



Global Sourcing

Market Vista: Q4 2008 – Preview Deck



- **Product overview**

- Illustrative contents

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



RESEARCH INSTITUTE

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 suppliers

Business case risk

Managing wage inflation without affecting quality of service

Performance risk

Managing quality of service delivery, attrition, knowledge retention

Data security and intellectual property risk

Implementing measures to safeguard data and intellectual property

Concentration risk

Business continuity risk

Currency risk

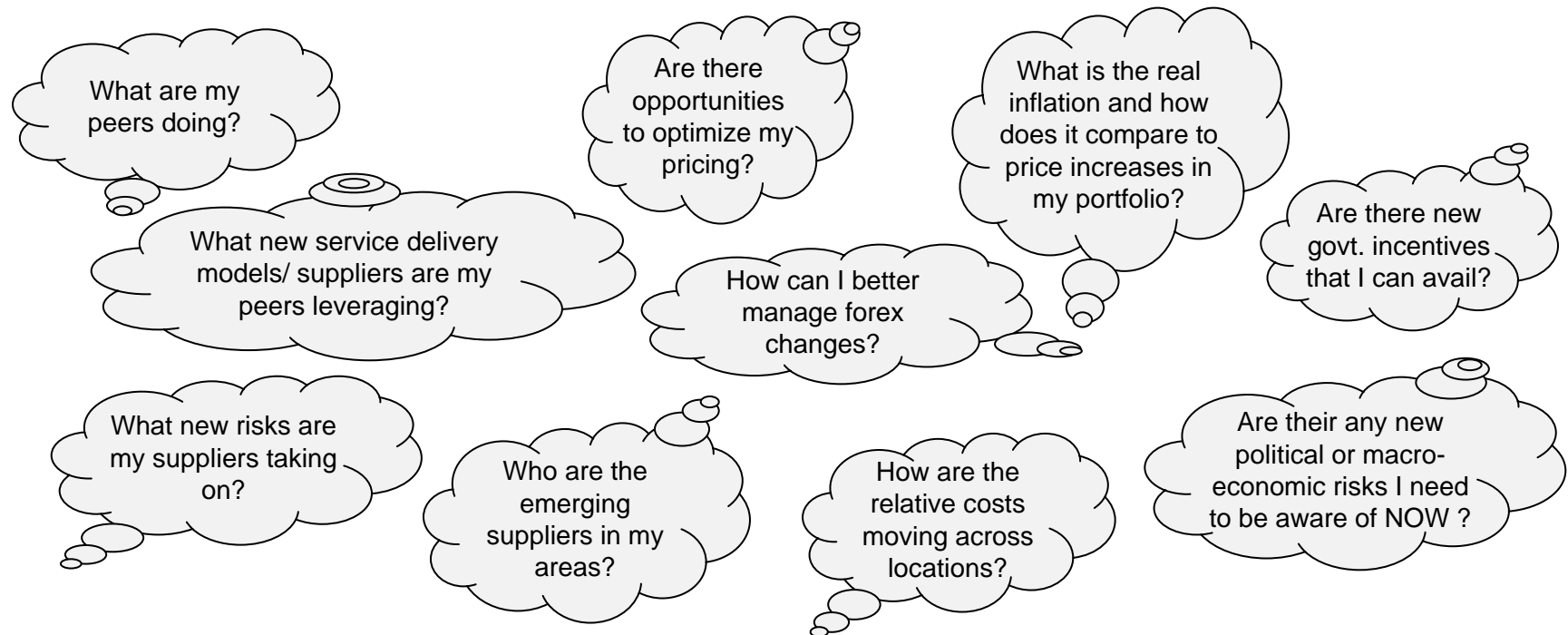
...

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



RESEARCH INSTITUTE



Key decisions that Sourcing managers need to support

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

Market Vista provides continuously updated facts and analysis every quarter to enable effective management of global services portfolios



RESEARCH INSTITUTE

Each quarterly Market Vista report captures developments across three key areas

1

Market overview

- Outsourcing transactions trends
 - Transaction analysis – By industry, geography, etc.
 - Listing of major BPO/IT outsourcing deals
 - Large offshore deals
- Captives analysis
 - New captive set-ups, divestures
- Focus on Financial Services players
 - Transaction analysis
 - Developments across global majors

2

Location trends and risks

- Key location developments
 - Establishment of new offshore delivery centers
- Risk dashboard capturing key current and emerging risks
 - Geo-political/economic changes
 - Government initiatives
- Q4 focus – Fact-based on emerging geographies
 - Overview of upcoming global sourcing destinations
 - Operating costs across 9 cities, inflation rates, and currency trends

3

Supplier developments

- Key developments among 20 leading global suppliers
 - Financial performance
 - Transaction activity
 - Changes in delivery footprint
 - M&A and alliance activity
- Q4 highlight – Landscape of LPO suppliers
- Detailed profiles for each player capturing key developments across dimensions

- Product overview

- **Illustrative contents**

Each section of the quarterly report comprises 30+ pages of insight and data

Illustrative table of contents (page 1 of 2)



RESEARCH INSTITUTE

Topic	Page no.
Section I A: Trend analysis – outsourcing, offshoring, and captives	I-3
■ Outsourcing transactions analysis	I-4
■ Offshore transaction analysis	I-10
■ Change in outsourcing transactions (Q-o-Q).....	I-11
■ Captive developments	I-12
Section I B: Focus topic – financial services outsourcing and offshoring	I-16
■ Financial services developments	I-17
■ Large financial services deals signed in Q4 2008.....	I-21
Section I C: Data snapshots	I-22
■ Examples of large BPO and IT deals signed this quarter	I-23
■ List of new captive announcements made this quarter	I-25
■ List of captives with announcements for expansion	I-27
■ Key developments for global BFSI majors	I-28
Section II A: Trend analysis – Risk and Opportunity dashboard and analysis	II-3
■ Risk and Opportunity Dashboard	II-4
■ Risk and Opportunity Dashboard analysis	II-5
Section II B: Focus topic – Emerging geographies	II-10
■ Overview of emerging geographies for global sourcing	II-11
■ Operating costs	II-14
■ Operating cost inflation	II-15
■ Currency trends	II-18

Each section of the quarterly report comprises 30+ pages of insight and data

Illustrative table of contents (page 2 of 2)

