

Global Sourcing (GS)

Market Vista Q4 2010 - Preview Deck



Contents



- Product overview
- Illustrative contents



The increasing complexity of the outsourcing market has amplified the 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 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

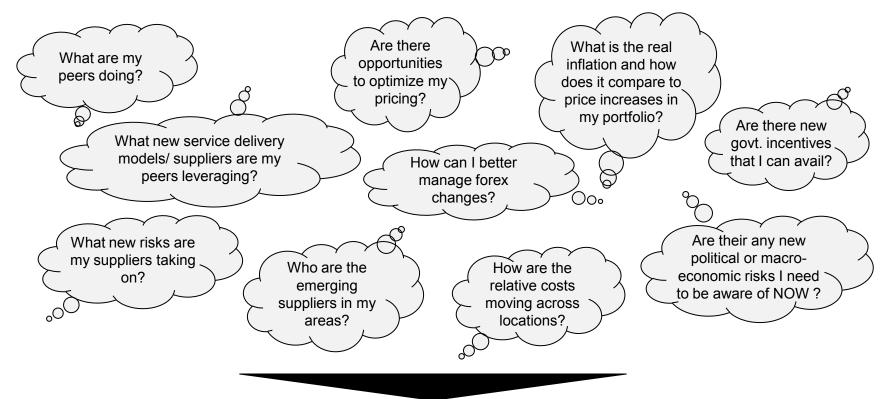
Currency risk

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





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

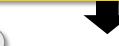


Each quarterly Market Vista report captures developments across three key areas









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

Location trends and risks

2

- 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-base on emerging locations
 - Sustainability of arbitrage
 - Operating costs across 9 cities, inflation rates, and currency trends

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



Additional Market Vista deliverables



Global Location Insights newsletter



- 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



- Event/theme based e-briefings
- Recent topics included
 - Perspective on M&A events (Atos-Siemens IT, iGate-Patni)
 - Impact of regulatory changes on FS offshoring
 - Impact of political turmoil in Egypt and Tunisia

Market Vista Primers



- 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



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



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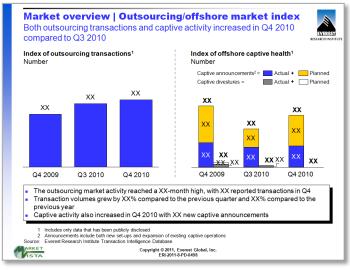
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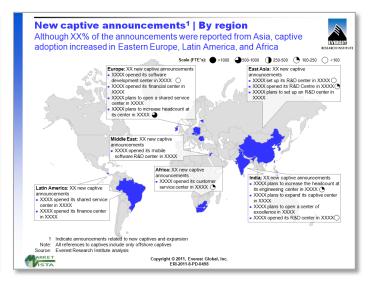


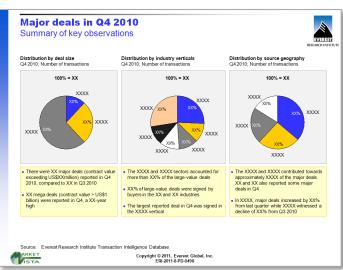
Section I – Market section | Overview

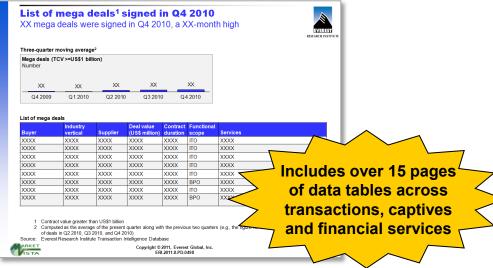










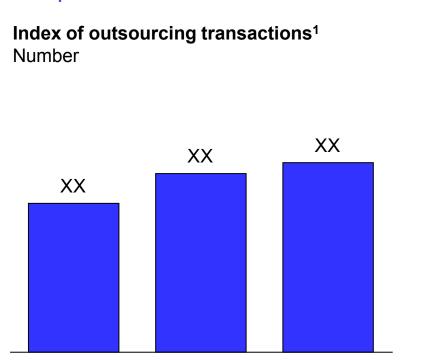


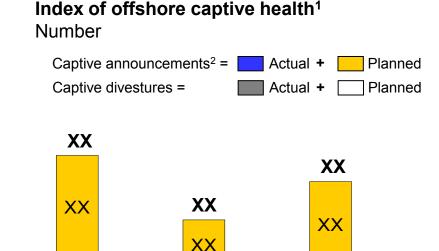


Market overview | Outsourcing/offshore market index

Both outsourcing transactions and captive activity increased in Q4 2010 compared to Q3 2010







