Global Sourcing (GS)

Market Vista Q2 2010 – Preview Deck

ERI-2010-8-PD-0449

Contents

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

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Factors driving increased risk	Examples of risks
Vendor and model proliferation Multiple service providers and business models	**Regulatory risk** Ensuring compliance with regulatory guidelines in source and destination countries across suppliers
Large span of functions Typically combination of many IT, BPO and some KPO services	**Performance risk** Managing quality of service delivery, attrition, knowledge retention
Increasing scope Significant proportion of operations now in low cost locations	**Business case risk** Managing wage inflation without affecting quality of service
Global delivery chain Services often delivered from multiple locations with diverse risk footprint	**Data security and intellectual property risk** Implementing measures to safeguard data and intellectual property
Dynamic economies Most delivery locations are emerging economies going through rapid change	**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

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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/ suppliers 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 suppliers taking on?

Who are the emerging suppliers 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
- Supplier selection and optimization
- Design of new deals
- Price benchmarking and contract renewals

MARKET VISTA

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

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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
- Q2 focus – Fact-base on Latin American cities
  - Sustainability of arbitrage
  - Operating costs across 7 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
- Detailed profiles for each player capturing key developments across dimensions

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Additional Market Vista deliverables

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Global Location Insights newsletter

6 published in 2010

- E-newsletter published every 2 months
- Recent topics included
  - China's offshore maturity
  - Buyer's offshoring plans
  - Bogota's global services emergence
  - Impact of forex on arbitrage

Breaking Viewpoints on key developments

10 published in 2010

- Event/theme based e-briefings
- Recent topics included
  - Perspective on M&A events (Xerox-ACS, Dell, Perot)
  - Impact of regulatory changes on FS offshoring
  - Supplier consolidation best practices

Market Vista Primers

5 published in 2010

- Published every quarter
- Recent topics included
  - Contact center suppliers in Latin America
  - French language suppliers in EMEA
  - Multi-process FAO market snapshot

Contents

- 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)

Topic	Page no.

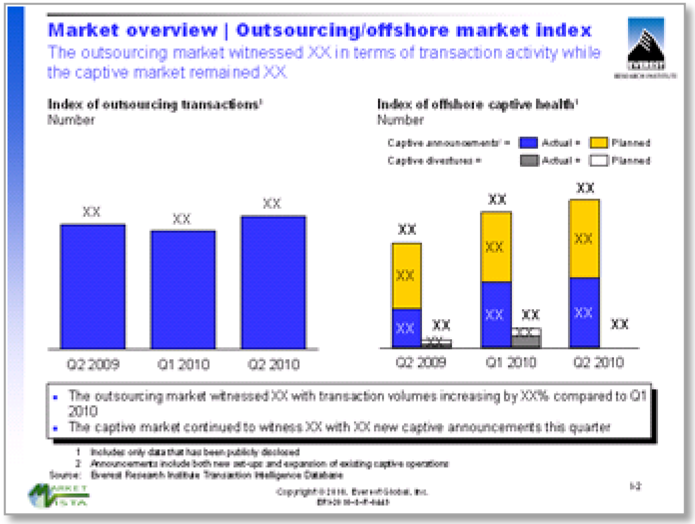
Each section of the quarterly report comprises 30+ pages of insight and data

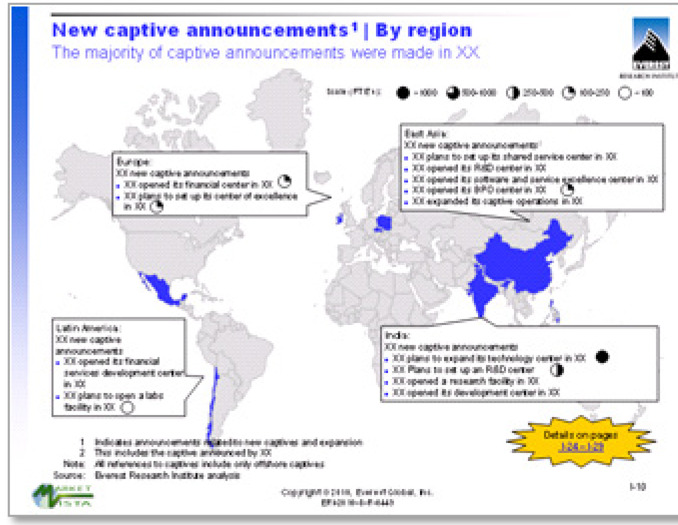
Illustrative Table of Contents (page 2 of 2)

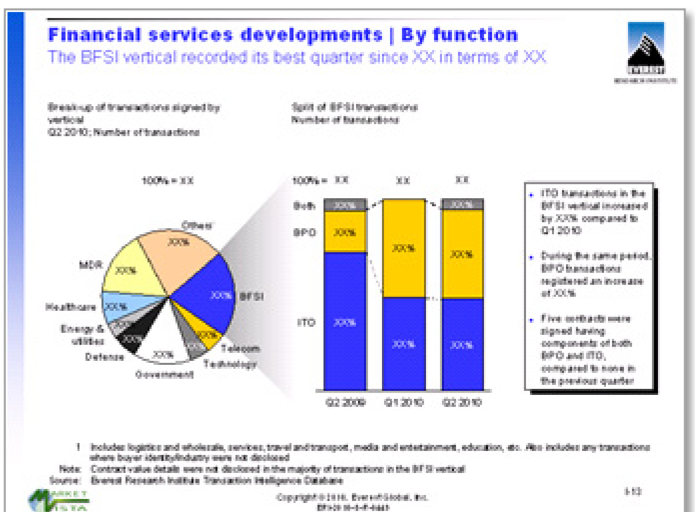
Topic	Page no.