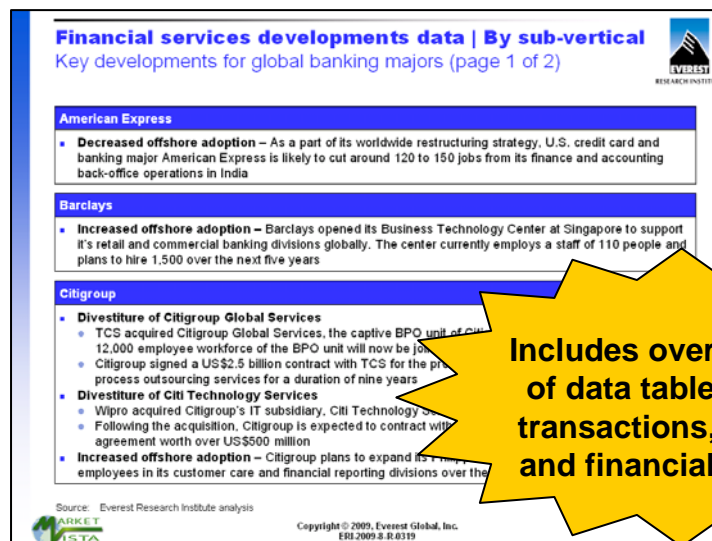
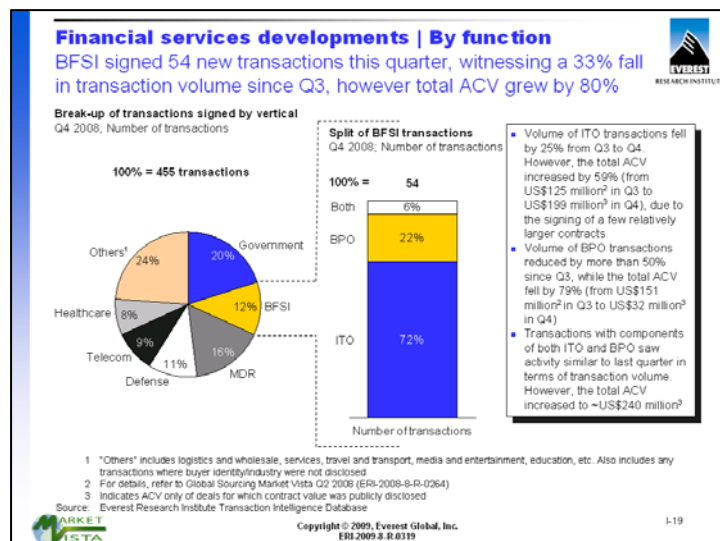
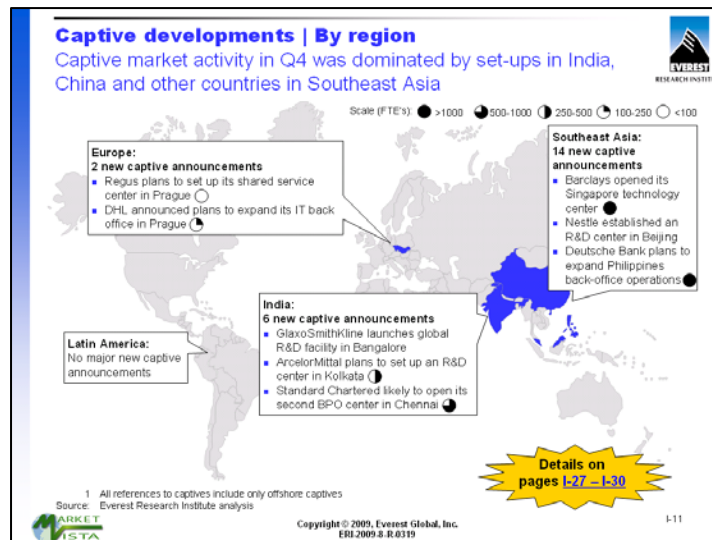
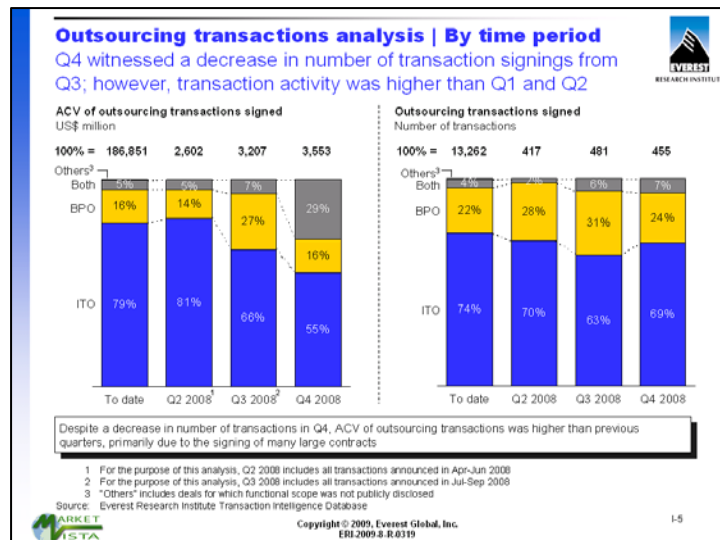


RESEARCH INSTITUTE

Topic	Page no.
Section II C: Data snapshots	II-19
■ Market activity: Delivery centers established in Q4 2008	II-20
■ Market activity: Delivery centers planned in Q4 2008	II-23
■ Market activity: Expansion announcements in Q4 2008	II-25
■ Regional developments: Geo-political, macro-economic	II-26
■ Regional developments: Leading economic indicators	II-28
■ Regional developments: Investment environment	II-29
Section III A: Trend analysis – Key developments across suppliers	III-5
■ Supplier developments analysis	III-6
Section III B: Focus topic – Landscape of LPO services	III-15
■ Overview of LPO suppliers	III-16
■ LPO suppliers in India and Philippines	III-18
Section III C: Data snapshots – Key developments and activity profiles by supplier	III-21
■ Summary of supplier ratings	III-22
■ Recent M&A activity by suppliers	III-23
■ Recent alliances and partnerships forged by suppliers	III-26
■ Recent location activity by suppliers	III-28
■ Supplier activity profiles – Key developments by supplier	III-31

Section I – Market section | Overview

Captures outsourcing transactions trends, captive developments with an emphasis on Financial Services players

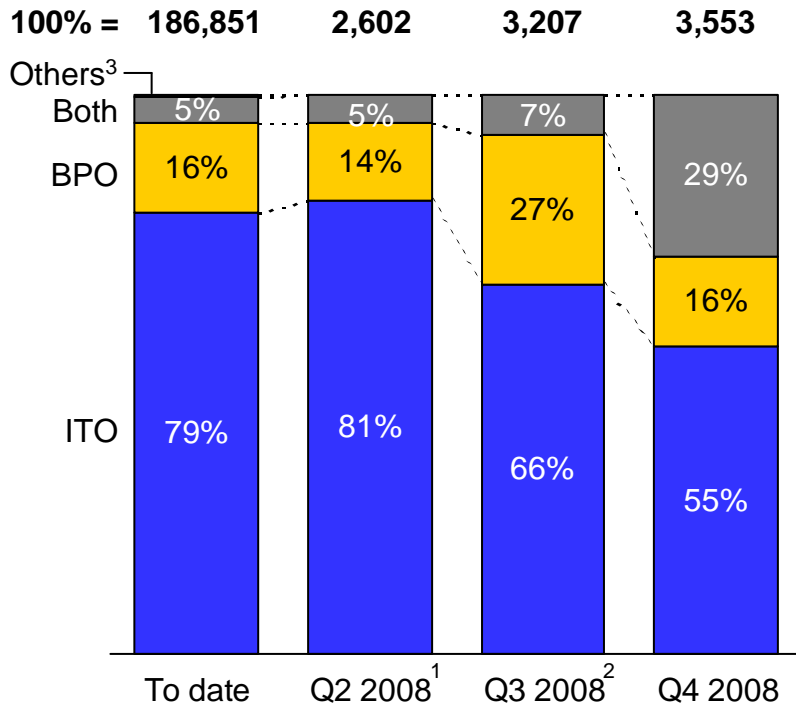


Outsourcing transactions analysis | By time period

Q4 witnessed a decrease in number of transaction signings from Q3; however, transaction activity was higher than Q1 and Q2