XX

Q3 2010

The outsourcing market activity reached a XX-month high, with XX reported transactions in Q4

XX

Q4 2009

XX

XX XX

- Transaction volumes grew by XX% compared to the previous quarter and XX% compared to the previous year
- Captive activity also increased in Q4 2010 with XX new captive announcements
 - 1 Includes only data that has been publicly disclosed

Q3 2010

2 Announcements include both new set-ups and expansion of existing captive operations

Q4 2010

Source: Everest Research Institute Transaction Intelligence Database



Q4 2009

XX

Q4 2010

XX

XX XX

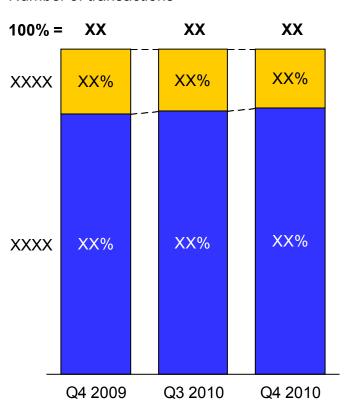
Outsourcing transaction analysis | New vs. renewed/restructured deals



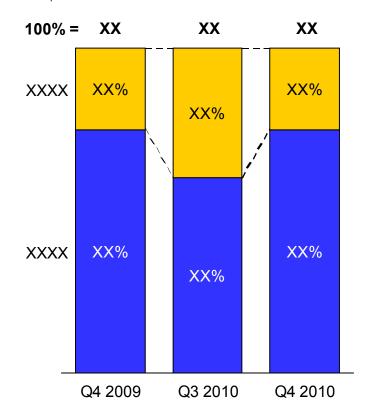
XX transaction signings contributed towards XX of the market activity during Q4

Number of transactions by type

Number of transactions



ACV of transactions by type US\$ million



Source: Everest Research Institute Transaction Intelligence Database

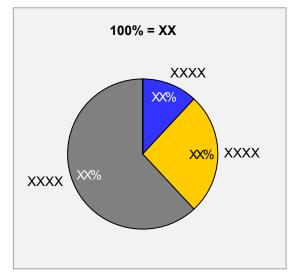


Major deals in Q4 2010

Summary of key observations



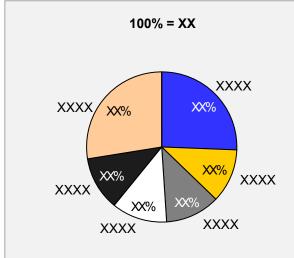
Distribution by deal size Q4 2010; Number of transactions



- There were XX major deals (contract value exceeding US\$XXmillion) reported in Q4 2010, compared to XX in Q3 2010
- XX mega deals (contract value > US\$1 billion) were reported in Q4, a XX-year high

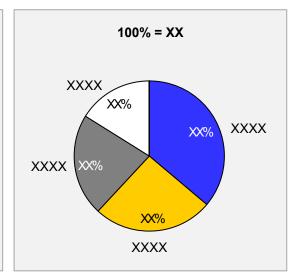
Distribution by industry verticals

Q4 2010; Number of transactions



- The XXXX and XXXX sectors accounted for more than XX% of the large-value deals
- XX% of large-value deals were signed by buyers in the XX and XX industries
- The largest reported deal in Q4 was signed in the XXXX vertical

Distribution by source geography Q4 2010; Number of transactions



- The XXXX and XXXX contributed towards approximately XXXX of the major deals. XX and XX also reported some major deals in Q4
- In XXXX, major deals increased by XX% from last quarter while XXXX witnessed a decline of XX% from Q3 2010