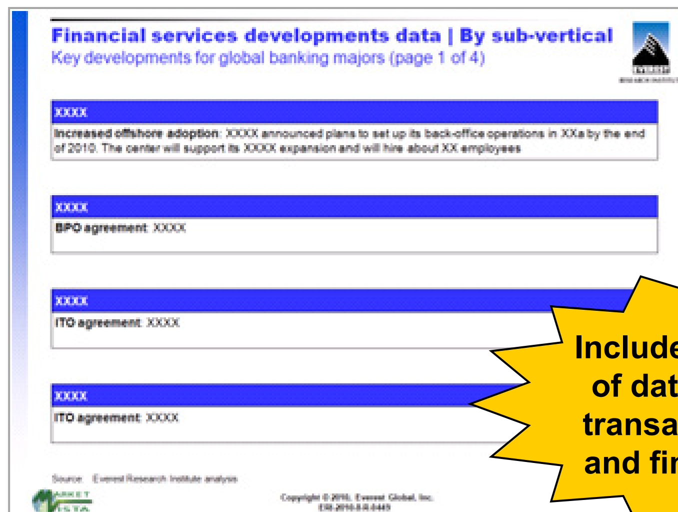
Section I – Market section | Overview

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







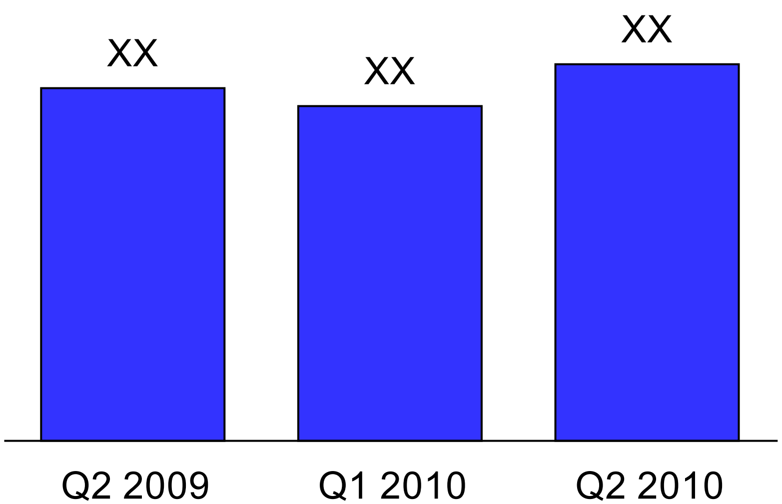


Includes over 15 pages of data tables across transactions, captives and financial services

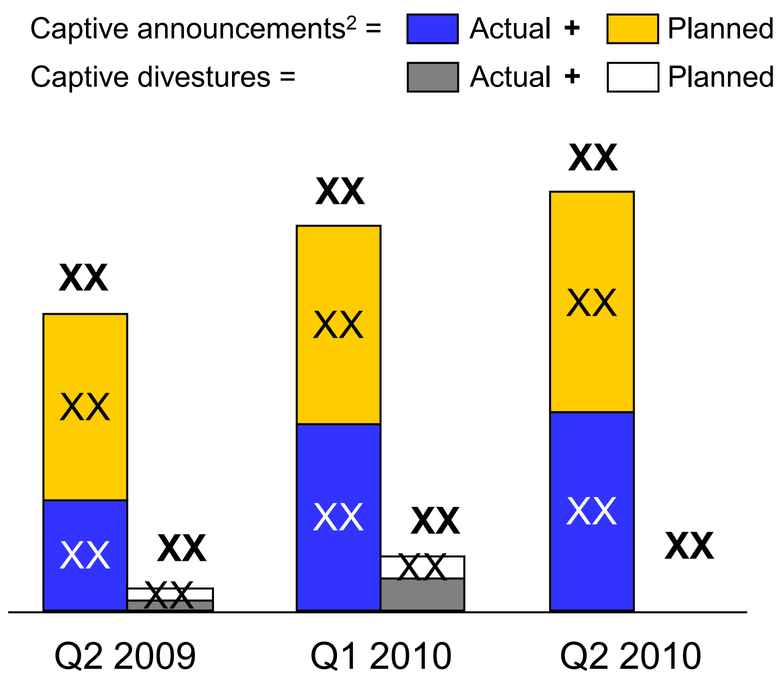
Market overview | Outsourcing/offshore market index

The outsourcing market witnessed XX in terms of transaction activity while the captive market remained XX

Index of outsourcing transactions[1]
Number



Index of offshore captive health[1]
Number



- The outsourcing market witnessed XX with transaction volumes increasing by XX% compared to Q1 2010
- The captive market continued to witness XX with XX new captive announcements this quarter

1 Includes only data that has been publicly disclosed
2 Announcements include both new set-ups and expansion of existing captive operations
Source: Everest Research Institute Transaction Intelligence Database

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

All BPO functions had similar or higher activity than in the previous quarter, whereas activity in many ITO functions declined compared to last quarter

