2010

GLOBAL SERVICES 100

Annual Global Outsourcing Industry Analysis

WHAT'S INSIDE

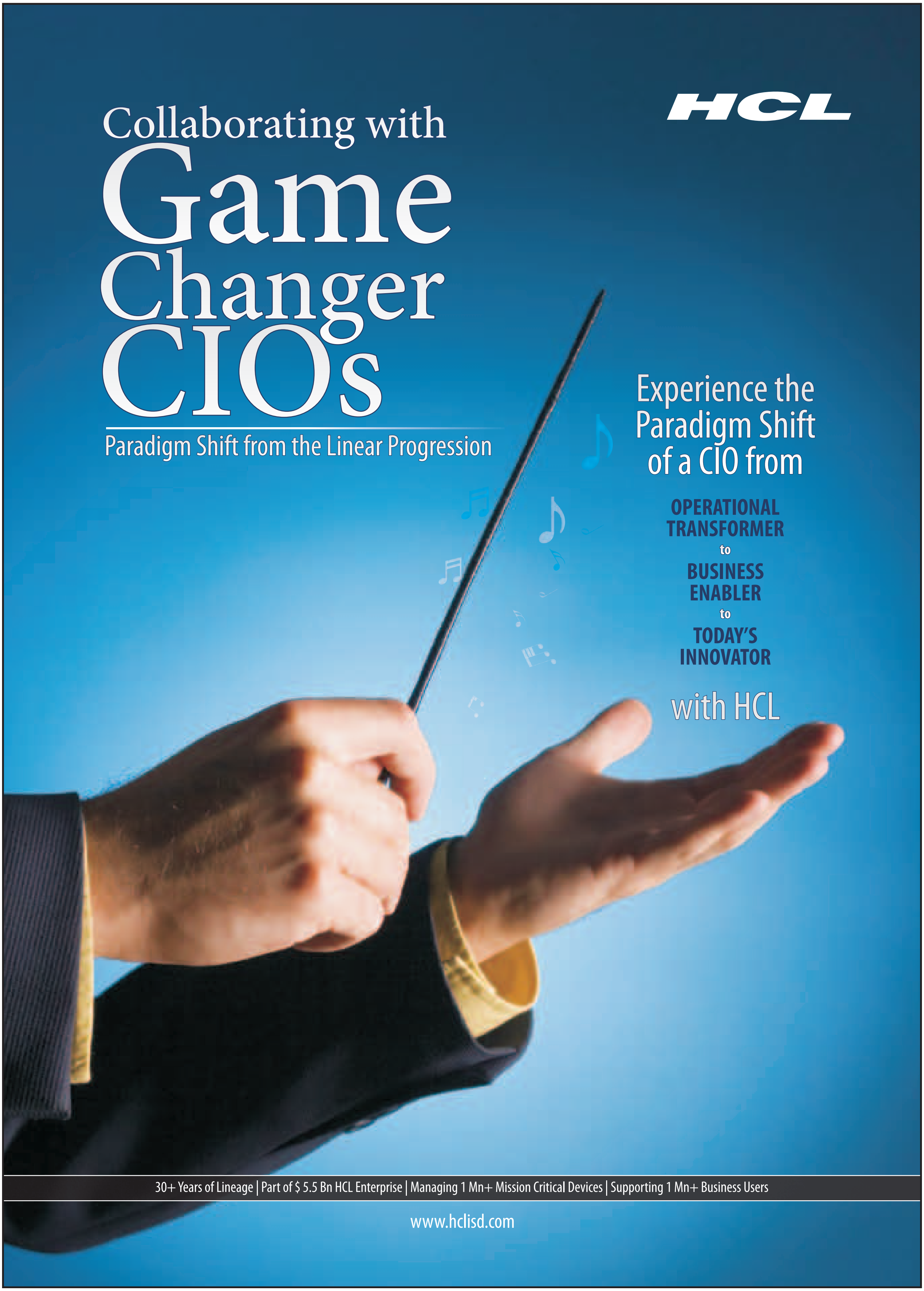
- OVERALL INDUSTRY ANALYSIS & OUTLOOK
- FACTS & FIGURES OF OUTSOURCING INDUSTRY
- PROVIDER TRENDS, OPPORTUNITIES AND TRAPS
- SUPPLIER LANDSCAPE
- ITO ANALYSIS & TRENDS
- BPO ANALYSIS & TRENDS
- GS100 COMPANIES LIST
- GS100 CATEGORY LISTS

GLOBAL OUTSOURCING COMPENDIUM

$ YOUR TIME

0 123456 789012

GLOBAL SERVICES neo ADVISORY


HCL
Collaborating with
Game
Changer
CIOs
Paradigm Shift from the Linear Progression
Experience the Paradigm Shift of a CIO from
OPERATIONAL TRANSFORMER
to
BUSINESS ENABLER
to
TODAY'S INNOVATOR
with HCL
30+ Years of Lineage | Part of $ 5.5 Bn HCL Enterprise | Managing 1 Mn+ Mission Critical Devices | Supporting 1 Mn+ Business Users
www.hclisd.com

EDITOR'S NOTE

The 2010 GS100 Compendium

"

2009 was a tough year for the outsourcing industry. Service providers in the GS100 list are typified by their resilience to weather the economic downturn, the ability to retain market leadership, and the flexibility to play by the changed rules of the industry.

This compendium is the complete compilation of the 2010 GS100 research by Global Services and NeoAdvisory. This year, the study underwent a major makeover to include several new elements and the results were discussed in multiple formats. The compendium is one such format aimed at tying up the various parts into one package that is easy and ready to refer.

We would continue to build on this work to make it more valuable to the industry. In 2011, we will pull back the exercise by one quarter: the survey would be done in the JFM quarter and the results would be announced in the AMJ quarter.

Many thanks to the service providers who participated in the 2010 GS100 survey and shared valuable data and information that helped us achieve the objectives of the research. The GS100 is a benchmark in the global ITO and BPO industry. Therefore, those service providers who chose to stay away should find every reason to participate next year, provided they help the project with data.

Good luck and enjoy the 2010 GS100 Compendium.

Ed Nair ed@cybermedia.co.in
Editor

CONTENTS




CREDITS

E. Abraham Mathew
President

Ed Nair
Editor
ed@cybermedia.co.in

Satish Gupta
Associate Vice President
satishg@cybermedia.co.in

Ashwin Razdan
ashwinr@cybermedia.co.in

Pratibha Verma
pratibhav@cybermedia.co.in

Sruthi Ramakrishnan
sruthir@cybermedia.co.in

Niketa Chauhan
niketac@cybermedia.co.in

Research Partner
NEO Advisory

Design
CyberMedia Services

Offices
Global Services Media LLC
806 Green Hollow Dr
Iselin 08830
NJ
Tel: +1 732 634 3420,
+1 678 665 6005

Global Services
Cyber Media (India) Ltd.
CyberHouse, B- 35, Sector 32
Gurgaon-122001,
India
Tel: +91 24 4822222
Fax: +91 24 2380694

Forthcoming Compendiums
Global Shore - Destinations
Global Services Live!
(Sourcing Success Stories)
Experts on Outsourcing - YOU

Contact:
globalservices@cybermedia.co.in

GS100 COMPENDIUM SPONSORS

HCL	Inside Front Cover
Intetics Co.	9
EXL Service	11
Xchanging	13
EPAM	15
Sonata Software	17
IBA Group	31
Tata Consultancy Services	97
Freeborders - Webinar Sponsor	

Disclaimer
All rights reserved. No part of this publication may be reproduced by any means without prior written permission from the publisher.

INDUSTRY ANALYSIS and Outlook

Shaping the Battleground for GS100 Service Providers

The recession changed several rules in global sourcing. The GS100 is a study in how service providers withstood the shocks and adapted.

ED NAIR

When the economy buckled down into a recession in 2008, the global outsourcing industry still seemed very robust. Slowly, but surely, the impact of the recession was felt by the industry during 2009. Companies clammed up on ambitious technology projects that required huge outlays in investment and CIOs were forced to operate on constrained IT budgets which largely focused on squeezing more bang from the bucks that were spent in the earlier years. Spending was guided by discretion into areas that were necessary to 'keep the lights on' and saving costs became the driving factor in decisions.

Outsourcing's potential to save costs actually helped. Service providers (vendors) were forced to operate in a new environment in which they got paid for business outcomes rather than effort. On the BPO side, a few of the processes related to industries directly affected by the recession or industries directly responsible for recession (like mortgage processing, title management, etc.) almost vanished. In other areas, where BPO partnerships were already under way, the service providers were tasked with delivering business outcomes

2010 in effect is about setting the 'new agenda' or realizing the 'new normal'

at lower cost. There were very few bright spots, if at all, in both IT services and BPO.

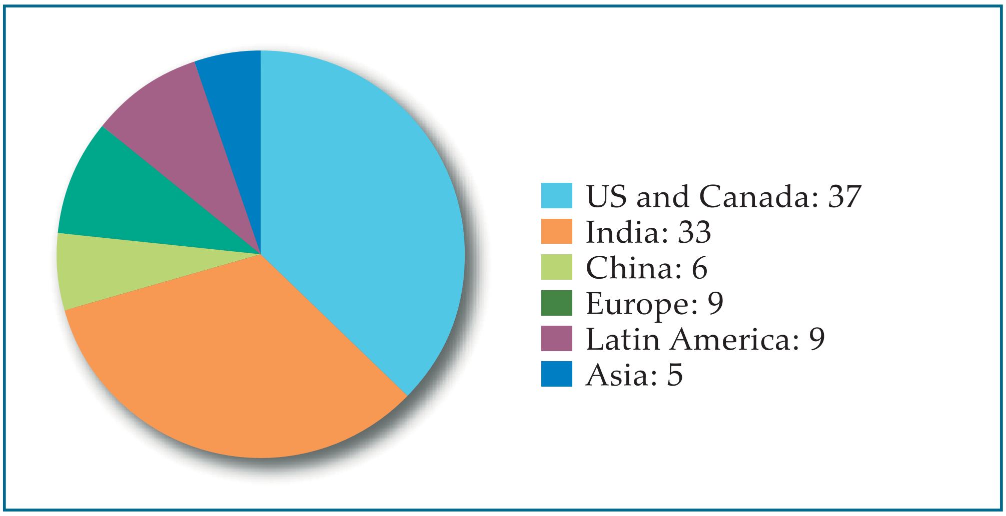
The market hit bottom in the first half of 2009 and then started recovering in the second half of 2009. In fact, the industry put up an impressive performance in the last quarter of 2009, with the market's total contract value (TCV) reaching $24.7B, an increase of 47 percent sequentially and 8 percent year-over-year and the best quarterly performance since the second quarter of 2008, according to figures from TPI. However, TPI's report stated: "Full-year 2009 results could not overcome the market's weak showing during the first two quarters. TCV for the year declined 13 percent to $74.5B, its lowest point since 2001."

FRUITS OF A CRISIS

A monumental crisis has a monumental impact on the dynamics of industry. So did the recession change several rules in global sourcing, which led to new behaviors both on the clients' and on the service providers' end. In 2010, we see the permanence of these behaviors, which in effect is about setting the 'new agenda' or realizing the 'new normal', whatever you call it.

From an efficiency point of view, buyers have been looking at consolidating the number of vendors they have to deal with. At

GLOBAL COVERAGE



Intetics is a leading global sourcing company focused on creation and operation of remote IT business units for software development, systems integration, data processing and BPO. Since 1995 Intetics has been successfully acting as a technology partner for more than 200 Clients worldwide, demonstrating passion towards innovation and change. Our professional services are designed to provide expert resources, leading-edge technologies and well-established processes to help our Clients realize their most complex business visions.

To learn more, contact us at intetics@intetics.com
or call +1-877-763-8338.

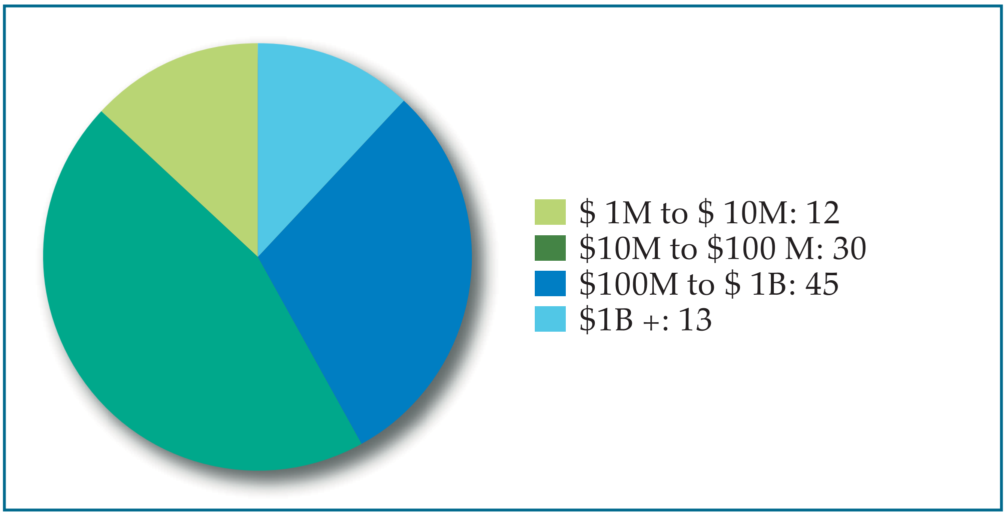
ISO 9001:2008 Certified
Microsoft GOLD CERTIFIED Partner

www.intetics.com

GLOBAL COVERAGE

Category	Aggregate Revenue 2009 (in $M)
1M-10M	55
10M-100M	1393
100M-1B	12917
1B+	58999
Total	73364

GLOBAL COVERAGE



the same time, buyers have also started splitting their scope and engaging with a broader set of specialist vendors. This trend, known as multisourcing, has given access and opportunity to many mid-tier vendors but it has also led to reduction in value and duration of outsourcing contracts. This has led to more competition amongst vendors.

The recession also brought into focus many issues related to contracts, SLAs, performance management, and pricing. Price renegotiations became all too common. More importantly, most vendors had to deliver on outcome-based pricing. Along with pricing, practices about risk management and governance became topics of interest, moving from being concepts to practices. Other factors not related to recession, like the

Propel your competitive advantage.

Our outsourcing and transformation solutions help organizations gain agility-the agility to innovate, adapt to the changing business climate and to respond proactively to customers. We analyze, model and deploy the right combination of capabilities, people and tools to achieve the desired results. EXL's customized solutions leverage deep domain knowledge, global delivery network, onshore and offshore resources and capabilities in operations management, analytics, risk and financial management, process reengineering to help companies get to the next level of excellence.

Outsourcing

• Finance and Accounting • Legal Processes Outsourcing
• Collections • Customer Service • Transaction Processing

Transformation

• Decision Analytics • Operations and Process Excellence
• Risk and Financial Management

To know more, visit us at www.exlservice.com or write to us at: marketing@exlservice.com

280 Park Avenue, 38th Floor, New York, NY 10017, U.S.A.
T: +1.212.277.7100, F: +1.212.277.7111
www.exlservice.com

EXL

GO NEXT. NOW.

© ExlService Holdings, Inc. 2006-2010

potential of cloud computing and its impact on delivery of services, integration or convergence of IT and BPO, M&As between service providers, maturing of service providers from Central and Eastern Europe, Latin America and China, threatened to change the landscape of the services industry.

During this entire episode, the service provider community was both resilient and adaptive. The storms they braved were far more severe than the ones faced by the buyers. These are the Global Services 100 companies, the list of 100 companies that will be released in the last phase of this study.

GS100: RECOGNIZING AND CELEBRATING SERVICE PROVIDER EXCELLENCE

The Global Services 100 is an effort to recognize and celebrate service provider excellence. It enlists service providers who possess the maturity to deliver high standard services in IT and BPO using the global delivery model. The GS100 service providers possess many other attributes that lead to market leadership and the study is intended to take a closer look at these.

This year we had over 150 companies that participated in the study and voluntarily shared a lot of quantitative and qualitative information about themselves. The absence of a few Tier 1 companies like Accenture, IBM, H-P, and Cognizant amongst others is explained either by their unwillingness to share data due to policy or by their unwillingness to put in the effort required to participate. From a statistical significance point of view, the study represents relevant samples across all categories (revenue bands) of companies. Therefore, the observations remain statistically significant and conclusive.

Xchanging

Clear blue water…between you and your competitors

When the moment comes to step up the stroke rate, your whole team needs to respond in perfect harmony…maximising performance together. Winning as a team. We see ourselves as part of the team, the engine room – giving you the most effective business processing services across the functions you need, precisely when you need them.

Xchanging provides procurement, accounting, human resources and technology services across industries. These include banking, insurance, manufacturing, retail and real estate among others. We combine functional expertise with deep industry domain knowledge to provide specific outcomes for our customers.

Xchanging is one of the largest and fastest growing business processors. With a wide range of multinational customers in 42 countries and employing over 8,000 people, we are a truly global company.

Xchanging – Sponsor of the Oxford and Cambridge University Boat Race

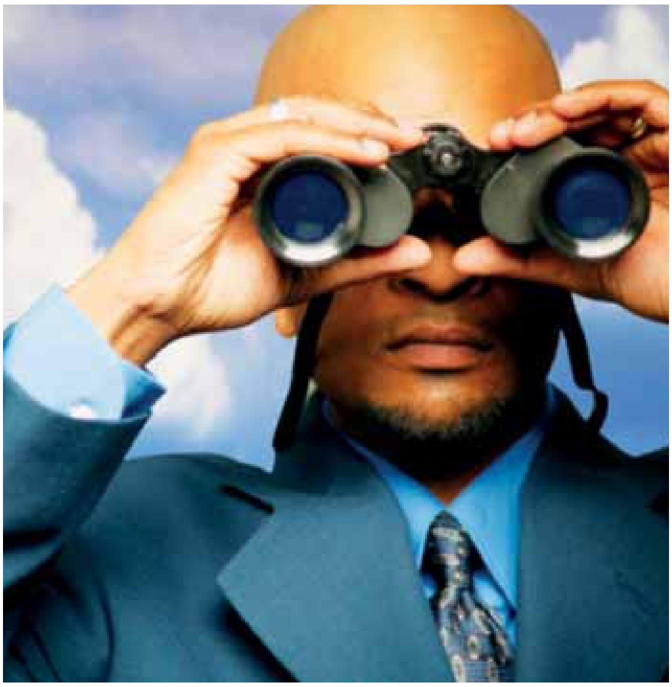
The 2011 Xchanging Boat Race takes place on Saturday 26 March 2011. Watch the 157th Race live on BBC1

Global Business Processing www.xchanging.com

Outlook 2010: Slow Start, Great Prospects

Sluggish demand for new scope projects, continued emphasis on cost reduction, large contract restructurings, and a wobbly macroeconomic situation in Europe are impeding full recovery of the outsourcing market. But the potential of cloud-based services, a promising mid-market, and the new healthcare opportunity hold great prospects.

ED NAIR



The first quarter of 2010 indicated a 25 percent growth in total contract value compared to the same quarter last year. According to 1Q10 Global TPI Index, which measures commercial outsourcing contracts valued at $25M and more, the total value of such contracts stood at $19.5B. The story behind the quarter performance is interesting: 42 percent of the contracts were renewals of contracts that had expired or come up for renegotiation. This is an unusually high number according to TPI experts. Said Mark Mayo, Partner & President, TPI, "The previous record for this was 29 percent and it happened way back in 2006. We did not expect this number to be so high for 1Q2010." One reason for this is that many of these were contracts that were supposed to be signed in the previous quarter, but were pushed out into this one. Consequently, 'new scope' contracts fell by 15 percent.

DELIVERING EXCELLENCE IN SOFTWARE ENGINEERING

EPAM Systems is the #1 full-cycle software services company in Central & Eastern Europe.

We help businesses leverage IT innovation to make a leap forward through our well-honed skills and unmatched technology expertise:

- Outsourced Product Development
- Financial Services and Capital Markets
- Enterprise Application Development / Integration
- SAP advanced technologies
- Application Testing and QA
- Application Maintenance and Support
- Mobile, Embedded, and Open Source

Experience: since 1993

Talents: 5,000+

Quality: CMMI L4, SAS 70 Type II, ISO 9001:2000, ISO 27001:2005

Our Awards

Sample clients:

THOMSON REUTERS · BARCLAYS CAPITAL · Renaissance Capital · London Stock Exchange · VIACOM

SAP · Microsoft · ORACLE · BT · BOSCH

<epam>

www.epam.com

FIRST QUARTER AND BEYOND

Delving deeper into the quarter's performance, it bears out that ITO dominated the story: application development and maintenance (ADM) and ADM combined with infrastructure services contributed the major share to the total contract value. In fact, three out of the four megadeals (deals over $100 M) were ITO. For the Americas, the quarter was a coup with 47 percent of the deals, which made it the best quarter since 2006. That said, it was the manufacturing, travel, transportation and hospitality verticals that lifted up the performance, unlike usual suspects like financial services and telecom.

The rest of 2010 has got quite a few contracts that would come up for renewal but Mark does not expect the proportion to be as high as in this quarter. Mark estimates that contracts with annual value of about $12B are due to expire in 2010. These contracts would get restructured in 2010. When contracts come up for restructuring, companies look at breaking up the scope to include a few new vendors. Many of the Indian vendors are reaping benefits here because when these contracts were signed, typically five to seven years back, the global outsourcing vendors like IBM and Accenture measured up better in terms of capabilities. Over time, the Indian vendors have matured both in capabilities and in scale and are competitive in pricing. This explains the anomaly between the first quarter performance of large global vendors and the India-based vendors. IBM and Accenture reported sluggish results whereas TCS, Infosys, and Cognizant, amongst others, had far better performance and outlook.

Companies have not exactly started opening their purses wide and cost reduction continues to be the dominant agenda in 2010. This works well in generating demand for cheaper India-based application outsourcing companies. On the BPO front, companies have changed tracks and instead of going for large multi-tower deals, they are looking for well-defined projects that are smaller in scope and shorter in duration. Says Mark, "Companies are taking a step back and rethinking the way BPO work is handled. Instead of going to one major player they are looking for a small group of preferred suppliers. This is very much unlike when companies signed up large multi-tower

Figuring out how to break the shackles and improve your product?

