Global trends in outsourcing/offshoring
Panel A: Outsourcing becoming a necessity more than a need
Panelist: H Karthik, Vice President – Everest Group
May 28, 2013
## Key messages

1. **Global services is a large and maturing market**

2. **Global sourcing is a business imperative with benefits too strong to be ignored**

3. **Increasing push towards value beyond savings, but not at the expense of savings**

4. **Emerging locations have significant opportunity, but to complement and not compete with established locations**

5. **Traditional supply markets are evolving into demand markets**
Global services is a large and maturing market

Global services market size¹
2006-12; US$ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Global services market size</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>62</td>
</tr>
<tr>
<td>2008</td>
<td>91</td>
</tr>
<tr>
<td>2010</td>
<td>104</td>
</tr>
<tr>
<td>2012E</td>
<td>~120</td>
</tr>
</tbody>
</table>

XX%  Two-year CAGR²

Global outsourcing transactions reported
2011-12; Number

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2011</td>
<td>1,024</td>
</tr>
<tr>
<td>H2 2011</td>
<td>905</td>
</tr>
<tr>
<td>H1 2012</td>
<td>852</td>
</tr>
<tr>
<td>H2 2012</td>
<td>781</td>
</tr>
</tbody>
</table>

Offshore delivery center set-ups³
2011-12; Number

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2011</td>
<td>73</td>
</tr>
<tr>
<td>H2 2011</td>
<td>75</td>
</tr>
<tr>
<td>H1 2012</td>
<td>77</td>
</tr>
<tr>
<td>H2 2012</td>
<td>84</td>
</tr>
</tbody>
</table>

¹ Includes both IT services and Business Process; excludes engineering services/R&D
² Compounded annual growth rate
³ Include delivery center set-ups across Global In-house Centers and service providers

Source: Everest Group (2013)
Global sourcing is a business imperative with benefits too strong to be ignored

Savings due to labor arbitrage

TCO savings for BPO
US$ 000s per FTE per annum

<table>
<thead>
<tr>
<th>BPO-TRANSACTION PROCESSING</th>
<th>U.S.-INDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>70-80</td>
<td>21-27</td>
</tr>
</tbody>
</table>

Substantial Savings

60-70%

Access to talent and skills

Global leadership

Risk diversification

IP generation

Improved speed to market

Source: Everest Group (2013)
Increasing push towards value beyond savings, but not at the expense of savings

Expectations of value beyond cost savings
Distribution of parent respondents; Percentage

100% =

Deliver additional value even if cost savings is reduced
- 2007: 8% (42%)
- 2012: 4% (36%)

Deliver additional value while maintaining cost savings
- 2007: 50%
- 2012: 60%

Focus only on cost savings
- 2007: 42%
- 2012: 36%

Emerging locations have significant opportunity, but to complement and not compete with established locations

Share of respondents (buyers and third-party service providers with > 2,500 FTEs offshore) by number of locations in their global sourcing portfolio
Percentage of respondents (100%=162)

<table>
<thead>
<tr>
<th>Number of Locations</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 or less locations</td>
<td>35%</td>
</tr>
<tr>
<td>3-5 locations</td>
<td>17%</td>
</tr>
<tr>
<td>6-10 locations</td>
<td>31%</td>
</tr>
<tr>
<td>11-20 locations</td>
<td>17%</td>
</tr>
</tbody>
</table>

Mature adopters leverage a multi-location model; opportunity for emerging locations to complement

Source: Everest Group Locations Survey 2011/12
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