

EquaTerra 1Q09 Pulse Survey Results

April 28, 2009

Stan Lepeak, Managing Director, Global Research
Mark Toon, CEO
Phil Morris, Chief Operating Officer, Europe & Asia

Webcast Participants

Stan Lepeak



Managing
Director,
Global
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Phil Morris



COO,
Europe and
Asia

Mark Toon



CEO

EquaTerra Pulse Surveys

The Outsourcing Pulse Surveys

A quarterly review of outsourcing trends and individual observations from the “front lines.”

- » Input Sources:
 - 200+ EquaTerra advisors
 - 20+ leading global BPO/ITO service providers
 - EquaTerra market research
 - EquaTerra pipeline activity
- » Topics evaluated include:
 - Demand and buying patterns
 - Deal scope, pricing, contract value and sales cycles
 - Service provider capacity
 - Success and satisfaction
 - Thematic topics by quarter
- » Primary functional focus:
 - Call Center/Customer Care/CRM
 - Finance & Accounting
 - Human Resources
 - Information Technology
 - Procurement
 - Vertical Industry BPO
 - Emerging BPO/KPO Functions

Focus on performance, trends and futures

By the Numbers

Numbers can be telling; here are some of ours:

	Numbers
<p>» Our Advisors</p> <ul style="list-style-type: none"> – Advisors in North America, Europe and Asia Pacific: – Transformation and outsourcing engagements: – Advisors who have been CXOs or transformation executives: 	<p>200+</p> <p>2000+</p> <p>65%</p>
<p>» Our Engagements</p> <ul style="list-style-type: none"> – Active client engagements: <ul style="list-style-type: none"> – Information Technology engagements: – Business Process engagements: – Number of countries served: 	<p>135+</p> <p>85+</p> <p>50+</p> <p>60+</p>
<p>Other Metrics</p> <ul style="list-style-type: none"> – BPO market share of multi-process outsourcing deals: – Total Contract Value (TCV) under EquaTerra advisory: 	<p>50%</p> <p>\$300 Billion</p>

One focus Global 2000 companies reshaping G&A for the future

Agenda

» Market Demand Trends

- Demand levels
- Demand characteristics
- Impact of the current economy on outsourcing demand
- Market predictions for balance of 2009 and 2010

» Market Conditions

- Impact on new and existing outsourcing deals in the market
- Impact on deal pricing
- Impact on buyer outsourcing governance efforts and capabilities

» Market and Deal Characteristics

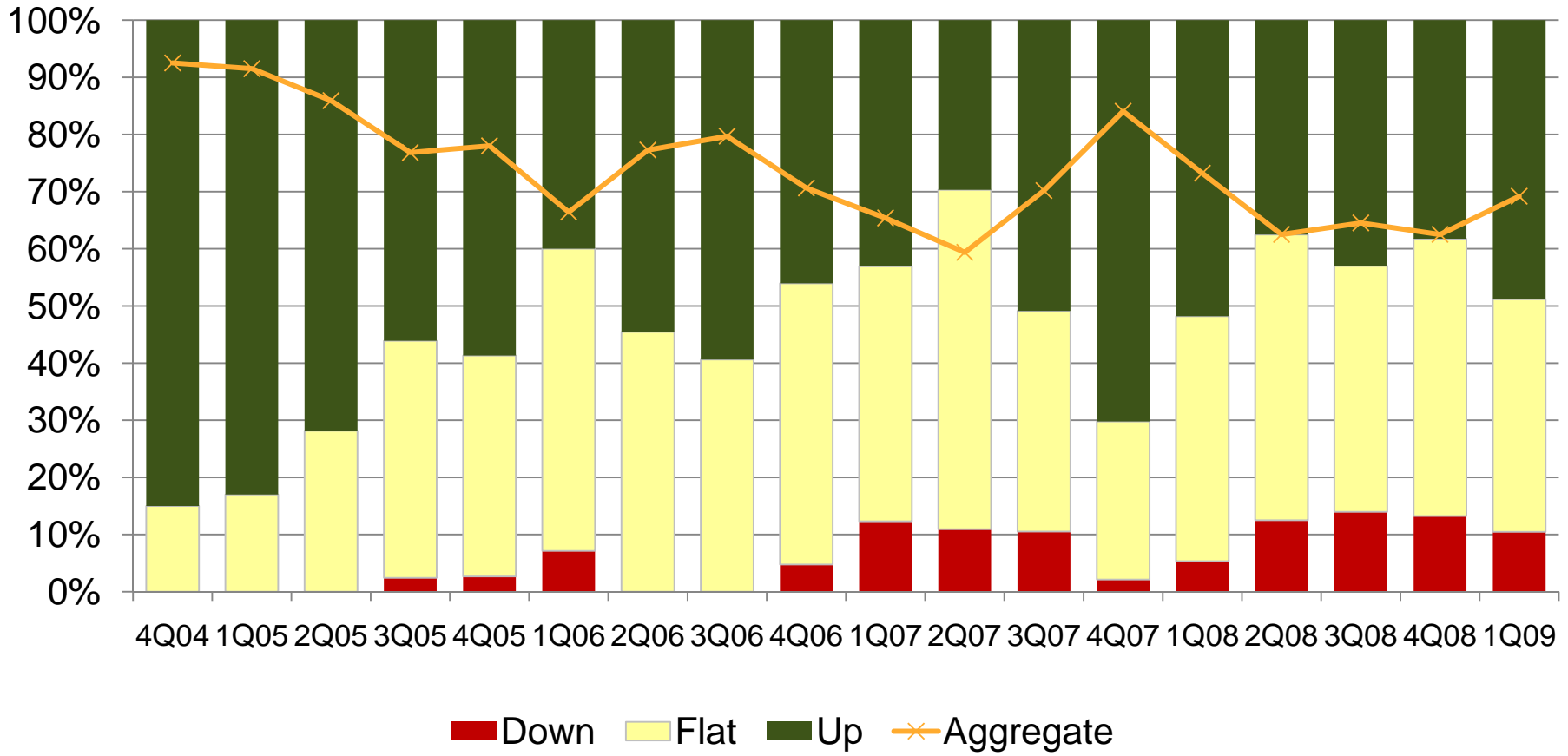
- Outsourcing service provider capacity
- Sales cycle, scope, profitability