Come to the experts today.

Sonata Software
Solutions that make **Business** sense.

SONATA
SONATA SOFTWARE

www.sonata-software.com

Corporate Office : Sonata Software, APS Trust Building, Bull Temple Road, NR Colony, Bangalore - 560 019,
Tel: 91 80 30971999 Fax: 91 80 26610972 info@sonata-software.com

42 percent of the contracts in 1Q10 were renewals of contracts that had expired or come up for renegotiation.

BPO deals." Overall, BPO remained slow as clients postponed transformational deals.

Europe, led by UK, has been an important market for outsourcing services. While the action is shifting away from UK to continental Europe, reports suggest that in the short term Europe would dampen the overall outlook for the industry. Companies like Cognizant and Tech Mahindra have already reported weakness in Europe in the current quarter. Recent incidents like the bailout of Greece, risks associated with other European economies, and other macroeconomic factors pose an additional risk to companies (like Accenture, Infosys, CSC, etc.) who have a substantial footprint in Europe.

Overall, the recovery of the outsourcing market is slow. Mark says, "It is going to continue to comeback slowly, in fits and starts, a bit of ITO here, a bit of BPO there. Definitely, it is not a year of bouncing back."

OPPORTUNITIES

In a survey conducted jointly by Global Services, Horses for Sources, and SSON in January 2010 regarding the outlook of the industry, the key points that emerged were:

- Key areas of increased outsourcing scope are expected to be in areas with heavy low-cost labor arbitrage support (nearshore and offshore) –software applications, call center, engineering management, finance & accounting, analytics and human resources
- The middle-market ($750M-$3000M) is poised to be the most active
- Main drivers are cost reduction, desire to globalize business operations and to transform/ re-engineer business processes
- Inhibitors are other priorities brought on by the economic crisis and internal politics/ resistance to change
- Customer-willingness to evaluate cloud-based "business utility" offerings is strong as they increasingly look at hybrid IT/BPO solutions
- Strong signs of increased adoption of industry-specific BPO solutions, most notably in the Financial Services and Life Sciences sectors.

Going forward, one would expect to see large deals being broken up into deals of smaller scopes. This would directly affect large vendors like IBM and Accenture but their losses would be gained over by some of the larger Indian vendors. The impact of cloud computing and cloud-based services is an essential conversation these days in every IT deal and in some BPO deals. It would translate into real market opportunities during the rest of the year.

This year should be remembered more for Obama's historic healthcare bill and less for BP's oil spill. The former holds great opportunity both for IT as well as BPO for many years to come and 2010 will be the year when vendors start attacking the tip of the healthcare iceberg.

SURVEY Analysis

The Growth Story

Revenue growth rates across the industry fell to modest levels.

ED NAIR

> In 2009, companies in the revenue range of $10M to $100M that traditionally enjoyed high growth levels had to settle for tapered down growth of 12.6 percent.

The 2010 GS100 survey participants represent about $73B in revenues. This is a significant measure though it is the aggregate of companies of different sizes and therefore diverse customer types. According to a recent report by TPI, the Forbes Global2000 companies collectively spent $71B in annualized contract value on outsourcing in 2009.

Since the companies in the GS100 survey represent a diverse set of companies, it would be useful to look at growth patterns across different categories of company sizes. The average industry revenue growth rate is 15.7 percent over 2008.

It was decidedly a bad year for upstarts in the outsourcing industry represented by companies with annual revenues of less than $10M. Many of these companies have very narrow

FIG.1

Category	2008 (in $M)	2009 (in $M)	Growth percent
1M-10M	48	55	14
10M-100M	1237	1393	12.6
100M-1B	12298	12917	5
1B+	49810	58999	18.4*
Total	63393	73364	15.7

*due to merger between Stream and eTelecare.
Leaving this outlier, the growth rate is 3.5percent.

specializations or they offer undifferentiated services like staff augmentation on projects, subcontracted programming and others. Clearly, this was not the year for such companies to get work either from companies with mature outsourcing practices or from those who were venturing out to outsource for the first time.

There are many bright spots of excellence amongst companies in the revenue range of $10M to $100M. Such companies have the critical mass and the ability to aggregate resources into one or more areas of specialization- often in areas like application development, product development, low footprint infrastructure services like desktop management, and others. These companies often look for opportunities to scale up. In 2009, this group of companies that traditionally enjoyed high growth levels had to settle for tapered down growth of 12.6 percent.

Companies in the revenue range of $100M to $1B, a wide swath of revenue, make the most promising group. These service providers are large enough to handle almost two-thirds of the market opportunities (in terms of scope, contract sizes, etc.) and they are small enough to concentrate their efforts, seek leadership, and innovate. While these companies have the ambition to scale up to $1 B and are constantly seeking growth through new opportunities, they also go through the excruciating pains of growing up. Unfortunately, these are also the companies who get stuck in the 'mid-tier conundrum'. The year was the toughest for this group: a growth rate of 5 percent due to extreme price pressure, unwillingness from companies to hand out projects with new scope, clients rationalizing their

vendor portfolio, and a depressed demand from verticals like financial services, telecom, retail, and CPG, amongst others, that were the mainstay verticals for companies in this category.

Amongst the larger companies (above $1B) the growth rate of 18.4 percent that we see is an anomaly that stems from one outlier- the merger between Stream Global Services and eTelecare. Read the growth rate here as a very modest 3.5 percent. Such a growth rate comes on the back of a few vendors posting above industry average growth rates (XChanging, Wipro, HCL Technologies), a few others posting single digit growth figures (Genpact, TCS, Infosys, NCO, CSC, CGI) and yet others posting declines in revenues.

The geographical revenue split for companies across all categories are nearly uniform. It shows that North America continues to be the most important market followed by Europe. Asia and Latin America are emerging markets partly due to local companies serving the domestic market (many of them are represented here) and the rest due to large companies serving

FIG.2

Country Revenues	1M-10M	10M-100M	100M-1B	1B+
North America	60	62	52	57
Latin/ South America	4	5	7	5
EMEA	18	25	29	27
Asia	14	7	9	10
Japan	1	0	1	0
Australia	3	1	2	1

FIG. 3: TOP 5 FASTEST GROWING COMPANIES ($10M TO $100M)

No	Company	Country
1	Bleum Inc.	China
2	Corbus	USA
3	Transactel S.A	Guatermala
4	eClerx Services Limited	India
5	Globant	Argentina

FIG. 4: TOP 5 FASTEST GROWING COMPANIES ($100M- $1B)

No	Company	Country
1	Hildebrando	Mexico
2	Aegis Limited	India
3	CPM Braxis	Brazil
4	VanceInfo Technologies	China
5	ITC Infotech	India

Notes:
- Company revenues and revenue growth rates are not published as per GS100 survey guidelines. Revenue growth rates reflect both organic and inorganic growth but exclude internal reorganization of business units that may lead to an upsizing of the company.
- Fastest growing companies are listed for company sizes $10M-$100M and $100M-$1B only because revenue growth in these two categories are better evidence of companies' quest for growth.

foreign markets. For example, a Chinese provider like Neusoft handling the domestic Chinese market or an IBM Global Services handling strategic outsourcing for an Indian bank would have higher revenues in Asia.

Despite being the largest market, the share of North America in 2009 has come down from what it was in 2008. This is due to the combined effect of the relative but temporary softness of the US market and the geographic de-risking strategies employed by service providers. Especially, many of the Indian vendors ramped up focus on the European market (which in 2009 seemed more stable) because of the softening of demand from U.S. financial services segment and the mid-year rupee-dollar fluctuations.

Contract Sizes: The Lifeline of the Business

Contracts below $25M continue to be the most important, even as ITO and BPO contract sizes are shrinking.

ED NAIR

Contracts are the lifeline of the outsourcing business: the number of contracts signifies the general pace of business and the size of contracts (in terms of total contract value and annual contract value) denotes the overall momentum of the industry.

It is very clear that contract sizes of less than $50 M (total contract value) are the mainstay of the industry. This is more so for companies in the mid-tier. The dynamics of the band of contract sizes less than $50M are far more interesting. Unfortunately, this research does not offer much visibility into that band. Hence, we look at some published research from TPI Inc., a sourcing research and advisory company that tracks contracts on a quarterly basis.

From this, we can infer that contract sizes less than $25M are important for not only the mid-tier

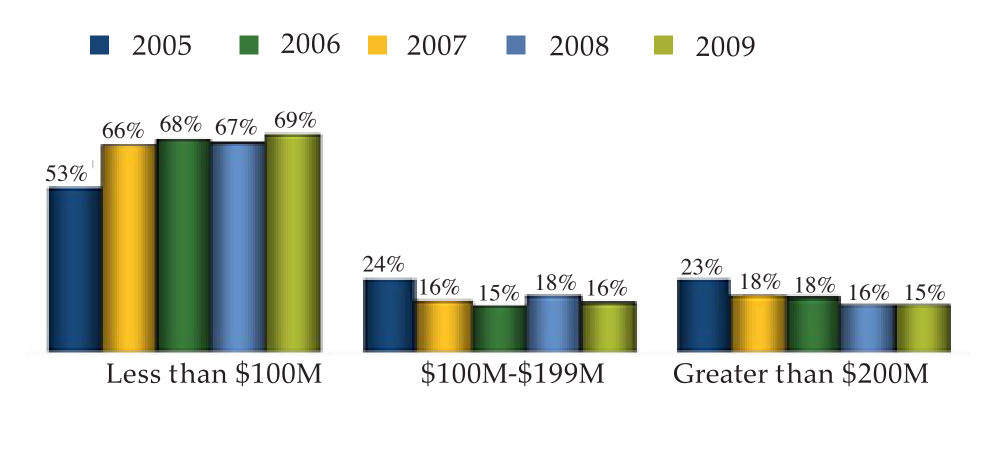
There were nearly 600 contracts with total contract value of more than $25M in 2009. ITO contracts clearly led the way.

FIG.1

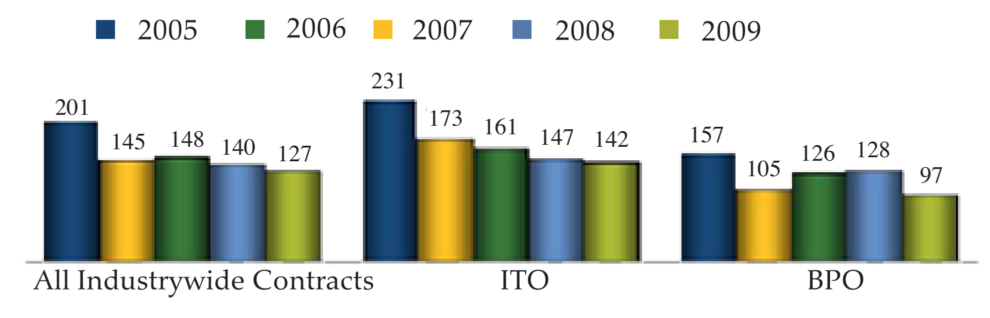
AREA	ITO				BPO			
Company Size	1M-10M	10M-100M	100M-1B	1B+	1M-10M	10M-100M	100M-1B	1B+
Contract Size								
Less than $50M	197	1203	6260	396	76	337	2404	534
$51-$99M	5	26	52	16	2	1	44	52
$100M-$299M		0	16	8	0	0	4	10

companies but also for Tier 1 companies. There were nearly 600 contracts with total contract value of more than $25M in 2009. ITO contracts clearly led the way with at least three out of four contracts being an ITO contract, though this is not the case in Fig.1 in the $1B plus category because the study sample includes more BPO companies in the $1B plus category.

Relative Percent of Total ContractsAwarded by TCV Band



Average TCV ($M) of Industrywide Contracts > $25 M



The above slide from TPI's presentation clearly shows that from 2006 onwards contract sizes have been shrinking. For example, in 2009, nearly 70 percent of the contracts were less than $100M in TCV compared to 53 percent in 2005. The figure also shows that 2009 was a tough year with both ITO and BPO at lowest average TCV level in the past five years.

FIG.2

Quarter	# of Contracts > $25 M TCV	Area	
		ITO	BPO
1Q2009	141	101	40
2Q2009	148	118	30
3Q2009	140	108	32
4Q2009	168	110	58
Total	597	437	160

Source: TPI

Spread of Global Delivery Centers

India, Philippines and the U.S. are the three largest locations in terms of number of people deployed.

ED NAIR

> The number of people deployed in India is far higher than the total number deployed in the other 32 countries.

India, Philippines and the U.S. are the three largest locations in terms of number of people deployed. India has a gigantic majority and heavily polarizes the distribution to the extent that the number of people deployed in India is far higher than the total number in the other 32 countries. On an industry-wide basis, this would again hold true because companies like IBM, Accenture, HP, Cognizant, Capgemini, which are not part of this sample also have India as their largest locations.

FIG. 1: TOP 20 LOCATIONS

Rank	Country	Total
1	India	514157
2	Philippines	97740
3	United States	42808
4	China	34672
5	Canada	32690
6	England/UK	23494
7	Brazil	10213
8	Germany	9269
9	Australia	8544
10	Mexico	8412
11	Ukraine	5816
12	Russia	5113
13	Belarus	4534
14	Chile	3572
15	Sri Lanka	3317
16	Argentina	3241
17	Malaysia	2868
18	South Africa	2855
19	Singapore	2833
20	Poland	1963

FIG. 1: NEXT 10 TOP LOCATIONS

Rank	Country
21	Costa Rica
22	Japan
23	Hungary
24	Romania
25	Bulgaria
26	Czech Republic
27	Vietnam
28	Uruguay
29	Ireland
30	Egypt

Analysis of Risk Management Across Segments

Cross-border project development and management system, automated production control, reusable assets, and focus on 'people' is the new mantra for managing risks.

ASHWIN RAZDAN

The last decade witnessed a substantial growth in outsourcing. Existing service providers evolved into becoming market leaders and many new ones took birth to address the need of niche markets. The dawn of recession compelled the industry to adopt new practices and embrace automation to improve productivity at various stages in a project lifecycle. The patience level of the customer dropped. It was important to deliver. Hence, service providers (at all levels) began analyzing risks more seriously and built impressive mitigation strategies.

Most Band 1 (with annual revenue between $1M-10M) companies continue to depend on third-party certification (like ISO) to manage security risks. 46 percent of survey respondents in this category claimed to have unique employee assessment systems, proprietary career development systems, and free certification and education for their employees to manage increasing attrition rates. A common practice

IBA GROUP

IT services
from Eastern Europe

Synergy of experience and innovation

- Mainframe software
- Enterprise applications
- Web-based solutions
- SAP solutions
- ERP systems
- Lotus solutions
- Business Intelligence

IBA Group

2583/13 Petrzilkova St.,
Prague 5,158 00,
Czech Republic

Phone .... +420 251 116 206
Fax .... +420 251 116 211
Email .... info@ibagroup.eu
Website .... www.ibagroup.eu

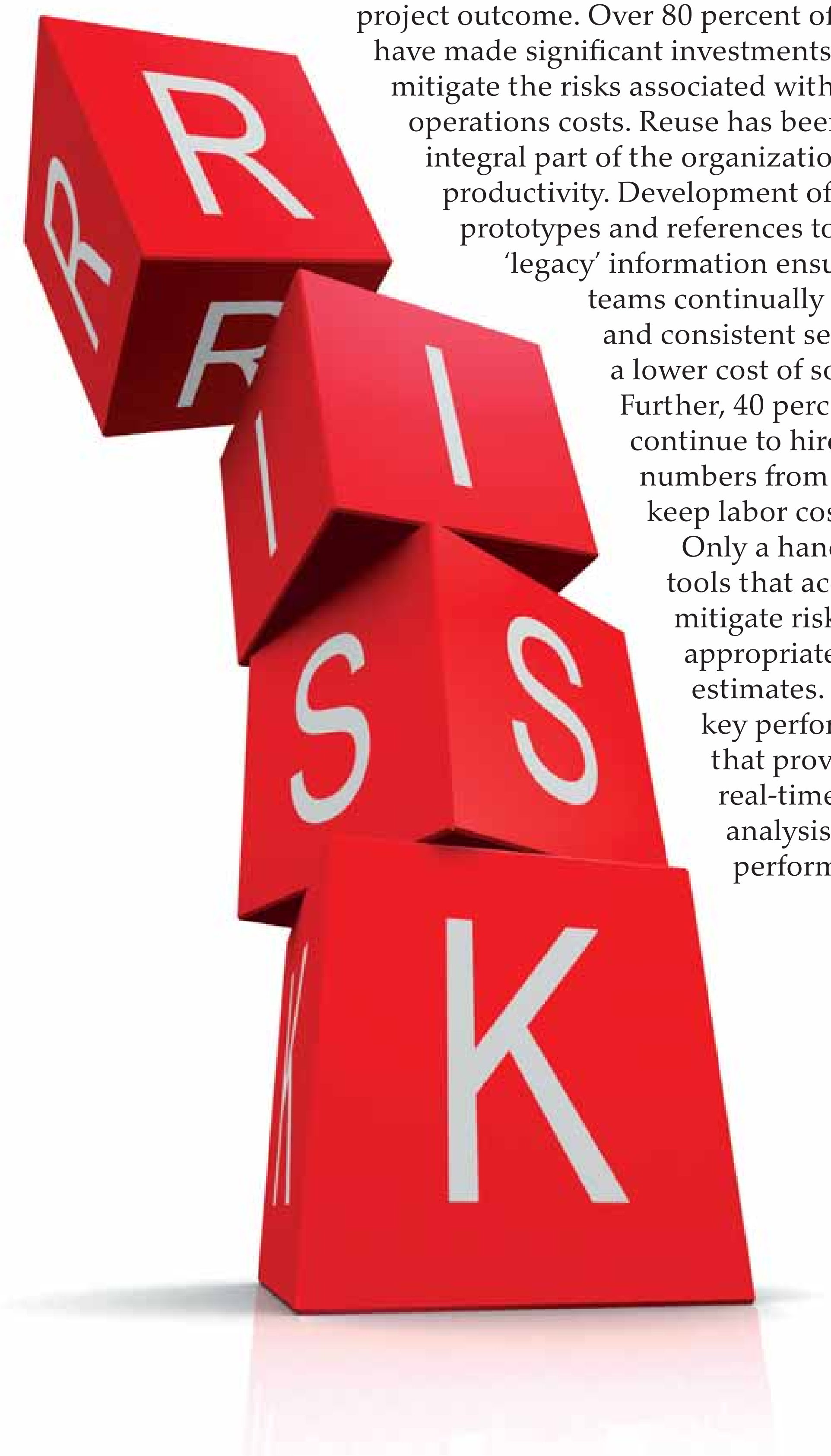
Over 80 percent of Band 4 ($1B+ revenue) companies have made significant investments in multiple areas to mitigate risks associated with labor and non-labor operations costs.

noticed across this band is the usage of reward program for employees. 15 percent routed projects to delivery centers at cheaper locations when labor costs went up, one of the favorite destinations for this being China's tier 2 cities.

The trend noticed in Band 2 (companies with annual revenues between $10M-100M) was significantly different. Companies depend highly on technology to manage risks associated with labor and non-labor operations costs. Over 70 percent have a system for production control where cost of services, projects and back office is registered. This information is periodically analyzed and contrasted with the estimated budgets for each operation, and actions are established to control the cost level, avoiding deviations from the established thresholds. 18 percent maintain a dedicated audit team that ensures every project team complies with all policies set by the company and its clients. Employees working for this band are often subject to desktop inspections at any time, and the audit group performs random inspections periodically. All employees are required to sign an internal NDA and also client-specific NDAs.

Most service providers manage risks by adhering to global standards such as ISO, COPC, CMM and PCMM. Adopting these models ensures that there are mechanisms defined to capture any failures or non-performances proactively. These monitoring mechanisms include tools such as internal and external audits, dashboards, quality score cards, management reviews etc. which ensure failure avoidance in the standard procedures. A few use online HR systems to statistically predict and analyze the labor cost. These costs are monitored and analyzed in real time at corporate level.

Band 3 (with annual revenue between $100M-1B) and Band 4 (with annual revenue of over $1B) companies lay significant focus on the global delivery model. Excellent coordination is maintained between onsite, offsite and offshore delivery locations to produce a low risk, cost effective, predictable



project outcome. Over 80 percent of Band 4 companies have made significant investments in multiple areas to mitigate the risks associated with labor and non-labor operations costs. Reuse has been identified as an integral part of the organization strategy to improve productivity. Development of tools, assets, prototypes and references to the single source of 'legacy' information ensures that the project teams continually deliver high quality and consistent services leading to a lower cost of software delivery. Further, 40 percent of respondents continue to hire fresh talent in great numbers from local universities to keep labor costs low.

Only a handful use proprietary tools that accurately identify and mitigate risk as well as determine appropriate contingency dollar estimates. 5 percent also use key performance indicators that provide comprehensive real-time data and statistical analysis on individual performances.

HR and Employees Segment Analysis

While increase in head count, and emphasis on rewards and recognition programs remain the highlights this year; cultural compatibility/acclimatization for expats and lodging cost, are the primary restraining factors for moving human resource globally.

