



Global Sourcing (GS): Industry Trends

Overview of Key Developments in Q4 2010 – Preview Deck



- **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

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

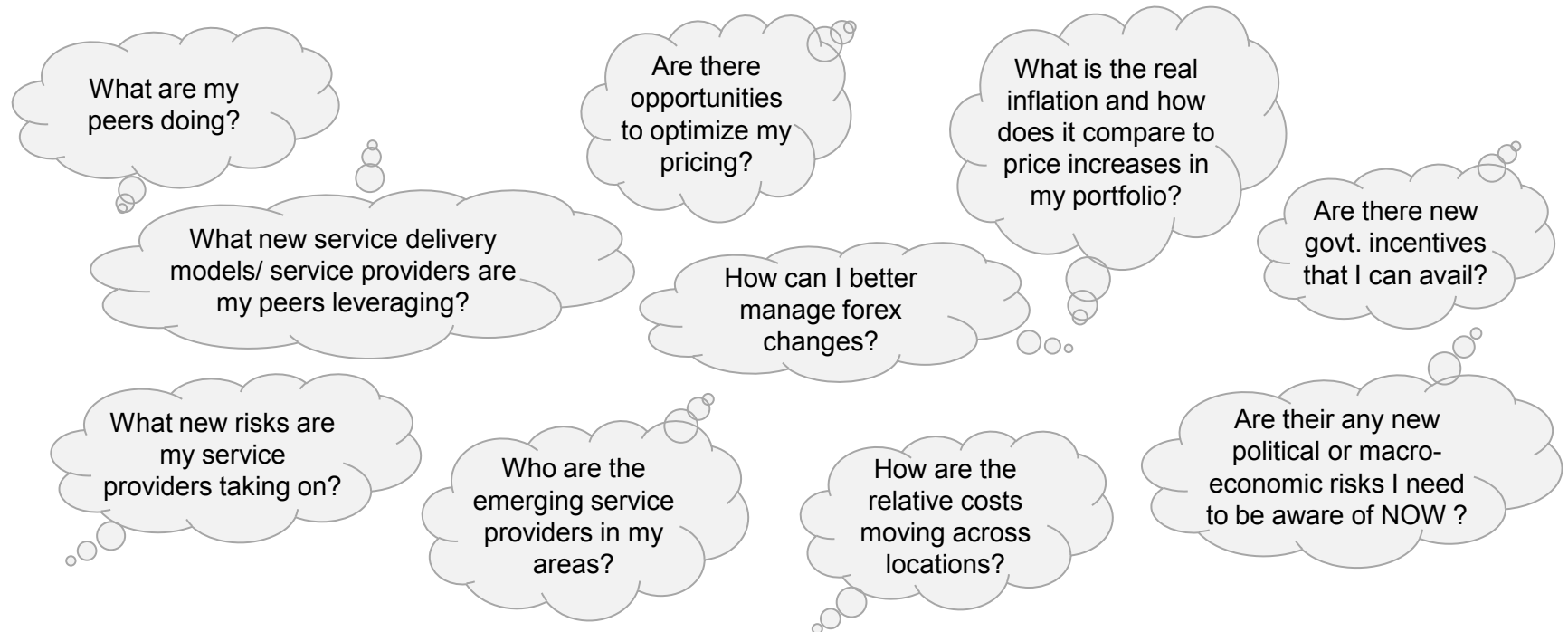
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Most large companies have capabilities in global risk management. However, the level and type of risk exposure that is emerging from the globalization of services is unprecedented

Sourcing leaders are being asked to manage risks associated with global sourcing and support the delivery of transformational results



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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

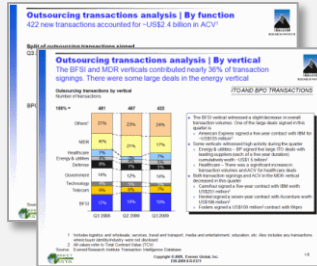
Market Vista encompasses a suite of offerings that track the overall global sourcing market



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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