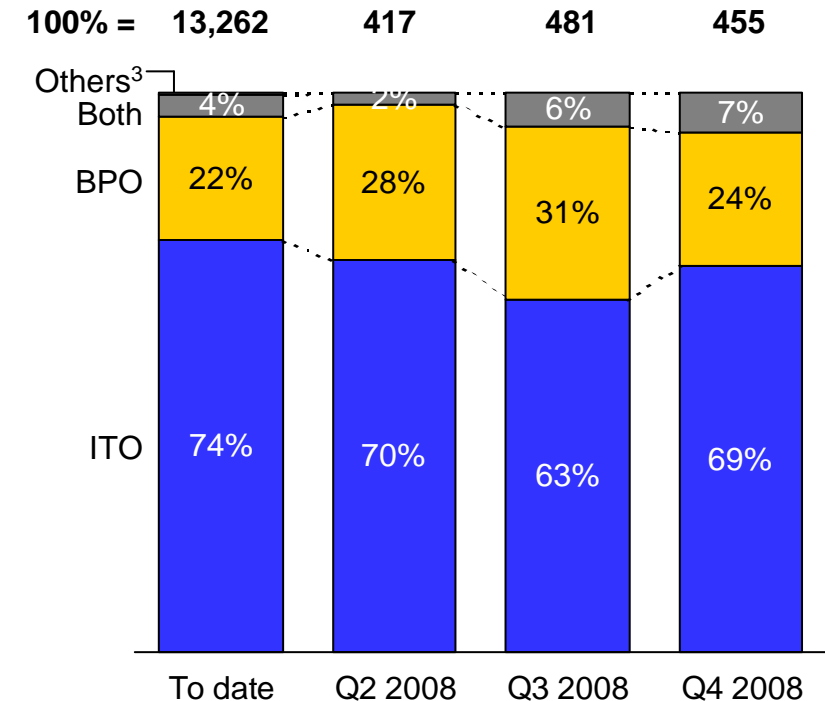
ACV of outsourcing transactions signed

US\$ million



Outsourcing transactions signed

Number of transactions



Despite a decrease in number of transactions in Q4, ACV of outsourcing transactions was higher than previous quarters, primarily due to the signing of many large contracts

¹ For the purpose of this analysis, Q2 2008 includes all transactions announced in Apr-Jun 2008

² For the purpose of this analysis, Q3 2008 includes all transactions announced in Jul-Sep 2008

³ "Others" includes deals for which functional scope was not publicly disclosed

Source: Everest Research Institute Transaction Intelligence Database

Outsourcing transactions analysis | By function (Q-o-Q)

F&A, procurement, and real estate witnessed increase in market movements; ITO was largely similar to the previous quarter



EVEREST
RESEARCH INSTITUTE

● Decreased from last quarter

● Similar to last Quarter

● Increased from last quarter

Q-o-Q change in number of BPO transactions, by process¹

Process category	Q2 2008 to Q3 2008	Q3 2008 to Q4 2008
F&A	●	●
HR	●	●
Procurement	●	●
Real estate	●	●
Customer care	●	●
Industry specific	●	●
Others ²	●	●

Q-o-Q change in number of ITO transactions, by process¹

Process category	Q2 2008 to Q3 2008	Q3 2008 to Q4 2008
Application outsourcing	●	●
Infrastructure outsourcing	●	●
Both	●	●
Others ³	●	●

1 Includes transactions in which functional scope may have multiple processes

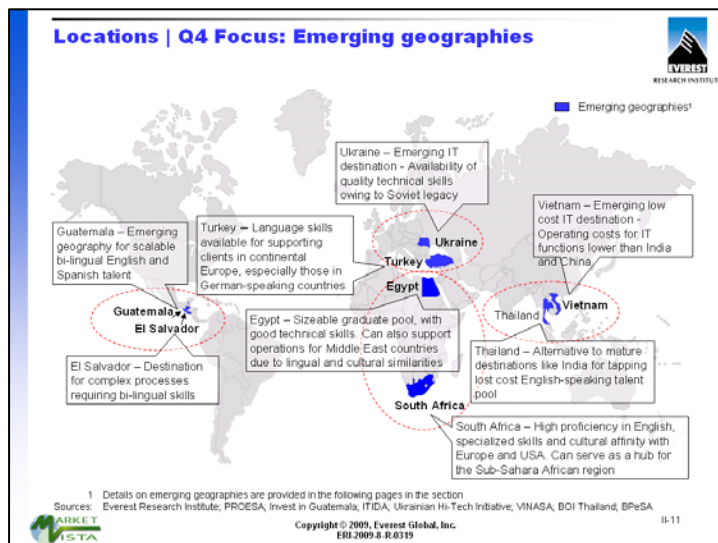
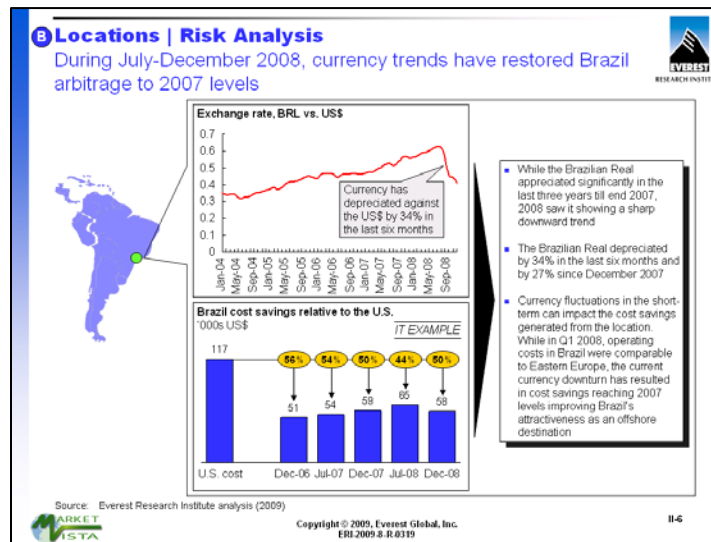
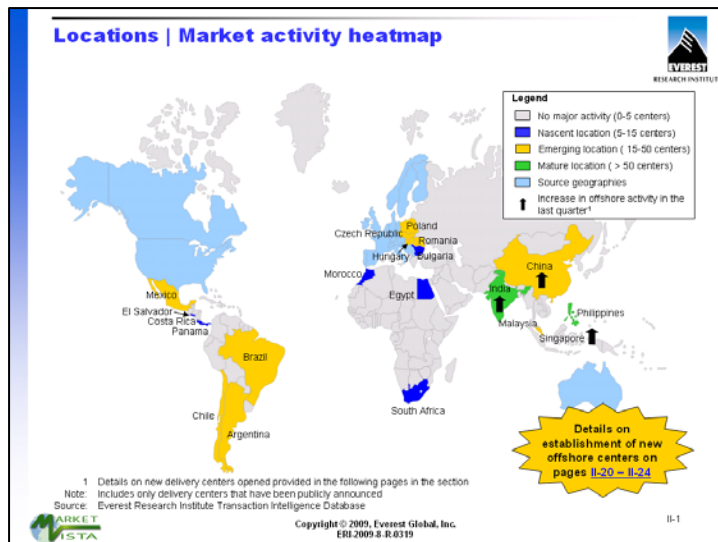
2 "Others" includes processes such as document management, market development, collections & mailroom scanning, R&D, engineering, safety & environmental analysis reporting, printing, product development & marketing services, logistics & supply chain management