ASHWIN RAZDAN

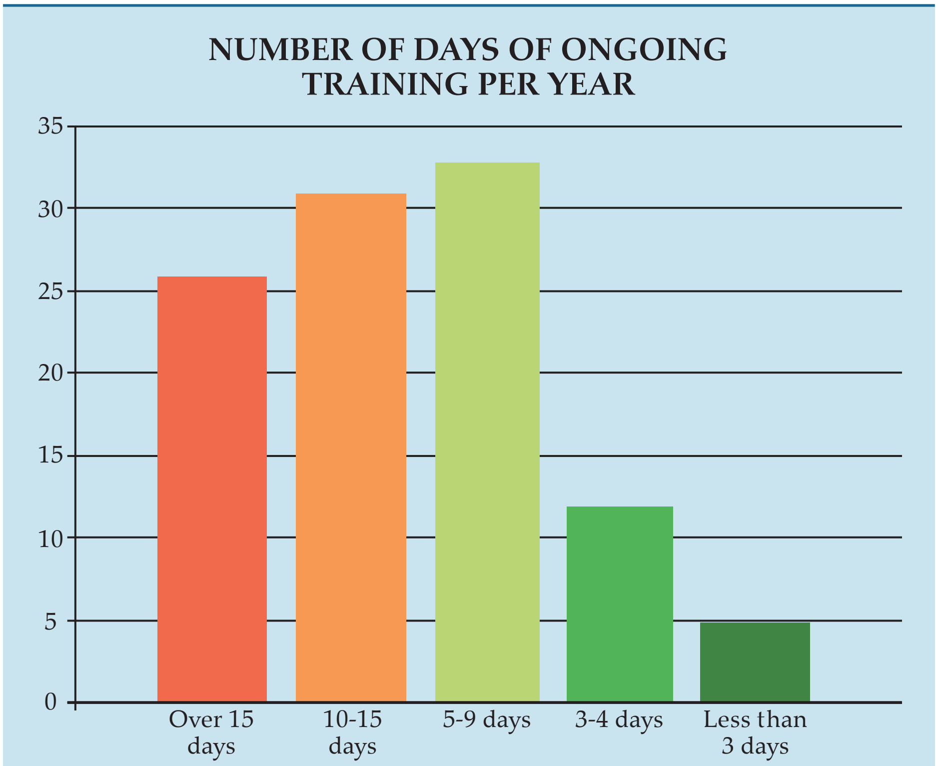
The analysis of HR practices and employees during the GS100 study clearly shows signs of a recovering economy. Last year there was a substantial increase in hiring across the service provider landscape. While the average increase in head count has been 23 percent across survey respondents; Band 1 (with annual revenue between $1M-10M) companies saw the highest growth at 31 percent and Band 3 (with annual revenue between $100M-1B) had the least with 16 percent.

Over the last one year, service providers made significant investments to decrease the attrition rate, the top two areas for this being a more comprehensive reward and recognition program, and increase in bonuses. This was closely followed by healthcare benefits and rotation among project teams. Nearly 63 percent in Band 1, focused on community service programs while equity or stock ownership programs led the way in Bands 2 (with annual revenue between $10M-100M) and 3.

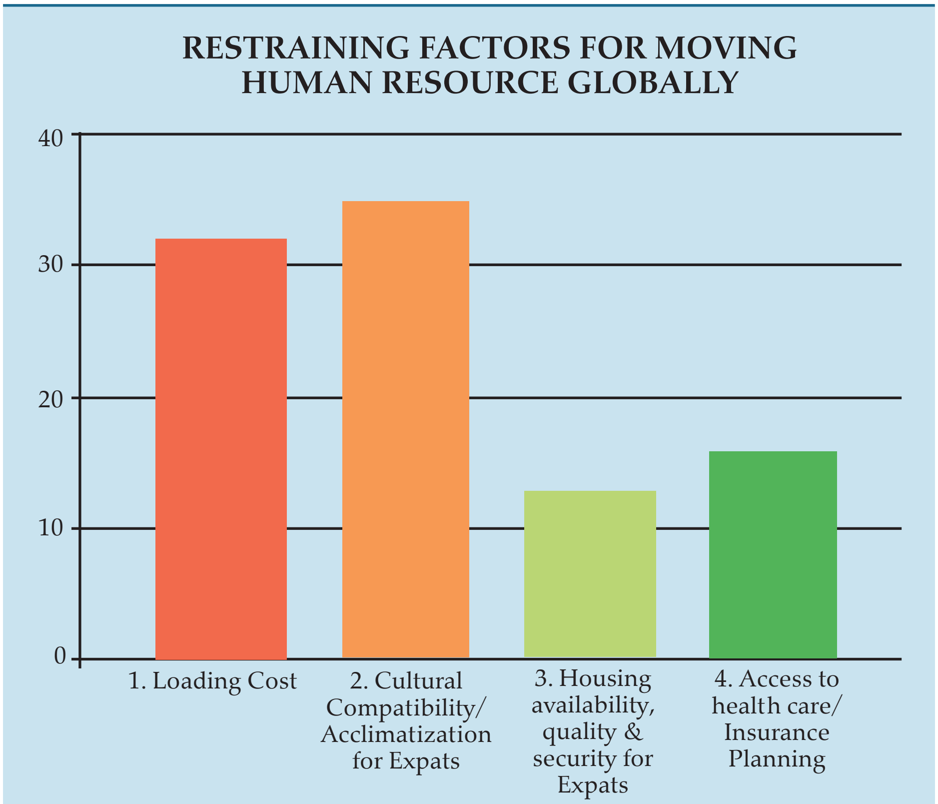
While over 70 percent of companies have an initial training program of over 3 weeks and nearly 55 percent have an annual ongoing training program for 10 days and above; nearly 5 percent still continue to have the same for less than 4 days.

The ratio of employees to HR personnel stands at 74:1. It is significantly higher in the case of Band 4 (with annual revenue of over $1B+) with 117 employees to a single HR personnel, and 49:1 for Band 1 companies.

> "Last year service providers made significant investments to decrease attrition rate, mostly through a more comprehensive reward and recognition program, and bonuses.



Increasingly, companies have realized the potential of rotating their project team across destinations. It has not only decreased attrition rates but in many ways enhanced the skill-sets of high performing individuals. However, there are a number of restraining factors for such a campaign. Almost 57 percent companies believe that cultural compatibility/ acclimatization for expats is the leading constraint followed closely by lodging costs. Though these factors continued to be a restraining factor amongst companies in Band 1, 2 and 3, it was not the case in majority of the Band 4 companies. 33 percent of companies in the latter category thought of housing availability, quality and security for expats as the prime restraining factor.



Analysis of Mergers & Acquisitions in IT Services & BPO

M&As went slow in 2009 but there are signs of accelerated activity in 2010. IT services account for over two-thirds of the deals in value and domestic deals are being favored over cross-border ones.

ASHWIN RAZDAN

> Deal sizes have crossed over $30M in the first half of 2010, as compared to the average deal size of below $20M in the last quarter of 2009 and first quarter of 2010.

The pace of mergers & acquisitions (M&As) was significantly slower in 2009. However, with the economic recovery getting grounded in reality early this year, organizations reinstated their zest for inorganic growth. Looking at the first half of 2010, deal sizes have crossed over $30M as compared to the average deal size of below $20M in the last quarter of 2009 and first quarter of 2010.

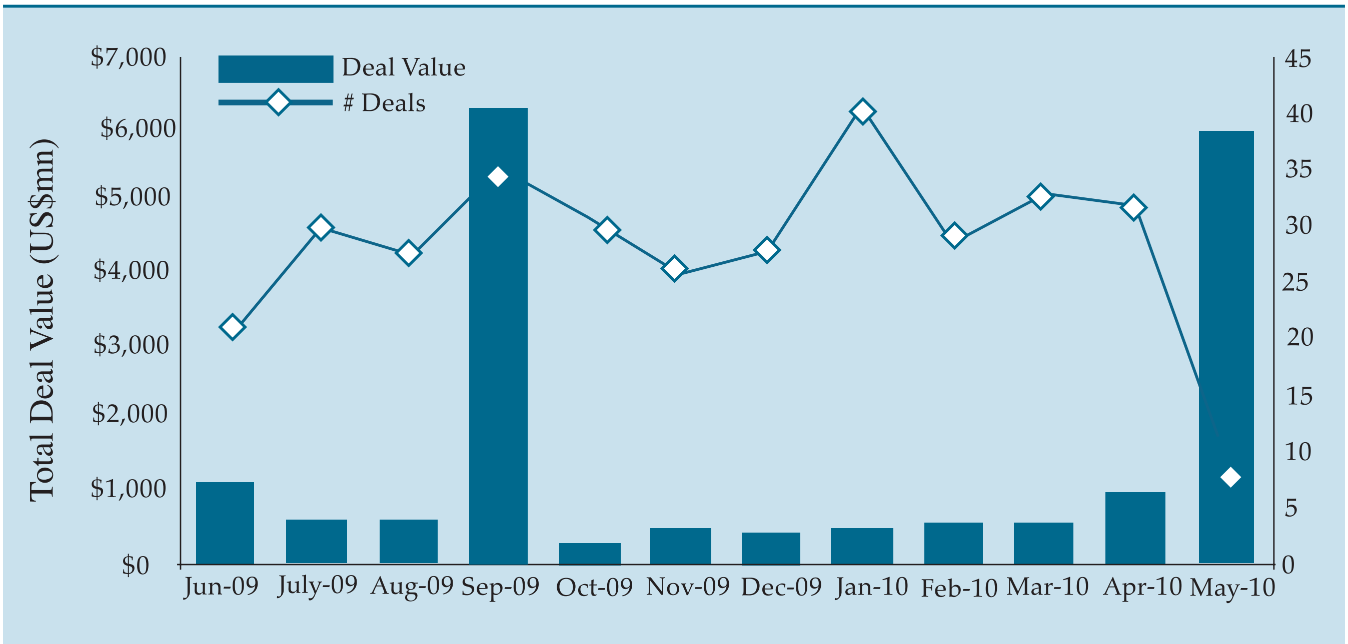
The overall data for M&As includes software and services. In the last one year nearly 340 deals were signed worth over $18B.

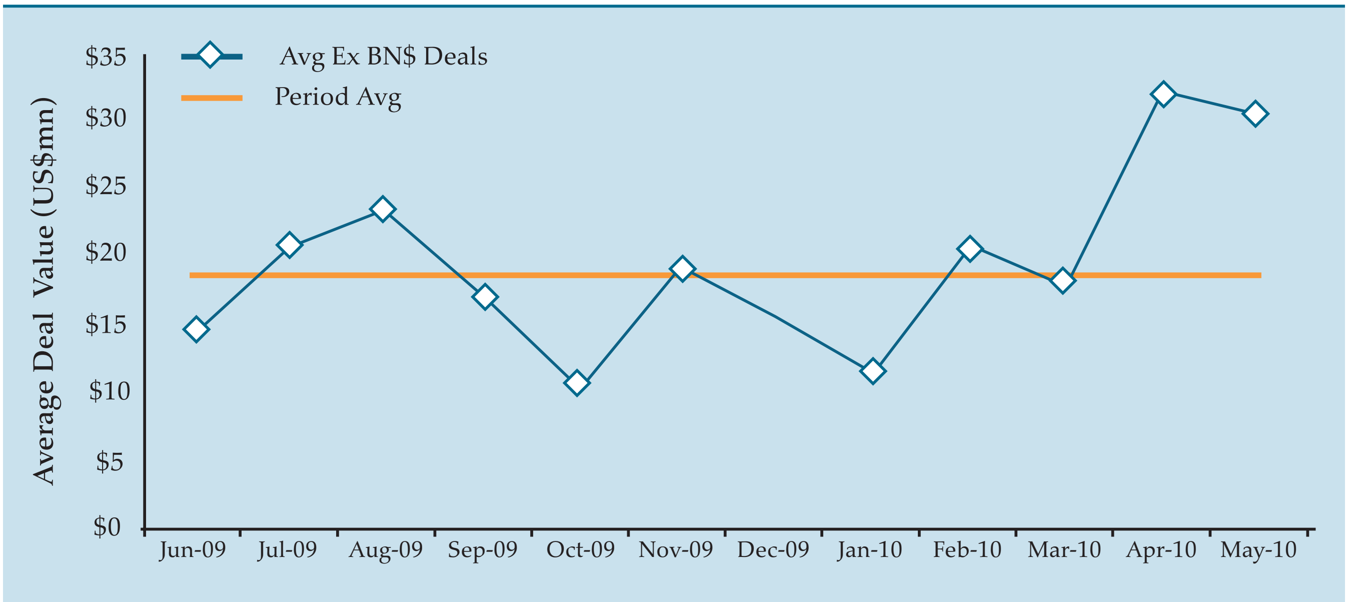
The number of deals per month was within the range of 25-35. The period witnessed three billion dollar deals, the largest being the $5.8B acquisition of Sybase by SAP in May 2010. The two others were the $3.9B acquisition of Perot Systems by Dell, and the $1.8B acquisition of OMiture by Adobe in September 2009.

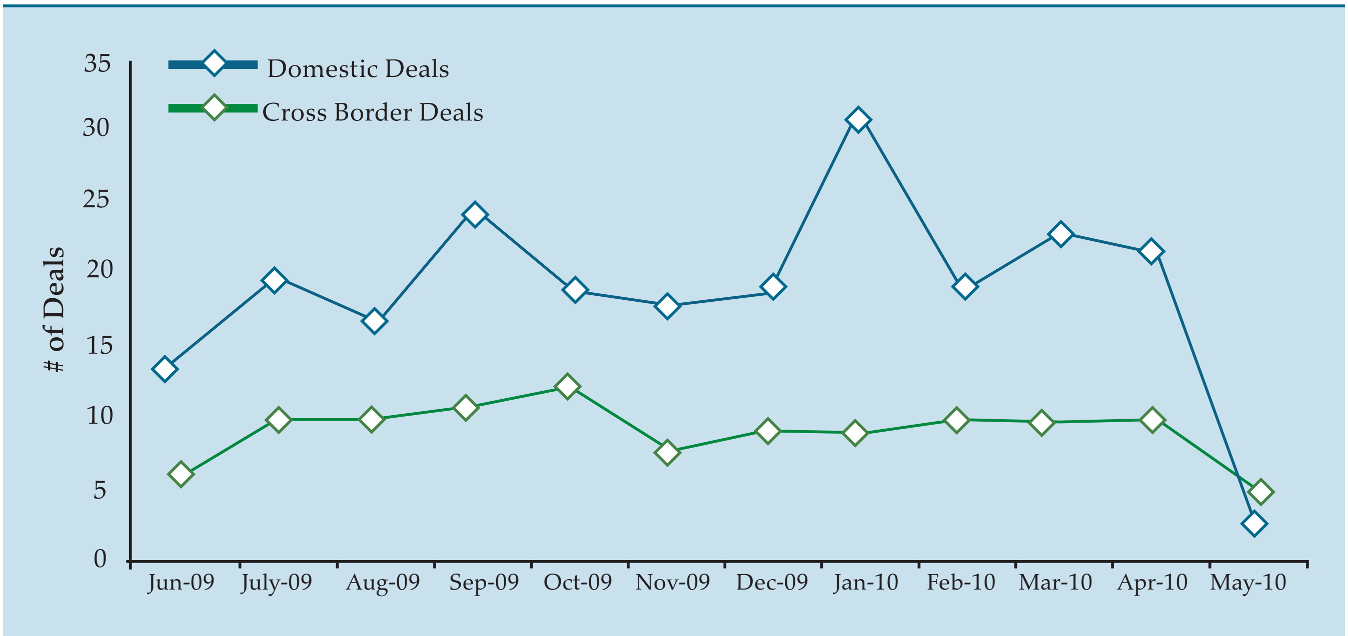
Nearly 61 firms indulged in domestic deals over cross-border ones, indicating that the buyers are still not very open to deals outside of their geographies due to remote management and regulatory concerns.

54 percent of the deals have been in the IT services space, followed by 32 percent in the BPO industry. Deals in these segments are yet to pick up and greater activity is expected to be seen in 2010.

The US continues to be a predominant country in the M&A activity. Deals in the areas of virtualization, including SaaS and cloud computing, are being considered. Offshore locations like India & China have started showing increased interest in client geography acquisitions, but the number of deals is still significantly low.




Average Deal Value (US$mn)
$35
$30
$25
$20
$15
$10
$5
$0
Avg Ex BN$ Deals
Period Avg
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10


# of Deals
35
30
25
20
15
10
5
0
Domestic Deals
Cross Border Deals
Jun-09
July-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10

	Acquirer	Acquirer Country	Target	Target Country	Sector	Deal size in $M
July	iMedX	U.S.	Medware	U.S.	BPO	NA
	NTT Communications Corp.	Japan	Integralis	Germany	IT Services	104.9
	Saab	Sweden	TietoSaab Systems	Finland	IT Services	NA
	Cegedim	France	Nomi Group	Sweden	IT Services	NA
August	CriticalControl Solutions	Canada	BPO Management Services (Canada Centers)	Canada	BPO	2.4
	Hobs Legal Docs	U.K.	Datalex	UK	BPO	NA
	Bunker Hill Capital	U.S.	Nspro	Canada	IT Consulting	NA
	MphasiS	India	AIG Systems Solutions (AIGSS)	India	IT Services	NA
	Indust & Financial System	Sweden	MultiPlus Solutions	Sweden	IT Services	NA
	SpringSource	U.S.	Cloud Foundry	U.S.	IT Services	NA
	Siemens AG	Germany	Energy4U	Germany	IT Services	NA
October	Ace BPO Services Pvt. Ltd	India			BPO	0.76
	Altair Technologies	UK			BPO/ Services	NA
	KPIT Cummins Infosystems Ltd.	India			IT Consulting	38
	2B Interactive	Netherlands			IT Services	NA
	RIPE B2B Inc.	USA			IT Services	NA
	Focus Systems, Inc.	USA			IT Services	NA
	UBS India Service Centre Private Limited (UBS ISC)	India			KPO	73.83
November	Infosys Technologies	India	McCamish systems	USA	BPO	38
	Virtusa Corporation	USA	InSource, LLC	USA	IT Consulting	7.3
	Blue Coat Systems Inc	USA	S7 Software Solutions Pvt. Ltd	India	IT Service	5.25
	AurionPro Solutions	India	Silicon Tech Corporation	USA	IT Services	NA
January	Iris Data Services	USA	Lexsum, Inc	USA	BPO	NA
	CA Inc.	USA	Oblicore Inc.	USA	IT Services	20

February	Diversified Information Technologies	USA	Bowman Enterprises Inc.	USA	BPO	NA
	Synopsys, Inc	USA	CoWare, Inc.	USA	High Tech	NA
March	K3 Business Technology Group PLC	UK	Digimis Ltd	UK	IT Services	1
	Anametrix Inc	USA	Nordic Research Corp	USA	IT Services	NA
	General Electric Co	USA	MedPlexus Inc	USA	IT Services	NA
	West Corp	USA	SKT Business Communication Solutions	USA	IT Services	NA
	IMI Health Inc	USA	BoundaryMedical Inc	USA	IT Services	NA
April	On Assignment, Inc	USA	The Cambridge Group, Ltd.	USA	BPO	5.5
	MTBC	USA	Medical Accounting and Billing, Inc. (MABCO)	USA	BPO	NA
	DJSP Enterprises, Inc.	USA	Timios, Inc.	USA	BPO	5.1
	Patni Computer Systems	India	CHCS Services	USA	BPO	NA
	Perficient, Inc.	USA	Kerdock Consulting	USA	IT Consulting	6
	Customer Connect	USA	Streamlogic Inc	USA	IT Consulting	N/A
	Fahlgren Inc	USA	Grip Technology	USA	IT Services	N/A
	Twitter Inc	USA	Atebits LLC	USA	IT Services	N/A
	ConnXion Ventures Ltd	Australia	KAZ Singapore	Singapore	IT Services	N/A
	Prodapt	India	Pacific Crest Technology	USA	IT Services	NA

ITO ANALYSIS and Trends

Development Declines, Maintenance Promises to Grow

Agile methodologies, the pressure of using the cloud, rising customer expectations, and the need for a multi-sourcing strategy kept vendors on their toes last year.

ASHWIN RAZDAN

> The larger portion of the recovery will be contributed by the application management and maintenance contracts scheduled to be renewed this year.

The year 2009 pushed the vendors to a variety of limits. Apart from reducing cost, they were compelled to offer more for less, be innovative (whether the client collaborated for the innovation or not), and focus on enhanced governance and risk management. While pricing continued to play a significant role in the recessionary environment, service providers with greater stability, strong existing relationships, improved technology and multi-shore operations (to decrease risk) saw a reasonable increase in their revenue.

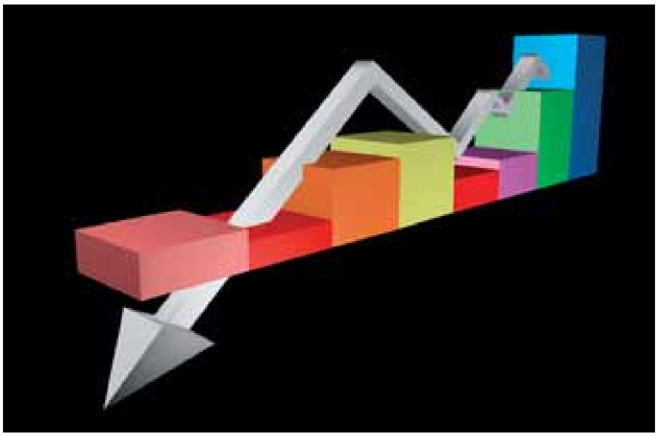
GS100 VENDOR SPEAK
● Focus remains on adopting scalable architecture and transforming businesses using global delivery model, which delivers better results for quality, performance and predictability.
● After initial success in Mexico and Brazil, expanding to Chile, Argentina, Peru, Colombia and Panama, to cater to the large Latin American demand.
● In house developed tools and patented methodologies continue to be used to deliver seamless ADM services. Handful have moved from Time-and-material business model to Fixed Cost business model in 2009.
● Striving to reduce cost of maintenance, increase margin.

Last year truly set new rules for the game; larger long term deals were broken and awarded in smaller parts. While this will undoubtedly add enormously to the volume of contracts signed annually, it will also give smaller vendors a chance to compete on a level-playing field with the larger labor-intensive companies. A leading trend in the ADM industry is the rise of specialized vendors. A number of service providers in Eastern Europe and Russia continue to specialize in selected areas of ADM and are giving the bigger Asian players a run for their money.

Offshoring is not the only option the buyers have anymore. The application development industry is getting more dynamic and agile in nature. This is making room for flexible, less 'rigid' process oriented vendors. This includes onshoring, using the potential of the crowd (global crowdsourcing) and rural-shoring. With greater investment by the government of the United States on spreading broadband to rural areas and the culture of home-based jobs, rural-shoring is becoming possible and helping young Americans win back jobs. Great effort is being put in by companies such as Rural America Onshore Sourcing Inc., Systems In Motion, in this area. Christopher Hytry Derrington, CEO, Rural America Onshore Sourcing Inc., says, "The availability of rural American talent which can be acquired at a cost 40 percent lesser than in the urban areas, now makes rural America an excellent outsourcing venue. This has been made possible by the spread of broadband Internet services. To further encourage the growing trend, the government has allocated $7B to implement broadband in rural areas. Over the next few years, you will see millions of rural-based low-cost Americans entering the virtual workforce."

