Global Sourcing (GS): Industry Trends

Overview of Key Developments in Q2 2011 – Preview Deck

EGR-2011-8-PD-0586

Contents

- **Product overview**
- Illustrative contents

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

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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

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What are my peers doing?

Are there opportunities to optimize my pricing?

What is the real inflation and how does it compare to price increases in my portfolio?

What new service delivery models/ service providers are my peers leveraging?

How can I better manage forex changes?

Are there new govt. incentives that I can avail?

What new risks are my service providers taking on?

Who are the emerging service providers in my areas?

How are the relative costs moving across locations?

Are their any new political or macro-economic risks I need to be aware of NOW ?

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

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

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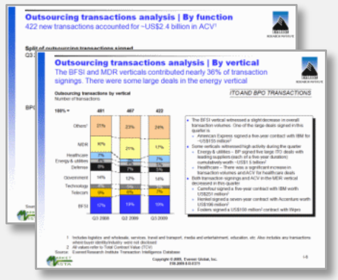
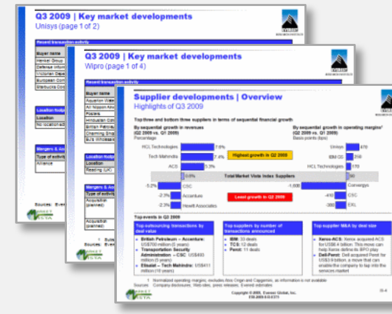
Overall sourcing market

- 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

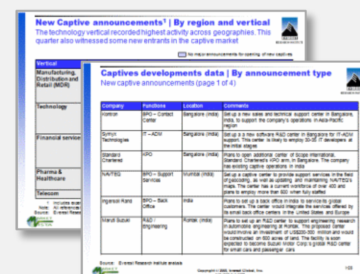


Location data and dynamics

- 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

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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

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

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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

MARKET VISTA

Contents

- Product overview
- **Illustrative contents**

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

Illustrative Table of Contents

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Section I: Outsourcing transaction trends

Industry A accounted for XX% of total reported outsourcing transactions in Q2 2011 with volumes increasing compared to XX

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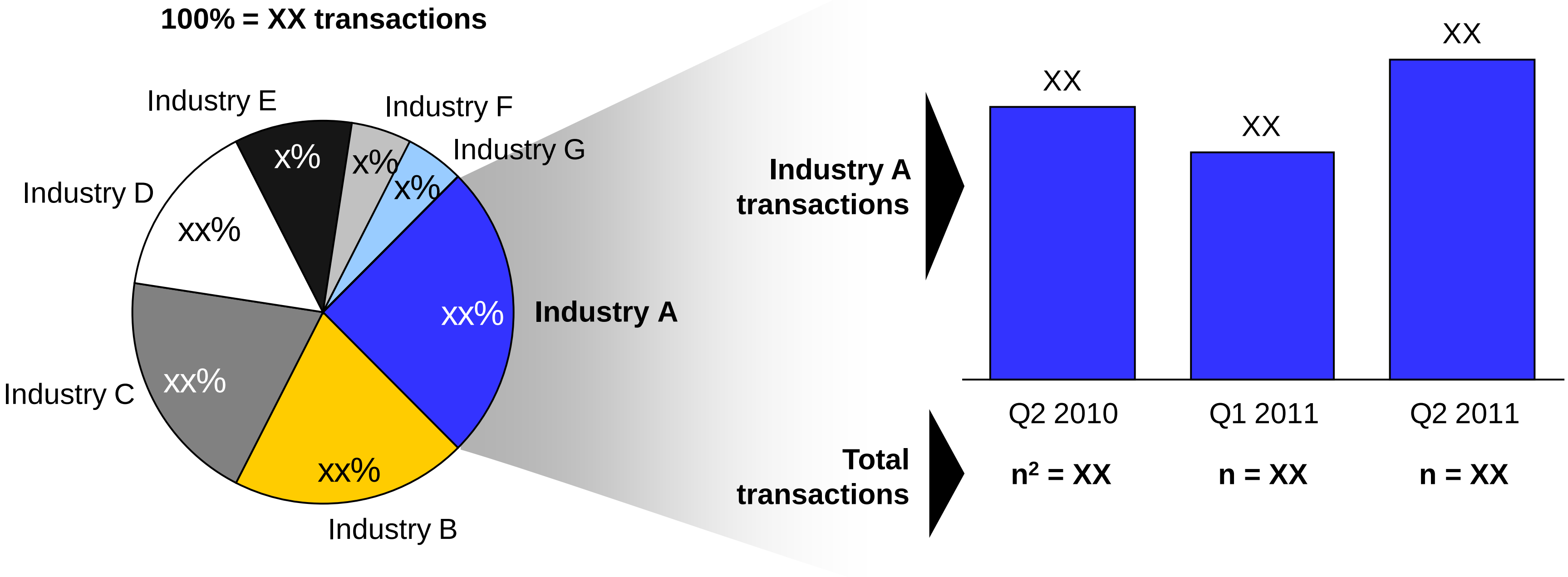
Break-up of outsourcing transactions by industries
Q2 2011; Number