3 "Others" includes processes where functional scope was not publicly disclosed

Source: Everest Research Institute Transaction Intelligence Database

Section II – Locations section | Overview

Key developments and emerging risks across locations



Locations | Market activity data

Announcements of delivery centers established in Q4 2008 (page 1 of 5)

Country	City	Month	Supplier/captive	Number of FTEs	Other comments
Asia					
Singapore	Singapore	October	Halliburton	To employ 400 people	Halliburton set up its research and development, logistics, financial, and procurement support center in Singapore
Singapore	Singapore	October	Hay Group	N.A.	Hay Group, a global management consultancy firm, opened its knowledge center in Singapore
China	Beijing	October	Nestle	N.A.	Nestle set up its second R&D center in Beijing to conduct research on food safety and quality, life sciences
Singapore	Singapore	October	El Lilly	N.A.	El Lilly opened its expanded R&D facility in partnership with the Singapore Economic Development Board. The center will be involved in providing drug discovery and research services
Vietnam	N.A.	October	i-Financial	N.A.	Opened a development center in
China	Shanghai	October	IBM	N.A.	IBM expanded its research operations research facility
Malaysia	Kuala Lumpur	October	OPI	N.A.	OPI opens F&A languages center
China	Shanghai	October	Silicon Image	50	
Philippines	Bacolod City	October	Convergys	1000	Convergys, to
China	Tianjin	November	TCS	300	
India	Bangalore	November	Glaxosmithkline	20	supp
Singapore	Singapore	November	Autodesk	130	Autodesk launc development c

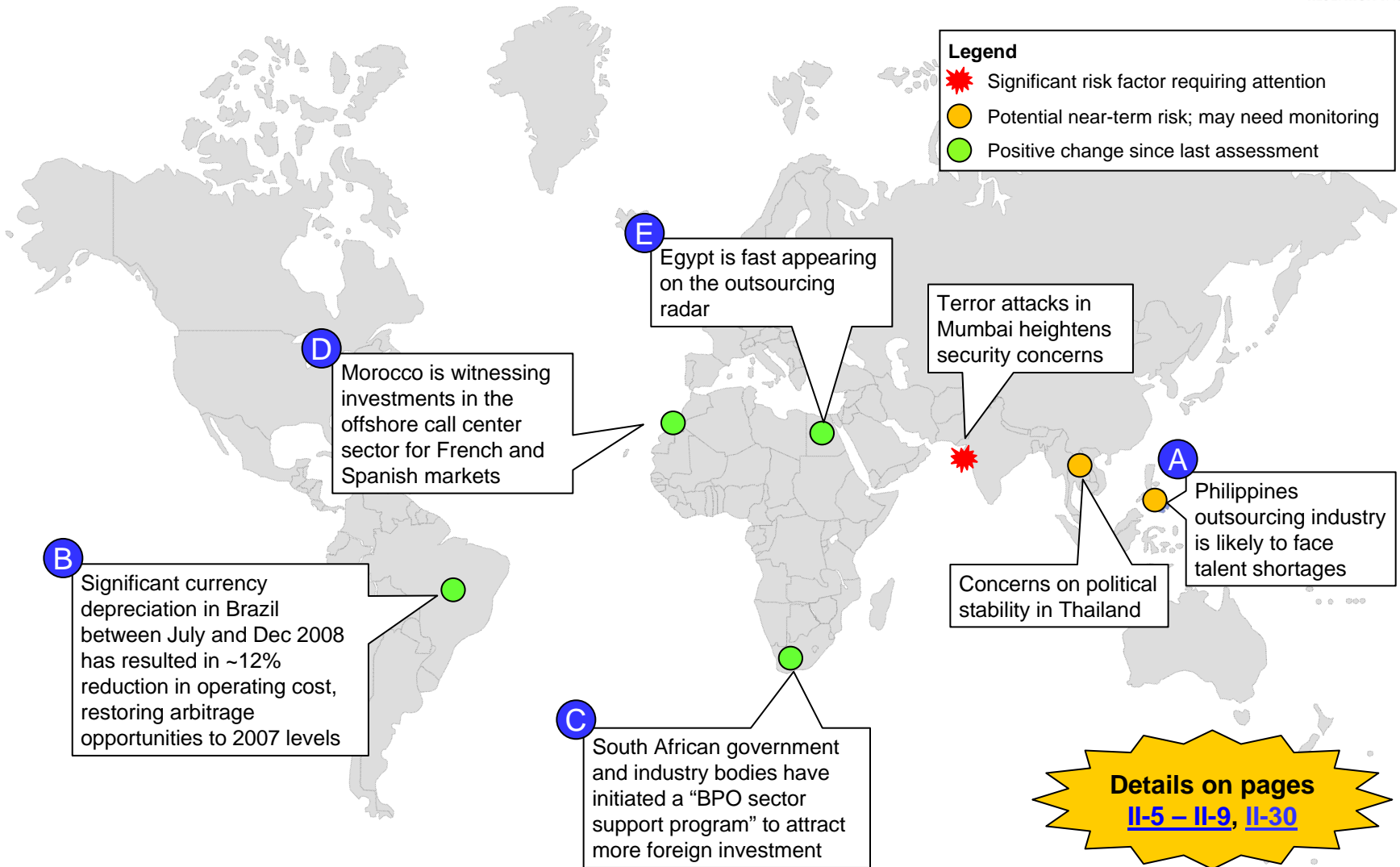
Includes over 20 pages of data tables on market activity, costs, wage inflation, etc.