EquaTerra Advisors: Demand

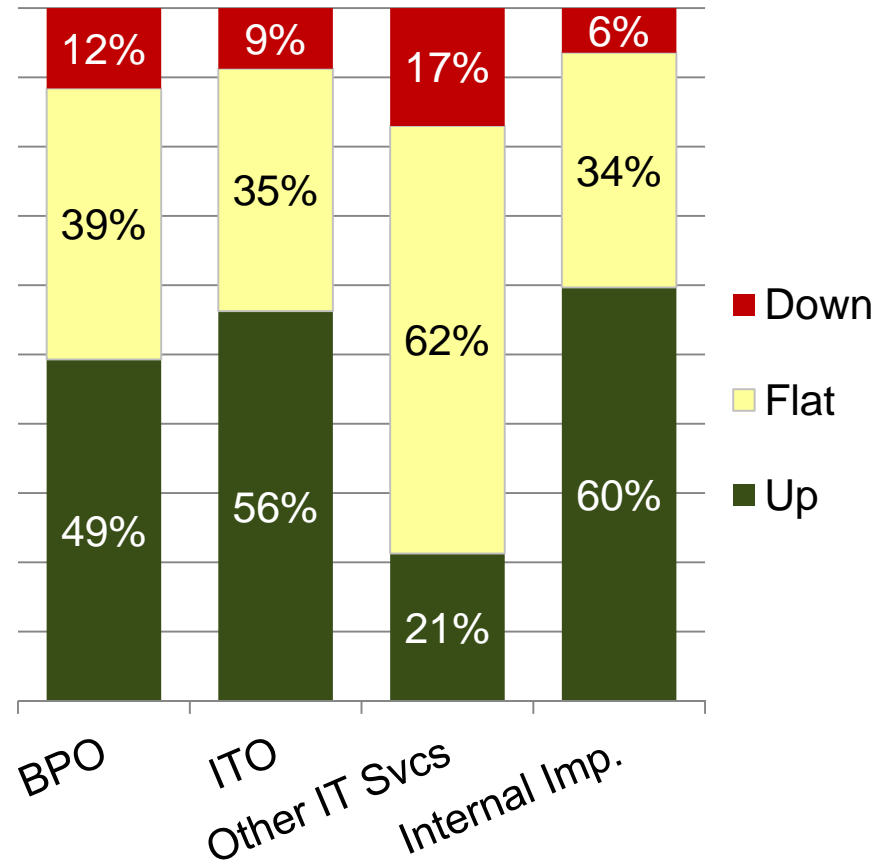
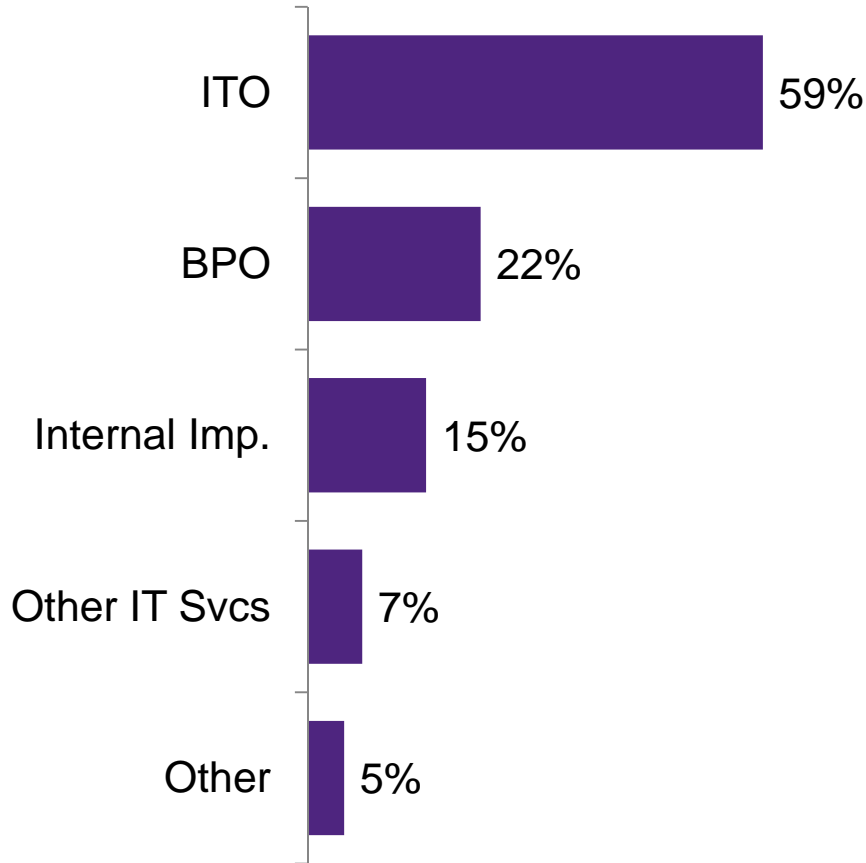
Category	Measure	Levels	1Q09 vs. 4Q08	1Q09 vs. 1Q08
Market Demand	Up	49%	11%	-3%
	Flat	41%	-8%	-2%
	Down	10%	-3%	5%