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🔴 Decreased from last quarter 🟡 Similar to last quarter 🟢 Increased from last quarter

Q-o-Q change in number of BPO transactions, by process[1]

Process category	Q2 2009 to Q2 2010	Q1 2010 to Q2 2010
XX	🟢	🟢
XX	🟢	🟡
XX	🟢	🟡
XX	🟢	🟢
XX	🟢	🟢
XX	🟡	🟢
XX[2]	🟡	🟢

Q-o-Q change in number of ITO transactions, by process[1]

Process category	Q2 2009 to Q2 2010	Q1 2010 to Q22010
XX	🟢	🟢
XX	🔴	🟡
XX	🔴	🔴
XX[3]	🟡	🟡

1 Includes transactions in which functional scope may have multiple processes
2 Includes processes such as document management, market development, collections and mailroom scanning, R&D, engineering, safety and environmental analysis reporting, printing, product development and marketing services, logistics and supply chain management
3 Includes processes where functional scope was not publicly disclosed

Source: Everest Research Institute Transaction Intelligence Database

Financial services developments data | By sub-vertical

Key developments for global banking majors (page 1 of 4)

XXXX
Increased offshore adoption: XXXX announced plans to set up its back-office operations in XXa by the end of 2010. 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

Section II – Locations section | Overview

Key developments and emerging risks and opportunities across locations

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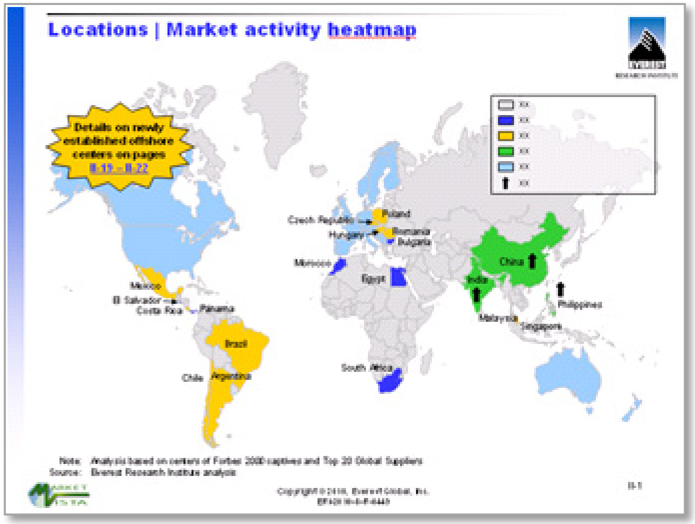

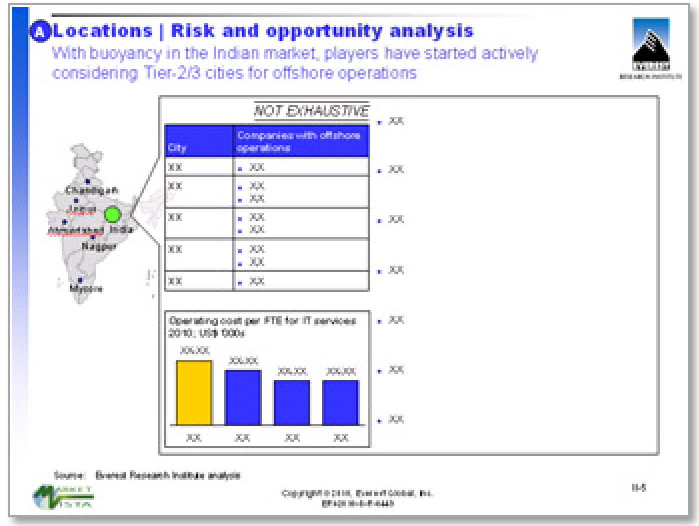

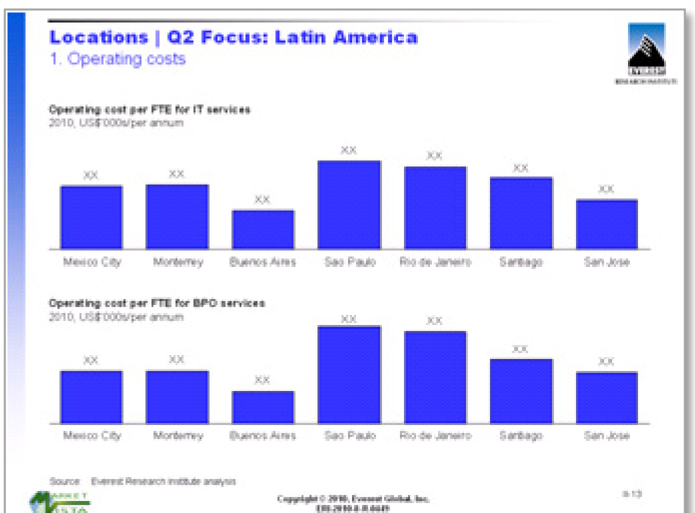

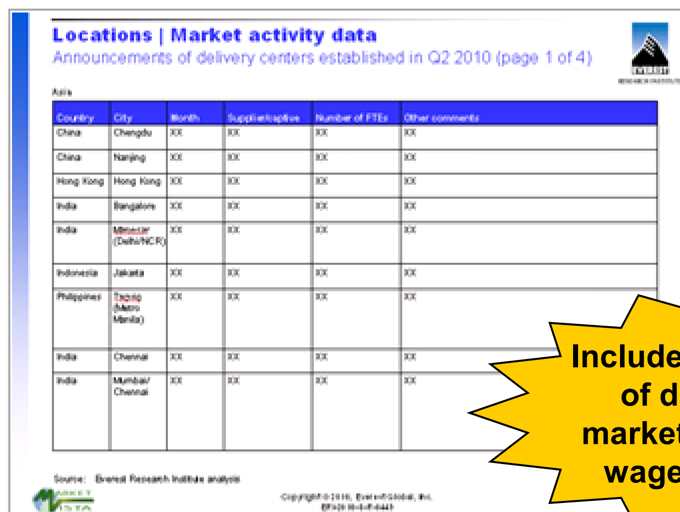

Includes over 20 pages of data tables on market activity, costs, wage inflation, etc.