Copyright © 2009, Everest Global, Inc. ERI-2009-8-B-0319

Locations | Risk and opportunity dashboard



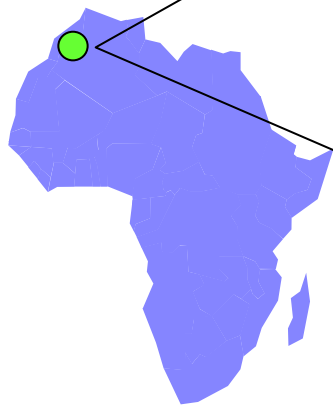
RESEARCH INSTITUTE



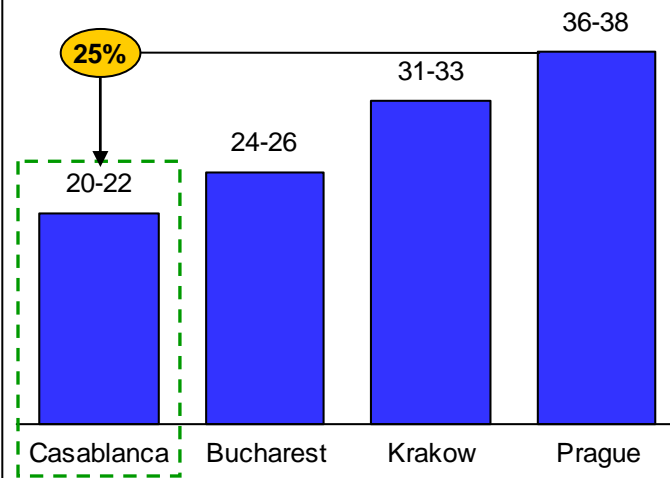
Source: Everest Research Institute analysis

D Locations | Risk and Opportunity Analysis

North-West Africa | Morocco is fast emerging as a call center offshoring destination for French and Spanish markets



Operating cost per FTE for call center services
2008, US\$'000



Market snapshot

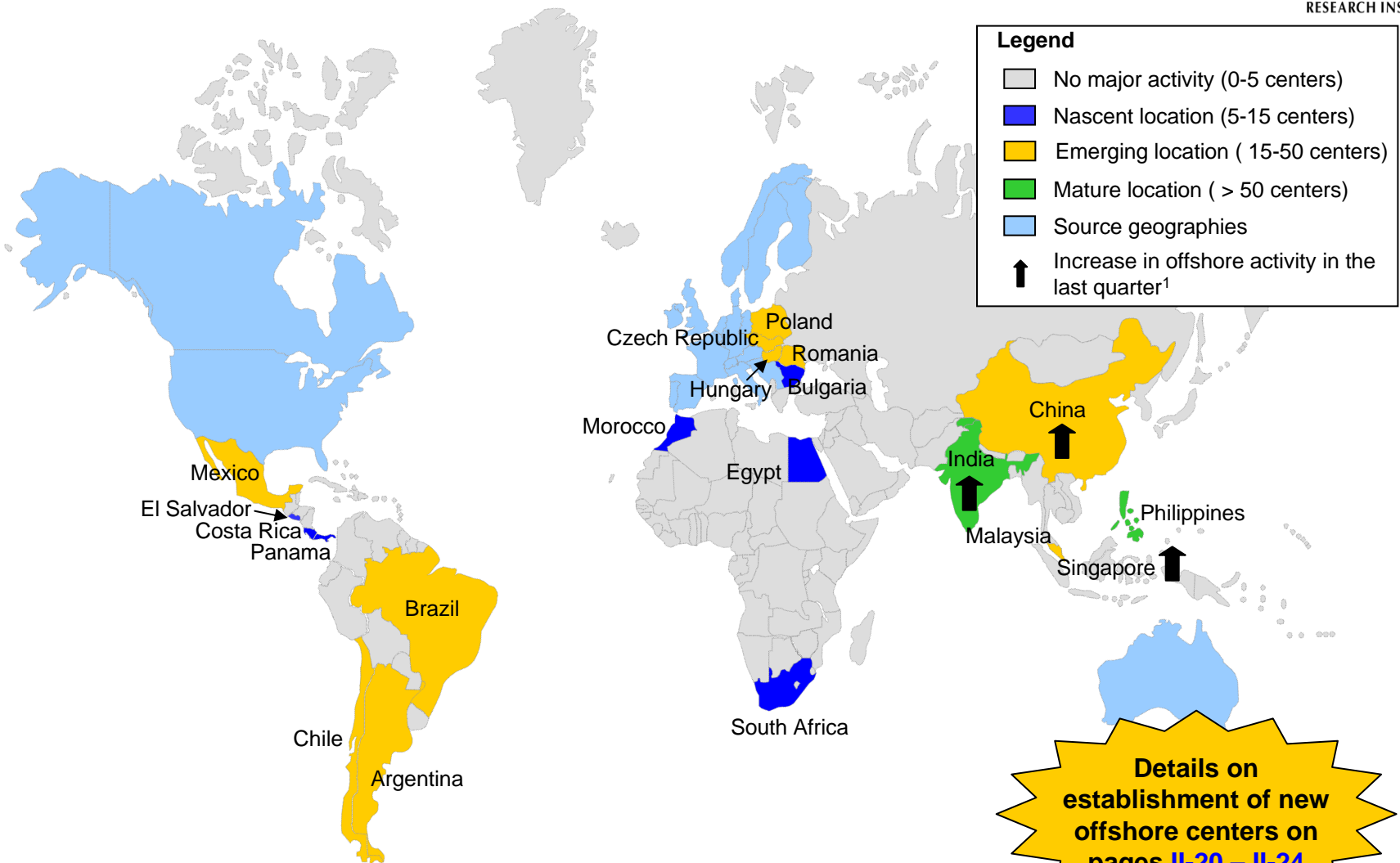
- Morocco has established itself as a niche destination for call center functions
 - Geographical proximity and strong cultural ties to Europe make Morocco a preferred destination for Francophone (France, Belgium and Switzerland) and Spanish markets
 - While it offers significant scale advantages over low-cost Asian destinations which have limited capabilities in French and Spanish languages, it also proves to be a less expensive option compared to Eastern European locations which have similar language capabilities
- The country has a thriving call center industry, with the presence of more than 185 call centers, mostly along the Rabat-Casablanca axis and employing approximately 3,000 people
- Several international players have tapped this opportunity to set up their operations in Morocco like Client Logic, Sitel, Teletech. Genpact is the most recent entrant which plans to open a delivery center in early 2009
- However, there are significant concerns around bureaucracy and red-tape that need to be addressed for Morocco's current success to translate into more attractive investments

Sources: Everest Research Institute (2009); The Department of Investments (DI) Morocco

Locations | Market activity heatmap



RESEARCH INSTITUTE



Details on establishment of new offshore centers on pages [II-20 – II-24](#)

¹ Details on new delivery centers opened provided in the following pages in the section

Note: Includes only delivery centers that have been publicly announced

Source: Everest Research Institute Transaction Intelligence Database

Section II – Locations section | Illustrative output

The section also contains quarterly data on themes such as socio-political, macroeconomic, and promotion initiatives across regions

Locations | Market activity data

Announcements of delivery centers established in Q4 2008
(page 1 of 5)