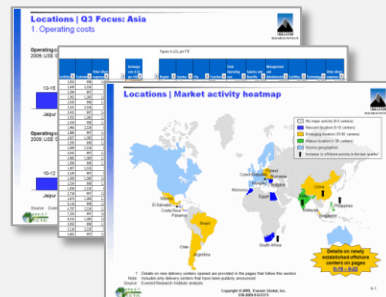
Service provider landscape

- Updates on service provider market share, capabilities, and performance
- Service provider profiles, including data on:
 - Transactions
 - Location footprint
 - M&A activity



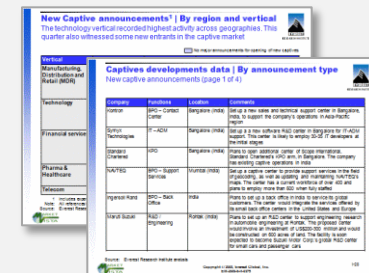
Location data and dynamics

- 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, divestitures, 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

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

Industry trends comprise of four quarterly reports for each of the four key industries comprising majority of the global sourcing industry – BFSI, MDR, E&U, and Healthcare

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
- Logistics and Distribution
- Retail

3

Energy and Utilities (E&U)

- Oil and Gas
- Chemicals
- Utilities

4

Healthcare

- Pharmaceutical and Life Sciences
- Healthcare payers
- Healthcare providers

20+ pages in each Industry Trends report

4 quarterly Industry Trends reports for each industry

16 Industry Trends reports across four industries in a year

Contents



- Product overview

- **Illustrative contents**

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

Illustrative Table of Contents



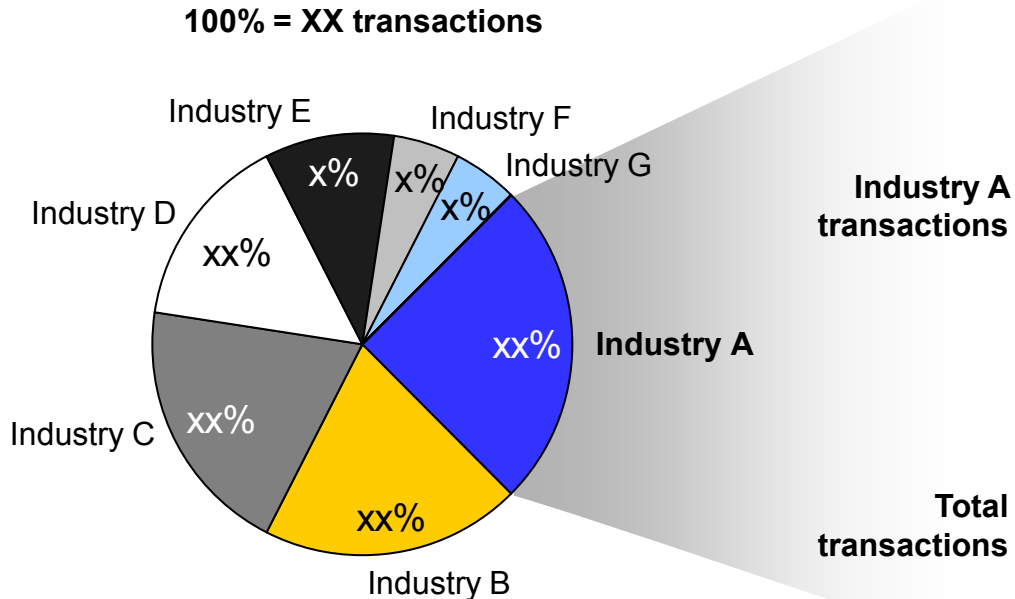
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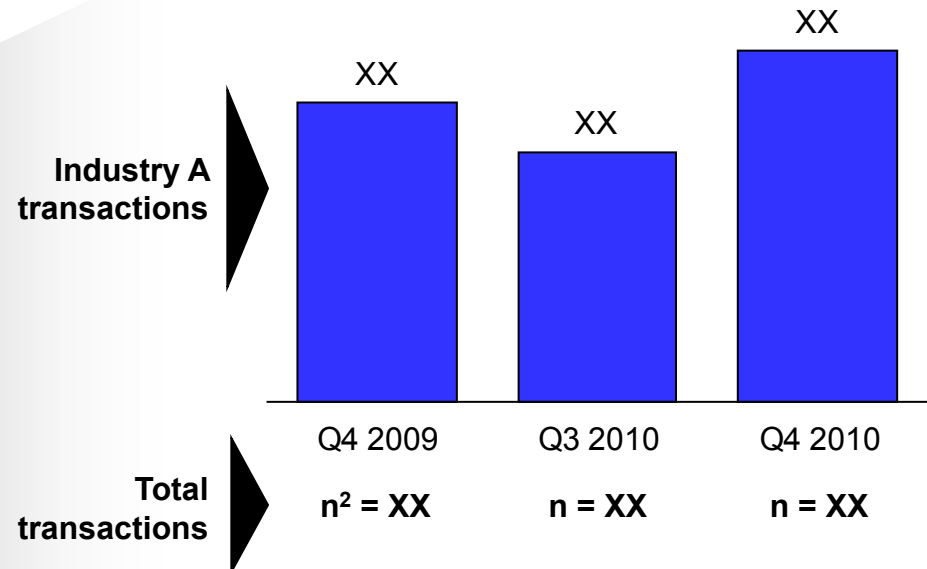
Section I: Outsourcing transaction trends

