

Dear Outsourcing Professional:

Even in today's challenging business climate, the scope of what the global outsourcing industry offers and what clients need is ever-expanding. The definition of the word "outsourcing," once limited to managing a client's mainframe, can now mean anything from provisioning mobile phone networks to procuring raw materials, and the market is constantly developing new ways to structure contracts, deliver services and define and measure performance. The sheer breadth of the industry and the pace at which it is evolving have made it tougher than ever to understand the market, devise winning strategies and allocate sales and marketing resources effectively.

How do you know where and to whom to target your business development efforts amid a vast, increasingly competitive and ever-changing outsourcing services landscape? The TPI Momentum<sup>SM</sup> Market Trends & Insights 2Q09 Service Line Report is an invaluable tool for service providers determined to capture a bigger share of business while making the most of each market opportunity. With 150 pages and more than 175 tables, charts and graphs detailed by service lines, you get the sourcing industry's most comprehensive, in-depth analysis of what happened industrywide in the last 12 months, all aggregated and analyzed to help you plot your company's unique go-to-market strategy.

Each chapter of the report educates you on what is happening within a given service line, the trends that are shaping it, the motivation of client teams and the elements of successful sales strategies that are unique to each service line. You get this information in a consistent format based on authoritative and reliable TPI databases and our deep experience serving as the advisor to outsourcing services buyers on more than 3,000 engagements. Nine key lines of service are profiled in deep and precise detail, including observations and analysis from TPI advisors and actionable recommendations based on in-depth interactions with clients.

The 2Q09 Service Line Report is the latest installment in the TPI Momentum<sup>SM</sup> Market Trends & Insights Reports, part of the TPI Momentum suite of offerings, which service providers and market observers can apply to their specific needs. Through the AskMomentum<sup>TM</sup> offering, the data in this report can be re-run to create deeper, more specific information about buyer trends and behaviors to inform your specific go-to-market strategies. Other custom research, database queries and advisory services are also available.

Please contact us to comment on this report or to discuss in more detail how specific findings may affect your business. We can help you achieve your organizational goals through our objective advice, industry knowledge and unparalleled sourcing expertise.

Sincerely,



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## TPI MOMENTUM MARKET TRENDS & INSIGHTS 2Q09 SERVICE LINE REPORT

### TABLE OF CONTENTS

|  |     |
|--|-----|
| Executive Summary .....                      | 5   |
| ITO Overview .....                           | 7   |
| Application Development and Maintenance..... | 14  |
| Managed Network Services .....               | 32  |
| End-User Computing .....                     | 51  |
| Data Center.....                             | 70  |
| BPO Overview .....                           | 92  |
| Finance & Accounting Services .....          | 96  |
| Procurement Services .....                   | 108 |
| Contact Center Services .....                | 122 |
| Facilities Management Services.....          | 135 |
| Human Resources Outsourcing .....            | 143 |
| Appendix A: Research Descriptions.....       | 156 |
| Appendix B: About TPI Momentum.....          | 157 |

## Highlights from the 2Q09 Service Line Report

The nine service line profiles in the TPI Momentum 2Q09 Market Trends & Insights Service Line Report – four in IT Outsourcing (ITO) and five in Business Process Outsourcing (BPO) – combine deep and detailed market data, illuminating analysis of current trends and observations gained from recent sourcing projects that aren't available from any other source.

### Highlights from the report's ITO findings include:

- Contracts for ITO accounted for 64 percent of the approximately 3,000 active outsourcing contracts with total contract value (TCV) of at least \$25 million.
- The 500 largest global companies as ranked by Forbes® in 2009 account for more than half of the global spending on ITO services, with \$37.8 billion in active average contract value.
- Since 2004, ITO contract volume awarded in the Americas has remained steady, with the majority of the market growth coming from Europe, the Middle East and Africa (EMEA) and an upward trend in Asia Pacific as well.
- Demand for Application Development & Maintenance services was very strong in 2008 with buyers driven by the need to improve productivity and agreements getting more sophisticated to include new performance metrics and variable pricing.
- Data Center clients exhibited more willingness to migrate higher-level support functions offshore but also tightened reliability requirements, asked for new ways to measure service and demanded robust business continuity and resiliency strategies.