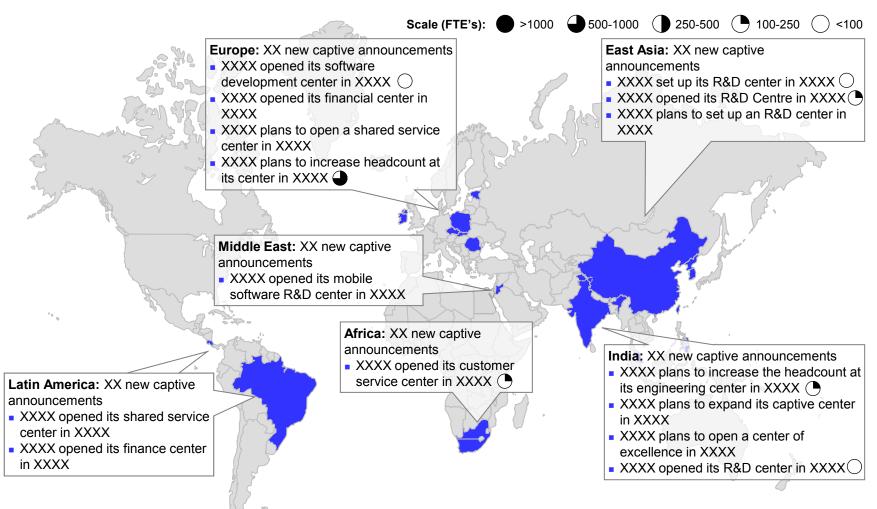
Source: Everest Research Institute Transaction Intelligence Database



New captive announcements¹ | By region

Although XX% of the announcements were reported from Asia, captive adoption increased in Eastern Europe, Latin America, and Africa





1 Indicate announcements related to new captives and expansion

Note: All references to captives include only offshore captives

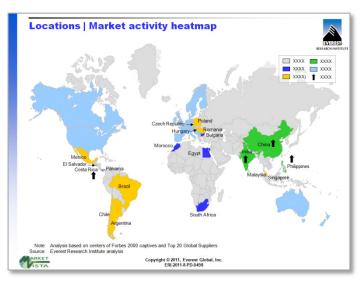
Source: Everest Research Institute analysis

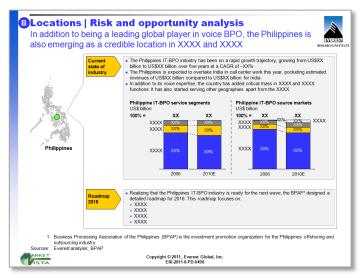


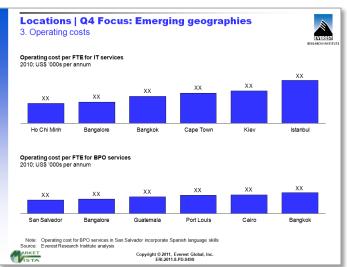
Section II – Locations section | Overview

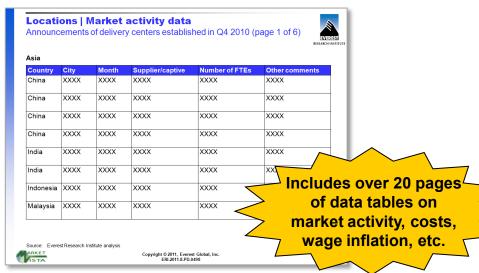
Key developments and emerging risks and opportunities across locations









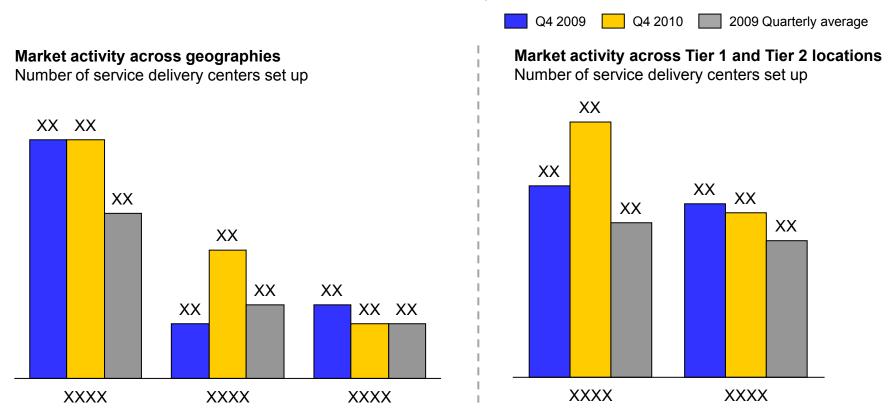




Locations | Market activity index

XXXX continued to dominate location activity, although adoption increased in XXXX; Tier XX cities reported more activity than Tier XX cities