Industry A accounted for XX% of total reported outsourcing transactions in Q4 2010 with volumes increasing compared to XX

Break-up of outsourcing transactions by industries
Q4 2010; Number



Index of outsourcing transactions¹
Number



- The overall outsourcing market XXXX by XX % in Q4 2010 compared to XXXX
- During the same period, the transaction volume in the Industry A increased by XX%

1 Includes only data that has been publicly disclosed

2 n = Number of outsourcing transactions in the quarter, across all industries

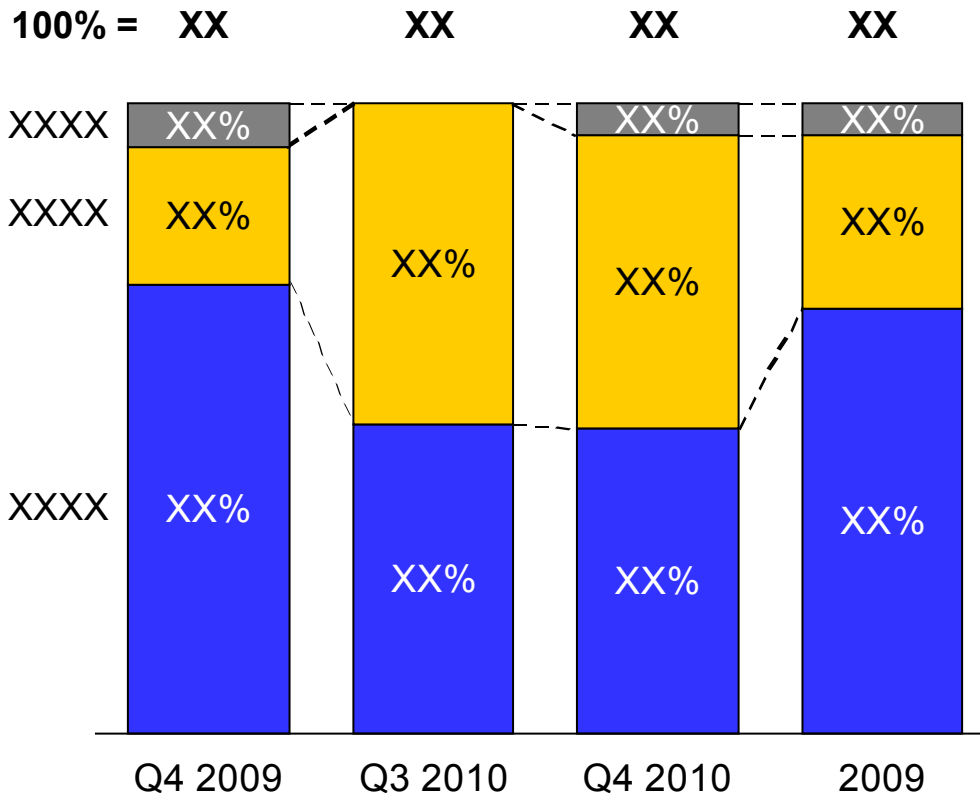
Source: Everest Research Institute Transaction Intelligence Database

