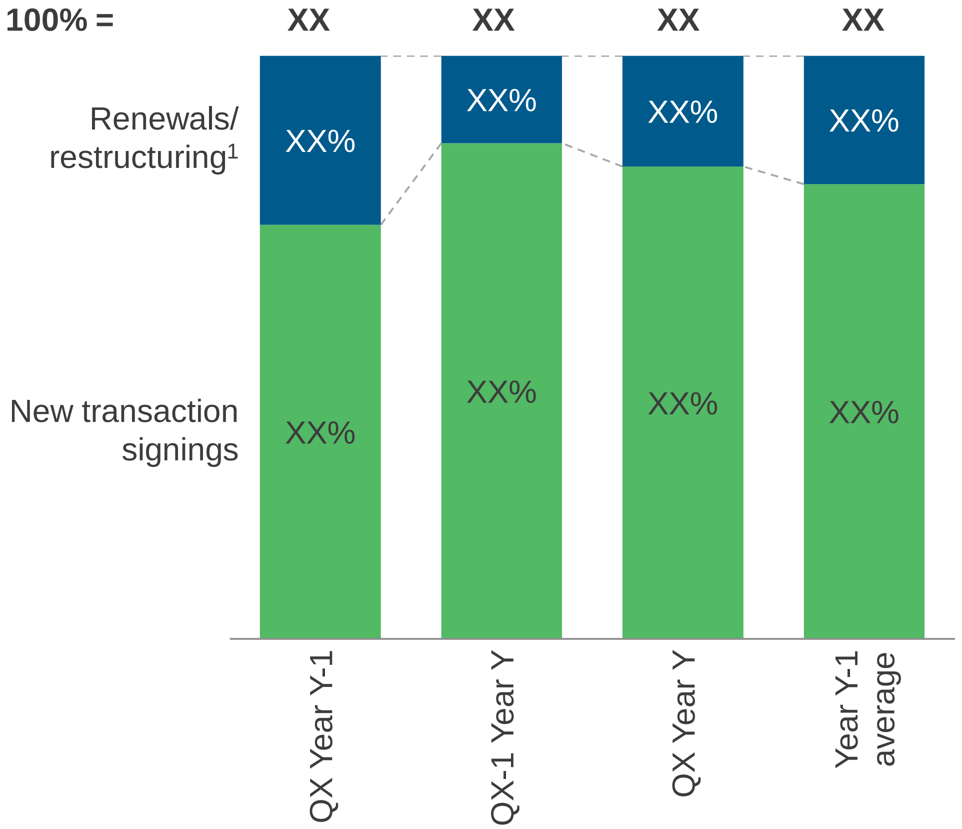
1 Includes IT transactions that have a BPO component

Source: Everest Group Transaction Intelligence Database

Section I: Outsourcing transaction trends

XX% of transactions were new transactions signed in QX Year Y

XX industry transactions by contract type
Number



ITO AND BPO TRANSACTIONS

Major XX industry transactions reaching the end of their contract duration over the next few months

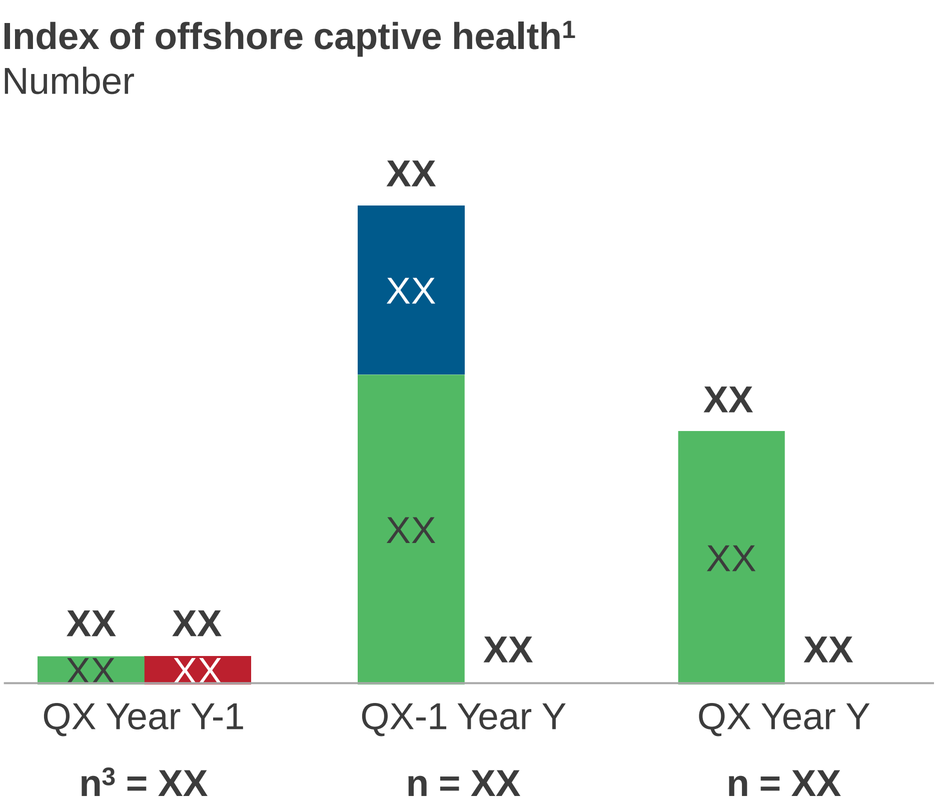
Buyer	Service provider	Function scope
Buyer 1	Service provider 1	XX
Buyer 2	Service provider 2	XX
Buyer 3	Service provider 3	XX
Buyer 4	Service provider 4	XX
Buyer 5	Service provider 5	XX

