

Dear Outsourcing Professional:

Each vertical industry presents its own nuanced sourcing market opportunities, client expectations and business requirements, and understanding these differences is essential for service providers to succeed in targeted markets. That's why TPI Momentum is excited to release the 2009 Vertical Industries Report, which is the latest installment in our new Market Trends & Insights Report series. Within these 200-plus pages, you will find a wealth of market intelligence regarding sourcing activity for 26 different vertical industry segments.

We wrote this report now because we believe that the sell-side companies in the sourcing industry are looking for a different view of information in the context of today's business climate. Then, as they are making changes within their own companies, they can apply this information to better align their activities with where the opportunities are. We think service providers and market watchers will find this report interesting because it will help them identify hot, heating, cooling and cold verticals, in addition to suggestions about how a service provider might evaluate and pursue business within each industry segment.

Some companies are looking for information to validate that they're hunting for new customers or farming existing ones in the right places (i.e., to confirm current business plans or pursuit focus). Others want to expand their footprint into new industries and want to learn which markets present profitable business opportunities, and which industries provide the best hunting grounds for them to leverage their services and expertise developed in other verticals.

Service providers and market watchers can use this report to learn what is happening within each market sector and gauge the opportunities to expand their presence within a specific vertical industry. In addition to the robust market data — including graphics presenting data on market activity for 20 separate service towers within each of the 26 vertical markets — the research includes the insight and observations of the TPI advisor community about the unique characteristics of each sector, which is based on their extensive experience and in-depth client interactions.

Each chapter of the report is meant to educate the reader on what is happening, what the outsourcing trends are and where the market opportunities are within a given industry sector. The information is presented in a consistent, objective format and is based on reliable and detailed sourcing data from TPI Databases.

The Market Trends & Insight Reports are part of the TPI Momentum suite of offerings, which clients can apply to their specific needs. Through the TPI Momentum AskMomentum™ offering, for example, the data within this report can be re-run to create deeper, more specific information about buyer trends and behaviors that a service provider can apply to its market or customer 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 objective advice, industry knowledge and trend analysis expertise.

Sincerely,



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## Overview of the Market Synopsis

This section of the report puts sourcing opportunities in 26 vertical industry segments into meaningful perspective. We have categorized the verticals by their market potential. Although this is somewhat of a subjective exercise, it is an exercise that service providers also must undertake when prioritizing vertical markets.

This research reveals that prioritizing vertical markets based on their total spending is no guarantee of success. There are markets that have increased and decreased their cumulative spending regardless of whether they are among the largest or smallest industry segments — and past spending is not indicative of future spending. Therefore, from a service provider's perspective, there are two ways that market potential can be evaluated: by which segments provide the best opportunities for new sales (hunting), and by which can grow most by cultivating existing customer relationships (farming). We based our industry comparisons and categorizations on these two characterizations.

The market synopsis examines the prospects for hunting and farming and classifies each vertical industry segment into one of nine groups. The reasons for their classification are provided for additional context. Service providers can use these general categories to help prioritize their go-to-market strategies and then delve into the detailed market profiles to refine their strategies. An overview of the contents of each market can be found on the following pages.



**Hunting:** In a broader context, hunting pertains to identifying new clients specific to your own organization, regardless of whether they currently have active ITO or BPO outsourcing contracts. For the purpose of this analysis, hunting opportunities will refer to the number of companies within each vertical industry segment that do not currently have an active ITO or BPO contract with a total contract value (TCV) of \$25 million or more. Data related to industry size, penetration rates and spending trends is used to evaluate the prospect of effective hunting within each vertical industry segment.

**Farming:** Companies that already have one or more active outsourcing contracts have existing relationships with service providers. These companies represent farming opportunities. For this analysis, we examine the propensity of companies that currently outsource to sign additional contracts in either existing or new areas of their business. Similar to the approach for hunting, multiple variables are used to evaluate the prospect of effective farming within each vertical industry segment.

The information in this report will complement the market research that service providers have from internal and other external sources. It can be used to confirm an existing business development focus or to redirect its pursuit teams toward other opportunities for increased penetration and spending in both ITO and BPO contracts.

## Description and Highlights from Each Report Section

Each vertical industry profile includes a mix of market activity data, an overview of industry macro trends and drivers, and insights gained from recent and real-world sourcing projects that aren't available anywhere else. Each vertical profile includes pages of information organized into standard sections for easy navigation and analysis.

Here are highlights of the vertical market industry coverage and what each section includes:



- **Market Overview:** Provides a one-page profile of sourcing activity in the vertical. It includes three sections — Market Situation, Outsourcing Trends and TPI Observations — that highlight overall industry issues and recent sourcing trends as well as provide insider market intelligence based on experience in recent engagements.
- **Market Situation:** Comments on the general health of the industry today and how macroeconomic conditions, general trends, current events and regulatory and political activity affect the vertical.
- **Outsourcing Trends:** Summarizes outsourcing trends over several years and highlights key data from the industry research analysis.
- **TPI Observations:** Delivers insights from the TPI advisor community about what TPI is seeing in this vertical.

