Global Sourcing: State of the Market and Future Trends

Frances Karamouzis

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IT Services Continues to Play a Critical and Strategic Role

Overall IT Market: Gartner Analysis of IT Forecasts

Source: Gartner's Forecast Analysis, Worldwide
High-Level Direction for Global Services

- WW Totals for All Types of IT Services
  - 2008: ~$70bn
  - 2012: $991bn
  - Growth Rate Ranges for Each Year: 1% to 6.5%

- Estimated IT Services Delivered via GDM*
  - 2008: ~$70bn
  - 2012: $120bn - $150bn
  - 10% to 30%

*Not a Gartner forecast
Dynamics of Professional Services: CIO Must Choose Wisely

2007 Worldwide Professional Services
$589 billion — Five-Year CAGR: 8.0%

Source: Gartner IT Services Market Share Analysis, IT Professional Services Only
A Glimpse of the Vast Global Sourcing "Solar System" of Vendors

Illustrative lists only; not intended to be comprehensive
A Glimpse of the Vast Global Sourcing Solar System of Vendors

Traditional
- Accenture
- IBM
- Capgemini
- HP(EDS)
- Fujitsu
- Perot
- Atos Origin
- Logica
- Deloitte
- CSC

India-Centric
- Syntel
- Sapient
- Hexaware
- MindTree
- NIIT
- Virtusa
- Mascon
- Intelligroup
- iGate
- L&T Infotech
- US Tech.
- ITC Infotech
- Mastek
- Polaris
- Zensar
- RCG
- BlueAlly
- i-flex
- Birlasoft

India Majors
- TCS
- Infosys
- Wipro
- Tech Mahindra
- HCL
- Cognizant
- Satyam
- Genpact

Illustrative List Only
Not Intended to be Comprehensive
### Sampling of Countries

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
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<tbody>
<tr>
<td>Asia/Pacific Region</td>
<td>India, China, Philippines, Vietnam</td>
</tr>
<tr>
<td>EMEA</td>
<td>Russia, Central &amp; Eastern Europe, Ukraine</td>
</tr>
<tr>
<td>Americas</td>
<td>Brazil, Mexico, Argentina &amp; Chile</td>
</tr>
</tbody>
</table>
City Choices: Different Phases of Evolution

India

7 cities = 90% of delivery

1. Bangalore
2. Mumbai
3. Delhi
4. Chennai
5. Hyderabad
6. Pune
7. Kolkata

China

3 cities = 70% occupancy levels

1. Dalian
2. Chengdu
3. Shanghai
4. Xi'an
5. Shenzhen
6. Beijing
7. Hangzhou
8. Tianjin
9. Nanjing
10. Jinan
11. Wuhan
12. Suzhou
Market Events

- Economic Recession
- Banking Crisis
- Terrorist Attacks
- Satyam Scandal
- Geopolitical Shifts
Operating Environment

Labor Rate Increases

Attrition Rate Increases

Exchange Rates
Operating Environment

- **Visa Issues**
- **Increased Financial & Governance Vendor Scrutiny**
- **Deal Flow & Price Pressure**

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### Past Predictions (Published 4Q06) Yield Current Realities

<table>
<thead>
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<th>Predictions</th>
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<tr>
<td><strong>By 2010, 30% of Fortune 500 enterprises will source from three or more countries.</strong></td>
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<td><strong>By 2012, India's dominant position as an offshore location will be significantly diluted by effective alternative destinations.</strong></td>
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<td><em>Footnote — from highs of 90+% to current 54% levels</em></td>
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<td><strong>Through 2012, GDM will be perfected in all major categories of IT (BPO, AO and ITO).</strong></td>
</tr>
<tr>
<td><strong>Through 2012, service providers will &quot;adapt or die&quot; (relative position in Global Sourcing and Service category landscape).</strong></td>
</tr>
</tbody>
</table>
Gartner predicts the following major shifts will take hold by 2015:

- Global sourcing will reach the top of the "food chain" because 30% of the most-influential CEOs will not hail from the United States.
- Thirty percent of all traditional professional IT services jobs will be delivered by people who come from emerging markets rather than the First World.
- More than 30% of total worldwide purchasing power will reside outside the United States.

By 2015, service recipients will consider viable service providers as those that define their offerings through agility-based pricing structures.
# Major Trends and Issues for Offshore Services

## Supply Side
- Country Options
- Dynamics of Vendor Landscape
- Range of Services (BPO, AO, Infrastructure)
- Mergers and Acquisitions
- Alternative Delivery Models/Automation

## Demand Side
- Risk Management
- Cost or Value: What Do Buyers Really Want?
- How Do They Define Value? How Is It Measured?
- Governance (Ongoing Mgmt.)
- Human Capital Management

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*Gartner*
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