Index of outsourcing transactions[1]
Number



- The overall outsourcing market XXXX by XX % in Q2 2011 compared to XXXX
- During the same period, the transaction volume in the Industry 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 Research Institute Transaction Intelligence Database

Section I: Outsourcing transaction trends
Transaction volumes XXXX across both ITO and BPO functions

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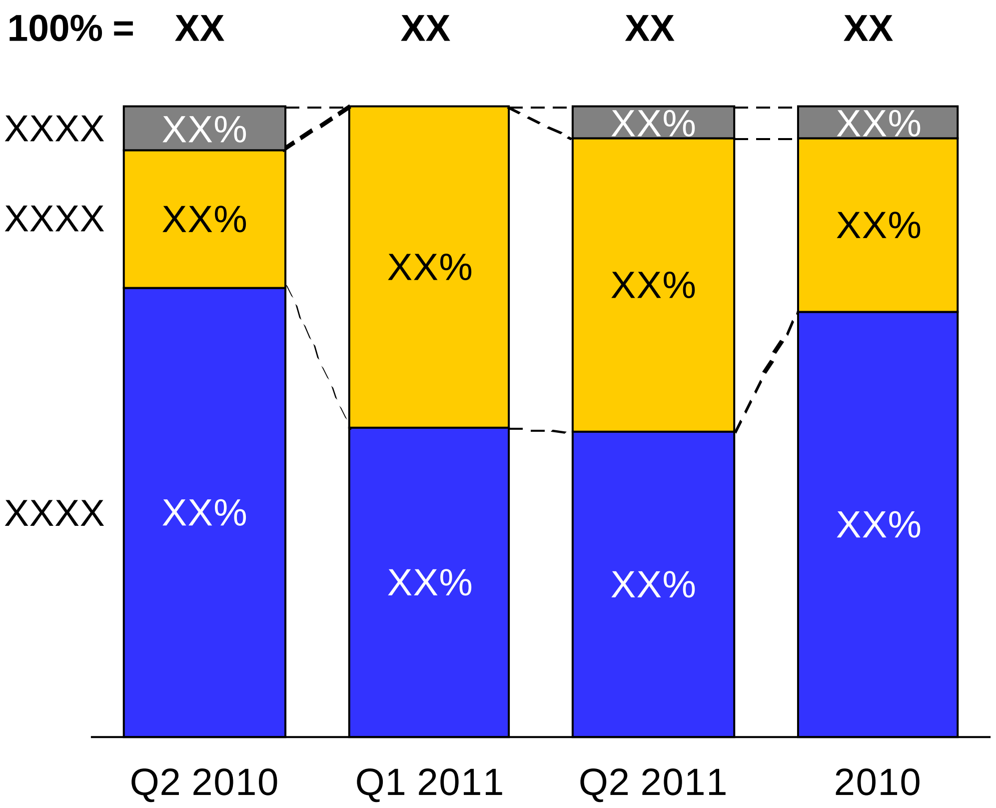
Break-up of industry specific transactions by function
Number