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The Market Overview is followed by pages of industry-specific data and graphics that provide a comprehensive view of activity and opportunity. The data breakouts are organized to address the questions: How big is the market and where is the spending taking place? Some of the data and graphics presented from each vertical are highlighted below.



- **Market Composition:** Identifies the number of companies in the Forbes® Global 2000 (G2000) that are classified in the specific vertical and how many have an active ITO or BPO contract worth more than \$25 million. The section includes a breakout by G2000 ranking of the number of companies with an active contract.
- **Market Size:** Provides cumulative market spending trends using annualized contract value (ACV) from 2000 to 2008 with sidebars that show spending trends by region.
- **Market Spending:** Compares the vertical's average spending per company with the overall market average and then provides spending levels by G2000 ranking. This section offers a good overview of the size of the market and of which parts of the market are driving sourcing activity, which is useful information for prioritizing target account lists.

Historical data answers the question: How are spending patterns changing over time? It includes the following graphics.



- **Spending Patterns:** Identifies the percentage of companies whose outsourcing spending increased, decreased or remained flat over 2007. Has the vertical peaked? To help answer that question, the data also identifies the percentage of companies that spent more money on outsourcing than they have at any point in their history.
- **Changes in Adoption and Spending Patterns, 2000 – 2008:** Gives a visual representation of how adoption and company spending patterns have evolved over time, and how this shapes industry spending.

Understanding how the dollars are flowing into the market can help service providers prioritize their sales and marketing efforts.

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Penetration information addresses the question: Where are the opportunities in this vertical?



- **Market Opportunity:** Provides additional detail into penetration rates and average spending levels per company over time. It also segments the market by companies' G2000 ranking and spells out the market opportunity by showing the number of companies that are long-time outsourcers, where recent market growth has taken place and the number of companies that are not sourcing at this level. Finally, it quantifies the potential market opportunity by using historical spending levels per company and applying them to the untapped portion of the market.

Service providers can use this information to determine which portions of the market they might aggressively pursue when hunting for new business.

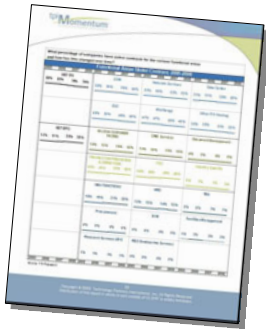
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Specific sourcing function analysis answers the question: What are clients buying and how does this differ from other verticals?



- **Sourcing Strategy:** Identifies how the percentage of companies with ITO and BPO contracts have changed over time, and shows the percentage of companies with ITO only, BPO only and both ITO and BPO during 2008.
- **Functional Areas Under Contract:** Shows the percentage of companies outsourcing 20 different types of processes during 2008 and compares this information with the overall market averages to see which types of outsourcing are most prevalent within this industry sector.

Understanding buying trends helps companies determine what services to offer and where industry-specific offerings should be developed.



Process sourcing trends data addresses the question: What percentage of companies have active contracts for the various functional areas, and how has this changed over time?

- **Functional Areas Under Contract, 2005 – 2008:** Offers a review by functional area of outsourcing adoption over the last four years.

Service providers can use this review to see which types of outsourcing are heating and cooling within specific verticals.

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Market share data answers the question: From whom are clients buying?



- **Service Provider Market Penetration, 2008;** Highlights the percentage of companies that have an active ITO or BPO contract with the leading service providers.
- **Changes in Penetration, 2005 – 2008:** Profiles the 12 service providers whose penetration rate has fluctuated the most (up or down) since 2005.

Service providers can use this information to compare their own penetration rate in the G2000 with the rate for their competitors, and to see which competitors are strong and weak within each vertical industry segment.

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Contract trends data addresses the question: How has the volume and ACV of contract awards changed over time?



- **Contract Volume and Associated ACV, Q1 2007 – Q1 2009:** Highlights trends in contract awards over the last nine quarters in terms of contract volume and ACV.
- **Largest Contract Signings, Q1 2008 – Q1 2009:** Provides a list of the largest contracts by company and includes the service provider that won the contract, the region where the contract was signed and the TCV.

Service providers can use this information to get a feel for recent contract activity within the vertical. The currency of the information enables service providers to see firsthand if specific verticals are snapping out of the recession in advance of others.

## Summary

The TPI Momentum 2009 Verticals Market Trends & Insights Report gives multiple views into sourcing activity within each vertical industry, and it provides the perspective that service providers need to evaluate and prioritize sales potential based on industry, growth rate, client size, service lines and other key criteria. The report goes far beyond the simple story of industry growth rates and service provider market shares to paint a comprehensive picture of where specific opportunities lie within each industry and where they rank compared with others.

## 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. This report segments the Pervasiveness Research using the 27 Forbes® vertical industry classifications and reveals trends in market spending, service provider market share, and market opportunities.

## 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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