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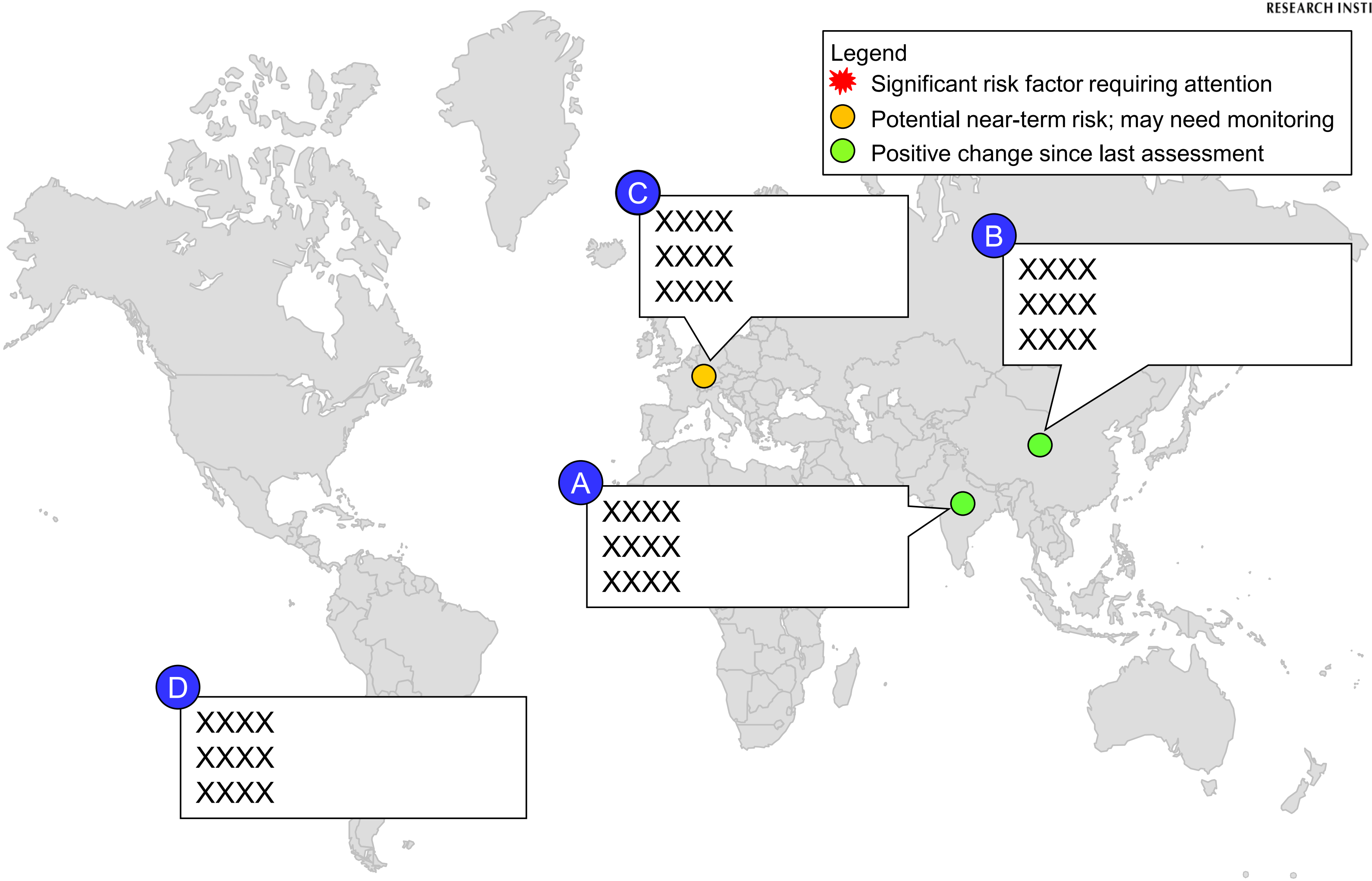
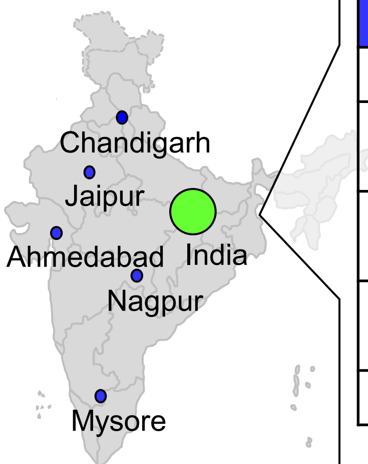
Locations | Risk and opportunity dashboard