- 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 Research Institute Transaction Intelligence Database

Section I: Outsourcing transaction trends

Higher outsourcing adoption in XXXX, XXXX, and XXXX

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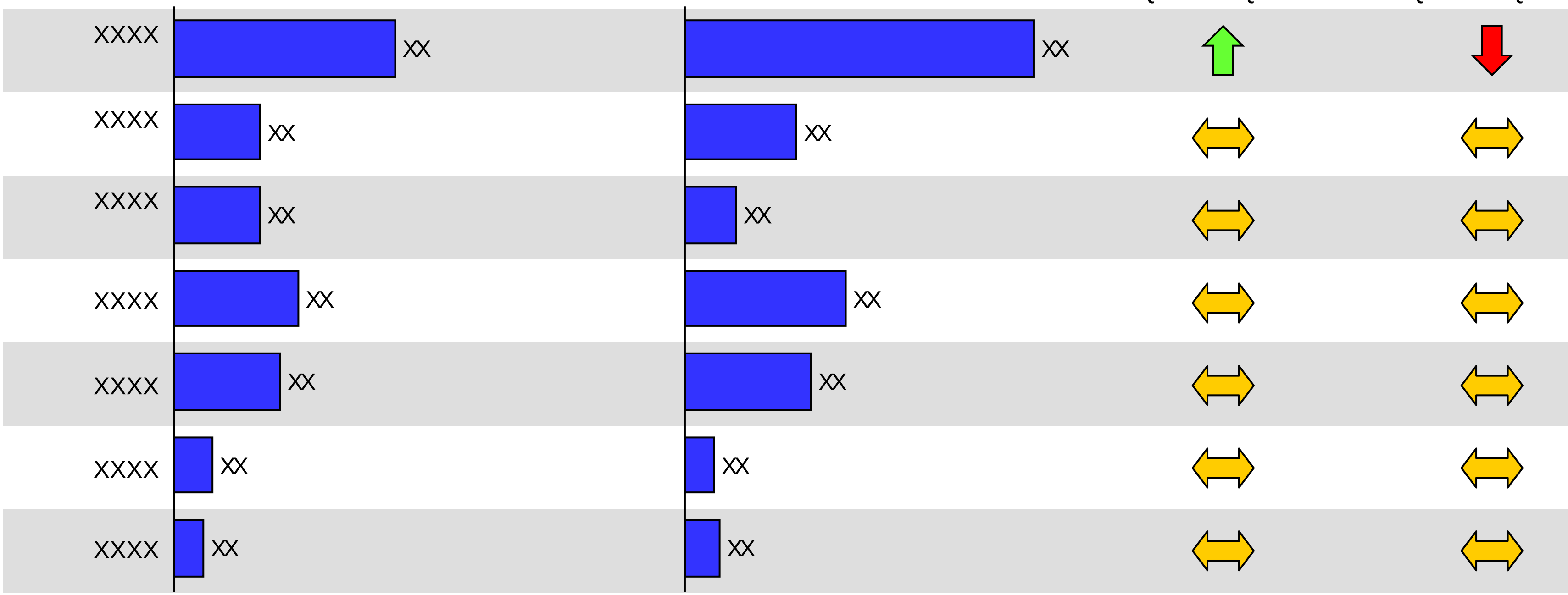
Decreased Similar Increased

Industry A ITO by process[1]
Q2 2011; Frequency of occurrence
Total = XX

Industry A ITO by process[1]
2010; Frequency of occurrence
Total = XX

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

Q2 10 to Q2 11 *Q1 11 to Q2 11*



- 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 having BPO component
Source: Everest Research Institute Transaction Intelligence Database