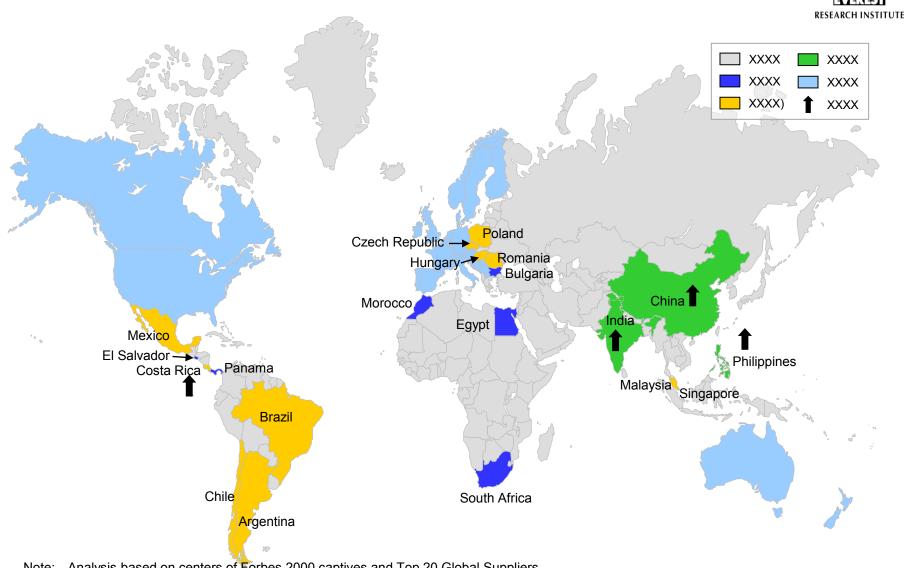
- There were XX delivery centers set up during Q4 2010, a XX-month high. Besides XXXX, significant activity was also reported from locations in XXXX
- Though players set up centers in both Tier 1 and Tier 2 locations, there was more activity in Tier XX locations. Among Tier XX locations, XXXX and XXXX experienced significant activity

Source: Everest Research Institute analysis



Locations | Market activity heatmap



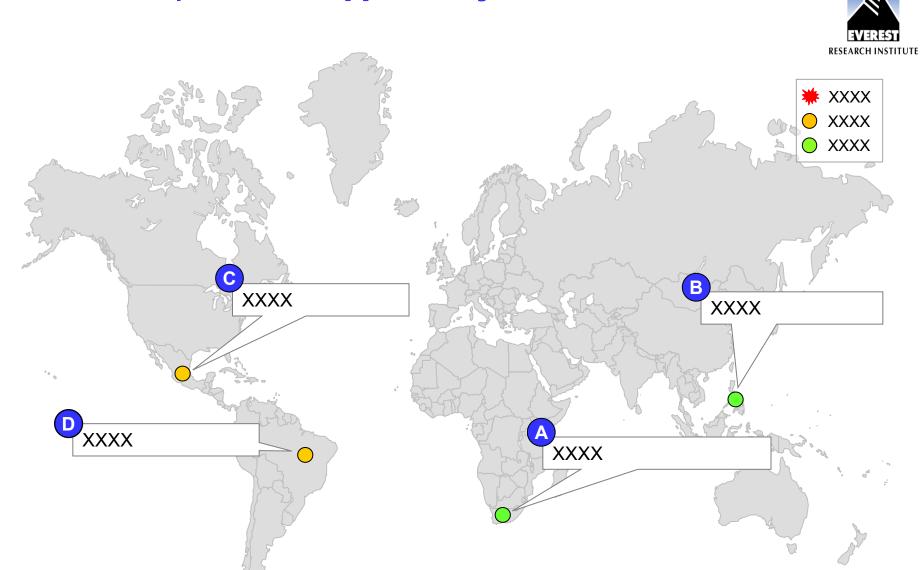


Analysis based on centers of Forbes 2000 captives and Top 20 Global Suppliers

Everest Research Institute analysis Source:



Locations | Risk and opportunity dashboard



Source: Everest Research Institute analysis



BLocations | Risk and opportunity analysis



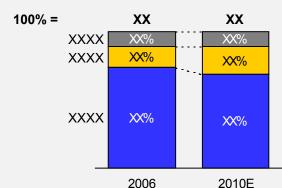


Current state of industry

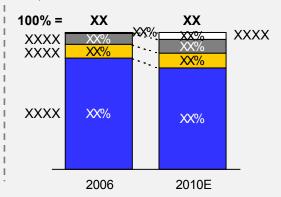
- The Philippines IT-BPO industry has been on a rapid growth trajectory, growing from US\$XX billion to US\$XX billion over five years at a CAGR of ~XX%
- The Philippines is expected to overtake India in call center work this year, pocketing estimated revenues of US\$XX billion compared to US\$XX billion for India
- In addition to its voice expertise, the country has added critical mass in XXXX and XXXX functions. It has also started serving other geographies apart from the XXXX







Philippine IT-BPO source markets US\$ billion



Roadmap 2016

- Realizing that the Philippines IT-BPO industry is ready for the next wave, the BPAP¹ designed a detailed roadmap for 2016. This roadmap focuses on:
 - XXXX
 - XXXX
 - XXXX
 - XXXX
- 1 Business Processing Association of the Philippines (BPAP) is the investment promotion organization for the Philippines offshoring and outsourcing industry

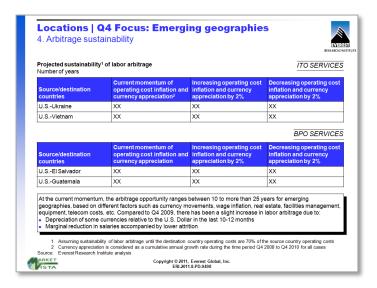
Sources: Everest analysis; BPAP

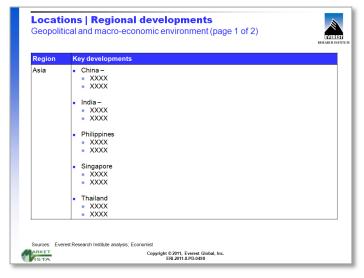


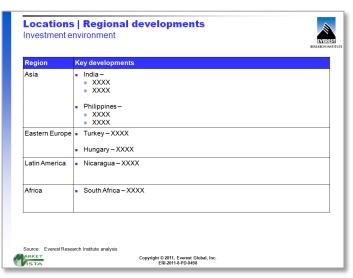
Section II – Locations section | Illustrative output

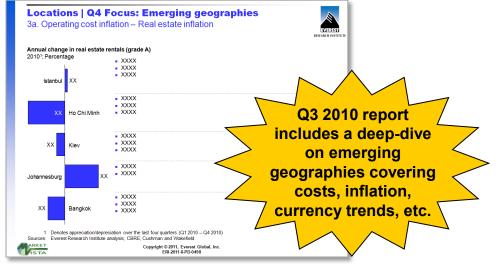
Each quarterly report will cover a deep-dive on a specific geography/ theme









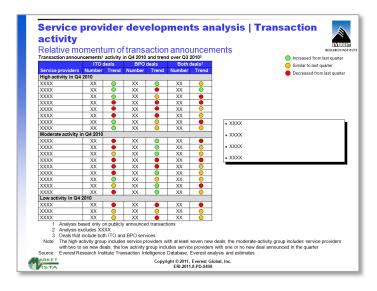


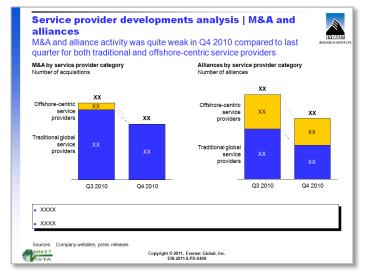


Section III – Supplier developments | Overview

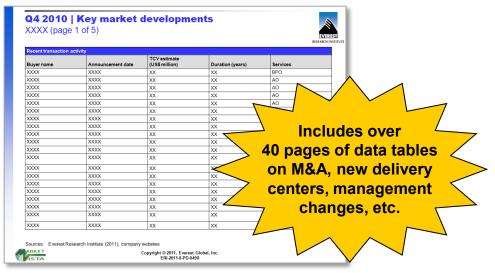
Profiles developments across 20 leading suppliers, highlighting key implications for sourcing managers