Section I: Outsourcing transaction trends

Transaction volumes XXXX across both ITO and BPO functions

Break-up of industry specific transactions by function

Number



- ITO transactions in the BFSI 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
- XXXXX

Source: Everest Research Institute Transaction Intelligence Database

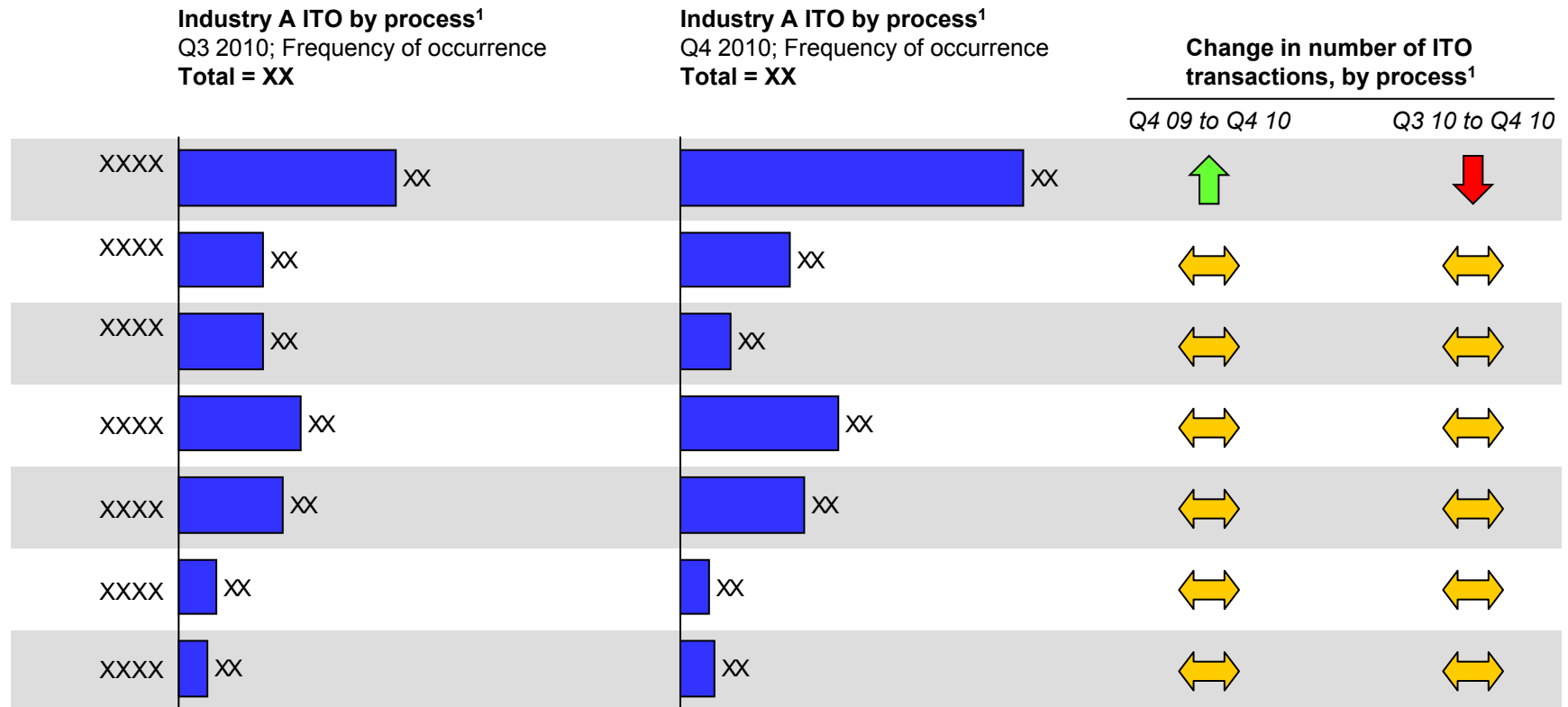
Section I: Outsourcing transaction trends

Higher outsourcing adoption in XXXX, XXXX, and XXXX



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↓ Decreased ↔ Similar ↑ Increased