These new strategic low-cost outsourcing models (along with decline in the global development of applications) are slowly eating into the market share of the traditional service providers. For instance; Band 4 (companies with $1 B+ turnover) respondents to the GS100 survey experienced an aggregated decline of 12 percent in revenue generated from application development and maintenance. A similar negative growth was observed in Band 3 (companies with $100M-1B turnover); inspite of a marginal growth of 0.4 percent in the revenue for IT services.

A TPI report indicated service providers will continue to need different go-to-market strategies for each geographic region. While the ITO market in the Americas has been fairly consistent for the last three years, Europe has now surpassed it, setting a record for the highest spending in one year, and Asia Pacific had its fifth consecutive year of growth.



Another recent research by Valueshore Spain, the Spanish Government-backed group of IT consultancies, has found that custom application development and maintenance is set to be the biggest outsourcing focus for U.K. businesses over the next 12-18 months. 62 percent of IT directors questioned said that they already were, or planning to, outsource custom applications as businesses look to reinvest in IT following the recession. A report by IDC also indicated that the European IT services market is due to grow by 2.2 percent in 2011, with outsourcing set to be a major contributor.

DEALS

While 2009 remained relatively dry, 2010 brought with it recovery and many reasons to smile. The year so far has witnessed a number of significant deals in application development and maintenance.

Some of the significant deals were as follows:

One of the biggest deals this year was awarded to Avineon, a relatively little-known supplier of IT services to U.S. federal

government agencies. It secured a seven-year agreement with a ceiling value of $2B from the Federal Aviation Administration (FAA). The deal is part of the FAA's eFAST contract vehicle, which is the agency's preferred method of partnering with smaller vendors. In January, the FAA awarded a similar deal to Ian, Evan and Alexander, a service-disabled, veteran-owned business.

Other significant U.S. public sector contract wins include those by defense specialists SAIC and CACI International, both from divisions of the US Navy, and SRA International, from the Department of Agriculture. SRA's team of subcontractors on its $500M project includes CSC, IBM and SAP Consulting. Also, a US public sector contract award went to Northrop Grumman, which picked up a deal with the National Geospatial-Intelligence Agency to work on its Total Application Services for Enterprise Requirements (TASER) program.

Outside of the U.S. public sector, this year also saw a number of large IT services deals announced in Europe. Much of the activity was centered on the Nordic region, with major wins for local vendors EDB Business Partner, ErgoGroup and Tieto. EDB's deal, valued at over $300M, was awarded by telecommunications provider Telenor, and will see the companies working together to consolidate and virtualize a new technology platform that will deliver a more flexible cost structure, as well as more efficient systems for users. ErgoGroup, meanwhile, secured a four-year contract extension from its parent company, Posten Norge (the Norwegian Postal Service), to provide application management services. Coincidentally, EDB and ErgoGroup also announced plans to merge, creating a combined company with annual sales of close to $2B.

The ADM industry will continue to induce fresh skills and evolve over time to transform from strictly offering a 'solution-to-the-problem' to a more thought-oriented strategic solution. Only then will service providers be able to add value to their current offerings and help their customers gain a competitive advantage. This may not be an easy step to accomplish; and many buyers are awakening to realize the potential of collaborative re-engineering for the mutual benefit of both.

GROWTH DRIVERS

Some of the key factor that led to the growth of the ADM industry are:

Multi-shore delivery presence: A greater number of service providers are now willing to offer a global delivery model to cash in on the global expertise and talent to achieve the cost benefits their customers want.

Cloud computing: It is undoubtedly the next step to make application development and usage more cost effective. Increasingly, vendors are tying up with cloud-service providers such as Amazon, Google, Microsoft, etc. to offer custom-built applications on a virtual server.

Lean processes: The processes continue to evolve and will never get out of fashion. The leaner, the better is the new mantra.

Agility and flexibility: The deal sizes are beginning to shrink. Larger projects will be divided into a number of parts. The requirements will constantly change. The need for agility and flexibility has never been greater. Service providers continue to adopt and emphasize on agile methodology and technology.

CHALLENGES & RISKS

Buyers expect vendors to share the risk.

In the current scenario (of economic recovery) clients are being over cautious. In addition to low cost, the buyers are evaluating the vendors' capability to innovate and absorb risk. That is, vendors not only will have to portray expertise, but stability and the willingness to share risk during the development phase. Increasingly, the customer-vendor relationship is transforming into one of partnership that focusses on usage of smart technologies like cloud computing, improvisation to meet changing trends and sharing profits.

MARKET RISK

As compared to 2008, IT stocks are nearly 300 percent higher this year. Outsourcing giants like Infosys and Wipro have market values of $33B each. However, analysts warn that IT stocks may be ready for a break. Stock valuations until now have surpassed company growth rates, say reports. Though India is expected to restrict credit in the near future, it has a high price/earnings ratio of 25. Wipro, for instance, trades 34 times its earnings and has a projected long-term growth of 16 percent. Similarly, TCS trades 22 times its earnings, while Infosys trades 26 times its earnings – this is almost twice Infosys' long-term growth of 14 percent.

OTHER RISKS

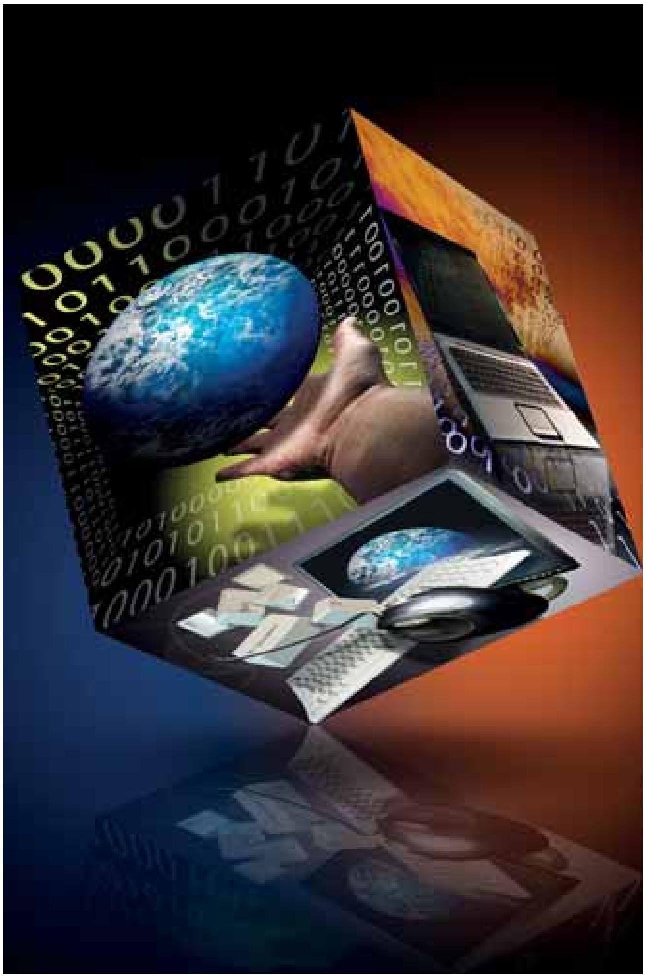
Some of the other risks that continue to disturb the stability of the offshore ADM industry include protectionism in the United States, order delays, economic uncertainty, and a probable decline in the dollar. Further, governance of processes and talent, across different locations with a variety of cultures, languages and time zones is proving critical for smooth operations. An inefficient strategy and lack of adequate rules for governance may disintegrate the global delivery model.

In spite of a number of factors and uncertainty, the demand still exists, and the ADM market is robust enough to post a healthy recovery in 2010. However, the larger portion of this recovery will be contributed by the application management and maintenance contracts scheduled to be renewed this year. While buyers continue to take genuine cost cutting measures, application development is expected to fall (as compared to most years in the last decade). The year 2010 seems to be that of higher maintenance contracts (of course, negotiated), reduced pricing, partnership-based relationships, increased use of innovation for delivery, relaxation in volume commitments and the maturity of a global delivery mechanism.

Enterprise Applications: Depressed and Challenged

2009 was not a great year for the enterprise applications industry. While the bigger players did barely better than 2008, the industry at-large underperformed. While we take a closer look at what happened; undoubtedly, its time to leverage the subscription-based revenue model.

ASHWIN RAZDAN



The decline in the global economy led the enterprise application software market to shrink by 6 percent. Like the rest of the industry, business leaders implemented cost containment and reduction strategies as consolidation occurred across customers and suppliers. Some applications fared better than others. ERP, supply chain, and product lifecycle management (PLM) saw declines above 7 percent, while supply management, human capital management (HCM), and CRM saw declines of less than 4 percent.

According to a recent AMR research report, there were also a mixed bag of winners and losers within each application segment. ERP suite vendors like SAP, Oracle, and Lawson, with high revenue shares, weighed the markets down

The year 2010 may not be one of the best years for new deals in this sector, but the industry can indeed expect increased activity in the maintenance of installed applications and their up-gradation.

with dismal license numbers. In most cases, they were able to keep their steady maintenance revenue at or slightly above 2008 levels, which helped mitigate overall revenue declines. Conversely, companies like salesforce.com, Descartes, Ariba, and Concur posted positive revenue gains that are attributed to the appeal of their subscription models.

While the leaders in the industry strove and juggled to find more customers, service providers re-packaged enterprise applications, bundled with a number of home-grown features. These 'enriched' enterprise applications not only served the purpose but also assured greater value for the investment.

Vendors offered implementation of the application, rollout, upgrade, and migration and support for various products like SAP R/3, SAP ERP, SAP CRM, SAP SRM, SAP SCM, SAP BI, BO, NetWeaver. Many also provided the full spectrum of e-commerce services on SAP R/3 / SAP ERP, including SAP consulting analytics and portals.

These so-called 'enriched' solutions were offered largely around the two largest product suites,SAP & Oracle. Many a times they also covered IBM Maximo, TIBCO, WebMethods, Pega, Savvion, SalesForce.com, Clarify, Amdocs as well as Microsoft Dynamics. The range of such services included evaluation of the 'need', providing training and support in their implementation, global rollout and supporting their upgrades and maintenance on an ongoing basis.

These offerings lay the basis for innovation and enabled business transformation by leveraging packaged software to process re-engineering, re-designing of application architecture and organization change management. Services continued to evolve in areas such as Customer Relationship Management (CRM), Supply Chain Management (SCM), Human Capital Management (HCM), Corporate Performance Management (CPM), Business Process Management (BPM) and Enterprise Application Integration.

Some of the companies that engaged such vendors include a leading global agrochemical company, a Fortune 100 wireless and broadband communications company, a leading sportswear and sports equipment manufacturer, insurance, banking and manufacturing & logistics sectors. Other specialized industries that continued to benefit were iron & steel industry, tobacco, High-tech, consumer commodities, retail, electronics, car, garments, and mechanics. Not surprisingly, manufacturers remain the primary customers of the enterprise services industry.

With the recession behind us now, government data is showing progress in GDP, manufacturing, and retail sales. This is a moment (not prolonged, of course) to rejoice.

The year 2010 may not be one of the best years for new deals in this sector, but the industry can indeed expect increased activity in the maintenance of installed applications and their up-gradation. These initiatives will help transform people, process, technology and systems to deliver more value.

OUT-OF-THE-BOX

Service providers continue to help clients with comprehensive, efficient and robust solutions that meet their unique requirements right from managing supply chains, devising CRM strategies, and deploying content management solutions to integrating enterprise-wide functions.

Innovation will be demonstrated through a high level of application architecture and business process expertise in developing a highly configurable

system that allows organizations to automate their processes without customizing the software.

TOP DELIVERY LOCATIONS

The GS100 study reveals the following as the most popular delivery locations for enterprise applications:

- India
- U.S.
- Brazil

The four fundamental factors that drive organizations to have a strategy for implementation of enterprise solutions is cost, collaboration, compliance and continuity. Greater cost pressure and stiff margins is creating a market for subscription softwares. Increasingly, IT cost reduction in capital and staffing, simplified upgrades and functionality additions, standardization, and initial and long-term cost savings are looking attractive, more so in a post-recessionary scenario.

Subscription pricing models will continue to grow at a faster rate as compared to license models. The subscription model will expand beyond the SMB market to larger corporations that are increasingly becoming more comfortable and willing to evaluate on-demand delivery options. It remains to be seen whether buyers will return to purchasing perpetual license of ERP integrated suites, or if they will move on to a model of buying departmental applications and monthly license fees.

The outlook for capital spending is improving, with modest growth for IT spending anticipated in 2010. And while enterprise software lags behind overall IT, the outlook again looks bright for the enterprise software market.

Geographically, emerging markets, especially Brazil, Russia, India, and China (BRIC), are expected to maintain their momentum, with their growth outpacing North America and Western Europe. Russia is lagging due to weaker demand. The Middle East, Asia-Pacific, and Latin America are set to continue their upward course. The midmarket remains a major growth avenue for enterprise application software, especially in the emerging markets.

For now, vendors will have to treat an organization's business processes as assets that can be designed, reused and exploited. Next-generation solutions, frameworks and accelerators are the need of the hour; in addition to adopting an iterative Agile development methodology.

GS100 VENDOR SPEAK
● Offering integrated BPO-IT-ERP services to deliver greater value.
● Use of plug-in, plug-out framework based on modular design and proprietary models like Value Realization Method (VRM™) are helping customers mea sure clear business value from their transformational programs.
● Combining global delivery model with on-shore, off-shore and near-shore development and support capabilities.
● Many are offering On-Demand model to help customers realize better value for their investments.

New Products and New Markets Are the Growth Areas

With increasing competition and availability of similar types of products and services in the marketplace, innovation and differentiation are going to be critical factors for an organization to create a unique place and leapfrog the competition. Small and Medium enterprises (SMEs) are coming up as a huge market in the emerging geographies and one of the key growth drivers.

SRUTHI RAMAKRISHNAN

The sharp downturn in the economy, belatedly hitting the outsourcing industry last year, forced the latter to reconsider their approach towards outsourced product development (OPD). Since early 2009, companies are shifting focus from cutting costs to retaining customers and enhancing existing relationships. There is greater flexibility in offerings from outsourced service

GATEWAY

to the Global Sourcing of IT and BPO Services

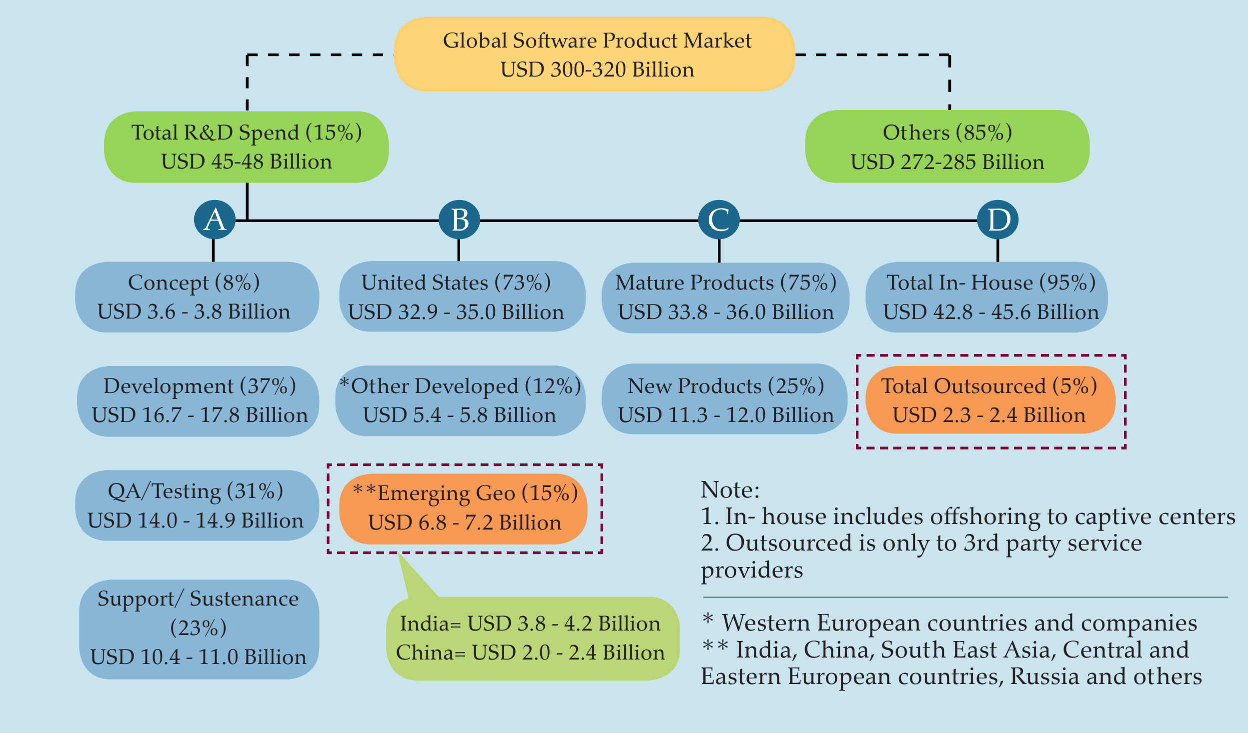
Connecting the global buyers and providers of IT and business process outsourcing services. Global Services, your own global media platform, not only helps you to choose your partner but also enables you to leverage its media solutions to make your outsourcing relationship work. Global Services' authentic and on-time content facilitates right outsourcing partnerships. Our portfolio includes an e-magazine, website, newsletters, events & custom solutions.

GLOBAL SERVICES

The gateway to the global sourcing of IT and BPO services

globalservicesmedia.com

R&D SPEND OF COMPANIES IN SOFTWARE PRODUCT VERTICAL



Source: Zinnov Analysis

providers, and an overall increased receptiveness to outsourcing in general. Globalization has resulted in product companies seeking new ways of doing business, learning new techniques, optimizing software manufacturing process, and making funds available for global initiatives.

On the client side, now that every enterprise practices offshoring, cost advantage is no more a competitive advantage. Now companies are looking at gaining additional offshoring value, by reducing their R&D budget, or getting higher return on the same or incremental investments.

The changing needs of customers towards SLA based assurance for software products, ubiquity, adoption of pay-per-use and integration of social media tools in enterprise environment are the primary drivers for software product development companies today.

With the increasing competition and availability of similar types of products and services in the marketplace, innovation and differentiation are going to be critical factors for an organization to create a unique place and leapfrog the competition. Innovation could be in business models, products, frameworks all adding up to the creation of indispensable value to clients.

CHALLENGES FACED

Though independent software vendors (ISVs) maintained their spending in the early phase of the slowdown towards the end of 2008, the severity in the downturn forced many to freeze investments on new product development during 2009. However, since the first quarter of 2010, Outsourced product development firms that build products for ISVs are beginning to see an increase in new project starts as customers start investing in next generation product development. According to Kaufman Brothers Equity Research, this could be, in part, due to temporary pent-up demand from projects frozen in 2009. Buyers are still being cautious about making any major upfront investments or undertaking any perceived high risk outsourcing efforts, due to weak revenue growth.

ISVs are facing multifaceted challenges- an intensely competitive market with ever shrinking product life cycles, growing technical complexities, shorter release cycles and a demand for faster time to market. Besides, in the aftermath of recession, they are now aiming at improving the quality of the product without increasing the cost of quality. Consequently, ISVs are actively considering outsourcing non-core functions like testing to cut costs quickly, avoid new capital investment, and improve product quality.

In the production process they have to face several challenges at multiple levels: managing global design requirements, distributed design teams and vendors in diverse countries, and ensuring that localized products meet necessary statutes. Protecting product IP is also a major issue. Whilst coping up with all these issues, organizations need to focus on their core competencies.

GS100 VENDOR SPEAK
● Agile methodology being tailored to suit distributed development of products. At the same time continuously improving and updating older versions.
● Products being made Cloud/ SaaS enabled.
● Working on products which harness the convergence of computing and communications technologies. Looking into 'greening' technology.
● Offering Localization and Globalization Services which enable clients to quickly ramp up in new markets. Aim to strike the right balance between proven and cutting-edge technologies, and thus considerably decrease time to market while ensuring high level of quality, reliability, and security.
● Relations with clients moving beyond the conventional vendor- client engagements to having a shared vision and joint investment in building partnership value, thus helping vendors expand their geographic reach.
● Best practices: adherence to internationally accepted and recognized quality standards like ISO9000:2000 and PMI. Strong emphasis on IP protection of customers/ clients with strong contractual agreements protecting IP rights.

NEW AVENUES OF GROWTH

The OPD industry is set to grow in the domains of analytical services, embedded software and engineering design services.

The current economic situation has made Outsourced Product Testing more appropriate and attractive, while the testing process itself has become mature and more offerings are available from service providers. Besides, customers' intolerance towards product quality issues, and new competition are leading more product companies to adopt the outsourced product testing initiative. Outsourced testing service providers are going up the value chain by developing reusable IP in the form of automated testing frameworks and employing the necessary skilled resources to serve customers and maintain their competitive edge. Service providers have become more efficient over a period of time, and offer services faster, better and more cost-effectively compared to an in-house function.

Outsourced product testing offers a strategic option to ISVs to be prepared to scale new heights when market conditions improve. Software engineering teams are increasingly operating in a distributed environment.

OPDs are realizing the need to invest in the intimate collaboration and goal alignment that true R&D requires. Most

IT services firms make poor product development partners because they focus on compliance and optimization, which suppresses innovation.

> “Companies currently earn only about 5-15 percent from new products, but this is expected to grow owing to the ease of delivery/ business through SaaS, SoA, software appliance etc.