Market appetite for third-party business and IT services, primarily outsourcing, improved in 1Q09. This was driven by pent-up demand from the end of 2008 and a stark recognition that dealing with negative global economic conditions requires drastic action to reduce costs and overhaul operating models. These conditions will continue to drive outsourcing demand in the second half of 2009 and into 2010 though turbulent market and buyer events still will disrupt deal flow.

EquaTerra Advisors: Total Market Demand



EquaTerra Advisors: Demand by Service Delivery Model

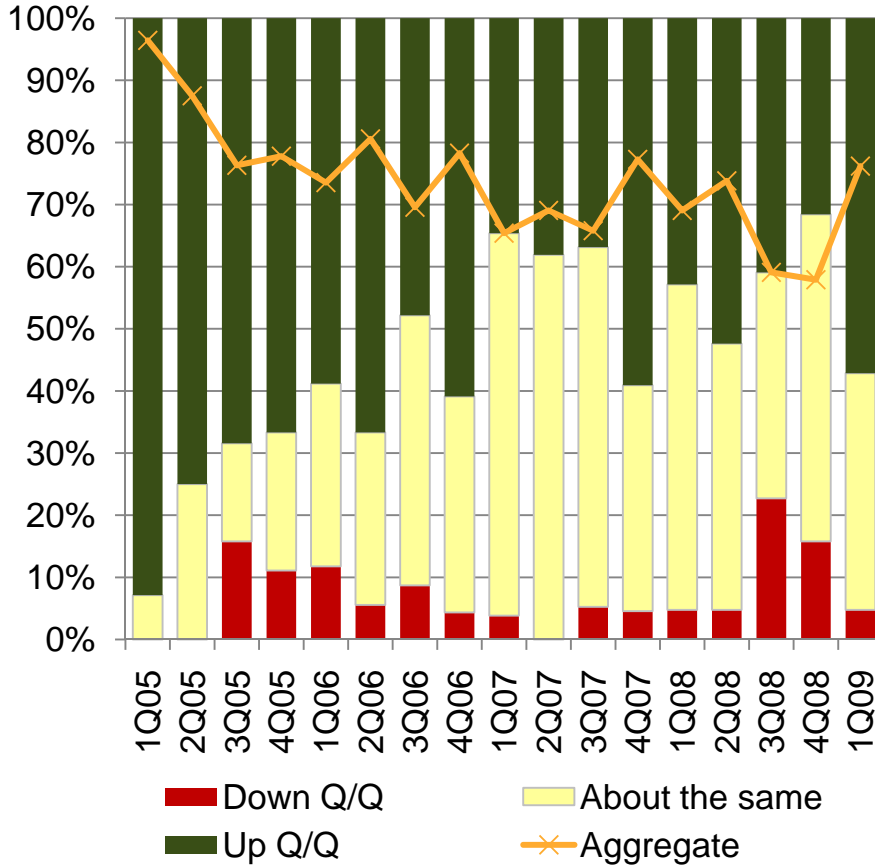


Service Providers: Pipeline & Future Demand

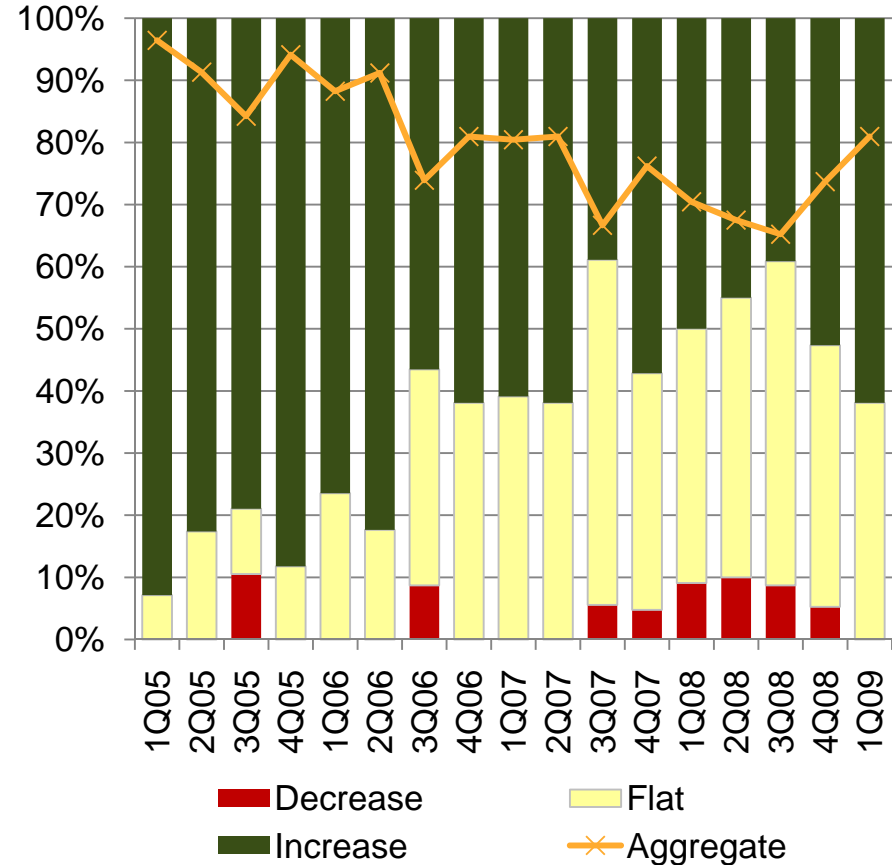
Category	Measure	Levels	1Q09 vs. 4Q08	1Q09 vs. 1Q08
Pipeline	Increasing	57%	26%	14%
	Flat	38%	-15%	-14%
	Decreasing	5%	-11%	N/C
Demand Next Quarter	Increase	62%	9%	12%
	Flat	38%	-4%	-3%
	Decrease	0%	-5%	-9%

Business and IT service providers polled indicated that demand and pipeline growth improved in the first quarter. Demand remains stronger for outsourcing than for more discretionary and project-based services. Providers are being forced to deal with more aggressive pricing demands from buyers and strong emphasis on cost savings and short-term, realistic ROIs, though pressures vary significantly across buyer accounts. Ongoing supplier rationalization creates opportunities for leaders to gain market share.