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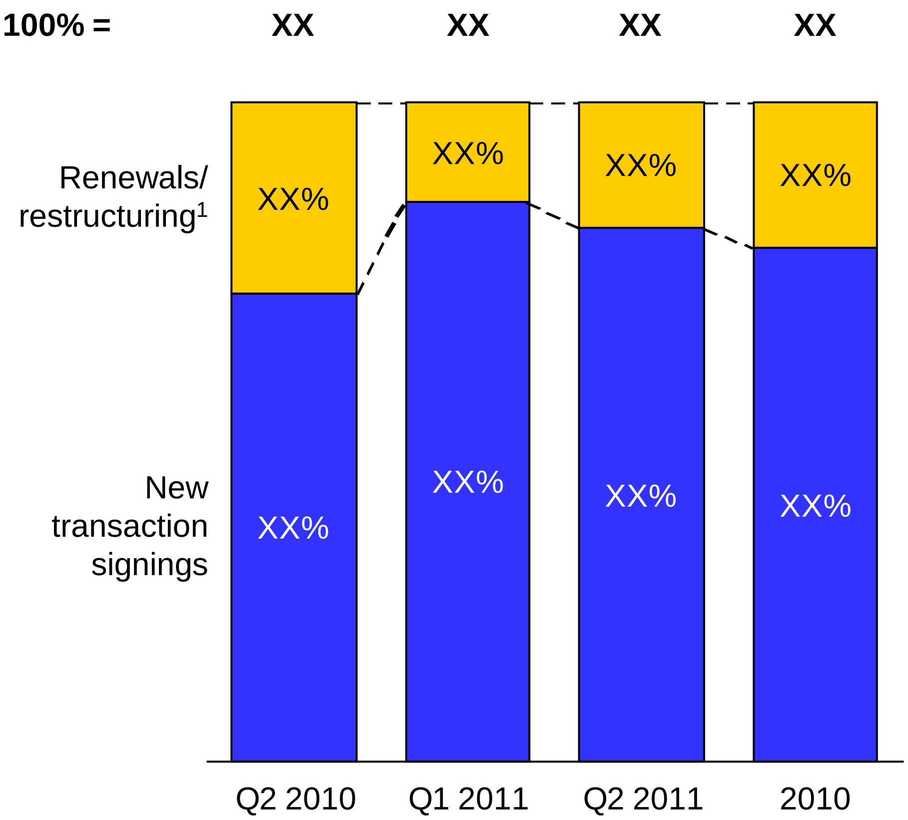
Section I: Outsourcing transaction trends