- 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

Section I: Outsourcing transaction trends

XX% of transactions were new transactions signed in Q4



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XX industry transactions by contract type

Number

ITO AND BPO TRANSACTIONS

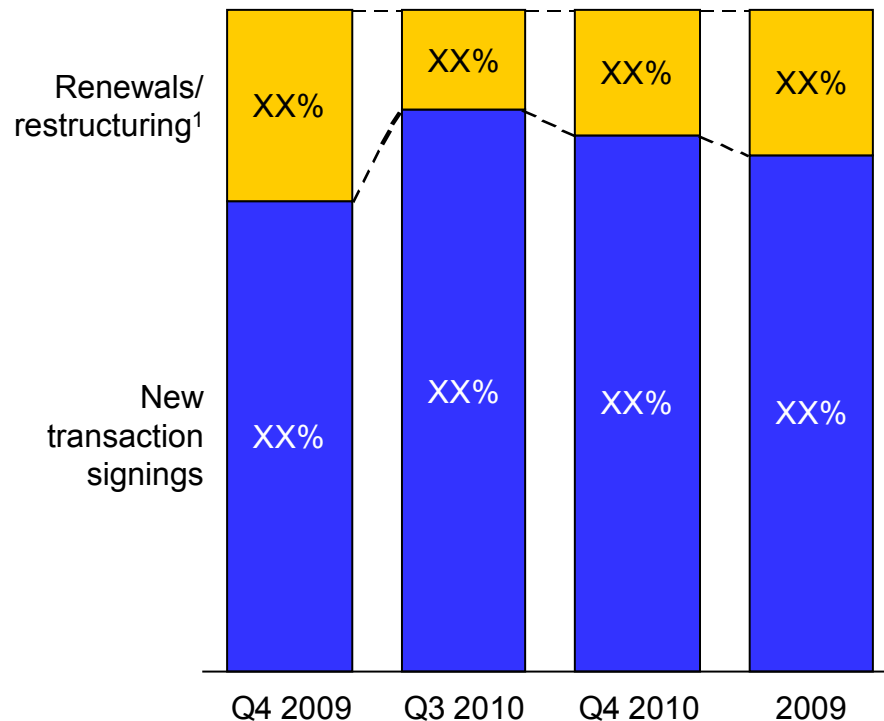
100% =

69

99

89

308



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

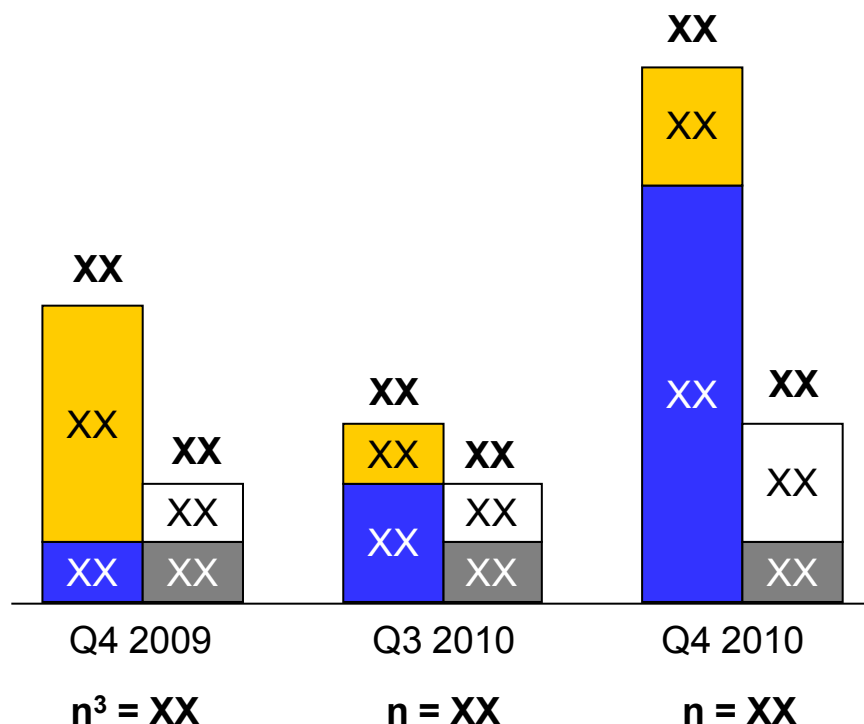
Section II: Captive analysis

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

Index of offshore captive health¹
Number

Captive announcements² = ■ Actual + ■ Planned

Captive divestitures = ■ Actual + ■ Planned



- XXXX expanded its captive operations in XXXX
- There were XX other captive announcements made by XXXX, XXXX, and XXXX
- There were XX reported captive divestitures 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