1 Refers to contracts where the scope of existing contract was extended or expanded
Source: Everest Group Transaction Intelligence Database

Section II: Captive market analysis

Overall number of captive announcements in QX Year Y witnessed an XXXX compared to the previous quarter

Index of offshore captive health[1]
Number

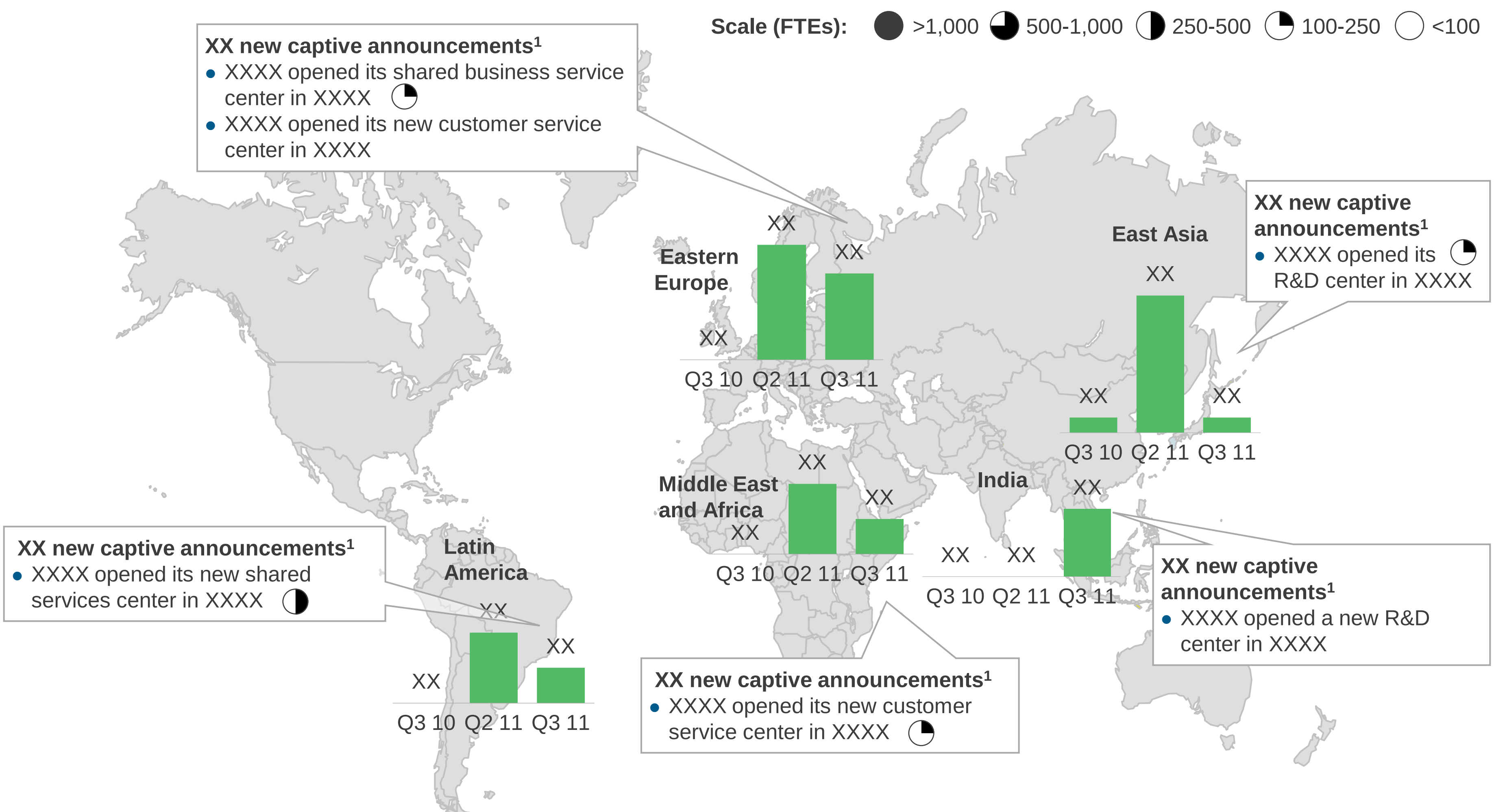


- There were XX new captive announcements in the quarter
- Some well-known companies that made captive announcements included XX, YY, and ZZ
- XX captive divestures were announced in this quarter