XX% of transactions were new transactions signed in Q2 2011

ITO AND BPO TRANSACTIONS

XX industry transactions by contract type
Number



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

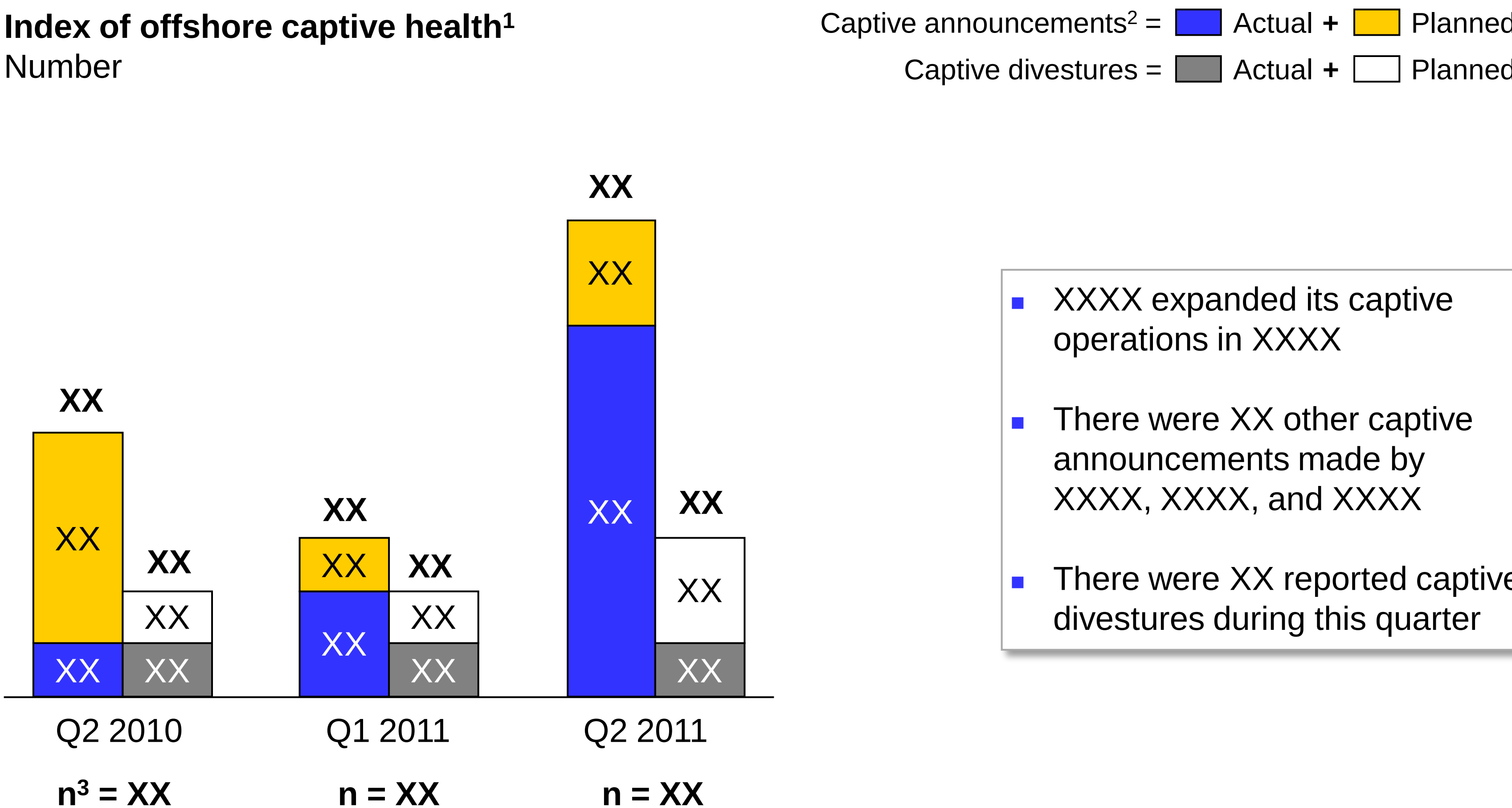
Buyer	Service provider	Contract type
AA	AA	XX
BB	BB	XX
CC	CC	XX
DD	DD	XX

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

Section II: Captive analysis

The last few quarters have witnessed XXXX captive activity in the XXXX industry

Index of offshore captive health[1]
Number



- XXXX expanded its captive operations in XXXX
- There were XX other captive announcements made by XXXX, XXXX, and XXXX
- There were XX reported captive divestures during this quarter

1 Includes only data that has been publicly disclosed
2 Announcements include both new set-ups and expansion of existing captive operations
3 n = Number of captive announcements in the quarter, across all industries

