Information Technology Outsourcing (ITO) Market Update: August 2009 – Preview Deck

Topic: Remote Infrastructure Management – Impending Crisis of Genre

ERI-2009-4-PD-0360

Background and scope of the research

Background of the research

- The Infrastructure Outsourcing (IO) market continues to evolve with offshore suppliers maturing as infrastructure service providers, enabled by remote infrastructure management (RIM) technology
- As offshore suppliers mature and reach critical size, they come up against the need to target larger buyers to keep growing their RIMO practice at a healthy pace. This led to convergence of the traditional and offshore models. However, this move meant that they had to start playing by rules long established by the traditional players
- Offshore suppliers in this emerging scenario may be facing a “crisis of genre” that may restrict their growth unless they can strike a balance between targeting large buyers and staying away from playing according to traditional rules

The scope and methodology of this report includes

- Data-driven analysis of the evolution of different models in the IO market
- Analysis of the key differences between infrastructure service delivery models
- Overview of likely offshore RIMO suppliers’ strategies based on their market signals

Fluid IT concept attribution

- The concepts represented by "Fluid IT" originated with Dell Inc. and were developed with the assistance of Everest Group

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Overview and abbreviated summary of key messages (page 1 of 2)

This report provides an update of the maturing RIMO market. The RIMO model of infrastructure service delivery gradually emerged as a viable alternative to the traditional infrastructure outsourcing model As large Indian suppliers started reaching critical mass in IO in spite of the economic slowdown, their client target profile approached that of the MNC suppliers, and forced them to consider traditional rules of IO. Multiple factors helped create a "crisis of genre," forcing offshore suppliers to deviate from the game-changing innovations they brought to the IO delivery marketplace.

Some of the findings in this report, among others, are:

Growing maturity of the offshore offerings

- The RIMO model of infrastructure service delivery gradually emerged as a viable alternative to the traditional infrastructure outsourcing model
- The RIMO market slowed down significantly after 2007 primarily due to recession. Nonetheless, offshore suppliers that pioneered RIMO increasingly signed larger deals with more complex pricing models

Shifting rules of infrastructure offshoring

- As large Indian suppliers started reaching critical mass in IO, their client target profile started rapidly approaching that of the MNC suppliers
- Playing in the large buyers segment forced them to consider shifting to traditional rules of IO often exercised by large buyers

Overview and abbreviated summary of key messages (page 2 of 2)

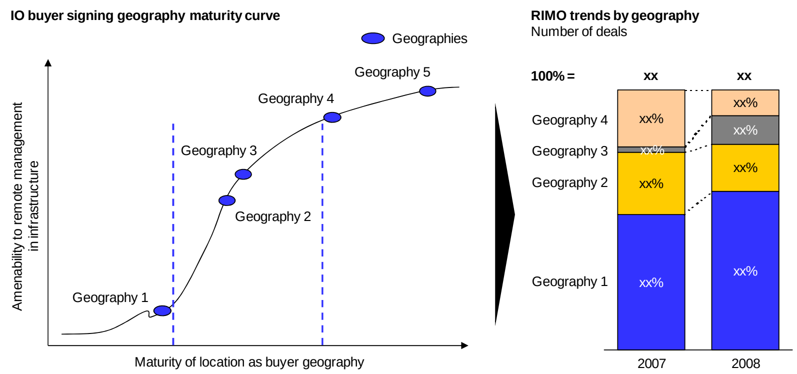
Crisis of genre facing offshore suppliers

- The growing maturity of offshore suppliers, adoption of labor arbitrage and change in the buyer's mindset toward IO create a "crisis of genre," forcing offshore suppliers to deviate from the game-changing innovations they brought to the IO delivery marketplace
- Offshore suppliers need to balance between building creative IO offering, and respecting the biases of large buyers
- Some of them have started offering differentiated approach to IO service delivery while others are targeting large deals and playing by traditional rules

This study offers three distinct chapters providing a deep dive into key aspects of the ITO market; below are four charts to illustrate the depth of the report