### Highlights from the report's BPO findings include:

- The 500 largest global companies account for 44 percent of the global spending on BPO services, with \$10.7 billion in active ACV.
- 2008 marked the third consecutive year of growth for the number of BPO contract awards in the Americas, though volume has not yet reached the volume experienced in the 2004-2005 time frame.
- In EMEA, 2008 award levels exceeded 2007, while Asia Pacific has much lower BPO volume, but the number of contract awards has been on a slow but steady incline since 2003.
- The market for BPO contracts valued at \$25 million or more was essentially flat in 2008, with only 10 more such contracts awarded than in 2007.
- As Finance & Accounting Services matured during the period analyzed, clients sought benefits beyond labor arbitrage, such as access to better technology and delivery center capability, particularly in emerging off- or nearshore destinations such as Latin America.
- The value proposition for Contact Center Services remained strong as the gap between most client in-house operations and the robust capability of the service provider community continued to widen across a highly fragmented market of more than 300 service providers.
- The number of Facilities Management Services contract awards nearly tripled in 2008 but looking ahead, TPI expects clients to place increasing importance on the service providers' ability to deliver services that promote corporate social responsibility – namely reduced energy consumption and carbon emissions.

## Inside the 2Q09 Service Line Report

The TPI Momentum 2Q09 Market Trends & Insights Service Line Report is divided into ITO and BPO sections to help you find the information on those functional domains that are of greatest interest and opportunity for your organization.

The ITO and BPO sections begin with detailed summaries of outsourcing activity in each category that help you see and analyze the market from a variety of angles. The **ITO Overview** and **BPO Overview** each present proprietary TPI data that is current through the first quarter of 2009 in multiple tables, charts and graphs, including:



- Cumulative Annualized Contract Value (ACV) of active contracts by Service Line and Forbes® Rank
- Number of Contracts Awarded by Region, 2001-1Q09
- Average Duration of Contracts by Type since 2001-1Q09
- Frequency of Service Lines Being Bundled Into ITO Contracts 2005-1Q09

The chapters that follow each Overview profile a separate service line within that category. The chapters are organized into standard sections for ease of navigation, reference and comparison by your focused analyst and pursuit teams.

The **Overview** section in each chapter offers a macro-level perspective on what's happening within the service line that will affect service provider strategy, including:



- **Introduction:** An introduction to recent activity in the service line, including details about the amount of outsourcing activity, the degree to which buyers bundle services in this domain with other services when they enter into contracts and other variables affecting dynamics in the marketplace.
- **Process Chart:** A process level view that outlines all of the processes that TPI classifies within the service line in one chart, plotted according to their complexity and enterprise value added, which yields their suitability for sourcing – strong candidate to be outsourced, possible candidate to be outsourced or strong candidate to be retained by the client.
- **Market Trends:** A detailed look at the recent developments shaping outsourcing activity for the service line, such as changes in, delivery models, solutions or service levels and their drivers, shifts in service provider strategies or landscape or the emergence of new technologies.

The **Market Activity** section lays out and breaks down in-depth and detailed data showing current and historical performance for each service line, including:



- **Market Demand:** Analyzes Contract volume, Total Contract Value (TCV) and ACV within the service line as well as the prevalence of bundling with others broken down by service provider type, region and company rank of the buyer.
- **Vertical Market Activity:** Industry breakdown shows which verticals are awarding the most contracts for the service lines and which are more likely to bundle it into ITO or multifunction BPO contracts.
- **Market Share:** Which service providers are winning contracts for the service line broken down by service provider type and region.

The **Competitive Situations** section breaks down the competitive dynamics that impact buyer perceptions and service provider performance within each service line and tells you how to win, including:



- **Points of Differentiation:** Opportunities for service providers to stand out from the crowd based on capabilities, delivery model, industry expertise and other factors.
- **Suggestions for Small and Large Firms:** Suggested techniques that service providers may adopt to win business against their most difficult competitors.
- **Service Provider Innovation:** Examples of innovative approaches, delivery models or solutions that have helped service providers separate themselves from the competition.

The **TPI Observations About the Sales Process** section identifies what it takes to win in each service line based on our Advisors' in-depth interactions with buyers and service providers, including:



- **Business Challenges that Drive Decisions:** Which client job function makes the outsourcing decision and what are the issues they face that commonly motivate them when choosing a service provider?
- **Information Sought by Decision Influencers:** Who are the critical voices in the client's organization who will affect the outsourcing decision and what specifically do they want to know?
- **Advice for Service Providers:** What can be done to maximize the chances of a positive outcome from interactions with outsourcing buyers? What are some common mistakes service providers need to avoid making if they want to be successful? What are the best sales tactics to employ?