Service provider developments analysis | Transaction activity



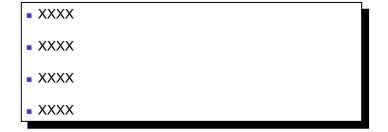
Relative momentum of transaction announcements

Transaction announcements¹ activity in Q4 2010 and trend over Q3 2010²

| Transaction announcements activity in Q4 2010 and trend over Q3 2010 ² | | | | | | | |
|---|-----------|----------|-----------|----------|--------|--------------------|--|
| | | deals | BPO deals | | | deals ³ | |
| Service providers | Number | Trend | Number | Trend | Number | Trend | |
| High activity in Q4 2010 | | | | | | | |
| XXXX | XX | | XX | | XX | 0 | |
| XXXX | XX | | XX | | XX | | |
| XXXX | XX | | XX | 0 | XX | | |
| XXXX | XX | | XX | | XX | | |
| XXXX | XX | | XX | | XX | 0 | |
| XXXX | XX | | XX | | XX | 0 | |
| XXXX | XX | | XX | <u> </u> | XX | | |
| XXXX | XX | 0 | XX | 0 | XX | 0 | |
| Moderate activity in | n Q4 2010 | | | | | | |
| XXXX | XX | | XX | <u> </u> | XX | | |
| XXXX | XX | • | XX | 0 | XX | 0 | |
| XXXX | XX | 0 | XX | 0 | XX | 0 | |
| XXXX | XX | • | XX | • | XX | • | |
| XXXX | XX | • | XX | • | XX | 0 | |
| XXXX | XX | • | XX | 0 | XX | 0 | |
| XXXX | XX | 0 | XX | 0 | XX | 0 | |
| XXXX | XX | 0 | XX | 0 | XX | • | |
| XXXX | XX | • | XX | 0 | XX | 0 | |
| Low activity in Q4 2010 | | | | | | | |
| XXXX | XX | • | XX | • | XX | | |
| XXXX | XX | <u> </u> | XX | 0 | XX | 0 | |
| XXXX | XX | 0 | XX | • | XX | 0 | |

| Similar to last quarter |
|-----------------------------|
| Decreased from last quarter |
| |

Increased from last quarter



- 1 Analysis based only on publicly announced transactions
- 2 Analysis excludes XXXX
- 3 Deals that include both ITO and BPO services

Note: The high-activity group includes service providers with at least seven new deals; the moderate-activity group includes service providers with two to six new deals; the low activity group includes service providers with one or no new deal announced in the quarter

Source: Everest Research Institute Transaction Intelligence Database; Everest analysis and estimates



Service provider developments analysis | Location activity

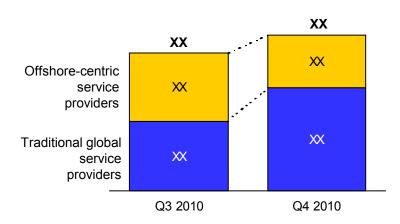
While Overall location activity increased this quarter, activity for offshore-centric service providers witnessed a decline compared to last quarter



Decreased from last quarter Oncreased from last quarter Similar to last quarter

Service provider delivery footprint in Q4 2010 and trend over Q3 2010

Number of new centers opened by service provider category Number of new centers¹



| • XXXX | | |
|--------|--|--|
| • XXXX | | |
| | | |

| | Offshor | Offshore centers | | centers | | | |
|--------------------------|---------|------------------|--------|----------|--|--|--|
| Service providers | Number | Trend | Number | Trend | | | |
| High activity in Q4 2010 | | | | | | | |
| XXXX | XX | 0 | XX | 0 | | | |
| Moderate activity in C | 4 2010 | | | | | | |
| XXXX | XX | 0 | XX | <u> </u> | | | |
| XXXX | XX | 0 | XX | | | | |
| XXXX | XX | 0 | XX | <u> </u> | | | |
| XXXX | XX | • | XX | <u> </u> | | | |
| XXXX | XX | 0 | XX | <u> </u> | | | |
| XXXX | XX | 0 | XX | 0 | | | |
| XXXX | XX | 0 | XX | 0 | | | |
| XXXX | XX | 0 | XX | 0 | | | |
| XXXX | XX | • | XX | 0 | | | |
| XXXX | XX | • | XX | 0 | | | |
| XXXX | XX | 0 | XX | <u> </u> | | | |
| XXXX | XX | • | XX | • | | | |
| XXXX | XX | 0 | XX | 0 | | | |
| No activity in Q4 2010 | | | | | | | |
| XXXX | XX | 0 | XX | <u> </u> | | | |
| XXXX | XX | • | XX | 0 | | | |
| XXXX | XX | 0 | XX | 0 | | | |
| XXXX | XX | • | XX | 0 | | | |
| | | _ | 1 | | | | |