FOCUS ON NEW PRODUCTS

R &D spend of companies in software product vertical is currently in the range of $ 45B – 48B i.e. 15 percent of their company revenue, according to a Zinnov research (based on annual company reports). Some of the small to mid sized companies (less than $1B in revenue) have been able to keep the R&D investments low, as they offshore a significant portion of their R&D to low cost destinations such as India and China. Such companies have more cost pressure and hence they are willing to move even the high end of the PDLC value chain towards emerging locations, says the study. But larger companies continue to keep most of the R&D investments (about 80 percent of total R&D investment in software) in the US as they believe that high quality talent to work on next generation products is tough to find in remote locations.

This brings us to the phenomenon of increasing focus on new products. ISVs are today investing in developing new products in areas such as cloud computing, social networking, virtualisation and software-as-a-service (SaaS) among others. Companies currently earn only about 5-15 percent from new products, but the expectation from new products going forward is much higher owing to the ease of delivery/ business through SaaS, SoA, software appliance etc. This has led them to reduce spend on existing/ mature products, the Zinnov study says.

The same study says that more development and QA/ testing work (low end of the value chain) related to mature products is being sent to offshore locations hence reducing the total investment on them. This has seen majority of companies increasing R&D spend in emerging geographies such as India, China, Russia and Eastern Europe because of the significant cost advantage, availability of talent, maturity of vendor eco-system, process innovations, collaboration tools etc. that the latter offer. Besides, as they grow at a rapid pace, companies believe that these markets will play a critical role in their revenue growth as well.

Thus management of mature products is set to provide immense opportunities of growth for third-party providers.

NEW TECHNOLOGIES AND PROCESSES

The ever competitive software product industry continues to witness new technologies sweeping the market, heightened consolidation waves and a move to utility based software delivery through Software as a Service (SaaS) and Web 2.0 technologies.

SaaS has revolutionized the way ISVs deliver, manage and support software. According to an EquaTerra report, Saas as a hosted delivery model is appealing because of low upfront investment costs, ease of deployment, more robust functionality than existing buyer legacy or commercial software and continual and less burdensome upgrade process. Besides, SaaS can deliver services globally and support users from remote, offshore global service delivery locations.

The increasing pace of innovation has in turn shortened the life cycle of software products.

Buyers today are more often employing a broader range of change initiatives such as internal process improvement efforts, shared services centers and software as a service (SaaS) as a complementary or alternative means to outsourcing. More rapid and continual change, and even more diligent focus on process efficiency, is another aspect of the 'new normal', says the EquaTerra Echo: 1Q10 Edition report.

PARTNERSHIP MODELS

Industry leaders have realized the importance of collaboration to stay competitive and have started building their global product development ecosystem to outdo competitors. OPDs are using risk-reward partnership models and focus on transparent, metrics-driven value delivery so as to ensure complete alignment with clients' business and R&D objectives. Through them they are touting their ability to move beyond service-level agreements to deliver services tied to customers' business results--higher sales, lower costs, reduced errors.

Service providers are establishing partnerships with global R&D product companies to help them enter into newer geographies. Larger companies are set to gain more investments in the Hub and Spoke model, whereby the captive plays the role of the hub and works with the partner 'spokes'.

THE ROAD AHEAD

Focus on end-market innovation requirements will help ISVs retain their competitive edge. To achieve their vision more ISVs will start using their engineering vendors as their value partners.

The global delivery model is one of the key strategies being evaluated by providers, according to Zinnov. In the past 15 years, many R&D companies have successfully leveraged global sourcing to optimize their bottom line and improve their top line revenue. Due to these successes, more and more companies across the revenue spectrum are willing to leverage the offshoring / outsourcing models for optimization.

Small and Medium enterprises (SMEs) are emerging as a huge market in the emerging geographies and one of the key growth drivers for IT services vendors. Deals are coming from vendors who are looking to offer their enterprise application products on the SaaS model to target the small and medium business customers. As customers, SMEs are showing a huge appetite for custom software outsourcing and offshore software application development.

Increasingly new startups are capitalizing on the weightlessness of global-delivery to emerge as serious challengers to well-known organizations. These organizations have no manufacturing capacity of their own but are turning to the growing number of companies that cater to their very specific needs. These startups neatly sidestep expensive propositions such as opening development centers in prime locations such as Bangalore, by forging partnerships with firms that specialize in it.

However, industry experts are questioning the wisdom of startups outsourcing product development, citing problems in communicating and understanding customer needs, managing diverse teams at multiple locations and in different time zones, and intellectual-property protection, that is particularly a strong concern in China. They advise that startups stick to outsourcing testing or ancillary-product development, not core products.

The days of OPD deals based on labor arbitrage as the crux are clearly over as buyers look for sourcing partners to help them accelerate new product development, shorten time-to-market and expand into new markets.

Infrastructure Management Continues to Be Hot

The recession, while halting or slowing spending in other outsourcing segments, gave a boost to the outsourcing of critical IT infrastructure management services. But enterprise customers are taking a cautious, phased approach to cloud- based services.

SRUTHI RAMAKRISHNAN

> Majority of growth in RIM is expected to come from offshoring midrange services, and network towers, likely to account for approximately 70 per cent of the overall opportunity.

Infrastructure outsourcing has been in news for the sheer amount of deal activity in the past two years. HCL signed a $350 M seven-year deal with Readers Digest, apart from similar deals with Nokia and Xerox. Wipro acquired Citi Technology Services for around $127 M, the deal including the latter's commitment to outsource all future infrastructure management contracts to Wipro, potentially worth almost $1B over six years. Year 2010 has already seen bigger names like Thomson Reuters, Singapore Exchange, Merck Sharp and Dohme (MSD) outsourcing their infrastructure installation and management in multi-million dollar deals.

The recession, while halting or slowing spending in other outsourcing segments, gave a boost to the outsourcing of critical IT infrastructure management services, with more companies exploring new ways to save dollars. CIOs, over the past one year, have become more willing to take risks because of cost pressures, IT services firms concur. Also, the dependence of business processes — such as HR, finance & accounting, legal work — has increased on technology and companies want to keep pace with changing business models.

The global IT infrastructure market has been growing exponentially over the past few years, across diverse industry verticals, including manufacturing, retail, hi-tech, media/ publishing, telecom and financial institutions. Most of the big deals that have happened in IO since last year have come from these verticals. The infrastructure management market is expected to touch $180B by 2013. Industry watchers term it the segment with the greatest offshore potential, ahead of application development maintenance and BPO.

GROWTH IN INFRASTRUCTURE OFFSHORING

Over the past few years, increasing confidence in remote management, as well as the spread of low-cost bandwidth and the wider availability of high-speed networks, spurred the expansion of infrastructure offshoring in India (and other parts of Asia) and in Europe. Buoyed by these advances, the offshoring of IT infrastructure work has grown at a compound annual rate of 80 percent since 2005, according to a 2009 McKinsey Quarterly report.

Everest says that the success of Indian suppliers in extending the benefits of labor arbitrage to infrastructure outsourcing has translated into high growth rates for them. Industry players admit that until a few years ago, only remote infrastructure management work was considered for offshoring. But the high quality of work and processes employed by Indian outsourcers

in delivery of Remote Infrastructure Management or RIM services are enabling them to now deliver end-to-end IT infrastructure management services. The top tier players have invested in training their infrastructure employees in industry-standard certifications like ITIL and ISO 9001:2000, 27001.

Newer locations for offshoring have also emerged. The McKinsey Quarterly reports that unlike India, whose talent pool for mainframes is limited (though growing rapidly), Brazil has strong capabilities in this area, and a number of global vendors run mainframe centers of excellence there. Pan- European companies that require French- or German-speaking support staff have their sourcing options in Africa and Eastern Europe, which may have deeper pools of talent to meet these specialized needs.

OFFSHORING CHALLENGES AND SOLUTIONS

Offshoring also has its associated problems. According to the McKinsey Quarterly, these include a tendency to ignore the specific needs of offshoring infrastructure work, inadequate rigor in handling process flows and service hand-offs with partners, and a lack of clarity about the end-state operating model—what the operation will look like in 36 months. These can result in implementation delays, proliferation of service problems, and deferred or minimal savings.

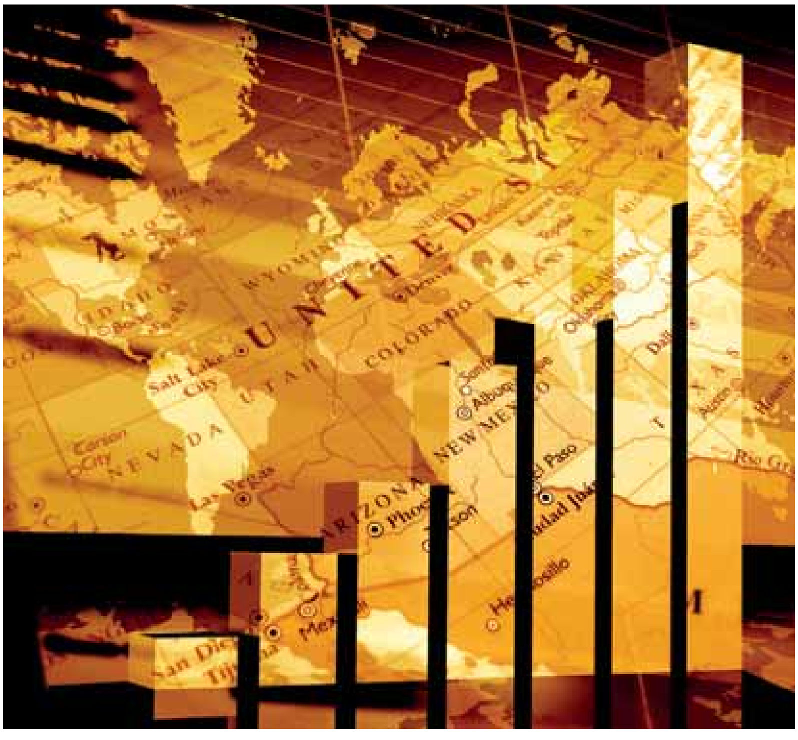
To overcome such challenges, companies must take an integrated approach to the global infrastructure delivery model—an approach that fuses long-term operating strategy with the practical mechanics of moving critical infrastructure components offshore. In a recessionary environment in which offshore programs could be politically sensitive, it is more important than ever to proceed deliberately.

Despite such problems, the report found that some large organizations locate 50 percent or more of their IT infrastructure workforce offshore. They achieve these rates by separating roles that are sufficiently stable and mature enough to be offshored without modification from those whose regulatory, security, or technical constraints make them hard or impossible to offshore.

RIM DISPLAYS BIGGEST GROWTH POTENTIAL

Remote Infrastructure Management or RIM is set to emerge as the biggest market opportunity, according to a NASSCOM-McKinsey Report. In the last 10 years, there has been rapid growth of new models of infrastructure services delivery, such as Remote Infrastructure Management (RIM) and Information Management Services. Based on reports from various industry research analysts, the current total market for RIM services is anywhere from $80B to $120B.

The IMS industry is moving towards a remote delivery model where services are increasing delivered by vendors and captives from low cost locations. The majority of growth in RIM is likely to come from offshoring midrange services, and network towers, likely to account for approximately 70 per cent of the overall opportunity, according to the report.



The report says that it is the convergence of three independent forces-- the rapid evolution in technologies and IT architectures, changes in customer behaviors and demand patterns, and finally, developments in the vendor and offshore supply environment that have propelled the industry at a pace faster than earlier conceived and which will continue to accelerate RIM adoption.

After seeing Indian IT companies succeed in RIM outsourcing, providers from China, Philippines, Brazil, Eastern Europe, etc., are trying to enter into RIM outsourcing market.

NEW IO DELIVERY MODELS

Innovation in new remote management tools and technologies has led to the emergence of the asset light RIMO, in which both the companies and outsource vendors enter into a short-term contract. Unlike asset-heavy model, asset-light model does not entail transfer of asset ownership and IT personnel to the vendor. The asset-light model is being used proactively by providers to reduce cost and timeframe of implementation. Due to the lower capital investment involved, it has created opportunities for low-cost offshore providers to enter the RIMO market.

Providers are also offering models such as financial leasing, vendor- managed inventory, etc. which allow customers to convert capital expenditure into operating expenses while giving them strategic control of their IT assets.

CLOUD SERVICES DISPLAYING SLOW BUT LONG-TERM GROWTH

Over the coming year, cloud infrastructure services will make progress, albeit slowly. New platforms will be released, new application programming interfaces (APIs) will be developed and private clouds will start to make inroads into the enterprise. At the same time, companies will start using the cloud for testing out software and applications, disaster recovery and scaling up new websites. Many startups— particularly in new media— are already taking advantage of cloud services. But the progress and the growth of this sector will be incremental and marginal compared to the world of IT in general.

Forrester believes that cloud computing is a sustainable, long-term IT paradigm and the successor to previous mainframe, client/server, and network computing eras.

A BroadGroup report 'Competing in the clouds: emerging strategies for enterprise data centres', highlights how Private Cloud enterprise adoption will accelerate over the next five years, and how it will boost the opportunity for third party data center outsourcing. However, migrating to cloud services represents a new way of operating, and will require a change in mindset by enterprise IT leaders because 'IT as a Service' introduces very different business and operational models.

GS100 VENDOR SPEAK
● Offer end-to-end infrastructure management services from service desk, remote server and storage systems management, IT infrastructure support to database and application layers.
● Offer services in modular fashion so that customers can pick the ones that truly address their needs. Different service levels are available with SLAs tailored to the Clients' specific needs.
● Using deep infrastructure analytics in combination with automation and autonomics to improve speed and responsiveness; improving ability to meet growing demands of effective scalability and making use of technology to provide flexibility, reliability, visibility and control to customers.
● Collaboration, mobility, virtualization and Cloud Computing are some of the services being offered with a future outlook. Envision the next generation IT marketplace using Virtual Enterprises through the Global Delivery Model.
● Best practices: Combining Six Sigma principles and techniques with ITIL, to achieve new benchmarks in performance and productivity. Making services CMM Level 5, ISO 9001, ISO 27001 and BS 7799 certified, and using industry standard tools to facilitate business process improvement.

For the long-term, the report sees the hybrid cloud as the next major opportunity where efficiencies can be gained by using public cloud for non-critical applications. By 2020, a majority of enterprises will have as little as 10 percent of applications in private clouds.

IO STRENGTHENING AMONG MIDMARKET COMPANIES

As reported by the Everest Group study, MNCs witnessed a continued shift towards mid-sized to smaller IO buyers in 2009. Midmarket companies are making a stronger-than-ever case for infrastructure outsourcing today. A new report by Reportlinker.com reveals the latest trend is to evolve the practice rapidly, even as there is a dilemma in traditional outsourcing converging with offshore value propositions.

Reportlinker.com found that clients with annual revenues from $500M to $1B are significantly more satisfied with their infrastructure outsourcers than the larger market cap counterparts are. This may be because midmarket companies can change providers if services are not up to mark, whereas larger enterprises may be locked into long-term contracts.

Industry players are also observing an increasing willingness on the part of companies to change their model for managing infrastructure. This is especially true in the mid-market segment, which is now focusing on RIMO as a key part of their business transformation initiatives.

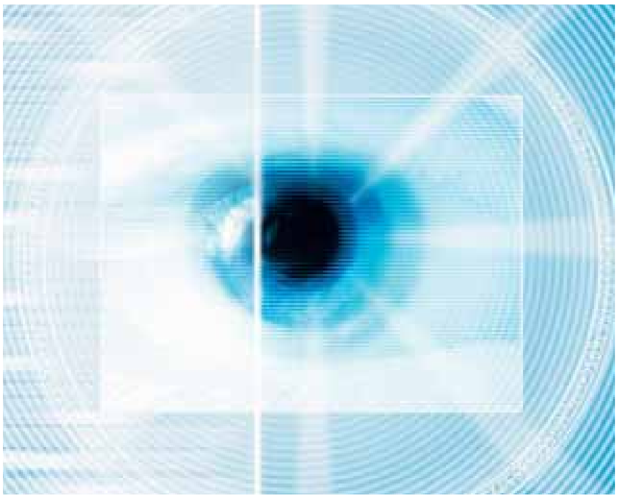
Reportlinker.com's assessment is that midmarket adoption means there is a "focus on end-to-end infrastructure deals that avoid direct competition or develop variations of a converged [RIM]/Traditional IO offering..."

WHAT LIES AHEAD

The economic downturn motivated IT departments to challenge the status quo and explore ways to improve operational efficiencies. The Savvis- sponsored 2010 Global IT Leadership Report found that a large percentage of organizations are looking at infrastructure outsourcing as a means of delivering first-class IT support to the organization. For the large enterprise as much as for the mid-sized organization, cloud is an active source of IT infrastructure management. "The largest companies are looking at reducing infrastructure costs" whilst the mid-sized companies see cloud or virtualization as key.

IT departments feel their top three cost savings would come this year from reducing infrastructure costs, infrastructure consolidation and a virtualization or cloud computing strategy.

With the outsourcing forecast for the next 10 years set to grow (some two-thirds of organizations surveyed believe the majority of their infrastructure will be outsourced compared with fewer than one in five currently), it seems that the adoption of cloud services will play an important role in transforming this industry.



But by and large, enterprise customers are taking a cautious, phased approach that allows them to 'test drive' cloud-based services – usually restricted to a specific application, workload or business process – before they commit themselves more substantially.

Service Providers See Promising Prospects in Engineering Services Outsourcing

Engineering work is becoming more and more internationalized and engineering companies are becoming increasingly global. There is increasing pressure on the part of European companies to reduce costs, which requires more innovative solutions from suppliers in order to keep a stable price level.

PRATIBHA VERMA

As the global spending on overall engineering services (which includes design, manufacturing and field engineering areas) increases, many IT-BPO service providers have added specific engineering services to their offerings portfolio.

These companies acquired the skill-sets, tools and experience from generic IT software and services, to evolve from providing basic data conversion, through 2D and 3D CAD/CAM/CAE,

> The worldwide spend on engineering services is expected to grow to over $1 trillion by 2020. These opportunities will be captured not only by large companies in developing countries, but also by SMEs.

advanced simulation, prototyping, testing, PLM, product design (engineering), process engineering, plant automation and asset management services.

Analysts note that companies in the electronics industry have recently become comfortable with outsourcing. "In the past three years, more work is getting outsourced," says Mukesh Dialani, Research Manager at IDC in Framingham, Mass. "At some level, confidence has grown in what engineering vendors have to offer. Outsourced engineering has been validated with successful outsourcing engagements."

For some companies, particularly large manufacturers in the United States, design firms have become a source of specialized expertise. "One of the key benefits for Fortune 500 companies is the qualified engineering labor they get through outsourcing," says Dialani. "They go to third parties because they can get qualified labor and manage it cost effectively."

"In some sectors such as aerospace, defense, and medicine, companies are dealing with the aging workforce in the United States," said IDC's Dialani. "They do not have the people to take over when the older engineers retire, so they're turning to outsourcing."

As per Dataquest research, during the calendar year 2009, out of the total Engineering R&D Services revenues, 58 percent was contributed by third party Indian service providers (HCL Tech, TCS, Wipro) and 40 percent by captive engineering services units, while the remaining 2 percent was by non Indian IT players.

Some of the largest deals in the last two quarters are as follows:

- Meggitt-UK, an international group specializing in aerospace equipment signed an estimated $50M 5-year engineering management outsourcing contract with HCL in January 2010.
- Infotech Enterprises and Hamilton Sundstrand signed a 4-year multi-million dollar avionics contract in January 2010 to provide embedded software and electronic engineering design services worldwide.
- Mahindra-Satyam and Saab signed an estimated 10-year $300M contract in November 2009 to develop solutions in

GS100 VENDOR SPEAK
● Use of unique methodology of predictive and adaptive engineering which possesses the nimbleness required in the fluid market scenarios of today. This agility translates into optimal solutions, allowing engineers to anticipate issues and fix them before they materialize.
● Engineering operational tools, based on state-of-the-art IT infrastructure, allow engineers to virtually walk through a plant and carefully study each structure. This allows easy adaptability to configure and reconfigure operations to a client's specific requirements.
● PLM services focus on implementation, application, development/ customization and maintenance using PLM tools.
● Some vendors have redefined IP strategy with a view to building a stronger portfolio for future monetisation, collaboration and risk mitigation.
● Re-engineering of powertrain components from physical components to math based parametric models.

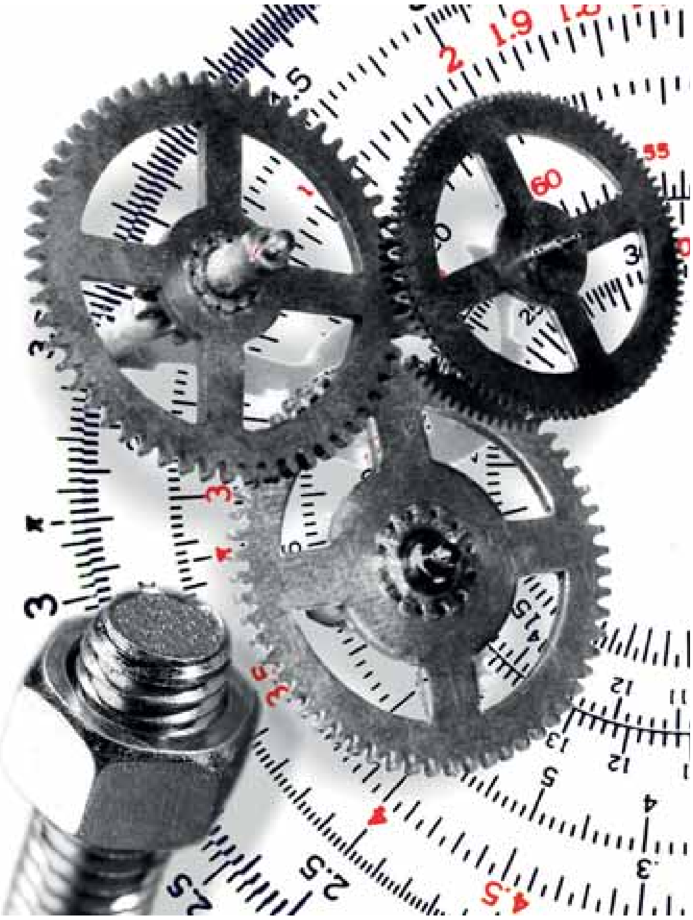
India for the global defense and homeland security market.