Source: Everest Research Institute analysis

Section II: Captive analysis

Most of the captive announcements in Q2 2011 were in XXXX and YYYY

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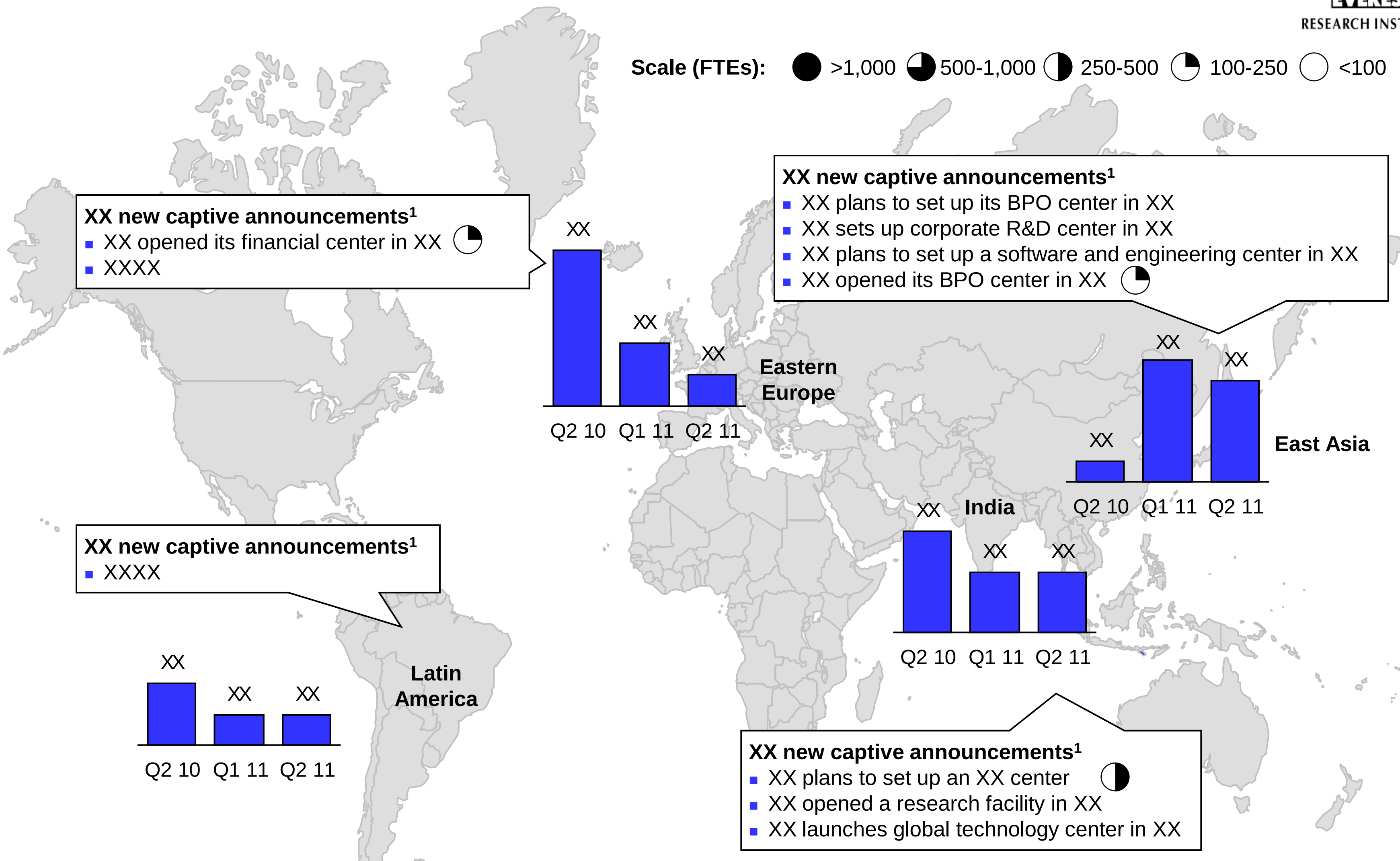
Scale (FTEs): >1,000 | 500-1,000 | 250-500 | 100-250 | <100



XX new captive announcements[1]
- XX opened its financial center in XX
- XXXX

XX new captive announcements[1]
- XX plans to set up its BPO center in XX
- XX sets up corporate R&D center in XX
- XX plans to set up a software and engineering center in XX
- XX opened its BPO center in XX

XX new captive announcements[1]
- XXXX

XX new captive announcements[1]
- XX plans to set up an XX center
- XX opened a research facility in XX
- XX launches global technology center in XX