Source: Everest Research Institute analysis

A Locations | Risk and opportunity analysis

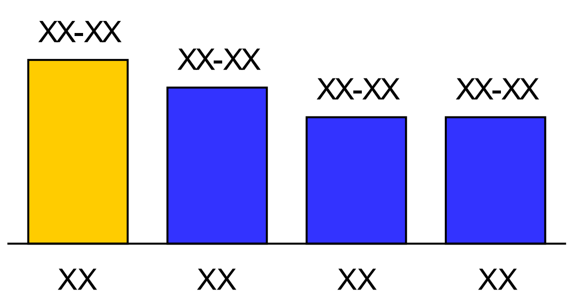
With buoyancy in the Indian market, players have started actively considering Tier-2/3 cities for offshore operations



NOT EXHAUSTIVE

City	Companies with offshore operations
XX	▪ XX
XX	▪ XX ▪ XX
XX	▪ XX ▪ XX
XX	▪ XX ▪ XX
XX	▪ XX

Operating cost per FTE for IT services
2010; US$ '000s



- XX
- XX
- XX
- XX
- XX
- XX
- XX

Source: Everest Research Institute analysis

Locations | Market activity heatmap

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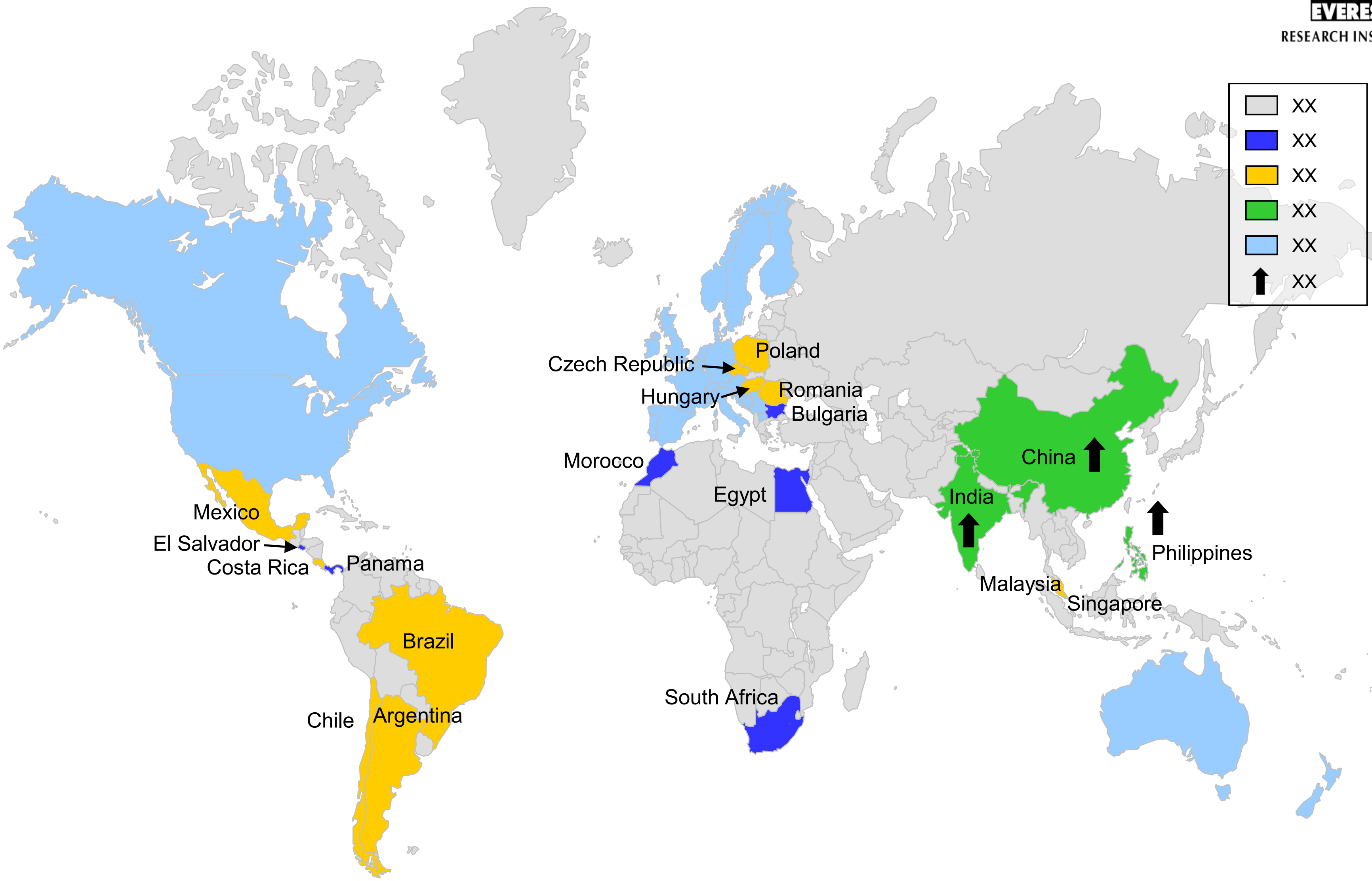


Note: Analysis based on centers of Forbes 2000 captives and Top 20 Global Suppliers
Source: Everest Research Institute analysis

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 Q2 2010 (page 1 of 4)