XX

XX

Note: The high-activity group includes service providers with at least three new centers; the moderate-activity group includes service providers with one or two new centers; the no-activity group includes service providers with no centers announced in the quarter

Company websites; press releases Sources:



XX

XX

XXXX

XXXX

¹ Includes new facilities opened in existing locations and excludes planned centers

Service provider developments analysis | Ratings summary



| Service provider | New deals | Location changes | M&A and alliance activity | Overall rating |
|---------------------|-----------------|------------------|---------------------------|----------------|
| Traditiona | l global servic | e providers | | |
| XXXX | | | | |
| XXXX | | • | • | • |
| XXXX | | | • | 0 |
| XXXX | | • | | |
| XXXX | | | • | |
| XXXX | | • | | |
| XXXX | | | | |
| XXXX | | | | |
| XXXX | | | 1 | |
| XXXX | | | | |
| XXXX | | • | | |

| Service provider | New deals | Location changes | M&A and alliance activity | Overall rating | | | |
|------------------------------------|-----------|------------------|---------------------------|----------------|--|--|--|
| Offshore-centric service providers | | | | | | | |
| XXXX | | | | | | | |
| XXXX | | | | • | | | |
| XXXX | | • | | 1 | | | |
| XXXX | | | 0 | • | | | |
| XXXX | | | 1 | | | | |
| XXXX | | | | | | | |
| XXXX | | | | | | | |
| XXXX | | | | 1 | | | |
| XXXX | | | | | | | |

Limited activity Moderate activity High activity

Source: Everest Research Institute (2011)



Market Vista encompasses a suite of offerings





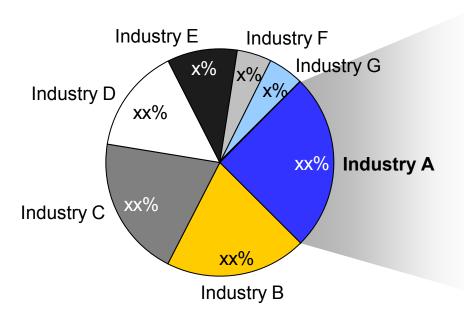
| Market Vista offering | Description | Standard subscription access (annual) | Premium subscription access (annual) |
|---------------------------------|--|---------------------------------------|--------------------------------------|
| Quarterly Report | Quarterly report with in-depth coverage of 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 | | ✓ |



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



Outsourcing activity by industry



Industry trends: Coverage

Outsourcing transaction trends

Captive market analysis

20+ pages report for each industry every quarter

Supplier activity and deal information

Industries tracked

- Banking, Financial Services, and Insurance (BFSI)
- Manufacturing, Distribution, and Retail (MDR)
- Energy and Utilities (E&U)
- Healthcare

Offering summary

- Quarterly research reports covering key sourcing-related data, developments and insights in a specific industry
- Helps contextualize key decisions within an industry



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: Q3 2010 (ERI-2010-8-R-0477); 2010. This report summarizes the key trends and developments for Q3 2010 in the global offshoring and outsourcing market
- 3. Banking, Financial Services, and Insurance (BFSI): Trends for Q3 2010 (ERI-2010-8-R-0482); 2010. 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 deepdive into transaction activity, captive developments, supplier market share, and key outsourcing transactions specific to the BFSI industry
- **4.** Turmoil in Egypt and Tunisia: What's next for the Offshore Services Industry? (ERI-2011-8-V-0507); 2011. This Market Vista Breaking Viewpoint summarizes Everest Research Institute's perspective on the impact of the current crisis in Egypt and Tunisia and its implications for the key stakeholders in the global services community

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

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