1 Indicate announcements related to new captives and expansion

Note: All references to captives include only offshore captives

Source: Everest Research Institute analysis

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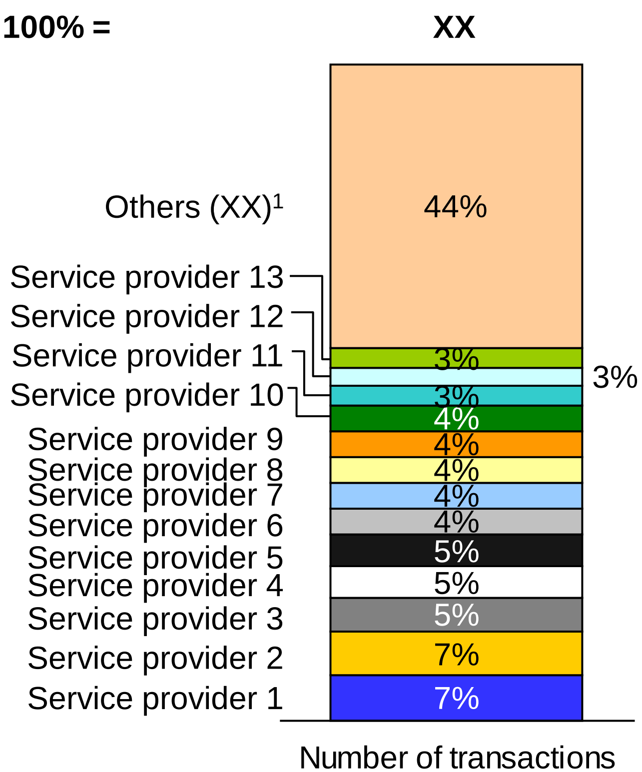
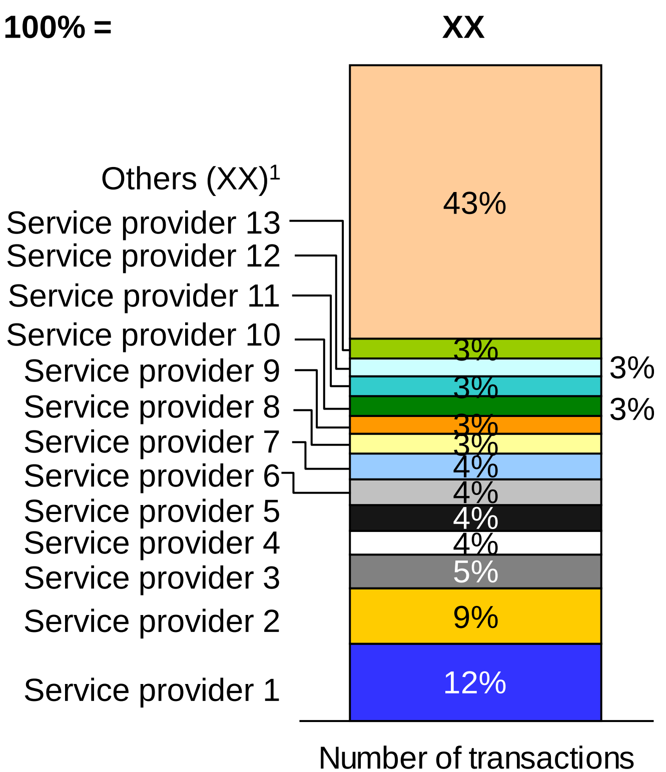
Share of service providers in transaction activity

Share of service providers in transactions
Q2 2011; Number



Share of service providers in transactions
2010; Number



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

Section III: Service provider activity and deal information

Notable deals signed in the XX industry in Q2 2011

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 Research Institute 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 2011. 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 Research Institute 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. **Market Vista: 2010 in Review** (ERI-2011-8-R-0500); 2011. This report summarizes the key trends and developments for 2010 in the global offshoring and outsourcing market

2. **Market Vista: Q2 2011** (EGR-2011-8-R-0579); 2011. This report summarizes the key trends and developments for Q1 2011 in the global offshoring and outsourcing market

3. **Banking, Financial Services, and Insurance (BFSI): Trends for Q1 2010** (ERI-2011-8-R-0553); 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

4. **Healthcare: Trends for Q1 2011** (ERI-2011-8-R-0555); 2011. This report provides healthcare 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 healthcare industry

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