Asia

Country	City	Month	Supplier/captive	Number of FTEs	Other comments
China	Chengdu	XX	XX	XX	XX
China	Nanjing	XX	XX	XX	XX
Hong Kong	Hong Kong	XX	XX	XX	XX
India	Bangalore	XX	XX	XX	XX
India	Manesar (Delhi/NCR)	XX	XX	XX	XX
Indonesia	Jakarta	XX	XX	XX	XX
Philippines	Taguig (Metro Manila)	XX	XX	XX	XX
India	Chennai	XX	XX	XX	XX
India	Mumbai/ Chennai	XX	XX	XX	XX

Source: Everest Research Institute analysis

Locations | Regional developments

Geopolitical and macro-economic environment (page 1 of 3)

Region	Key developments

XX	• XX
	  • XX
	  • XX
	  • XX
	• XX
	• XX
	• XX
	  • XX
	  • XX
	  • XX

Sources: Everest Research Institute analysis; Economist

Locations | Regional developments

Leading economic indicators

Country	GDP growth rate				CPI inflation rates	
	Q2 2009[1]	Q3 2009[1]	Q4 2009[1]	Q1 2010[1]	2009 (YoY)	Latest available for Q2 2010[2]
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX
XX	XX	XX	XX	XX	XX	XX

1 Real GDP growth, percentage change one year ago
2 Consumer prices, percentage change one year ago; all data as on May 2010
Sources: Economist; Eurostat; World Bank

Locations | Regional developments

Investment environment (page 1 of 2)

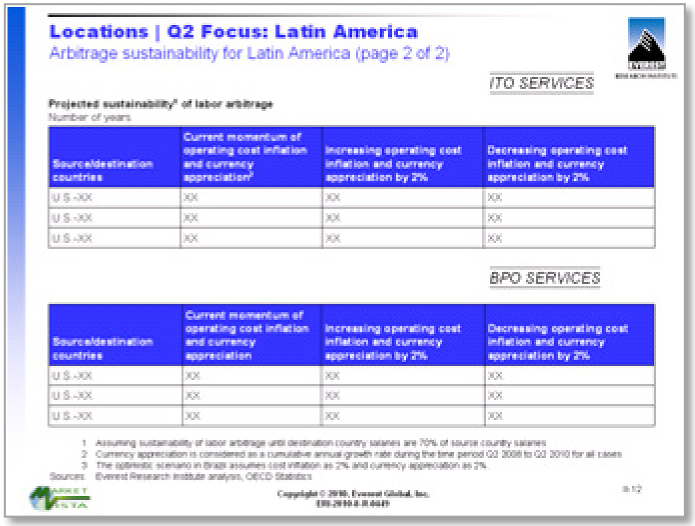
Region	Key developments

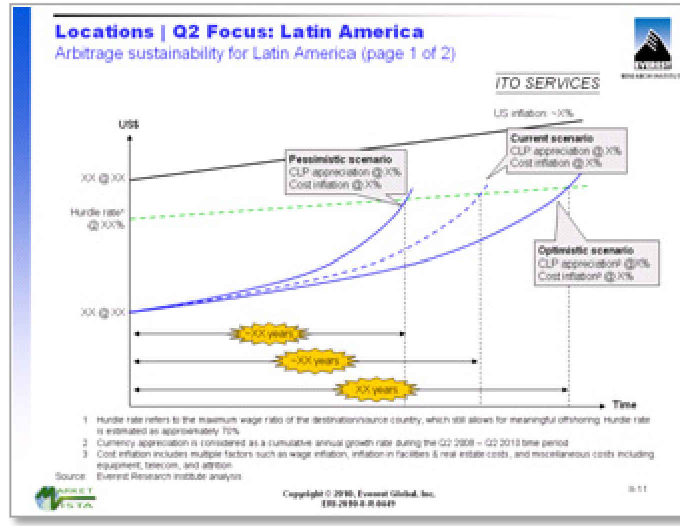
XX	• XX
	  • XX
	  • XX
	  • XX
	• XX
	  • XX
	  • XX
	  • XX
	• XX
	  • XX
	  • XX

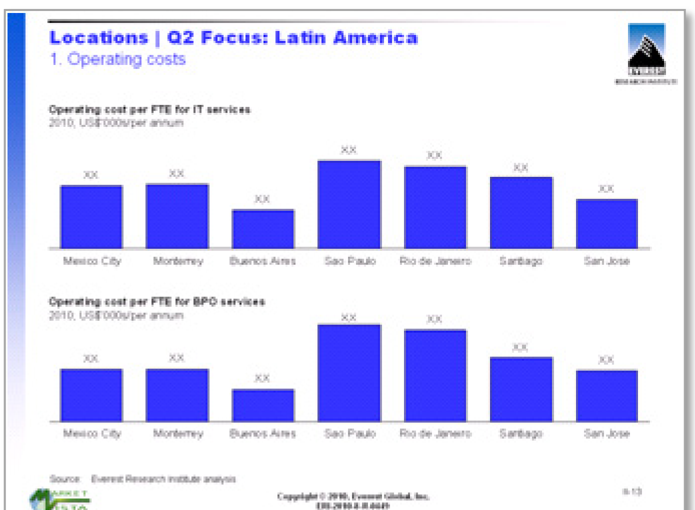
Sources: Everest Research Institute analysis; Economist