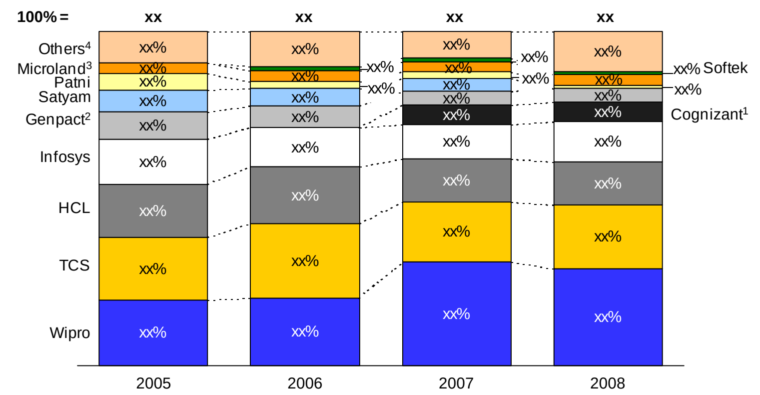
ILLUSTRATIVE

Delivering innovation through consulting



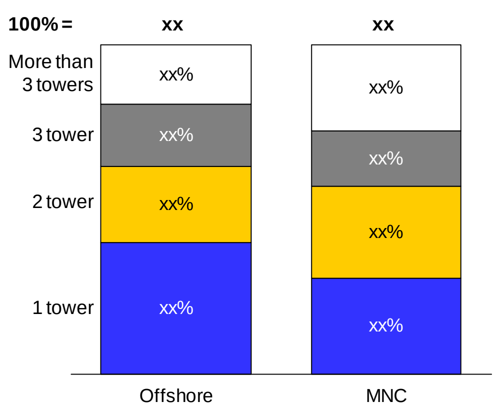
Offshore suppliers market share

US$ million; Percentage

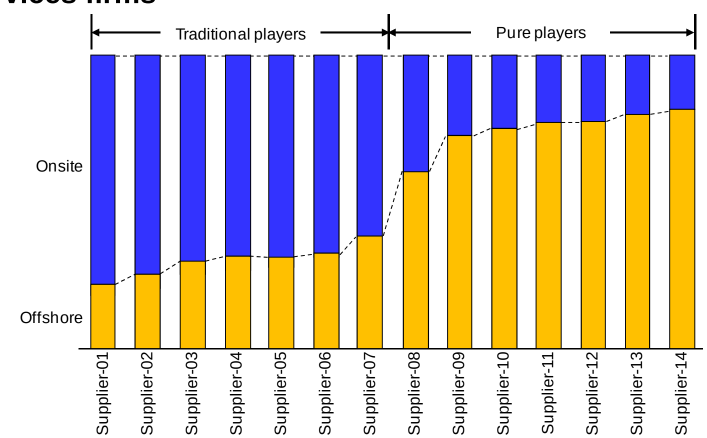


Bundling variation by buyer revenue

Number of towers



Offshore vs. onsite headcount mix across major IT services firms



Source: Everest Research Institute (2009)

The ITO report has multiple supplier profiles/buyer case studies/architecture of the survey questionnaire, etc.

ILLUSTRATIVE

Company	Offering assessment
Supplier 1	▪ Supplier-1's IT-as-a-Service services platform offers multiple service modules (e.g., asset management) that buyers can implement on a stand-alone basis or combine to form service solutions ▪ Buyers can purchase each module of the offering on a short-term subscription basis. The majority of modules today focus on end-user services
Supplier 2	▪ Supplier-2's Global Modular Services (GMS) offering emphasizes integration with existing in-sourced or multi-vendor environments ▪ Modular services are tiered to provide flexibility and customization on request and include • Advanced: Includes ITIL-based service management, monitoring and automation • Basic: Primarily monitoring and management offering; buyer-owned assets • Global staffing: Staff augmentation model using buyer's tools and processes
Supplier 3	▪ Supplier-3's Integrated Infrastructure Management (IIMTM) offering organizes services around "like" process bundles rather than individual, isolated components ▪ Services are defined in a Service Catalog and "sold" to the business as individual SKUs ▪ Key operational benefits of the offering are flexibility and scalability
Supplier 4	▪ Supplier-4's Adaptive Infrastructure as a Service (AIaaS) offers a pre-built infrastructure delivered through standard automated processes and procedures ▪ Supplier-4's offerings have multiple modular features (e.g., discrete productized offerings, standardized approach) (i.e., "pre-built" infrastructure) ▪ Although it incorporates elements of modularity, it is largely positioned as an end-to-end service offering

Additional ITO 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. **Adoption of Modular Architecture in IT Infrastructure Outsourcing** (ERI-2009-4-R-0333); 2009: This report is the second on the concept of modularity in IT and describes our observations around challenges and best practices in building modular infrastructure solutions

2. **ITO Request for Information 2008** (ERI-2008-4-R-0287); 2008: The Everest ITO Request For Information (RFI) exercise was conducted in Q2, 2008. We analyzed a representative sample of responses from leading ITO suppliers. These included large multinational suppliers with headquarters in Europe, North America, and India

3. **Emerging Supplier Dilemma in the Remote Infrastructure Management Market** (ERI-2008-4-R-0254); 2008: This report discusses how the continued maturity of the remote infrastructure management outsourcing (RIMO) suppliers' offerings led to a strategic dilemma facing IO suppliers. It also examines the strategies adopted by leading offshore suppliers in order to address the dilemma facing them

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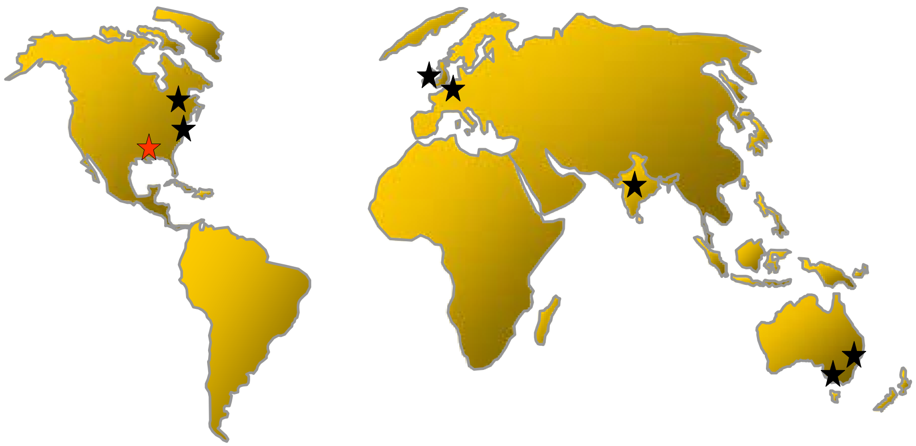

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