1 Includes only data that has been publicly disclosed
2 Announcements include both new set-ups and expansion of existing captive operations; planned captive set-ups and expansions not included
3 n = Number of captive set-ups in the quarter, across all industries
Source: Everest Group analysis

Captive set-ups[1] | By region

Captive activity was concentrated in XXXX and XXXX

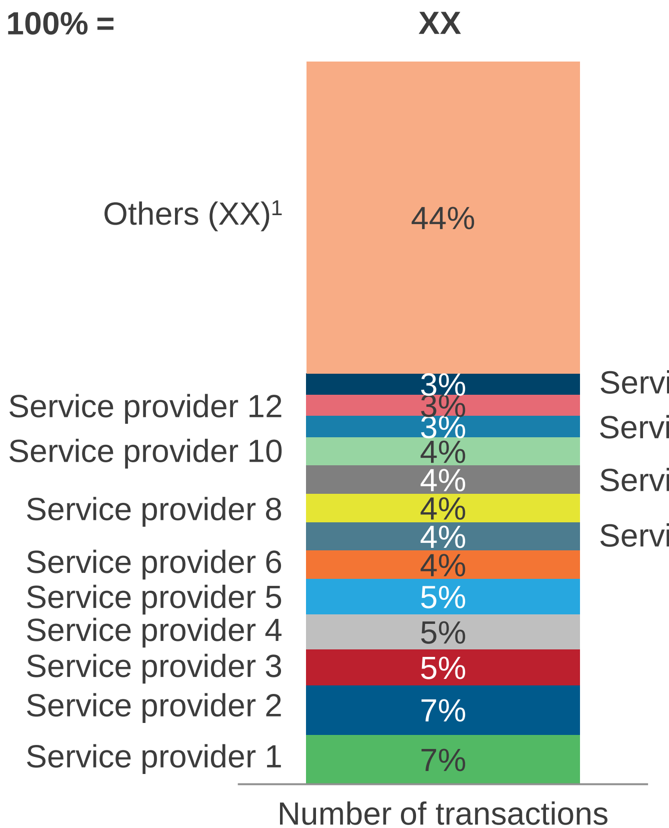


1 Indicates announcements related to actual captives set-ups and expansion
Note: All references to captives include only offshore captives
Source: Everest Group analysis

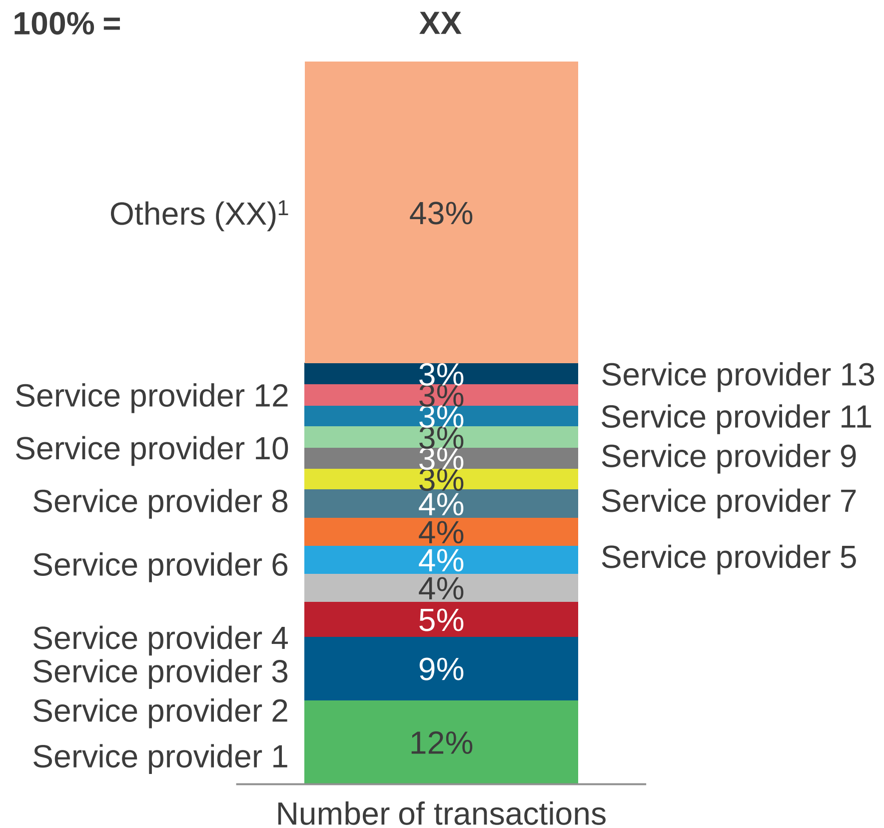
Section III: Service provider activity and deal information