Country	City	Month	Supplier/capove	Number of FTEs	Other comments
Singapore	Singapore	October	Halliburton	To employ 400 people	Halliburton set up its research and development, logistics, financial, and procurement support center in Singapore
Singapore	Singapore	October	Hay Group	N.A.	Hay Group, a global management consultancy firm, opened its knowledge center in Singapore
China	Beijing	October	Nestle	N.A.	Nestle set up its second R&D center in Beijing to conduct research on food safety and quality, life sciences
Singapore	Singapore	October	Bi Lilly	N.A.	Bi Lilly opened its expanded R&D facility in partnership with the Singapore Economic Development Board. The center will be involved in providing drug discovery and research services
Vietnam	N.A.	October	iFinancial	N.A.	Opened a development center in Vietnam
China	Shanghai	October	IBM	N.A.	IBM expanded its research operations in China by opening a research facility which is an extension of IBM Research Lab
Malaysia	Kuala Lumpur	October	OPI	N.A.	OPI opens F&A service center to provide F&A services in 16 languages including Mandarin, Cantonese and Malay
China	Shanghai	October	Silicon Image	50	Opens new R&D center and sales office
Philippines	Bacolod City	October	Convergys	1000	Convergys opened a new contact center facility in Bacolod City, to provide both general support and advanced technical help desk services to a variety of Convergys clients
China	Tianjin	November	TCS	300	TCS opened a delivery centre at Tianjin, its fourth in China to support local business and BPO opportunities for the Japanese, the U.S. and the European markets
India	Bangalore	November	GlaxoSmithKline	20	Established an R&D center in partnership with Kemwell in Bangalore, to cater to its global oral healthcare development projects
Singapore	Singapore	November	Autodesk	130	Autodesk launched its global engineering and software development center in Singapore

II-21

Copyright © 2009, Everest Global, Inc.
ERI-2009-8-B.0319

Locations | Regional developments

Geopolitical and macro-economic environment (page 1 of 2)

Country	Key developments
Asia	<ul style="list-style-type: none"> India <ul style="list-style-type: none"> Upcoming general elections in 2009 may result in another coalition government Global financial crisis triggered changes in financial policies, interest rates were further cut to reduce the risk exposure, RBI raised the limit on export credit finance available to boost liquidity WPI slowed to 9% YOY in Nov., driven by sharply low commodity prices, economic activity further slowed Mumbai faces another blow as the city is attacked by group of terrorists killing innocent people Thailand – A new PM is elected making the political scene very volatile, anti-government mob goes out to cause chaos and unrest due to the week-long seizure of Bangkok's two airports further escalating the crisis Malaysia – Bank Negara Malaysia, the central bank reduced the overnight policy rate by 25 basis points to 3.25%, the first reduction since 2003. Further, the government unveiled a package of fiscal stimulus measures Singapore – Economy entered recession, as GDP contracted in both the 2nd and 3rd quarters. The authorities offered a guarantee on all bank deposits until December 31, 2010, central bank loosened monetary policy Philippines – Central bank enhanced its peso repurchase facility to boost domestic liquidity China <ul style="list-style-type: none"> Exports fell by 2.2% as imports plummeted by 17.9%. Several measures like export-tax rebate adjustments on 3000 items, higher minimum wages adopted to relax monetary policy and boost domestic demand Guangdong province faced economic slowdown as property prices fell month by month Scandal over toxic paint and poisoned milk continues as tens of thousands of infants die
Latin America	<ul style="list-style-type: none"> Elections dominated the political scene in some of the Latin American countries Brazil – First round of municipal elections were held in Oct which reinforced the current government power, though the ruling party failed to recapture Sao Paulo. The stage is now being set for the 2010 presidential race Chile – Municipal elections held were indicative of the shifting political ground in Chile as Alianza coalition made significant gains and held strong chance to win the presidential election ending two decades of rule under the Concertacion coalition. Nicaragua – Faced post election violence leading to numerous injuries. The political crisis and fall-out from the U.S. crisis made its business outlook increasingly uncertain

Sources: Everest Research Institute analysis; Economist

Copyright © 2009, Everest Global, Inc.
ERI-2009-8-B.0319

II-31

Locations | Regional developments

Leading economic indicators

Country	GDP growth rate				CPI inflation rates	
	2007 ¹	Q1-2008 ¹	Q2 2008 ¹	Q3 2008 ¹	2007 (YoY)	Latest available for Q4 2008 ²
Czech Rep	6.5%	5.3%	4.6%	4.2%	2.5%	4.4% (Nov 2008)
Hungary	1.3%	1.7%	2%	0.8%	8.6%	4.2% (Nov 2008)
Poland	6.5%	6.1%	5.8%	4.8%	2.6%	3.7% (Nov 2008)
Bulgaria	6.2%	N.A.	N.A.	N.A.	N.A.	N.A.
Slovakia	10.4%	8.7%	7.6%	7.0%	2.5%	4.9% (Nov 2008)
Romania	6.0%	N.A.	N.A.	N.A.	N.A.	N.A.
India	8.7%	8.8	7.9%	7.6%	6.6%	10.4% (Nov 2008)
China	11.9%	10.6%	10.1%	9.0%	4.4%	2.4% (Nov 2008)
Malaysia	6.3%	7.1%	6.3%	4.7%	1.4%	5.7% (Nov 2008)
Philippines	6.3%	5.1%	4.6%	4.0%	2.3%	8.0% (Dec 2008)
Mexico	3.3%	2.6%	2.8%	1.6%	4.0%	6.2% (Nov 2008)
Argentina	8.7%	8.4%	7.5%	6.2%	8.8%	7.9% (Nov 2008)
Brazil	5.4%	5.8%	6.1%	6.8%	3.7%	6.4% (Nov 2008)
Chile	5.1%	3%	4.3%	4.8%	3.2%	7.1% (Dec 2008)
Costa Rica	6.6%	N.A.	N.A.	N.A.	N.A.	N.A.

1 Real GDP growth, % change on year ago
2 Consumer prices, % change on year ago
Source: Economist.com

Copyright © 2009, Everest Global, Inc.
ERI-2009-8-B.0319

II-33

Locations | Regional developments

Investment environment (page 1 of 3)

Country	Key developments
Asia	<ul style="list-style-type: none"> India continues to encourage investment in the IT/ITES sector in order to generate more employment Kerala opens investment opportunities for companies in its IT industry with the target of generating 200,000 jobs in the next five years. The investments will also be made in building more townships and SEZ, IT parks Nagpur sizes as a top IT/ITES investment destination among Tier-II cities as IT majors like TCS, HCL, Hewlett-Packard purchase land for their future projects. Further, Maharashtra Airport Development Company (MADC) is developing a multi-modal international airport and a multi-product SEZ in Nagpur to attract more investment Electronics Corporation of Tamil Nadu (Elcote), a state government promotional agency for IT industries plans to set up rural BPO centers across 29 districts in the state. It has set a target of 3,000 jobs over the next two to three years Several training initiatives were taken among Asian nations to address the problem of talent shortages Tianjin Economic Technological Development Area (TEDA), China, awarded an e-Learning contract to IBM to train 3,000 selected graduates from six universities in Tianjin City on mainframe and Java-based systems FPT, a BPO service provider in Vietnam is working with 10 universities in the country to train people in BPO functions. This will help Vietnam to expand its service base which is primarily seen as an IT destination The University of Pune in association with Cisco and the newly formed firm Global Talent Track (GTT) plans to churn 50,000 BPO professionals through a "distance learning" training program, which will see teachers and students enroll from 100 affiliated colleges in Pune, Ahmednagar and Nashik districts Cisco collaborated with Small Industries Development Bank of India (SIDBI) and Science and Technology Entrepreneurs Park (STEP), an engineering college, for developing an ICT program to promote ICT Entrepreneurship in India. The ICT program will provide finance, loan subsidies, mentorship, and training to qualified entrepreneurs and small businesses across the country IBM soon plans to launch a "Blue Scholar Program" to train students from leading institutions in India for a career in research The Board of Investment (BOI), Thailand announced new incentive packages and is preparing for an organizational revamp