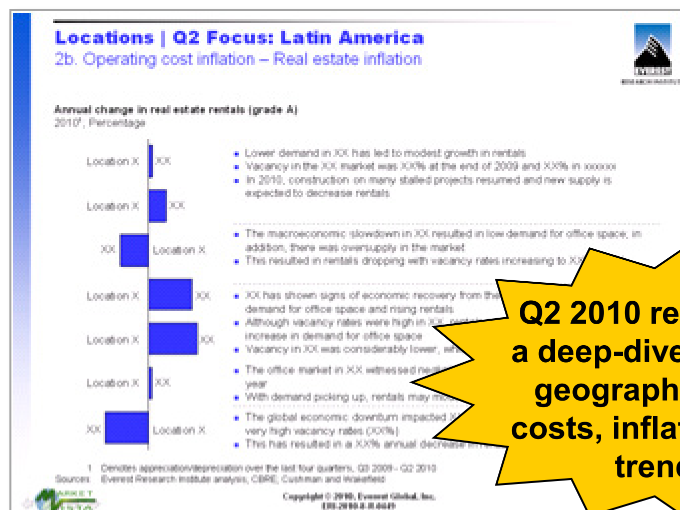
Section II – Locations section | Illustrative output

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









Q2 2010 report includes a deep-dive on emerging geographies covering costs, inflation, currency trends, etc.

Section III – Supplier developments | Overview

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

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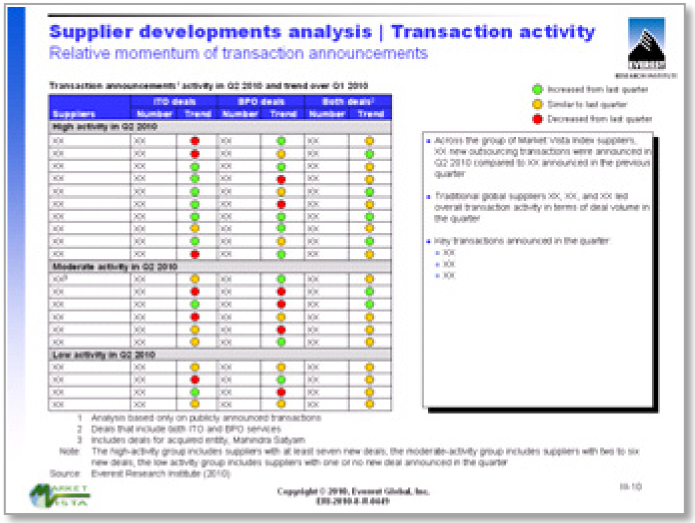

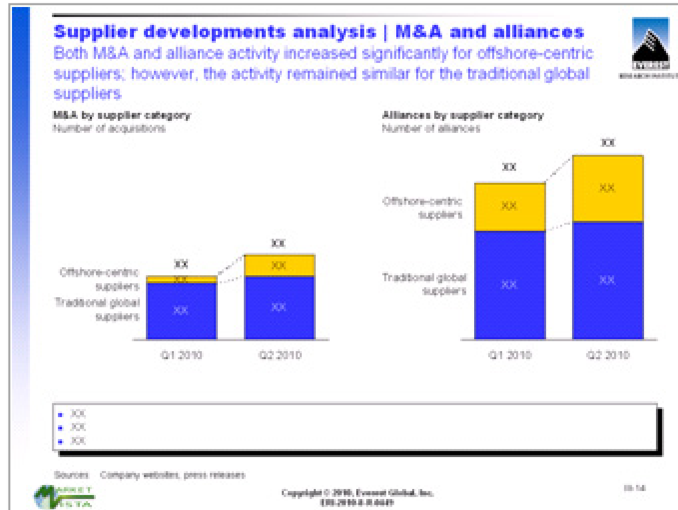

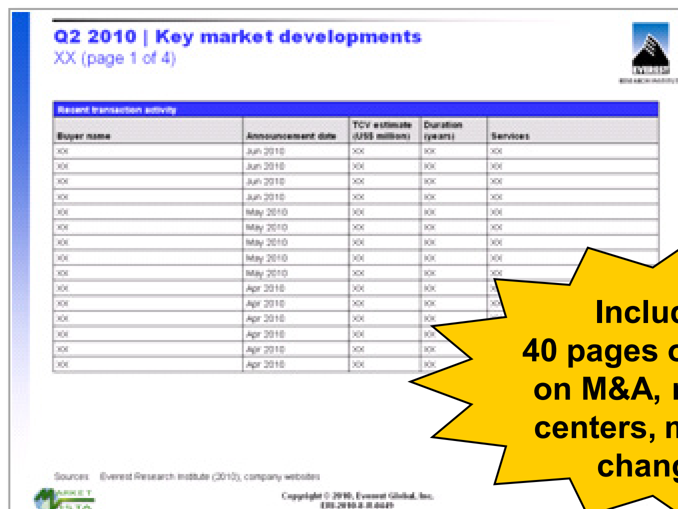

Includes over 40 pages of data tables on M&A, new delivery centers, management changes, etc.