Service Providers: Current Pipeline & Demand Next Quarter

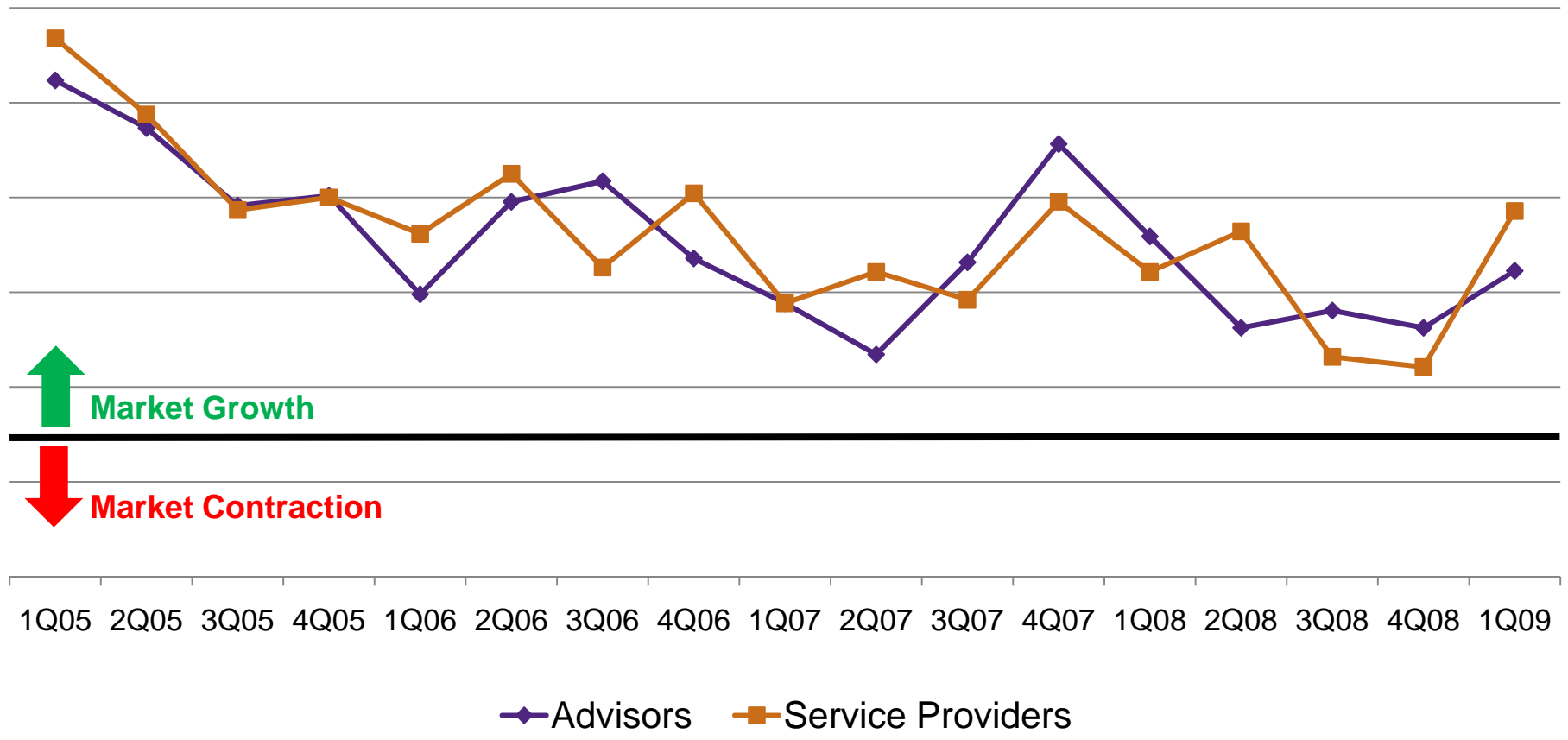


**Service Providers:
BPO/ITO New Deal Pipeline Projections**



**Service Providers:
Demand Trends Next Quarter**

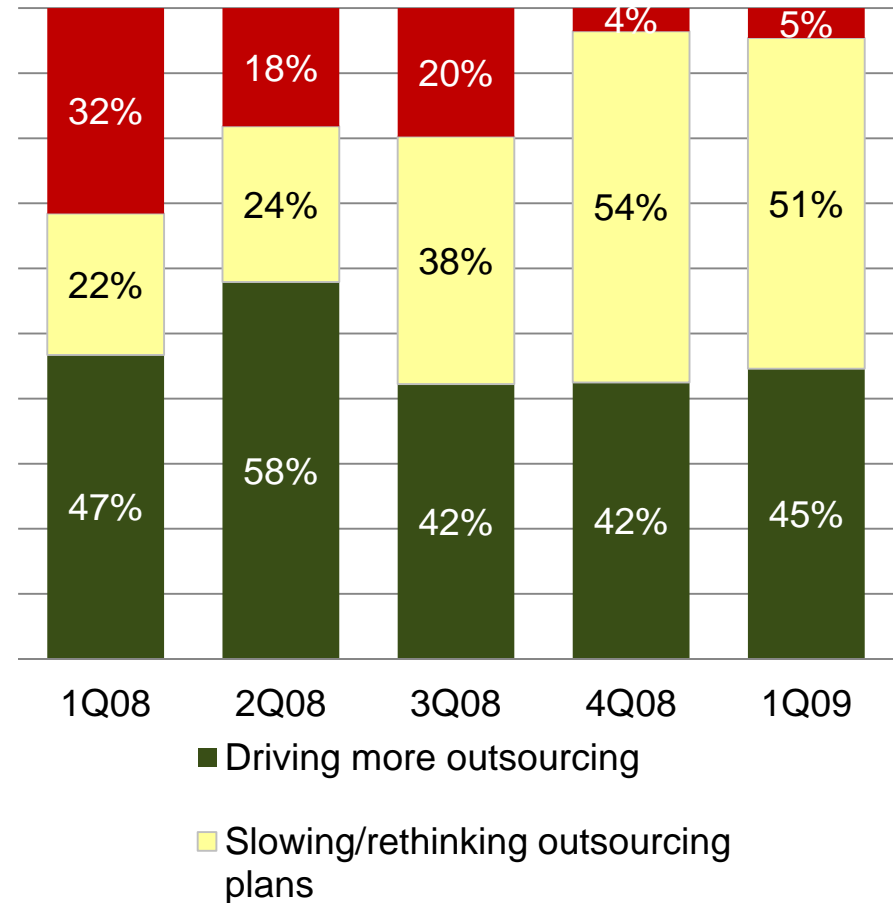
Aggregate Market Demand



But...What About the Economy?