- QuEST Global and Belgian aerospace major SABCA announced in November 2009 that they signed a ten-year deal worth $100M to manufacture metallic parts and provide assembly work for Airbus A-350 XWB aircraft's flap track structures.
- In August 2009, Bombardier announced its decision to outsource engineering services worth $200M overseas over the next few years.

According to a research report by cbi.com, two developments in the demand for ESO can be observed as a result of the economic crisis. On the one hand, interest in outsourcing is increasing as companies want to reduce costs to strengthen their competitive position. On the other hand, there is less work to outsource as a result of the shrinking economy.

The global spending for engineering services, which is currently estimated at $750B per year, is nearly equal to India's entire GDP. According to a recent NASSCOM-Booz & Co report, the worldwide spend on engineering services is expected to grow to over $1 trillion by 2020.

Of the $750B spent today, only $10B-15B is currently being offshored. India gets about 12 percent of offshored market, which it shares with Canada, China, Mexico, and Eastern Europe. Experts say that these opportunities will not only



be captured by large companies in developing countries, but SMEs will also take market share.

Good product designs are produced in Asia by large software firms in India or ODMs (original design manufacturers) in China that concentrate on designing and producing high-volume commodity-like products such as cell phones and notebook PCs. Whereas India is developing design services, mostly on the software development side, ODMs are doing their design in Taiwan and their manufacturing in China. Global customers are now paying attention to India due to the large number of engineers available here but India needs to work on some areas to provide engineering services.

G H Rao, Corporate Vice President and Head, Engineering and R&D Services, HCL Technologies says, "If Indian IT companies increase domain knowledge, the core product development would be outsourced more. Sectors such as telecom, semiconductors and automotive have been the biggest revenue generators for the industry with embedded software design contributing almost 40 percent to the revenue base. An indicator of this growth is the increase in the number of offshore development centers (ODCs) that provide dedicated ER&D services, which has gone up significantly since 2006."

He also adds, "Technical capabilities in the mechanical & electronic areas in India need strengthening. Service providers are looking at long term strategic partnerships with the buyers to address the same. Another major challenge arises from operational issues such as attrition & wage inflation. In order to maintain their cost leadership, Indian IT companies are looking at operational efficiencies through internal & external benchmarking or continuous monitoring or improvement."

Germany is by far the largest importer and exporter of engineering services. Other large importers are Italy, Belgium, the Netherlands, the United Kingdom, Poland, Austria, Sweden and France. The countries that export the most engineering services are Germany, U.K., Italy, Belgium, the Netherlands, Austria, France, Poland and Sweden. Many Western European companies are making use of engineering services from Eastern Europe.

Engineering work is becoming more and more internationalized and engineering companies are becoming increasingly global. As European companies experience low profit margins and tight competition in Europe, they enter the developing markets, which offer large opportunities to capture construction projects. According to UNCTAD, nowadays 70 percent of engineering opportunities are found in developing countries (especially in the field of infrastructure).

For the coming years, employee shortages are expected in the European engineering industry. There is increasing pressure on the part of European companies to reduce costs, which requires more innovative solutions from suppliers in order to keep a stable price level.

BPO ANALYSIS and Trends

Could 2010 be the Year for FAO?

2010 promises to be a stronger year for FAO, as the previous year had buyers showing their commitment to the FAO model in the face of a challenging economic environment.

ASHWIN RAZDAN

Although the number of contracts signed and the Annual Contract Values (ACV) growth was lower in 2009 compared to recent years, organic growth through contract extensions picked up significantly and contributed to almost 40 percent of the ACV growth in 2009, according to research firm Everest Group. Only 9 percent of end-of-term contracts were terminated, largely due to macro-economic conditions such as buyer bankruptcies and lower transaction volumes. Established leaders Accenture, ACS-Xerox, Capgemini, Genpact and IBM accounted for nearly 65 percent of the FAO market's ACV.

The year 2010 looks better and service providers continue to improve internal processes to offer clients a better deal. Clients in this space are witnessing a 30-40

> Established leaders Accenture, ACS-Xerox, Capgemini, Genpact and IBM accounted for nearly 65 percent of the FAO market's ACV.

percent reduction in per invoice cost; 70-80 percent reduction in accounting errors; and nearly 35 percent lower average processing cycle time.

SERVICES OFFERED

While accounts receivable, accounts payable, controllership accounting (including Reconciliation, Cost Accounting, General Ledger Accounting, Provisioning Asset Accounting; Audit Support, Financial Analysis and Reporting and Taxation) continue to remain the favorites to be outsourced; others include, capital budgeting, treasury and risk management, fixed asset accounting. Most $1B plus companies in the GS100 list also offer procure-to-pay, order-to-cash, record-to-report and business consulting/ transformation services. A few vendors also combine these processes with call center services, superior customer and vendor support, risk management and continuous improvement programs to enhance quality and efficiency. Product offerings are also evolving from being rule-based transactional processes to judgment-based technically complex processes around the F&A domain including joint ventures, entity account management, lease accounting, property accounting and data analytics.

TEAM SIZE

Better forecasts in the F&A space have encouraged even smaller vendors to increase their team size to meet the estimated demand. GS100 reveals that small service providers have an average headcount of 250-1000; Band 2 has 2000-3000 people, while Band 3 and 4 have a team size of nearly 8000 in their F&A business.

TOP DELIVERY LOCATIONS

India continues to top the chart as the most popular destination for F&A outsourcing; with cities like Pune, Bangalore, Chennai and Mumbai housing some of the largest teams in the world. It is closely followed by U.S., China and Poland. Other locations

with significant manpower include Canada, Panama, Philippines, Bulgaria and parts of Latin America.

Approximately 80 percent of F&A work is delivered out of offshore and nearshore locations and the overall FTE strength of FAO grew by over 30 percent in 2009.

The year 2009 also witnessed significant onshore FTE ramp-ups (especially in US) implying the growth of an onshore-nearshore-offshore delivery mix. However, the maximum growth from an offshore / nearshore standpoint took place in India (both tier 1 and tier 2 locations) and S.E. Asia. It is interesting to note that captives continued to be key M&A targets for suppliers.

Industry verticals that saw the largest increase in the value of deals signed during 2009 were the telecoms and pharmaceutical sectors, with the Everest report adding that there was also "stronger than expected activity from financial services". The FAO market growth continues to see aggressive adoption across manufacturing, consumer packaged goods, retail and high-tech sectors.

Industry experts see continued growth in this sector, as successful suppliers will continue to identify and refine target buyer segments, meet client needs in terms of global delivery capacity and service, bring technology and process solutions that more closely link process operations with business outcomes, and focus on client relationship management.

CLIENT PROFILES

The largest client-base in this sector is based in the U.S. followed by those in UK. The leading segment for FAO was

GS100 VENDOR SPEAK
● Vendors geared to achieve higher customer satisfaction ratings.
● Some offer call center services, vendor support, risk management and continuous improvement programs as a part of their end-to-end F&A solutions.
● Offerings have progressed from rule-based transactional processes to judgment-based technically complex processes.
● Many developing proprietary tools for reconciliation and technology evaluation, and workflow solution for financial transaction.

found to be the manufacturing industry. Some of the others include:

- Banks
- Consumer electronics
- Energy services companies
- Insurance companies
- Law firms
- Mining organizations
- Private equity firms
- Print media conglomerate
- Pharmaceutical giants
- Retail conglomerates
- Property management companies
- Transportation, logistics and courier companies
- The airline industries
- Telecom

Undoubtedly, the recent significant demand in financial services will drive growth in the industry. The picture is only set to turn brighter as the global economy revives. Most suppliers are reporting stronger sales pipelines. According to the recent Finance & Accounting Outsourcing Annual Report 2010, business is expected to rebound from pre-recessionary growth levels to 20 percent plus growth to reach $3.7 B.

While analysts continue to believe that the services spending will revert to the pre-recession levels, it will immensely depend on how transformational the services offered can be. Further, the fear of another recession (in the current volatile market) may also slow down the expected growth.

Changing Deal Terms and Risks Define Market

PO deal pipelines have shown a healthy upward graph since 2000, as buyers are much more accepting of outsourcing as a solution and are becoming more sophisticated in deal developments. PO processes have also improved and transformed during this period.

PRATIBHA VERMA

> There is a significant trend upwards to include the sourcing activity in procurement deals to bring in more business case value.

The procurement outsourcing market has a unique competitive landscape. It is dominated by four market-leading vendors, including two outsourcing giants (IBM and Accenture) and two procurement specialists (ICG Commerce and Ariba).

The PO agreements are an effort to reduce indirect costs, drive bottom line improvements or reinvest to drive growth. Under one

GS100 VENDOR SPEAK
• Offer clients benefits not only from bottom-line savings, but also from improved service levels, stronger supplier relationships, and improved efficiency of people and resources.
• Optimization of suppliers approach: Providers research the best sources with the lowest price points, and work with clients to improve and manage supplier agreements and terms.
• Some offer fully managed services model delivered through the sourcing and procurement business platform, which has best of technology (based on SAP SRM), process and BPO all bundled as one solution. Can further be customized based on client needs. The platform is operated on outcome based model and provides financial and technological flexibility to clients while reducing overall risk.
• Commercial model is also designed to match clients' needs and budgetary requirements.
• Global delivery model enables a customized delivery model based on client-specific requirements, multiple delivery location options ensure seamless delivery and scalability of operations, and customized commercial flexibility is an outcome-based compensation structure which is considered as "pay as you save," not "pay as you use."

of the latest PO deals of Xchanging with CHEP, Xchanging was asked to manage $116.5M of spend per annum ($582M of spend over five years) on behalf of CHEP Europe and help integrate and standardize procurement processes for CHEP's business across the U.K., France, Germany and Spain for their non-core categories. Xchanging was also asked to consolidate spend management and help reduce overall non-core procurement costs across CHEP's European businesses. The contract included sourcing of non-core categories and a large proportion of procure-to-pay activities.

PO DEAL TERMS

Deal terms are slowly becoming mature, but risks stemming from internal readiness to comply with new policies and inconsistencies in measurement of benefits are yet to be tackled.

The deals have risen steadily with a recent trend towards broadening scope, according to Equaterra.

Rick Bertheaud, Managing Director, Equaterra says, "There is an expansion in PO cycle which includes sourcing, procurement operation, back-end accounts payable and full source-to-pay. Some people are doing only procure-to-pay, that is, procurement operations and payables. There is a significant trend upwards to include the sourcing activity in procurement deals to bring in more business case value."

Larger providers are capitalizing on industry experience base like IBM capitalizing on CPG experience, and Accenture continuing to do well in the financial institution segment. The deal activity in 2009 was quite strong. Many were smaller, sourcing-only deals focused on driving short-term savings.

"We are seeing broadening of categories in the market where deals are narrowly focused on some indirect procurement activities, but some providers are gaining traction in direct categories, for example, Corbus in manufacturing and Capgemini in the utilities industry. Providers seem to be softening technology push in solutions. Tools are still part of the offering, but a strong push for big technology / transformation investment seems to have waned. The reason is that if it gets delayed, the deal becomes more expensive and clients want quick return on investment," he adds.

Despite the expansion of procurement outsourcing, the continued lack of standard deal terms suggests that the market is not yet 'mature' and still has a number of risks in it.

RISKS IN SERVICE DELIVERY

Change management: The largest risk in doing Source-to-Pay Outsourcing (S2PO) is more around managing change internally within the client's organization. This is actually true regardless of the delivery model - whether you are building a captive or you do it with an outsourcing provider.

"In the scheme of things, it is relatively easy to go out, find new suppliers and negotiate better contracts, which is the sourcing part. The toughest part comes afterwards - getting your internal customers within a client organization to buy off those contracts. In fact, non-compliance with negotiated contracts and specifications from preferred suppliers can create significant value leakage. In some companies, a culture of 'rogue buying' persists where people act on their own, go out and find their own goods and services from non-verified vendors, who are not listed in the deal. Organizations that manage compliance well – which can be supported with tools and practices offered by procurement outsourcers, can 'plug the leaks'," Rick says.

Financial: In addition to change management risk, source-to-pay (S2P) also carries greater financial risks than call center, procurement operations only, or other BPO deals, which rely heavily on labor arbitrage to create value.

Rick expands, "S2PO has a very different model. Often times, clients are underinvested in sourcing operations prior to engagement. Such clients may actually invest more to generate larger savings downstream. S2PO is not about reducing administrative cost of the activity, but it is about generating savings from third party spend. In fact, often you have to spend more in order to generate healthier savings."

There is an inconsistency in selection of resource units used to allow variability in base charges like FTEs, spend volume, transaction volume, and savings achieved. In S2PO deals, there is a lot of focus on realizing savings and ensuring deal terms to provide mutual incentives to deliver the desired business case.

The challenge is in objectively measuring achieved savings. What seems like a straightforward exercise can quickly get complicated when new products, services, specifications, and suppliers are added to the mix. To this end, it is critical that deal terms with S2PO providers not only include clear targets and incentives for savings achievement, they also need to address the methodologies to be used in calculating savings. Rick adds, "In the end, deal terms will only go so far. Trust and collaboration between client and PO provider is critical to the success of a S2PO relationship."

Not just the absolute savings, the relative savings are also important. Most of this saving is relatively measured; it is more ambiguous, and hence has to be discussed and agreed to as part of the savings calculation methodology between the partners.

CONSIDERATIONS FOR PO

Deal terms are maturing, but vary from deal-to-deal. It is to be ensured that contract takes care of the objectives and risks of

the relationship. In terms of savings assurance service levels, there is a shift from a penalty-only-model to a balanced-gain-and-pain-share model to encourage providers to exceed targets. Both models require clear rules of engagement and measurement; ensure that savings are identified, calculated and tracked.

Picking the right PO provider is critical. While buyers should have the necessary diligence to evaluate the provider's technology, delivery model and solution, choosing a partner that aligns culturally to foster an environment of collaboration and trust is even more important.

In PO, it is almost entirely about creating an environment of collaboration. Managing savings is important and should be measured beforehand.

Adequately addressing the change management issues is also critical. It should also be ensured that one is pulling in the right executive sponsorship, putting in place the processes, tools and communication programs to drive compliance.

IMPACT OF CLOUD

Cloud computing has begun to impact many areas in the services industry. PO vendors are closely looking at the software-as-a-service (SaaS) model. Procurement processing is getting increasingly tied to the platform.

One of the best examples of 2010 is Capgemini, a PO service provider, which acquired IBX, a procurement services and software as a service (SaaS) provider with service offerings that combine hosted third-party technology (e.g., SAP SRM), internally developed solutions that make up for the functional shortcomings of existing systems and expert services. Capgemini is ready to tackle this new growth opportunity. Service providers are getting themselves ready for the change, despite knowing that the buyer community is still not confident about cloud security.

HRO: Buyers Choose Short- term Single-function Deals

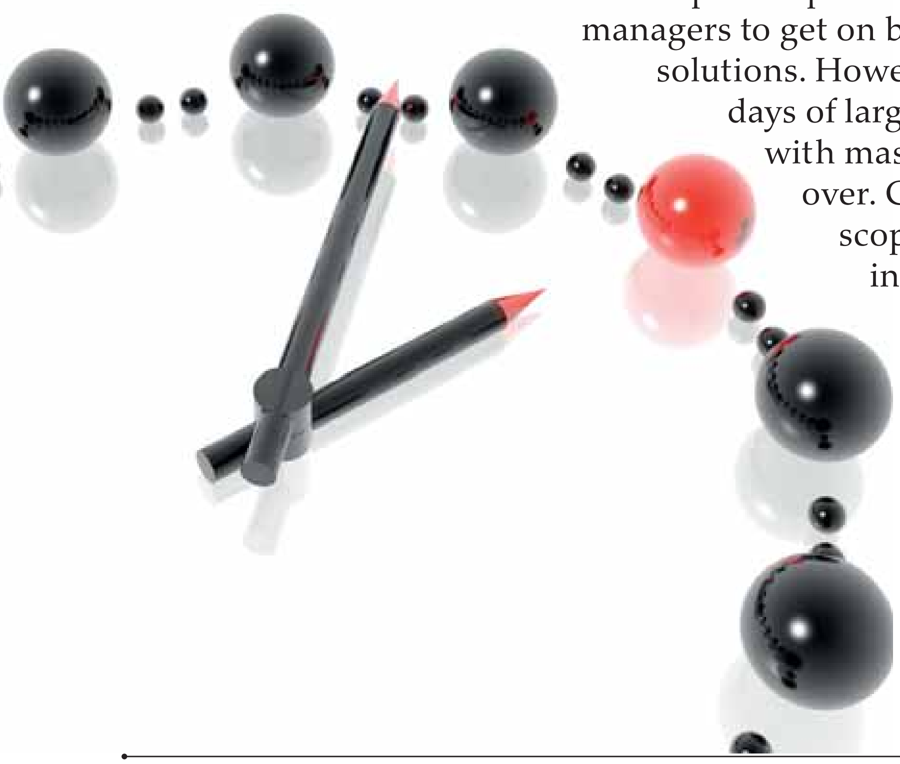
Customers are looking to reduce size, scope and contract duration of deals in order to give them more agility as their business situation changes.

PRATIBHA VERMA

> Year 2010 could be a turning point in how HR services are delivered.

Economic variations have always influenced buyer behavior. The stringent global economic conditions of 2008-09 not only made the buyer community cautious about investment but also about yielding short-term return on investment (ROI).

In the present slow recovery phase, customers are following a strategy of spending less and getting more. This behavioral change is emphatically visible in the Human Resource Outsourcing industry. Shaun Dunphy, Senior Manager, Alsbridge says, "The economic crisis has helped corporate centers convince more country managers to get on board and support outsourced solutions. However, the general view was that the days of large scale multi-process HRO deals with massive upfront transformation were over. Customers are looking to reduce size, scope and contract duration of deals in order to give them more agility as their business situation changes."



Buyers have reduced contract durations from 5-7 years to 2-4 years with clear exit/break options built into the contracts. This lays emphasis on the realization of early benefits and less complex transformation and redesigning at

the start. Thus, customers are seeking more rapid implementation timescales of between 6-18 months. At the same time, they are expecting continuous improvement, transformation and innovation to be a standard feature of any contractual agreement at no additional cost.

Dunphy says, "Suppliers report that customers now accept that HR processes are 80 percent the same. This leads to the growth of multi-tenanted systems based on standardized business processes. However, suppliers are more selective when it comes to bidding for HRO deals. Some suppliers have categorically excluded large multi-process deals as the time to profit is too long, too risky and governance is tricky."

Recruitment Process Outsourcing (RPO), driven by North American MCs, and Talent Management in HRO, are regarded as a high growth market. This has led HRO suppliers to acquire or enter into strategic partnerships with niche RPO providers to offer end-to-end services. Learning and Development, integrated with Performance Management and Personal Development offerings, continues to do well in U.K. and Scandinavia.

Learning management services are requested more in the EMEA and AsiaPac regions than they are in North America. Suppliers are focusing on "point solutions" for specific markets in order to win new business.

CLOUD COMPUTING

With the advent of Software as a Service (SaaS), there has been a significant shift in HR technology. Dunphy says, "Year 2010 could be a turning point in how HR services are delivered. For the moment it may be limited to the early pioneers to explore the art of the possible but even when all the hype is removed this looks like a viable alternative to the more traditional licensed, installed and expensively maintained HRM/ERP solutions of yesterday and today."

"Early deals were expensive due to the inherent nature of the ERP software licensing, often with the insistence that the client would need to continue paying for licenses and annual maintenance. In more recent times with the arrival of generic ERP-based platforms such as those offered by NorthgateArinso (euHRka) and ADP (GlobalView) there has been a move towards subscription-based pricing as an alternative option. SaaS solutions will make this even more enticing provided that software vendors and HRO service providers work together to develop compelling business cases," he adds.

Suppliers are investing heavily in their own HR Information Systems solutions. While behind the scenes this may be based on SAP, Oracle or Unit4 Agresso engine, there is focus on supplier branding and improving end-user experience by adopting so called "Web 2.0" interfaces at the presentation layer.

To provide SaaS, suppliers offer their own system(s) and prefer that the customer migrates to their system. In most cases these are built on global instances of SAP or Oracle. However, at the "point solutions" end of the market such as Performance Management and RPO, there is more evidence of the growth of Web 2.0 solutions not based on the major ERPs. "Suppliers who do not offer their own system would work on whichever system the customer prefers. Even though many studies suggest that there is an important trend towards integration rather than functionality, suppliers still say that some customers demand processes such as recruitment and learning to be run on "best of breed systems" sitting under a customer-owned ERP system," Dunphy says.

Overall, the next generation of HR solutions and services will be less HR-centric and more focused on operational business. "We are likely to see more involvement in the procurement process of COOs and their operational line managers who will want to understand how such solutions will help them run their business, especially in the area of workforce planning and management. This has to be good news for HR since it makes

GS100 VENDOR SPEAK
• Deploy different businesses strategies and models to streamline business operations and to improve bottom line.
• Popular business models at the basic level include the use of in-house HRO solution and expanding global footprint with multi-lingual delivery capabilities to different geographies.
• Innovative pricing model gives clients unlimited pay-runs and pay slips transactions, which reduces cost of operations for clients, and switches from capital expenditure to operating expense model.
• Investing in building a 'Multi-tenant' HR delivery solution which supports multiple processes across multiple locations on SaaS delivery model.
• Best practices: employees surveyed regularly to monitor satisfaction and motivation levels, and to identify and address areas of improvement for both workers and also the organization. Human Resource Managers work closely with Team Managers to develop strategies to manage and retain staff.

them an essential component of business success," he says.

PRICING TRENDS

Taking a cue from the demands of customers, suppliers have also increased their pricing flexibility and are open to customer proposals during negotiations. Customers are interested in output-based pricing like subscription-based services, price per transaction (or service request) and smoother costing models which relate pricing directly to work undertaken rather than notional FTE (or headcount) savings.