Supplier developments analysis | Transaction activity

Relative momentum of transaction announcements

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Transaction announcements[1] activity in Q2 2010 and trend over Q1 2010

- Green: Increased from last quarter
- Yellow: Similar to last quarter
- Red: Decreased from last quarter

Suppliers	ITO deals		BPO deals		Both deals[2]	
	Number	Trend	Number	Trend	Number	Trend
High activity in Q2 2010						
XX	XX	Red	XX	Green	XX	Yellow
XX	XX	Red	XX	Yellow	XX	Green
XX	XX	Green	XX	Green	XX	Yellow
XX	XX	Green	XX	Red	XX	Yellow
XX	XX	Green	XX	Yellow	XX	Green
XX	XX	Green	XX	Red	XX	Yellow
XX	XX	Green	XX	Green	XX	Green
XX	XX	Yellow	XX	Green	XX	Yellow
XX	XX	Green	XX	Yellow	XX	Green
XX	XX	Red	XX	Green	XX	Yellow
Moderate activity in Q2 2010						
XX[3]	XX	Yellow	XX	Green	XX	Yellow
XX	XX	Red	XX	Red	XX	Green
XX	XX	Green	XX	Red	XX	Green
XX	XX	Red	XX	Yellow	XX	Yellow
XX	XX	Yellow	XX	Red	XX	Yellow
XX	XX	Yellow	XX	Green	XX	Yellow
Low activity in Q2 2010						
XX	XX	Yellow	XX	Yellow	XX	Yellow
XX	XX	Red	XX	Green	XX	Yellow
XX	XX	Green	XX	Red	XX	Yellow
XX	XX	Yellow	XX	Yellow	XX	Yellow

- Across the group of Market Vista Index suppliers, XX new outsourcing transactions were announced in Q2 2010 compared to XX announced in the previous quarter
- Traditional global suppliers XX, XX, and XX led overall transaction activity in terms of deal volume in the quarter
- Key transactions announced in the quarter:
  - XX
  - XX
  - XX

1 Analysis based only on publicly announced transactions
2 Deals that include both ITO and BPO services
3 Includes deals for acquired entity, Mahindra Satyam
Note: The high-activity group includes suppliers with at least seven new deals; the moderate-activity group includes suppliers with two to six new deals; the low activity group includes suppliers with one or no new deal announced in the quarter
Source: Everest Research Institute (2010)

Q2 2010 | Key market developments

XX (page 1 of 4)

Recent transaction activity				
Buyer name	**Announcement date**	**TCV estimate (US$ million)**	**Duration (years)**	**Services**
XX	Jun 2010	XX	XX	XX
XX	Jun 2010	XX	XX	XX
XX	Jun 2010	XX	XX	XX
XX	Jun 2010	XX	XX	XX
XX	May 2010	XX	XX	XX
XX	May 2010	XX	XX	XX
XX	May 2010	XX	XX	XX
XX	May 2010	XX	XX	XX
XX	May 2010	XX	XX	XX
XX	Apr 2010	XX	XX	XX
XX	Apr 2010	XX	XX	XX
XX	Apr 2010	XX	XX	XX
XX	Apr 2010	XX	XX	XX
XX	Apr 2010	XX	XX	XX
XX	Apr 2010	XX	XX	XX

Sources: Everest Research Institute (2010); company websites

Q2 2010 | Key market developments

XX (page 2 of 4)

Location footprint			
Location	**Status**	**Employees**	**Description**
No location activity announced in the quarter			

Mergers & Acquisitions (M&A) and alliance activity		
Type of activity	**Target/partner firm**	**Description**
Acquisition	XX	XX
Alliance	XX	XX
Alliance	XX	XX
Alliance	XX	XX

Sources: Everest Research Institute (2010); company websites

Market Vista encompasses a suite of offerings

Multiple delivery formats allow Global Sourcing Managers to access information in a way that supports the decision-making process

Market Vista offering	Description	Standard subscription access (annual)	Premium subscription access (annual)
Quarterly Report	Quarterly report with in-depth coverage of transaction, location, and supplier trends	✓	✓
Primer	Quarterly brief of expert perspectives on emerging market trends (e.g., new pricing models)	✓	✓
Location database	Annually updated database of location stats (e.g., cost, attrition, inflation rates) for 23 major cities	✓	✓
Breaking viewpoint	Flash reports highlighting breaking industry news and expert perspectives on key implications	✓	✓
Locations Insights e-newsletter	Bi-monthly Global Location Insights e-newsletter containing detailed country and region info	✓	✓
Supplier capability profiles	Annually updated library of 200+ supplier profiles, including functional views (e.g., FAO, HRO)		✓
Analyst consultation	10 hours of analyst access per year for personalized insights and additional perspectives		✓

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: Q1 2010** (ERI-2010-8-R-0419); 2010. This report summarizes the key trends and developments for Q1 2010 in the global offshoring and outsourcing market.

2. **Global Sourcing 2.0 – Evolving Global Delivery Imperatives for Outsourcing Service Providers** (ERI-2010-2-R-04039); 2010. This report analyzes the trends and next generation imperatives for service providers along some of the key components of global delivery – location portfolio, operating model, and talent management. The report presents the global delivery trends with pertinent examples, data analysis and observations, and draws important implications for service providers as well as buyers of outsourcing services.

3. **Benefits Administration Outsourcing (BAO) – Resilient Demand, Dynamic Supplier Landscape** (ERI-2010-3-R-0446); 2010. While the demand for BAO showed resilience during the economic downturn and is poised for a robust growth in 2010, the supplier landscape is changing rapidly with consolidation on one hand and entry of new suppliers on the other. This research study provides a comprehensive coverage of the market demand, highlights the key market developments, and provides an overview of the key suppliers along with their solution and capability.

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

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