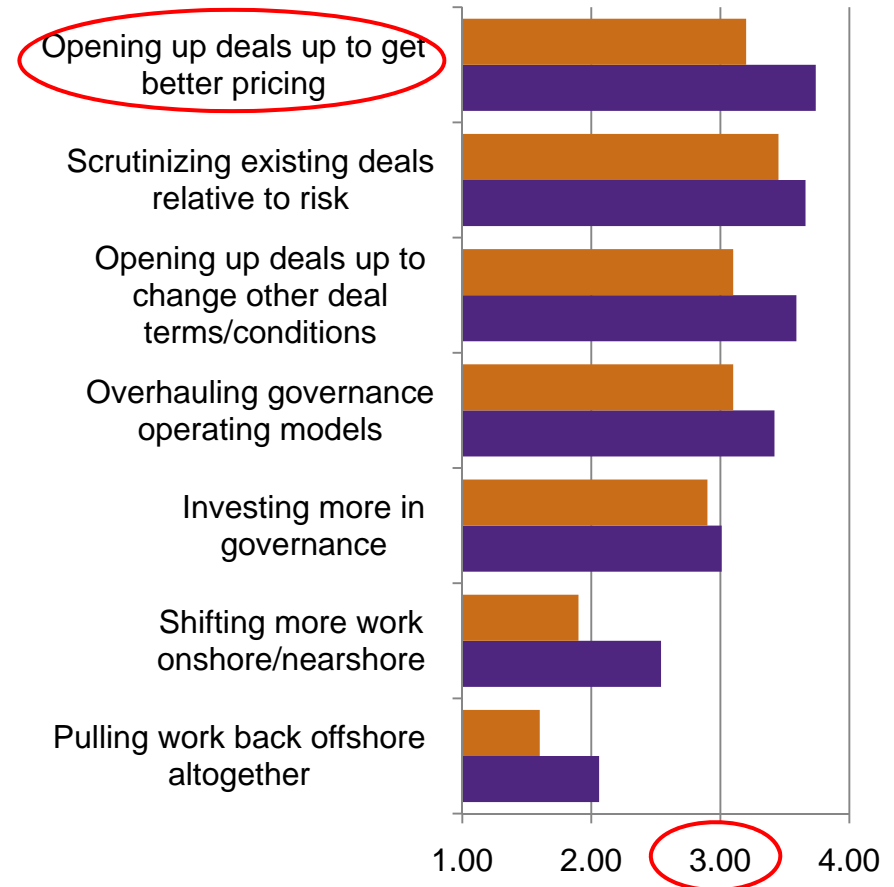
Current Economy's Impact on Outsourcing

- » Deal flow and decision making disruption continues, but is lessening
- » “Pent-up” 2H08 demand now flowing
- » Demand flow increases in 1Q09 will lead to increase in deals closing 2Q and 2H09
- » Strong emphasis on short term ROI's and cost reduction efforts
- » Supplier consolidation and rationalization continues
- » Buyers getting better at overcoming internal sourcing impediments
- » Extreme market conditions driving pursuit of extreme solutions