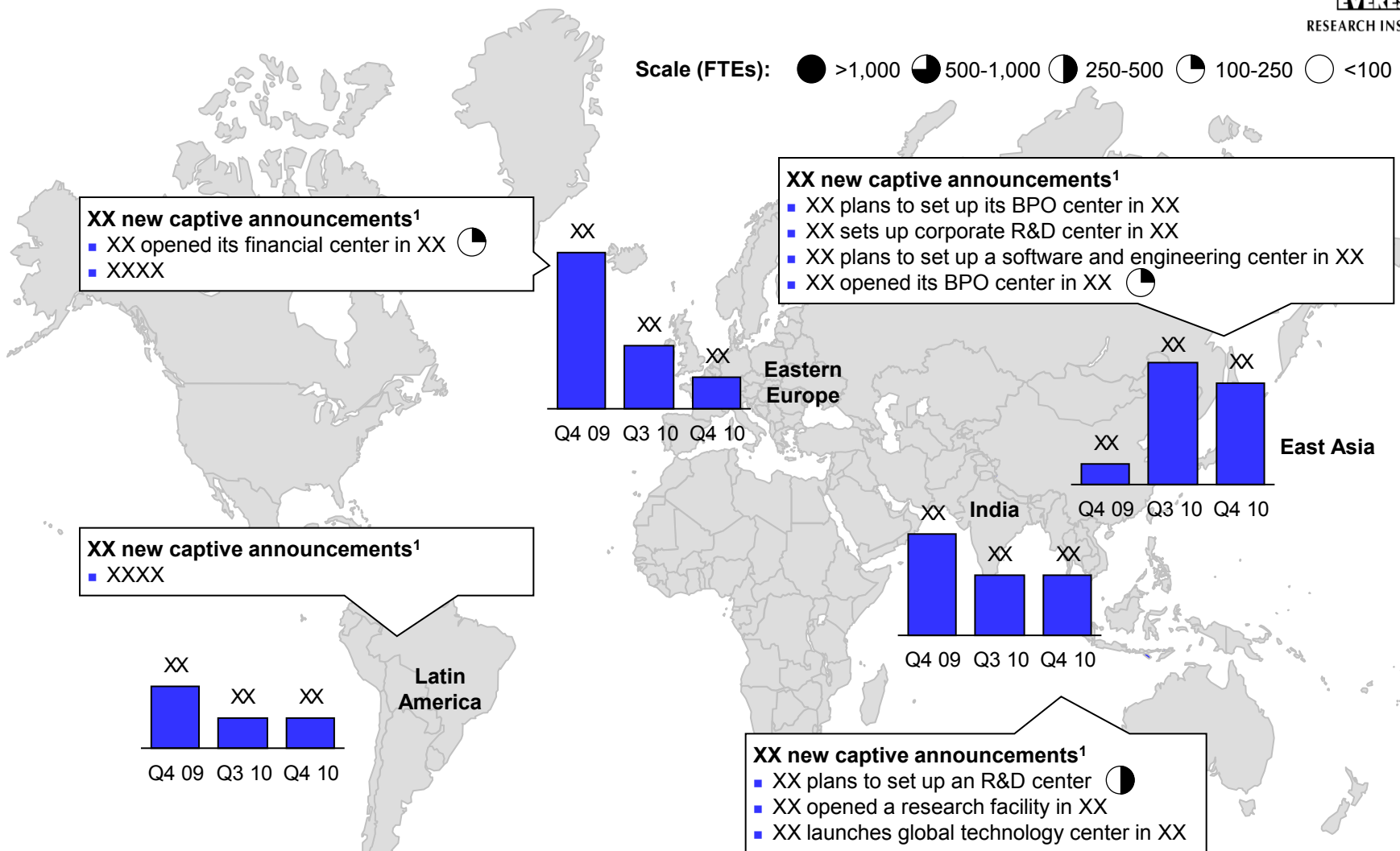
Section II: Captive analysis

Most of the captive announcements in Q4 2010 were in XXXX and YYYY



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



¹ Indicate announcements related to new captives and expansion

Note: All references to captives include only offshore captives

Source: Everest Research Institute analysis

Section III: Service provider activity and deal information

Share of service providers in transaction activity



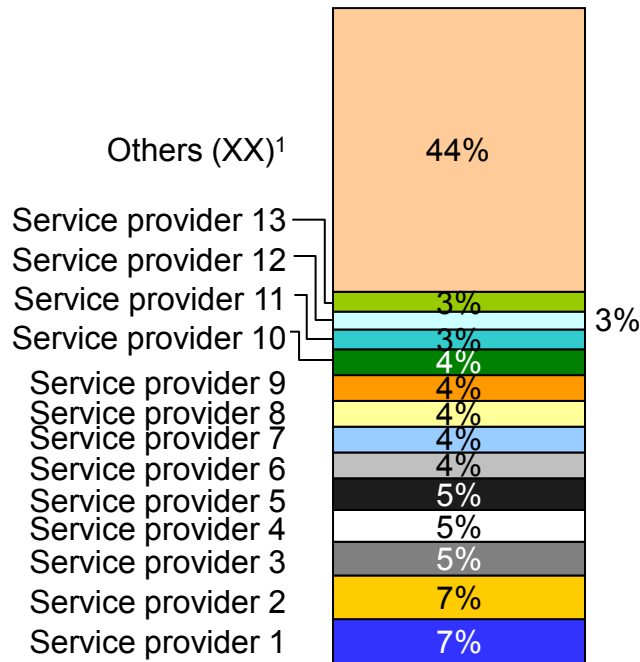
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Share of service providers in transactions

Q4 2010; Number

100% =

XX



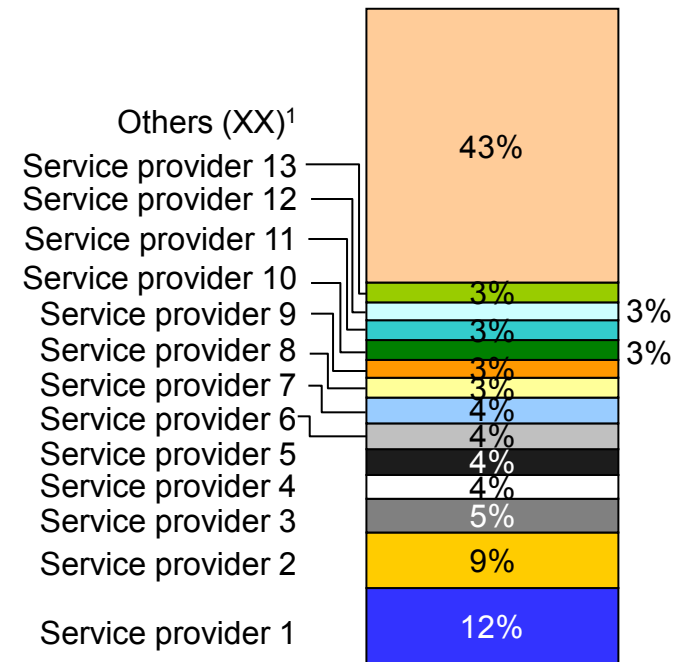
Number of transactions

Share of service providers in transactions

2009; Number

100% =

XX



Number of transactions

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 Q4 2010

Buyer	Sub-vertical	Service provider	Deal value (US\$ million)	Contract duration (years)	Services
XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
XXXX	XXXX	XXXX	XXXX	XXXX	XXXX
XXXX	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



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XXXX

Increased offshore adoption: XXXX announced plans to set up its back-office operations in XX 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

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: Q4 2010** (ERI-2011-8-R-0498); 2011. This report summarizes the key trends and developments for Q4 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 deep-dive into transaction activity, captive developments, service provider 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

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