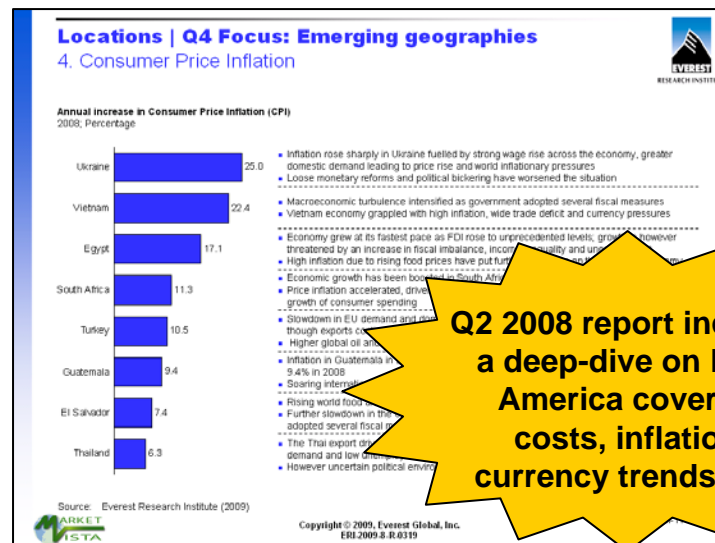
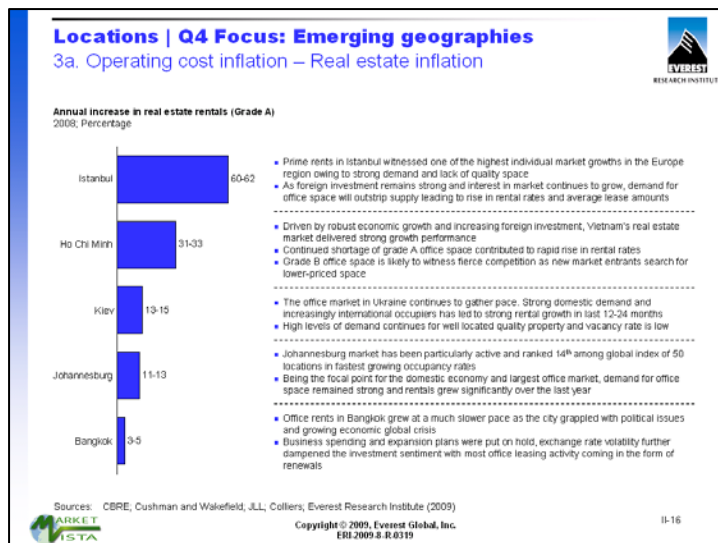
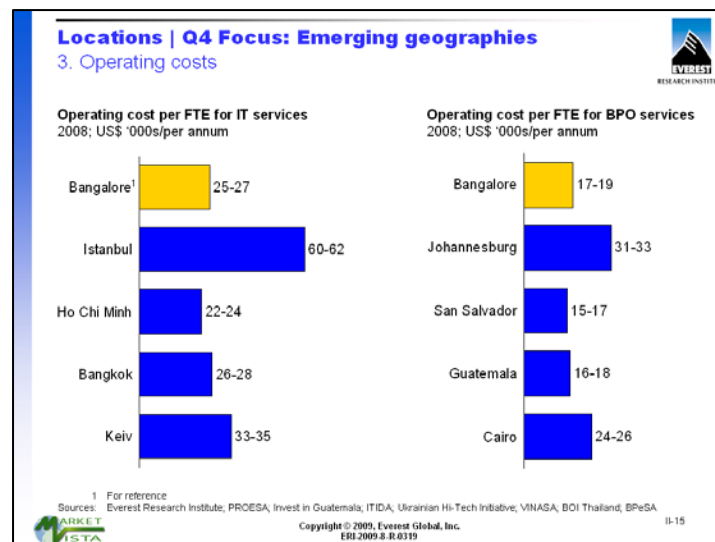
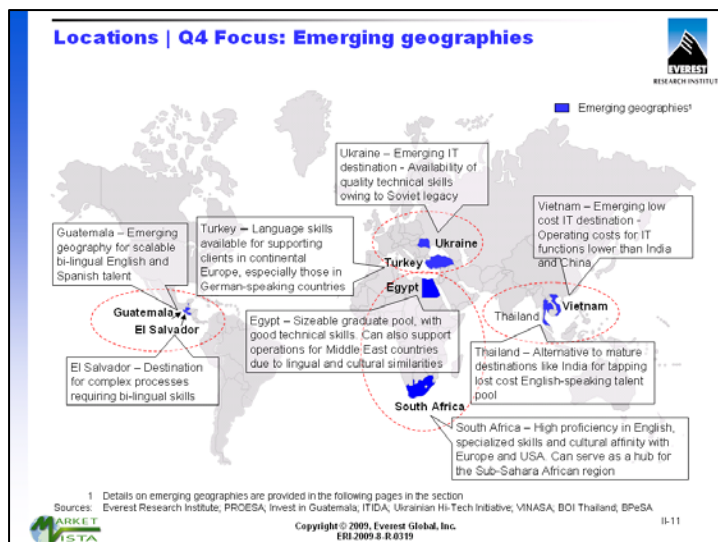
Sources: Everest Research Institute analysis