"Gainshare models can be used for regional deals where cost reductions of 15-20 percent are targeted. Benefits-based pricing is often discussed but proves difficult to implement successfully for shorter term deals. Low cost entry models where the supplier effectively funds all or part of the design/ implementation phases and then recovers the costs over the course of the contract are on offer but suppliers tend to charge high interest rates on the loan period," Dunphy says.

"Furthermore, we expect to see additional mergers and acquisitions among suppliers aimed at increasing breadth of services, entering new geographic regions, or in some cases exiting the HRO marketplace," he adds.

Focus on Customer Value, Bundled Services, and Virtual Contact Centers

Performance improvement by service providers, significant cost reduction potential, growing executive-level acceptance of outsourcing as a business practice, declining in-house capabilities, and rising customer demand for multiple support channels have been the main growth drivers for CCS outsourcing in the last year.

SRUTHI RAMAKRISHNAN

Contact center outsourcing, over the past few years, has grown beyond the traditional core markets of financial services, telecommunications and travel. Industries, such as pharmaceutical and brokerage that have traditionally been slow to adopt outsourcing because of industry-specific regulations or

> Focus has shifted from closing the call quickly to doing all that is possible to increase clients' revenue and level of satisfaction.

other challenges, are beginning to outsource at least part of their contact center operations.

CCS OUTSOURCING ON A GROWTH PATH

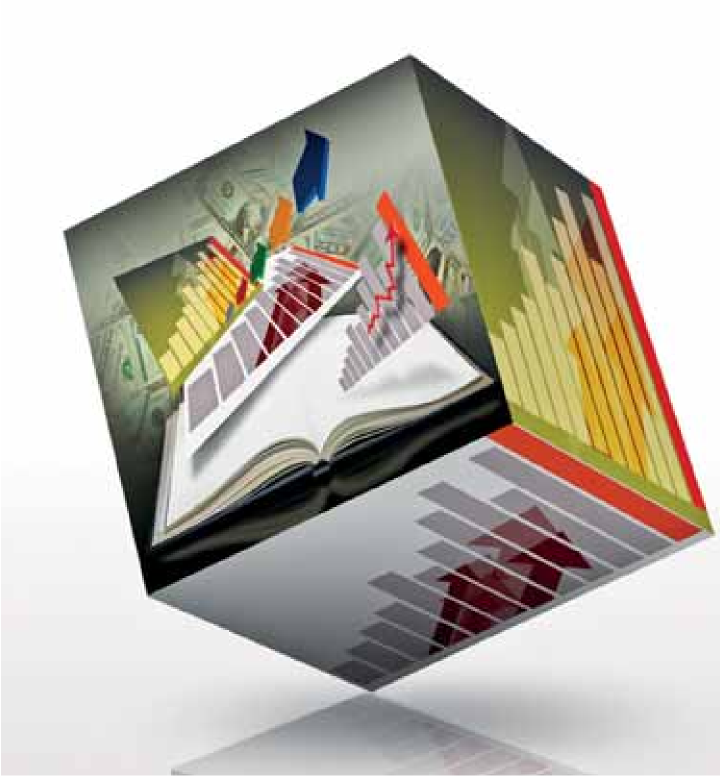
According to TPI's A Peak Time for Contact Center Outsourcing Report (April 2009), organizations' annual spend for contact centers are estimated to be $300B and are expected to hold despite the economic weakness. Approximately 78 percent of this is spent on in-house operations, with the remaining 22 percent — more than $66B — being outsourced. However, outsourcing spend has grown in the past four years, while in-house spending has been relatively flat.

In-house contact center operations today are often marked by dated technology platforms, declining budgets, deferred technology investments and a management emphasis on cost containment. At the same time, third party vendors have been implementing fundamental changes in best practices, customer service delivery, global sourcing strategy and effective use of technology leverage; making outsourcing CCS a profitable proposition.

Performance improvement by service providers, significant cost reduction potential, growing executive-level acceptance of outsourcing as a business practice, declining in-house capabilities, and rising customer demand for multiple support channels have been the main growth drivers for CCS outsourcing in the last year, the TPI report says.

LESSONS FROM THE RECESSION

Coping with slow recovery from recession, clients want more than to just save money by sending call-center work overseas. According to Gartner's CEO Concerns: Peering Into 2010 and Beyond report (March 2010), there has been a major shift in CEO priorities since early 2010 from cutting costs to retaining customers and enhancing existing relationships. Client companies are now more conscious about how their customer-care calls are handled. Customer satisfaction is back as a top priority. The focus has shifted from closing the call quickly (to



achieve efficiency targets and reducing the handle time) to doing all that is possible to increase client's revenue and level of satisfaction. Outsource partners are now required to add value by meeting financially-related KPIs like increasing sales, improving debt collection, enhancing customer loyalty, etc.

The trend is leading outsourcing firms to grow aggressively again in the United States. High-value customer calls are increasingly staying within North America, where costs may be higher than offshore, but at-home operators can generate revenue. Simpler and lower-value tasks, which do not present sales opportunities, are being routed to offshore operators in larger numbers than ever.

DESTINATION CHECK

The options for offshore destinations have increased due to changes in the global services marketplace, while preferences in offshore destinations have changed. According to the TPI report, the Philippines continue to be the top choice for offshoring customer service for American English-speaking customers, as a "result of a better cultural alignment with the West and a less significant accent in the Philippines". India remains an attractive choice for technical support work, more complex technical problem solving and back-office function support.

U.S. companies now also enjoy more nearshore options because of the expansion and new capacity in Mexico and Central America. The leading service providers have built modern global services delivery infrastructure here and implemented best practices that allow them to effectively and efficiently leverage their scale, volume, global capacity and technology to better serve their clients.

neoIT's 2009 Latin America Contact Center Landscape Report holds changing demographics (increasing Hispanic population) in the U.S. along with cost considerations and overheating of traditional offshore destinations responsible for forcing U.S. corporations to explore Latin America as an outsourcing destination for their back-office and contact center operations. Geographic proximity, cultural affinity, and similar time zone with the United States further bolster the case for outsourcing to this region. Latin America scores not only as a large domestic market that contributes to the supply side by serving as a talent pool to recruit from, but also as a market that consumes services.

The report concludes that while certain countries such as Mexico, Brazil and Costa Rica have already established themselves in the outsourcing market, a host of other countries, like Panama, Colombia, Jamaica, are attracting business through aggressive marketing efforts or by offering financial incentives.

ADOPTION OF NEW TECHNOLOGIES

Hosted contact centers are emerging as a solution for companies that have outgrown existing applications and systems, those which are expanding geographically or want to utilize virtual agents. The fastest growing segment of hosted contact center adopters is the large contact centers (more than 500 seats).

Outsourcers are also investing heavily in IP-based virtual contact center architectures that enable business applications to be deployed at a single point on their networks but be accessed and used by anyone with access to the network and permission to use the applications. As "Network as a platform" becomes the primary driver, the need to have geographically disparate yet accessible service is becoming key. Virtual contact center technology has not only changed the management of multi-site outsourcing operations, it has also opened the way for outsourcers to provide the same technology resources to other organizations.

GS100 VENDOR SPEAK
• Services now offer tangible benefits in the form of stronger relationships, increased sales and extension of the lifetime value of customers by applying technologies like call-routing solutions and workforce optimization.
• Client solutions comprise People, Infrastructure, Processes and Methods following an appropriate implementation approach, creating customized front office and back office operations. Integrated BPO solutions help to reduce service costs, increase revenue and improve customer retention.
• Emerging business models provide dedicated professional resources along with complete infrastructure and administrative services at delivery centers to work exclusively on a client's projects, whereby clients get their own remote IT department with substantially less investments.
• Solutions are leveraging the SaaS platform for cloud-based predictive services.
• Best practices: regular client meetings, using root cause analysis as standard of improvement, documenting customer issues in an incident tracking system and escalating according to established standard operating procedures, monitoring, scheduling, and prioritizing. Protocols ensure total privacy of clients' data.

In the next few years, enterprises are expected to move beyond contact center to a customer interaction network with hosted contact centers for both enterprise customers and service providers. These hosted contact centers will create a new, high-margin service revenue stream for service providers. They will provide a centralized contact center infrastructure that can deliver services to various divisions or satellite offices of enterprise customers. In a central office or data center, service providers will host the contact center infrastructure software, which will be shared by multiple business customers. Subscribing business customers will have IP or time-division multiplexing (TDM) infrastructures or a combination of the two.

The industry is also embracing cloud technology as contact center customers increasingly demand a faster, more responsive service. As applications are delivered over the internet or in 'the cloud', organizations hope to move away from complicated physical set-ups on-site and thus make significant cost savings. Applications can be updated virtually, meaning that agents will always have the most up-to-date customer information in hand. Cloud technology will also create greater scope for home-working, as well as dealing with more unforeseen circumstances, as contact center staff will be able to access the cloud wherever they are in the world. This will make relocation or expansion a seamless experience.

Solutions providing unified capabilities–allowing a single agent to support multiple interactions simultaneously, regardless of the communication channel the customer has chosen–are gaining popularity, especially in large size contact centers which can support thousands of agents.

CHANGES IN SERVICE OFFERINGS

Most established vendors are now pitching for jobs that do not necessarily need a large workforce but are niche, generate more revenue and return on effort. The ability to provide expertise across a range of different disciplines will become increasingly important as the contact center outsourcing market matures.

New entrants are trying to differentiate themselves with new technology applications and service offerings. The latter include 'bundled' services: customized service packages consisting people (advisors and management), expertise, processes technology and environment according to the needs and demands of clients.

Small companies are offering complete CaaS (Communication as a Service) solution for contact center automation and outbound notifications as a scalable service that delivers more functionality and better ROI than in-house communications systems. CaaS offers flexibility and expandability that small and medium-sized businesses might not otherwise be able to afford, allowing for the addition of devices, modes or coverage on demand. Moreover, the advantage

of a pay-as-you-go pricing model is only too obvious for today's enterprise, where budgets are tight but the need to operate with the latest in communication technology is a necessity for competitive advantage.

Voice-based contact center services are rapidly moving beyond traditional "voice" communication to include a blend of voice and live-chat (i.e., text based) engagement. Interactions through text/SMS, video, and Web are becoming the most used channels for inbound interaction.

Outsourcers will move to focus heavily on consulting and expert support services – from contact center design to staff recruitment and training. This is because though vendors will continue to awe their prospects by adopting the latest in technology, it is the quality (of people and partnerships) that will define the success of an organization in the long-run.

CUSTOMER REMAINS THE KING

The industry is seeing increased social media customer interactions. Such interactions through popular social media platforms (Twitter, Facebook, etc.) are used to monitor and extract intelligence to provide better customer service, drive sales and drive customer loyalty.

Focus on the customer is set to increase. CCS providers plan to increase "proactive, value-add customer contact" programs, "sales and marketing" programs, and "collections" programs in their outbound customer programs over the next two years.

The ability of CCS to contribute to business transformation has been accentuated by investments made by service providers on technology and platforms. In addition, leading service providers have built modern global services delivery infrastructures and implemented best practices that allow them to effectively and efficiently leverage their scale, volume, global capacity and technology to better serve their clients.

The CCS market is set to grow further as more companies recognize that they have access to suppliers at various price points and with mature skills.

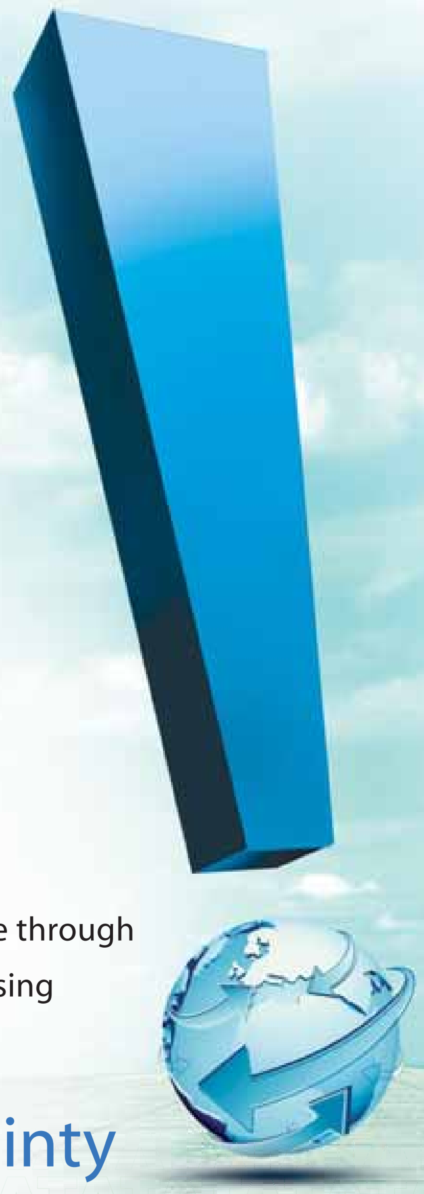
Industry-specific BPO Will Evolve Stronger Than Horizontal BPO

The U.S. Healthcare Reform bill is being seen as the biggest bonanza yet for the industry. While strong IT services vendors have been developing BPO niches in specific verticals, newer BPO vendor entrants are entering through the industry-specific domains. Opportunities will be widespread where BPO and IT services can be bundled together.

SRUTHI RAMAKRISHNAN

Vertical-specific BPO services present a larger and more diverse market opportunity as compared to horizontal BPO services. The U.S. Healthcare Reform bill has been the biggest newsmaker in this regard, with many already terming it the "biggest bonanza yet" for the industry. Service providers with expertise in the healthcare area, both from industry leaders like India, Philippines and nearshore locations like Canada, Mexico are queuing up to grab a share of the approximately $2.5 trillion US healthcare pie.

Experts say that opportunities will be widespread in those industry domains where BPO and IT services can be bundled together under a single vendor's provision. This will help to generate more efficient business outcomes and secure future IT work with existing clients. So the providers who can bring in industry domain expertise are set to emerge as significant players in



Achieving business excellence through
efficient and effective business processing
and winning insights.

That's certainty

Tata Consultancy Services (TCS) is an IT services, business solutions and outsourcing organization that delivers real results to global businesses, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled services delivered through its unique Global Network Delivery Model™ (GNDM™), recognized as the benchmark of excellence. TCS is a part of the Tata Group, India's largest industrial conglomerate, with over 160,000 of the world's best consultants in 42 countries. The company is unique in its ability to deliver customer value beyond SG&A processes. It helps customers not only reduce COGS but also identify new revenue streams. TCS also partners with customers to accelerate co-transformation, and generates business value for customers through delivery excellence, risk management and innovative models such as Platform BPO, an initiative that aims to deliver a process as a service. Coupled with the culture of continuous improvement and agility institutionalized within the team, TCS is fully geared to fulfill its promise with real, tangible results. Delivering business excellence, reliably and consistently. And of course, enabling a whole range of organizations to experience certainty.

To learn how your business can experience certainty, visit www.tcs.com

TATA CONSULTANCY SERVICES
Experience certainty.

IT Services ▪ Business Solutions ▪ Outsourcing

“

Many BPO firms, including Indian ones, recently increased or are increasing onshore presence in the U.S. so as to gain more business from the on-the-brink-of-booming healthcare industry there.

the coming year.

A trend which is indicative of this growth potential is that newer vendor entrants are entering the BPO industry through the industry-specific (vertical) process domains. Most of the strong IT services vendors have also been developing BPO niches in specific verticals where they have developed some strong process acumen and client credibility.

According to a survey by Horses for Sources, one-in-ten financial services firms, and one-in-five from life sciences, are looking to move into some form of domain-specific BPO this year for the first time. These are typically areas where there is some immediate labor arbitrage opportunity, like trade settlement transactions and mortgage processing in financial services, and data storage and management processes in life sciences.

REASONS FOR EVOLUTION OF THIS SECTOR

At the outset, process outsourcing had been primarily a cost-control strategy driven mainly by labor arbitrage. Cost-control is still relevant. But in today's environment, especially keeping the slow economic recovery in view, organizations are searching for value--for ways to do things better, faster, and cheaper--and for the ability to truly transform their businesses. To do that, they need BPO that is based on industry-specific knowledge and that is driven to achieve measurable business outcomes.

On the buyer side, several industries- financial services, life sciences, healthcare, retail, manufacturing, media, etc. - are undergoing fundamental changes, right from their infrastructure to business model to customer expectations. In such a situation, outsourcing processes is no longer seen as abhorrent or unusual.

Another reason is the success of existing domain-specific BPO engagements. Over half of all the financial services and life sciences firms recently surveyed by Horses for Sources are looking to expand existing BPO engagements this year, and very few intend to pull work back onshore. However, this does not necessarily entail massive increased spending overnight, but more a gradual incremental increase in engagement scope.

Suppliers also find the marketplace increasingly crowded, and

industry-centric capabilities enable competitive differentiation. Moreover, the move to greater domain-specificity is intrinsically tied to the business utility model of the future, where there are signs of the convergence of SaaS, Cloud and BPO/ITO models within an engagement structure. The need for clients and vendors to define, develop and implement holistic end-to-end process solutions is slowly coming to the forefront.

All these reasons have led an increasing number of industry verticals to explore new and radical means to improve productivity, source new revenue opportunities and drive out cost. Other benefits sought from providers include enhanced customer service, greater competitive agility, and measurable long-term business value, to name a few.

VERTICAL-SPECIFIC POTENTIAL

Healthcare outsourcing: The Healthcare Reform bill has the outsourcing industry abuzz with anticipation. Many BPO firms, including several Indian ones, recently increased or are in the process of increasing their onshore presence in the US or seeking possible mergers and acquisitions with other companies so as to broaden their expertise and so gain more business from the on-the-brink-of-booming healthcare industry there.

But capturing the US healthcare market is easier said than done. So far only few IT and BPO firms have made a headway into the US healthcare provider and payer market despite the huge potential for automation and outsourced services in areas such as revenue cycle management and claims processing.

GS100 VENDOR SPEAK
• Industry focused solutions being customized to deliver timely business impact and to tackle even the most unique industry issues.
• Offer business process improvement leveraged by IT services instead of just cost arbitrage offered by the traditional outsourcing model.
• Enhance quality of service delivered to the customer by utilizing newer technology to improve the process, or by applying the existing technology and subject-matter expertise in an innovative way to add value to the process; ensure a highly flexible and secure infrastructure for delivering BPO services; provide ongoing training to associates to keep them abreast of industry developments, new products and services.
• Greater onsite presence being sought to enable knowledge centric discussions and better customer experience.
• Best practices: Providers catering to the healthcare industry comply with quality control mechanisms like the ICD-9CM Official Guidelines for Coding and Reporting, AMA guidelines from CPT-4 Code Manual & CMS guidelines [CCI & LMRP], while their delivery centers are HIPAA compliant. BFSI service providers partnering with international institutes like AICPCU, LOMA etc., to acquire domain knowledge and in designing customized solutions for clients.

Industry players and experts cite issues like lesser willingness to outsource as compared to the financial services players, regulatory and privacy concerns related to patient records, compliance to specific Acts such as HIPAA (Health Insurance Portability and Accountability Act), knowledge of medical procedures and codes, and variations between states which make this market more challenging.

But with 32 million Americans slated to join the ranks of the newly-insured, many providers will soon be seeking assistance in the processing of not just the new enrollees, but their existing clients as well. Insurance providers who were previously hesitant about outsourcing services will also now be forced to rethink, especially as competition will be tougher than ever in this industry. Of course with that, competition to gain profit from healthcare services will be tougher in the outsourcing industry as well.

Financial sector outsourcing: The financial services sector has seldom faced a tougher set of business, market, and regulatory challenges. Many firms face threats from ongoing consolidations, more mature non-traditional competitors, and proliferating compliance demands. To meet these challenges, BPO is increasingly being seen as a logical and proven tool for banks, card issuers, mortgage, insurance and other financial services firms. Banks and other organizations are using BPO to manage risk, to reduce costs, and to comply with increasingly rigorous regulatory demands.

Mortgage Process outsourcing: The major challenge which service providers face while offering mortgage services is the integration of services like loan origination, vendor management, post-closing processing services, third party services until underwriting, modification services, technology services etc.

TCS (Tata Consultancy Services) shared with Global Services ('New Demands in Mortgage Processing BPO', September 28, 2009) that as mortgage rates dropped to under 5 percent early last year, re-financing activity increased creating a spike in demand for origination and loan closing related services. This demand cooled as rates edged up. For default related services including MODs and real estate owned (REO) there were early demand spikes as servicers began to deal with the mortgage crisis. An uncertain regulatory environment and political pressures for moratoria on foreclosures late in 2008 contributed to a slowing in default outsourcing. As moratoria expire and MOD programs become better defined, service providers are facing a need to rapidly add scale. Cycle time has shortened dramatically. For service providers this translates into a need for excellence in manpower management, recruiting, and training. An additional critical element is deep domain expertise – the ability to work with the client to optimize processes, find ways to automate more fully and expand the scope of potentially outsourced business processes.

Life sciences outsourcing: The industry-wide drive for pharmaceutical and biotechnology companies to lower costs, access specialized services and increase flexibility through outsourcing work to Contract Service Providers (CSPs) was highlighted by BioCrossroads' latest report on Industry Developments in U.S. Biopharmaceutical Contract Services. The new report acknowledges that while 2009 was slow for many CSPs, the underlying reasons for pharmaceutical and biotechnology companies to outsource selected activities will continue for the foreseeable future. CSPs should continue to grow as the pharmaceutical industry moves towards a more flexible business model. Biomarker services and the need for larger clinical trials will provide opportunities for additional growth in future years.

Besides, with the consolidation of the pharmaceutical industry and the continued trend of strategic partnerships between CSPs and their clients, many companies in the sector will be drawn to find new revenue sources.

Besides India and Japan, China is emerging as a potential industry leader in this vertical. According to a 2008 report 'The Changing Dynamics of Pharma Outsourcing in Asia: Are You Readjusting Your Sights?' by PriceWaterhouseCoopers, big pharmaceutical companies rated China as the best location for outsourcing in Asia. The country's large population represents enormous market potential for Western firms whose domestic profits are coming to a standstill. Pharma companies are also drawn by China's low production costs. The Wall Street Journal estimates that the total cost of a scientist in China is $30,000, compared to $250,000 in the U.S. Worldwide pharmaceutical firms looking to expand sales into emerging markets are contributing resources to China.