Combined advisor & service provider totals

Market Conditions: Impact on New and Existing Deals



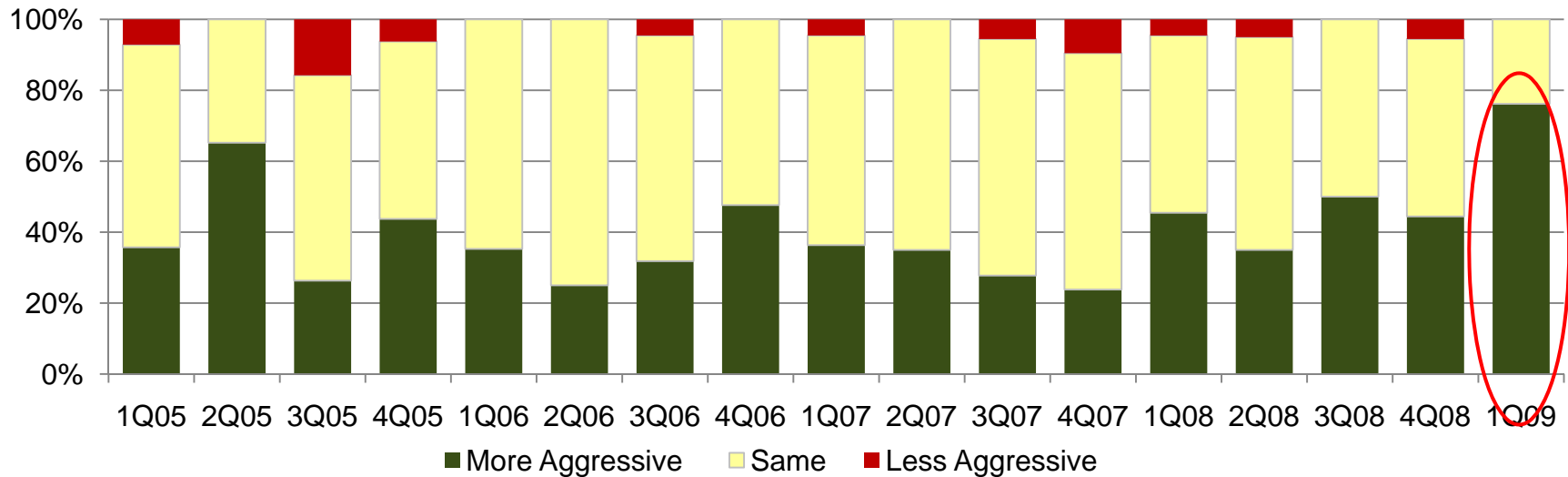
Market Conditions: Impact on New Deals

Market Conditions: Impact on Existing Deals