Copyright © 2009, Everest Global, Inc.
ERI-2009-8-B.0319

II-34

Section II – Locations section | Illustrative output

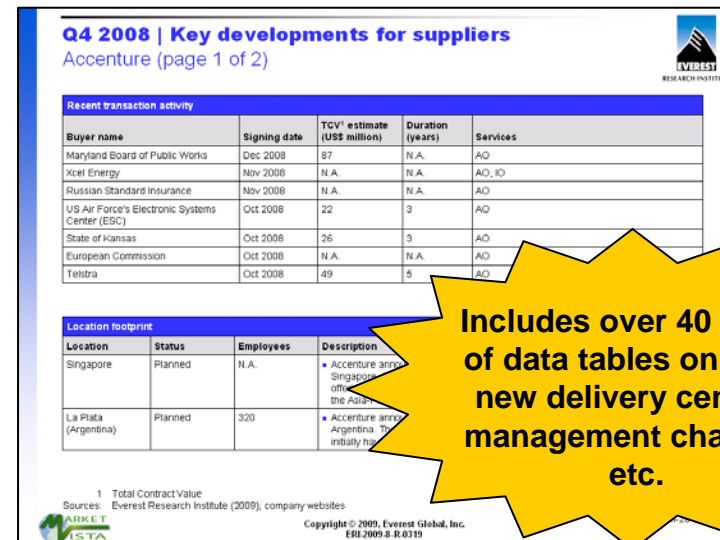
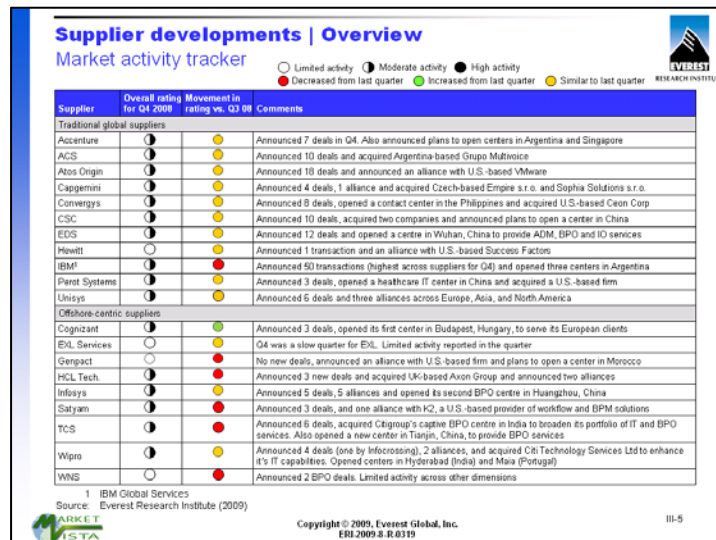
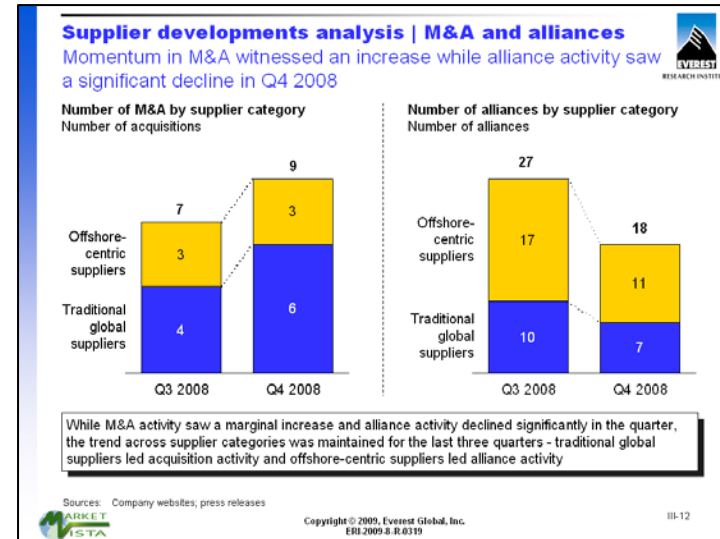
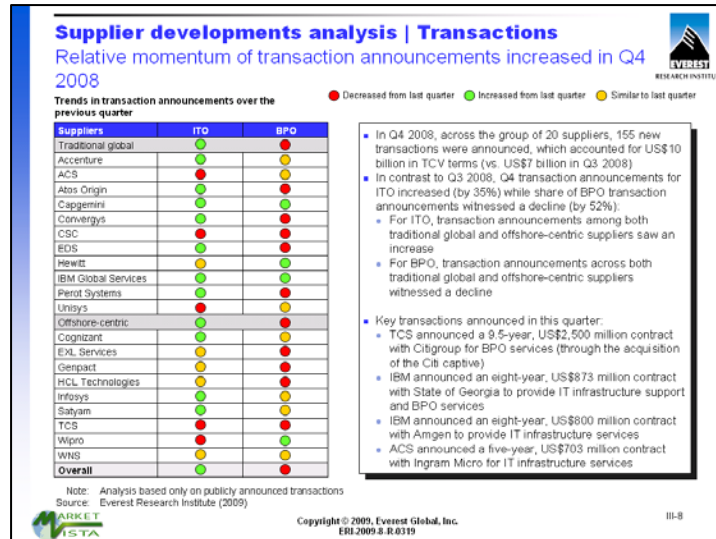
Each quarterly report will cover a deep-dive on a specific geography/theme



Q2 2008 report includes a deep-dive on Latin America covering costs, inflation, currency trends, etc.

Section III – Supplier Developments | Overview

Profiles developments across 20 leading suppliers, highlighting key implications for sourcing managers



Supplier developments analysis | Transactions

Relative momentum of transaction announcements increased in Q4 2008



RESEARCH INSTITUTE

Trends in transaction announcements over the previous quarter

● Decreased from last quarter ● Increased from last quarter ● Similar to last quarter

Suppliers	ITO	BPO
Traditional global	●	●
Accenture	●	●
ACS	●	●
Atos Origin	●	●
Capgemini	●	●
Convergys	●	●
CSC	●	●
EDS	●	●
Hewitt	●	●
IBM Global Services	●	●
Perot Systems	●	●
Unisys	●	●
Offshore-centric	●	●
Cognizant	●	●
EXL Services	●	●
Genpact	●	●
HCL Technologies	●	●
Infosys	●	●
Satyam	●	●
TCS	●	●
Wipro	●	●
WNS	●	●
Overall	●	●

- In Q4 2008, across the group of 20 suppliers, 155 new transactions were announced, which accounted for US\$10 billion in TCV terms (vs. US\$7 billion in Q3 2008)
- In contrast to Q3 2008, Q4 transaction announcements for ITO increased (by 35%) while share of BPO transaction announcements witnessed a decline (by 52%):
 - For ITO, transaction announcements among both traditional global and offshore-centric suppliers saw an increase
 - For BPO, transaction announcements across both traditional global and offshore-centric suppliers witnessed a decline
- Key transactions announced in this quarter:
 - TCS announced a 9.5-year, US\$2,500 million contract with Citigroup for BPO services (through the acquisition of the Citi captive)
 - IBM announced an eight-year, US\$873 million contract with State of Georgia to provide IT infrastructure support and BPO services
 - IBM announced an eight-year, US\$800 million contract with Amgen to provide IT infrastructure services
 - ACS announced a five-year, US\$703 million contract with Ingram Micro for IT infrastructure services

Note: Analysis based only on publicly announced transactions
Source: Everest Research Institute (2009)

Get the answers today that lead to tomorrow's success



RESEARCH INSTITUTE

Everest Research Institute 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 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 India

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

Everest Australasia

Level 6, 90 Mount Street
North Sydney,
NSW 2060
Australia
+61-3-9833-1018

Everest Australia

409a Wattletree Road
East Malvern
Melbourne, VIC 3145
Australia
+61-3-9509-3933