## Summary

The TPI Momentum Market Trends & Insights 2Q09 Service Line Report goes far beyond the simple story of contract values and service provider market share to paint a comprehensive picture of the buy-side and sell-side dynamics in each functional domain that are driving today's outsourcing market. This unique knowledge asset provides perspectives on sourcing activity within each service line from multiple angles and gives you the expert insights necessary to evaluate and prioritize sales potential based on industry, growth rate, client size, service lines and other key criteria.

## Research Resources

### Contracts Database

TPI maintains an extensive database of ITO and BPO contract activity. Every contract in the database has a TCV of \$25 million or more. TPI captures a tremendous amount of detail on these transactions, and the database serves as an excellent research tool. The Contracts Database is the source of the quarterly [TPI Index](#) and the TPI Momentum Contract KnowledgeBase information product.

### TPI Index

The TPI Index is based on the TPI Contracts Database mentioned above and provides a detailed analysis of the current state of the global outsourcing market. It is the authoritative source for marketplace intelligence related to outsourcing, including transaction structures and terms, industry adoption, geographic prevalence and service provider metrics. Every quarter, TPI executive leaders host the TPI Index Webinar in the Americas, EMEA and Asia Pacific regions to discuss the recent trends, such as which regions and industries are on the sourcing upswing and how total contract values are fluctuating in the mega-deal and broader markets.

### Pervasiveness Research

The Pervasiveness Research focuses on the Forbes® Global 2000 companies (G2000), and is based on their 2007 rankings. This research marries G2000 contract activity as identified within TPI Contracts Database with specific G2000 companies. In short, the Pervasiveness Research allows TPI Momentum to examine the detailed sourcing activity of G2000 companies on a company-by-company basis since 1991. This includes their annual spending levels, the service lines for which they have active contracts, the service providers that currently serve them, etc. Aggregating this data by industry provides TPI Momentum with market-level insights such as penetration levels, adoption levels by service line, average ACV per company, service provider market share and many other relevant statistics. The result is an extensive and very powerful database that allows for deep segmentation of outsourcing activity by vertical spanning back to 1991.

## About TPI Momentum

TPI Momentum, a business unit of TPI, provides information and insights to outsourcing and offshoring service providers to help them provide enhanced services to their sourcing clients.

TPI Momentum focuses on assisting the service provider community to deliver more effective services to its clients. We do this by offering information and insights that enable service providers to more rapidly address the changing needs of today's outsourcing and offshoring services buyers. TPI Momentum provides service providers with a combination of information products and advisory services.

TPI Momentum offers a suite of capability and strategy services as well as information products to the service provider community. Products and services are offered on a membership and subscription basis. Some of our offerings are described below.

### AskMomentum

Executives require information as they develop business and marketing plans, strategize ways to position themselves in the market, and better understand their competition's strengths and weaknesses. Review your business objectives with TPI Momentum and we'll develop a plan to obtain the answers you need. TPI has a wealth of market data, including proprietary databases on contract awards, mergers and acquisitions, new captive center development and expansion activity, and geographic expansion by service providers, to support decision makers. Consider our professional researchers an extension of your marketing and market intelligence teams.

### Strategic Research

If the answers that your executives need require deeper insight than our research team can answer with current TPI Momentum products, we can support your targeted strategic initiatives with custom research. TPI Momentum combines the knowledge and experience of our advisor community with full-service research capabilities to address your business challenges.

### Pursuit Effectiveness Index

Winning business is the key to success for every service provider, but no service provider is able to win 100 percent of the business it pursues. To better understand trends in how effectively your company pursues business, TPI Momentum captures and will compare your results against the market at large or a peer group to identify areas of strength and potential improvement.

### TPI Momentum Contract KnowledgeBase

This product helps TPI Momentum members analyze detailed information about sourcing contracts. The insight supports members in enhancing their market intelligence by increasing their knowledge of contracts coming available during the next year, and it helps them focus their business development teams to pursue tactical opportunities.

**To learn about these or other TPI Momentum services, please contact:**

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