■ Service Providers ■ Advisors
 1=Very Uncommon, 5=Very Common

Service Providers

Pricing Competitiveness



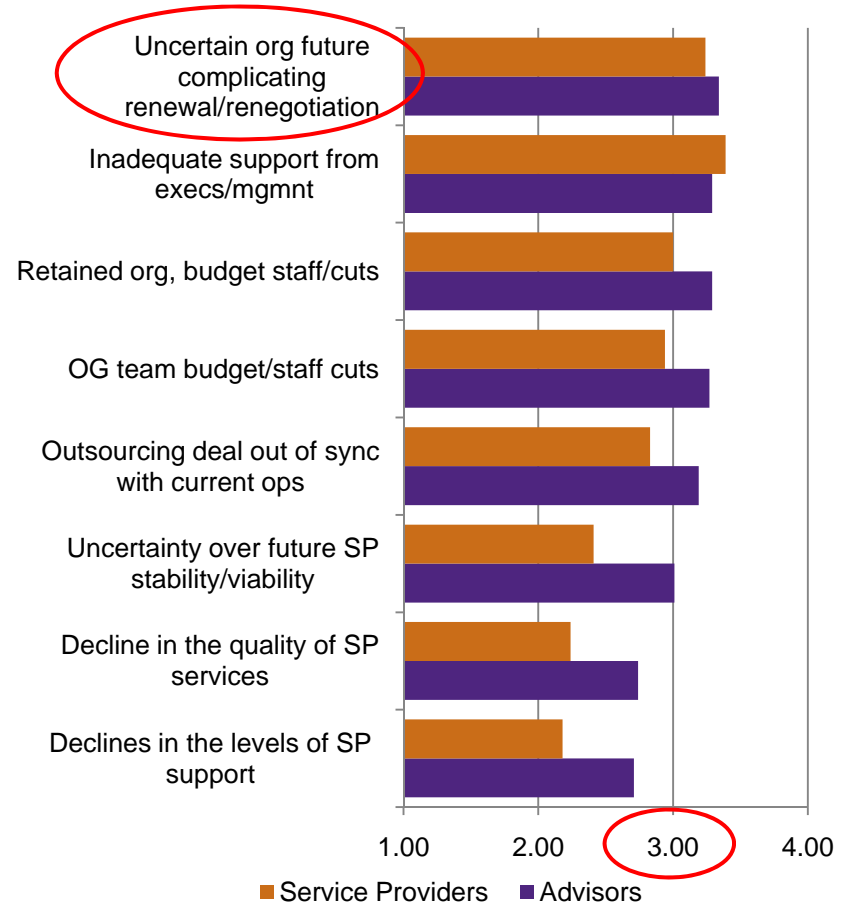
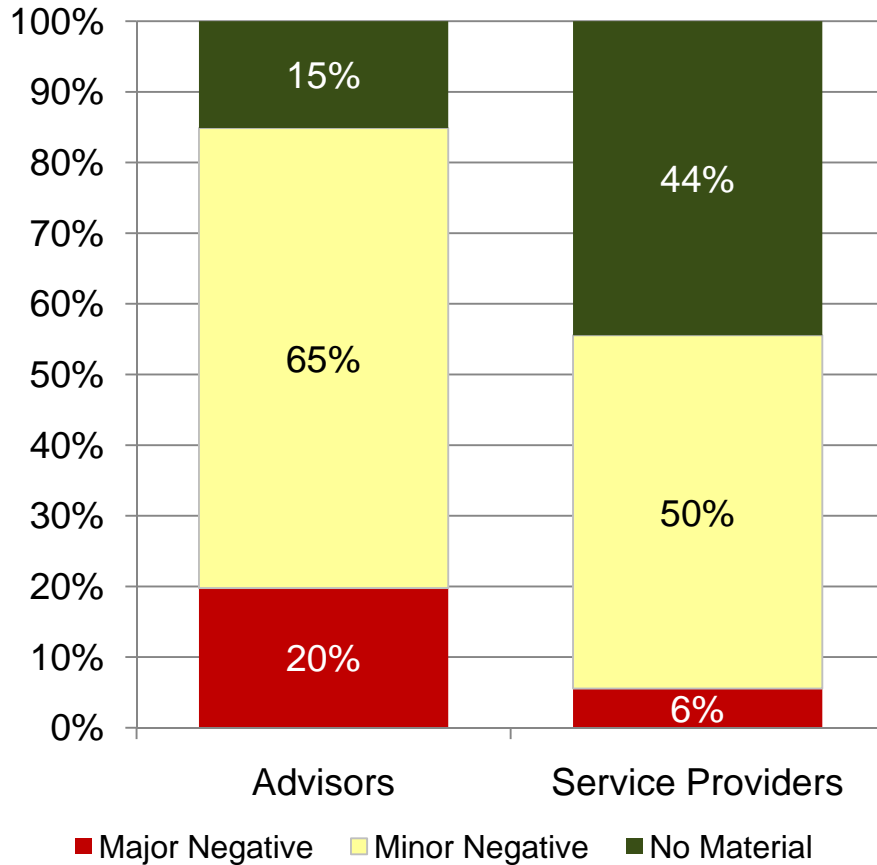
» Pricing