Share of service providers in transaction activity

Share of service providers in transactions
QX Year Y; Number



Share of service providers in transactions
Year Y-1; Number



1 Figure in parenthesis indicate number of service providers
Source: Everest Group Transaction Intelligence Database

Everest Group RESEARCH

Section III: Service provider activity and deal information

Notable deals signed in the XX industry in QX Year Y

Buyer	Sub-vertical	Service provider	Deal value (US$ million)	Contract duration (years)	Services
Buyer 1	XXXX	XXXX	XXXX	XXXX	XXXX
Buyer 2	XXXX	XXXX	XXXX	XXXX	XXXX
Buyer 3	XXXX	XXXX	XXXX	XXXX	XXXX
Buyer 4	XXXX	XXXX	XXXX	XXXX	XXXX
Buyer 5	XXXX	XXXX	XXXX	XXXX	XXXX
Buyer 6	XXXX	XXXX	XXXX	XXXX	XXXX
Buyer 7	XXXX	XXXX	XXXX	XXXX	XXXX

Source: Everest Group Transaction Intelligence Database

Section III: Service provider activity and deal information
Key developments in major companies

XXXX
Increased offshore adoption: XXXX announced plans to set up its back-office operations in XX by the end of Year Y. The center will support its XXXX expansion and will hire about XX employees

XXXX
BPO agreement: XXXX

XXXX
ITO agreement: XXXX

XXXX
ITO agreement: XXXX

Source: Everest Group analysis

Appendix: Additional research references

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 that may be of interest

1. **Global Locations Compass - China** (EGR-2011-2-R-0606); 2011. This research report provides detailed data and in-depth analysis of China's global services sector, and is intended to enable the development of a holistic perspective on the country

2. **Market Vista: Q3 2011** (EGR-2011-8-R-0607); 2011. This report includes data, analysis and insights on transaction trends, information on major deals, captive market dynamics, and fact-base for offshoring destinations in Asia. Also included is the Standard Locations Database that tracks 23 leading offshore locations

3. **Manufacturing, Distribution, and Retail (MDR): Trends for Q3 2011** (EGR-2011-8-R-0615); 2011. This report provides MDR industry specific data, developments, and insights that enable Global Sourcing Managers to navigate through the complexity and make clear, effective decisions contextualized and suited to their specific industry. These reports provide deep-dive into transaction activity, captive developments, service provider market share, and key outsourcing transactions specific to the MDR industry

4. **Banking, Financial Services, and Insurance (BFSI): Trends for Q3 2011** (EGR-2011-8-R-0614); 2011. This report provides BFSI industry specific data, developments, and insights that enable Global Sourcing Managers to navigate through the complexity and make clear, effective decisions contextualized and suited to their specific industry. These reports provide deep-dive into transaction activity, captive developments, service provider market share, and key outsourcing transactions specific to the BFSI industry

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

Amneet Singh, Vice President – Global Sourcing: amneet.singh@everestgrp.com
Salil Dani, Research Director: salil.dani@everestgrp.com
Anurag Srivastava, Sr. Research Analyst: anurag.srivastava@everestgrp.com
Shyam Sundar Amara, Knowledge Associate: shyam.amara@everestgrp.com

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

About Everest Group

Everest Group is an advisor to business leaders on the next generation of global services with a worldwide reputation for helping Global 1000 firms dramatically improve their performance by optimizing their back- and middle-office business services. With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of global services in their pursuits to balance short-term needs with long-term goals. Through its practical consulting, original research and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies and management approaches. Established in 1991, Everest Group serves users of global services, providers of services, country organizations and private equity firms, in six continents across all industry categories. For more information, please visit www.everestgrp.com and research.everestgrp.com.

Everest Group locations

Dallas (Headquarters):	info@everestgrp.com +1-214-451-3000
New York:	info@everestgrp.com +1-646-805-4000
Toronto:	canada@everestgrp.com +1-416-865-2033
London:	unitedkingdom@everestgrp.com +44-207-887-1483
Delhi:	india@everestgrp.com +91-124-496-1000

www.everestgrp.com | research.everestgrp.com | www.sherpasinblueshirts.com