Supply Management outsourcing: The market surpassed a billion dollars in expenditure for the first time last year, with a 30 percent hike in expenditure on new multi-scope BPO contracts, as reported by the AMR Research Supplier Management BPO services report of 2009. The main reason for this uptake is the increased availability of low-cost offshore services for procure-to-pay and strategic sourcing support, with 72 percent of services being delivered from India for largely North American and European organizations. But experts say that this market will not sustain its growth trajectory unless customers think beyond short-term labor arbitrage, and service providers introduce significant process and technology enhancements to the early adopters to help them optimize their delivery.

Publishing outsourcing: The pressures that publishers faced in the wake of economic recession stimulated the e-book market. In the U.S. alone, trade wholesale electronic book sales amounted to $167M according to the International Digital Publishing Forum (IDPF). The e-book segment is growing and has witnessed serious attempts by publishers to make it a strong revenue source.

Outsourcing is being looked upon, besides to tackle cost pressures, to deal with the challenges of adapting to new technology, lack of in-house capability and addressing new geographies.

According to a 2010 ValueNotes survey of publishing service buyers, India was followed by the U.S. in popular publishing outsourcing destinations, while the Philippines was the second most preferred offshore destination after India. ValueNotes estimates the Indian publishing outsourcing industry to grow to a $1.2B annual market by 2012 from $660M in 2008. This growth is expected to come from the rise in the number of publishing firms that will outsource their work.

Indian players are shifting focus from the matured academic segment to the more lucrative segments in the publishing market—educational, magazines, corporate, B2B, trade and e-books will be attractive segments over the next three-four years, and Indian service providers can extend their current capabilities to service these upcoming opportunities.

The industry still suffers from a serious piracy problem, caused largely by the high price of books, especially foreign books published under license, where currency exchange rates push up the prices. Besides, diversifying into new areas of business and providing value-addition within current offerings are areas where outsourcing is yet to be viewed as a complete solution, the ValueNotes survey revealed.

Media outsourcing: The global media and entertainment industry revenue is likely to increase by leaps and bounds due to the proliferation of content in multiple formats across media platforms. The media process outsourcing opportunity is huge since most of the existing contents worldwide are in the analogue form and need to be digitized for new platforms.

As advertising declines, the pace of onshore and offshore outsourcing in the media industry appears to be picking up. The Everest Group reported an increase in media-related outsourcing deals in the last year. Mergers among media companies are driving some of those deals, but most of the push to outsourcing is due to pressures in the ad market. Publishers see labor arbitrage and offshoring as one of the easiest things they can do to cut costs.

Many companies today understand the importance of maintaining a good profile on the internet. Hence, they seek social media services like SMO (SM optimization) for their websites from third party vendors to boost their online business marketing while they focus full time on their core business development.

OTHER VERTICALS

Industry specific variations of horizontals continue to remain unaddressed though a few areas such as Revenue Accounting (Travel) or Revenue Assurance (Telecom) are drawing interest. Travel (airlines) is a sector where industry specific services such as Pricing/Fare filing or Yield Management or Load Management have seen demand though "revenue accounting" has been leading in the sector.

Insurance is a sector which has been waiting for a good platform solution for a few years now.

Firms looking at supply chain functions, such as management of environmental compliance, distribution management, sourcing etc. are also choosing to outsource them.

Other emerging verticals include technology, telecom and transportation.

OPPORTUNITIES AND RISKS

The 2009 Everest report 'Industry-Centric BPO Solutions—Opportunity to Attain Distinctive Market Positioning' says that while "verticalization" of services implies numerous opportunities for value creation, there are also potential risks, and suppliers need to identify and adopt mitigation strategies for these risks.

Among opportunities, the report mentions that while the overall BPO market is highly competitive, the market by industry is concentrated. Also, the industry specificity of services sets the stage for the introduction of higher-value pricing models. On the other hand, strategic investments for capability building in vertical services will carry larger risks.

Experts also warn that while industry-specificity will clearly be a major driver in outsourcing, the financial pressures on vendors to maintain their profit margins may override its development. The capability to deliver genuine domain-specific process acumen to clients is quickly becoming a major differentiator in the market. However, investing in the talent to truly scale these capabilities is expensive, and the margins are not as appealing as those currently being displayed by several vendors delivering the easy, operational work. As a result, sector-specific skill shortages (specialized skill categories for vertical-specific processes such as actuaries for Insurance BPO) are likely to emerge, according to the NASSCOM- Everest India BPO Study (2008).

While some vendors are clearly content with a thin veneer of vertical capability, others are picking verticals where they feel they can gain an edge over the competition. But this is a gradual development, and experts say that it will take patience and attitude on the vendors' side to invest in the depth of talent they need, and less concern about short-term profits and demands.

GS100 LISTS and Categories

The 2010 GS100 List: 100 Companies That Define Global Outsourcing

Annual surveys such as the GS100 have always been exercises in fatigue and fun; what begins as a complex endeavor finally results in a simple and elegant list such as this.

ED NAIR

This is not a list of the 100 largest outsourcing vendors. This list reflects the diversity and overall landscape of the service provider community in terms of company sizes, countries of origin and countries of delivery. Fourteen companies in the list have revenues more than $1B, which total up to nearly two-thirds of the overall revenues of hundred companies. Forty-seven companies with revenues between $100M and $1B represent the wide set of companies that have a very different set of aspirations, resource profiles, and impact on the industry compared to the former category. And 39 companies with revenues less than $100M represent various spots of excellence across a wide set of services delivered globally. Needless to mention, the list is global: it represents companies from 18 countries with operations in 30 countries.

> The GS100 list reflects the diversity and overall landscape of the service provider community in terms of company sizes, countries of origin and countries of delivery.

THE GS100 METHODOLOGY

Companies who opted to participate in the survey were asked to share exhaustive information through an online survey done during 04/10 and 05/10. The top 100 list and the names in the categories are derived using a scientific research methodology based on over 200 data points and several qualitative parameters.

The GS100 model for analysis is based on four primary pillars:

- Management Excellence (includes revenue, growth, profitability, expansion, M&A, headcount, thought leadership, innovation capability, marketing excellence, leadership quality, resource profile, risk management measures, HR practices and policies, and several other performance indicators)
- Customer Maturity (paying customers, new customers, verticals represented, geographies represented, sectoral diversity, contract sizes, customer case studies, complexity of projects, marquee clients, important wins, etc.)
- Global Delivery Maturity (global delivery footprint, type of work done, expansions, headcounts, growth in headcounts)
- Breadth of Services Portfolio (breadth of capabilities and service offerings across ITO and BPO, domain expertise across verticals, engagement models, vendor management practices, new capabilities and services launched, category leadership, ability to serve niche markets, etc.)

A weighted scoring scheme was used to rate each of the above areas, based on a scoring scheme designed by a panel from Global Services' and NeoAdvisory's practice experts.

2010 GLOBAL SERVICES 100 LIST

Company	CEO	Headquarters
24/7 Customer Inc.	P V Kannan	California, USA
Aditi Technologies Pvt. Limited	Pradeep Rathinam	Bangalore, India
Aditya Birla Minacs	Deepak Patel	Bangalore, India
Aegis Limited	Aparup Sengupta	Mumbai, India
Affinity Express Inc.	Kenneth W Swanson	Elgin, USA
Altisource Portfolio Solutions S.A.	William B Shepro	Luxembourg, Luxembourg
AppLabs	Sashi Reddi	Philadelphia, USA
Aricent Technologies (Holdings)	Sudip Nandy	Palo Alto, USA
Auriga Inc.	Andrei Pronin	Moscow, Russian Federation
Beyondsoft Group	Bin Wang	Beijing, China
Birlasoft	Arup Gupta	Noida, India
Bleum Inc.	Eric Rongley	Shanghai, China
CGI Group, Inc.	Michael E Roach	Montreal, Canada
Ciklum ApS	Torben Majgaard	Kyiv, Ukraine
Collabera Inc	Hiten Patel	Morristown, USA
CSC (Computer Sciences Corporation)	Michael W Laphen	Virginia, USA
Convergys Corporation	Jeff Fox	Cincinnati, USA
Corbus	Rajesh Soin	Dayton, USA
CPM Braxis	Jose Luiz Rossi	Sao Paulo, Brazil
Cybage Software Pvt. Limited	Arun Nathani	Pune, India
Datamatics Global Services Limited	Rahul L Kanodia	Mumbai, India
DBA Engenharia de Sistemas Limited	Patricia Freitas	Rio de Janeiro, Brazil
eClerx Services Limited	P D Mundhra	Mumbai, India
EPAM Systems, Inc.	Arkadiy Dobkin	Newtown, USA
Exigen Services	Jeroen Tas	San Francisco, USA
ExlService Holdings, Inc.	Rohit Kapoor	New York, USA
Freeborders, Inc.	Jean Cholka	San Francisco, USA
GeBBS Healthcare Solutions Pvt. Limited	Nitin Thakor	New Jersey, USA
Genpact Limited	Pramod Bhasin	Hamilton, Bermuda
GlobalLogic India Pvt. Limited	Peter CJ Harrison	McLean, USA
Globant	Martín Migoya	Buenos Aires, Argentina
Grupo ASSA	Roberto Wagmaister	Buenos Aires, Argentina

2010 GLOBAL SERVICES 100 LIST continued...

Grupo Prominente	Martin Sola	Cordoba, Argentina
HCL Technologies Limited	Vineet Nayar	Noida, India
Headstrong Corporation	Sandeep Sahai	Fairfax, USA
Hexacta	Juan Navarro	Buenos Aires, Argentina
Hexaware Technologies Limited	P R Chandrasekar	Mumbai, India
Hildebrando	Diego Zavala	Mexico City, Mexico
Hinduja Global Solutions Limited	Partha Sarkar	Bangalore, India
HOV Services Limited	Parvinder S Chadha	Chennai, India
HTC Global Services, Inc.	Madhava Reddy	Troy, India
IBA Group	Sergei Levteev	Prague, Czech Republic
IBS DataFort	Denis Kalinin	Moscow, Russian Federation
iGATE Global Solutions	Phaneesh Murthy	Pittsburgh, USA
Indecomm Global Services	Naresh Ponnapa	Bangalore, India
Infosys Technologies Limited	S Gopalakrishnan	Bangalore, India
Innodata Isogen	Jack S. Abuhoff	New Jersey, USA
Insigma Technology Co. Limited	Lie Shi	Hangzhou, China
Intelenet Global Services	Susir Kumar	Mumbai, India
InterGlobe Technologies	Vipul Doshi	Gurgaon, India
Intetics Co	Boris Kontsevoi	Illinois, USA
ITC Infotech	B Sumant	Bangalore, India
KPIT Cummins Infosystems Limited	Kishor Patil	Pune, India
Lionbridge Technologies Inc.	Rory J Cowan	Massachusetts, USA
Lohika Systems Inc.	Daniel Dargham	San Bruno, USA
Luxoft	Dmitry A Loschinin	Moscow, Russian Federation
M&Y Global Services	Matthew Cule	Beijing, China
Marlabs, Inc.	Siby Vadakekkara	New Jersey, USA
Mascon Global Limited	K Chandra	Gurgaon, India
Mastek Ltd	Sudhakar Ram	Mumbai, India
MERA	Dmitry Ponomarev	Nizhny Novgorod, Russian Federation
Microland Limited	Pradeep Kar	Bangalore, India
MindTree Ltd	Krishnakumar Natarajan	Bangalore, India
Nagarro, Inc.	Vikas Sehgal	California, USA
NCO Group, Inc.	Michael Barrist	Horsham, USA
Neilsoft Limited	Ketan Bakshi	Pune, India
Neoris	Claudio Muruzabal	Miami, USA

2010 GLOBAL SERVICES 100 LIST continued...

Ness Technologies, Inc.	Sachi Gerlitz	Hackensack, USA
Neusoft Corporation	Jiren Liu	Shenyang, China
NIIT Technologies	Arvind Thakur	New Delhi, India
Outsource Partners International	Clarence T Schmitz	Los Angeles & New York City, USA
Patni Computer Systems Limited	Jeya Kumar	Mumbai, India
Proteans Software Solutions Pvt Limited	Sudhakar Gorti	Bangalore, India
Quality Engineering and Software Technologies Pvt. Limited	Ajit Prabhu	Bangalore, India
RCG Information Technology, Inc.	Robert Simplot	New Jersey, USA
Reksoft	Alexander Egorov	St. Petersburg, Russian Federation
Sitel Operating Corporation	David Garner	Nashville, USA
SoftServe, Inc.	Taras Kytsmey	Lviv, Ukraine
Sonata Software Limited	B Ramaswamy	Bangalore, India
SPi Global Solutions	Maulik Parekh	Manila, Philippines
Stefanini IT Solutions	Marco Stefanini	Sao Paulo, Brazil
Stream Global Services	Scott R Murray	Wellesley, USA
Symbio	Jacob Hsu	Beijing, China
Symphony BPO Solutions Sdn Bhd (formerly known as Vsource Asia Sdn Bhd)	Jack Cantillon	Petaling Jaya, Malaysia
Synapsis	Leonardo Covalschi	Santiago, Chile
Syntel, Inc.	Prashant Ranade	Michigan, USA
Tata Consultancy Services Limited	N Chandrasekaran	Mumbai, India
Tech Mahindra Limited	Sanjay Kalra	Pune, India
Teledirect Pte Limited	Laurent Junique	Singapore, Singapore
TELUS International	Jeffrey Puritt	Vancouver, Canada
Towers Watson	John Haley	New York, USA
Transactel S.A.	Guillermo Montano	Guatemala, Guatemala
Unisys Corporation	J Edward Coleman	Blue Bell, USA
UST Global	Sajan Pillai	Aliso Viejo, USA
VanceInfo Technologies	Chris Chen	Beijing, China
Virtusa Corporation	Kris Canekeratne	Massachusetts, USA
Wipro Technologies	Girish Paranjpe; Suresh Vaswani	Bangalore, India
WNS Global Services	Keshav Murugesh	Mumbai, India
Xchanging plc	David Andrews	London, UK
Zensar Technologies Limited	Ganesh Natarajan	Pune, India

The 2010 GS100 Category Lists

TOP IT OUTSOURCING VENDORS

Company
CGI Group, Inc.
Collabera Inc.
CPM Braxis
CSC (Computer Sciences Corporation)
HCL Technologies Limited
Hexaware Technologies Limited
Infosys Technologies Limited
Mascon Global Limited
MindTree Limited
Neoris
Ness Technologies, Inc.
Neusoft Corporation
NIIT Technologies
Patni Computer Systems Limited
Syntel, Inc.
Tata Consultancy Services Limited
Tech Mahindra Limited
Unisys Corporation
UST Global
Wipro Technologies

TOP STRATEGIC IT OUTSOURCING VENDORS

Company
CGI Group, Inc.
CSC (Computer Sciences Corporation)
Infosys Technologies Limited
Tata Consultancy Services Limited
Unisys Corporation
Wipro Technologies

TOP ADM VENDORS

Company
CGI Group, Inc.
CSC (Computer Sciences Corporation)
Infosys Technologies Limited
MindTree Limited
Neoris
Ness Technologies, Inc.
Patni Computer Systems Limited
Syntel, Inc.
Tata Consultancy Services Limited
Wipro Technologies

TOP EMERGING ADM VENDORS

Company
Collabera Inc.
CPM Braxis
DBA Engenharia de Sistemas Limited
Hexaware Technologies Limited
Hildebrando
ITC Infotech
Luxoft
Mastek Limited
Neusoft Corporation
NIIT Technologies

TOP ENTERPRISE APPLICATIONS VENDORS

Company
CGI Group, Inc.
CSC (Computer Sciences Corporation)
HCL Technologies Limited
Hexaware Technologies Limited
Infosys Technologies Limited
Neoris
Ness Technologies, Inc.
Patni Computer Systems Limited
Tata Consultancy Services Limited
Wipro Technologies

TOP INFRASTRUCTURE MANAGEMENT VENDORS

Company
CGI Group, Inc.
CPM Braxis
CSC (Computer Sciences Corporation)
HCL Technologies Limited
Infosys Technologies Limited
Microland Limited
Tata Consultancy Services Limited
Tech Mahindra Limited
Unisys Corporation
Wipro Technologies

TOP ENGINEERING SERVICES VENDORS

Company
Infosys Technologies Limited
ITC Infotech
KPIT Cummins Infosystems Limited
Luxoft
Mindtree Limited
Neilsoft Limited
Quality Engineering and Software Technologies Pvt. Limited
Synapsis
Tata Consultancy Services Limited
Wipro Technologies

TOP OUTSOURCED PRODUCT DEVELOPMENT VENDORS

Company
EPAM Systems, Inc.
GlobalLogic India Pvt. Limited
HCL Technologies Limited
Infosys Technologies Limited
Luxoft
Ness Technologies, Inc.
Sonata Software Limited
Tata Consultancy Services Limited
VanceInfo Technologies
Wipro Technologies

TOP SPECIALTY PRODUCT ENGINEERING VENDORS

Company
Applabs
Bleum Inc.
Cybage Software Pvt. Limited
Globant
Lionbridge Technologies Inc.
Lohika Systems Inc.
MindTree Limited
Symbio
Virtusa Corporation
Wipro Technologies

TOP BPO VENDORS

Company
Aditya Birla Minacs
Aegis Limited
CGI Group, Inc.
Convergys Corporation
ExlService Holdings, Inc.
Genpact Limited
HCL Technologies Limited
Hinduja Global Solutions Limited
HOV Services Limited
Infosys Technologies Limited
Intelenet Global Services
Lionbridge Technologies, Inc.
NCO Group, Inc.
Sitel Operating Corporation
SPi Global Solutions
Stream Global Services
Tata Consultancy Services Limited
Wipro Technologies
WNS Global Services
Xchanging plc

TOP FAO VENDORS

Company
ExlService Holdings, Inc.
Genpact Limited
HOV Services Limited
Infosys Technologies Limited
Intelenet Global Services
NCO Group, Inc.
Outsource Partners International
Tata Consultancy Services Limited
Wipro Technologies
WNS Global Services

TOP HRO VENDORS

Company
CGI Group, Inc.
Xchanging plc
Genpact Limited
Hexaware Technologies Limited
Symphony BPO Solutions Sdn Bhd (formerly known as Vsource Asia Sdn Bhd)
Towers Watson

TOP PROCUREMENT OUTSOURCING VENDORS

Company
Corbus
Genpact Limited
Infosys Technologies Limited
WNS Global Services
Xchanging plc

TOP CALL CENTER AND CUSTOMER MANAGEMENT VENDORS

Company
24/7 Customer Inc.
Aditya Birla Minacs
Aegis Limited
Convergys Corporation
Hinduja Global Solutions Limited
Intelenet Global Services
Sitel Operating Corporation
Stream Global Services
TELUS International
Wipro Technologies

TOP INDUSTRY SPECIFIC BPO VENDORS

Company
CSC (Computer Sciences Corporation)
Aditya Birla Minacs
Altisource Porfolio Solutions S.A.
Datamatics Global Services Limited
eClerx Services Limited
ExlService Holdings, Inc.
Genpact Limited
Hinduja Global Solutions Limited
HOV Services Limited
Infosys Technologies Limited
Innodata Isogen
Lionbridge Technologies Inc.
SPi Global Solutions
Syntel, Inc.
Tata Consultancy Services Limited
TELUS International
Unisys Corporation
Wipro Technologies
WNS Global Services
Xchanging plc

SOUTH OF THE BORDER

Company
CPM Braxis
DBA Engenharia de Sistemas Limited
Globant
Grupo ASSA
Grupo Prominente
Hildebrando
Neoris
Stefanini IT Solutions
Synapsis
Transactel S.A.

CENTRAL AND EASTERN EUROPE

Company
Auriga Inc.
Ciklum ApS
EPAM Systems, Inc.
IBA Group
IBS DataFort
Luxoft
MERA
Reksoft
SoftServe, Inc.

CHINA OFFSHORING

Company
Beyondsoft Group
Bleum Inc.
Freeborders, Inc.
Insigma Technology Co. Limited
Neusoft Corporation
Symbio
VanceInfo Technologies

ACKNOWLEDGEMENT

GS100 is co-produced by Global Services, the outsourcing media house along with NeoAdvisory, the globalization and sourcing advisory firm.

ABOUT GLOBAL SERVICES

Global services is an integrated media platform (online,events,research,custom publishing) that connects the various constituents of the global technology, locations and business processing services industry ecosystem. The ecosystem comprises buyers of services, service providers, industry associations, researchers, sourcing advisers, academia, globalization think-tanks and many other emerging entities in the social networking space.

ABOUT NEO ADVISORY

Neo Advisory is a consulting firm that enables organizational transformation by leveraging outsourcing and globalization, while ensuring our clients become "Great Globalizers". Through a blend of consulting and implementation, backed by a robust knowledge database and hands on experience of our consultants, we provide objective and actionable advice and help clients to truly leverage Globalization and Outsourcing.

OUR SERVICES	
GLOBAL SERVICES An outsourcing media portal, which connects the various constituents of the global technology and business processing services industry ecosystem.	
NEWSLETTER	**MICROSITES**
An outsourcing media portal, which connects the various constituents of the global technology and business processing services industry ecosystem.	Online resource center designed to provide focused content on special subjects to the outsourcing community.
E-MAGAZINE	**EVENTS**
The fortnightly digital magazine features research reports, articles and experts' views available on www.globalservicesmedia.com	From multi-day, high-level, resort conferences to intimate breakfast discussions we offer a number of opportunities that connects the outsourcing community.
WEBINARS	**OSOURCEBOOK**
Global Services' web-based seminars aim to impart useful information related to outsourcing industry in the form of presentations and discussions by industry specialists.	The online compendium of global outsourcing services providers. www.osourcebook.com
RESEARCH	**CUSTOM PROGRAM**
We deliver indepth analysis and research reports on sourcing subjects.	Customised services rendered through different media platform.

www.osourcebook.com

Search for global outsourcing service providers by name, location, industry, services and more at your fingertips.

OSourceBook