- More aggressive/competitive = more favorable to buyers
- Less aggressive/competitive = more favorable to service providers

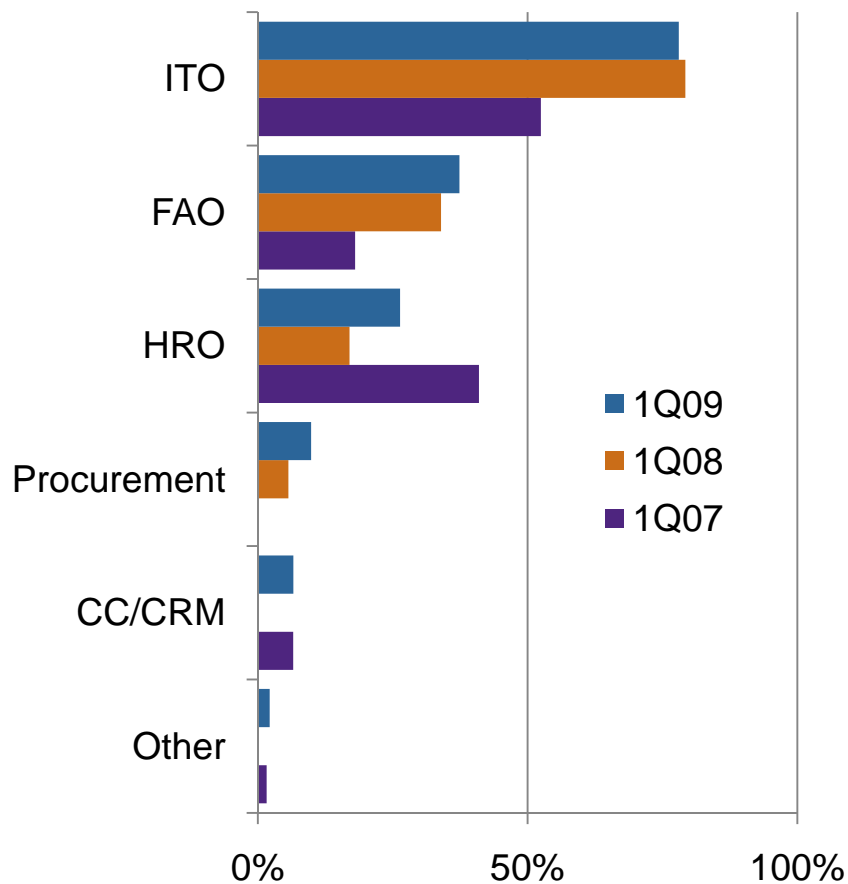
» Pricing – Service Providers

- Increase in pricing pressure driven by buyers more aggressively seeking greater cost reductions
- But increased pricing pressure does not equate to across the board price cuts
- Price reductions very situational based on specific buyer profile and service providers involved

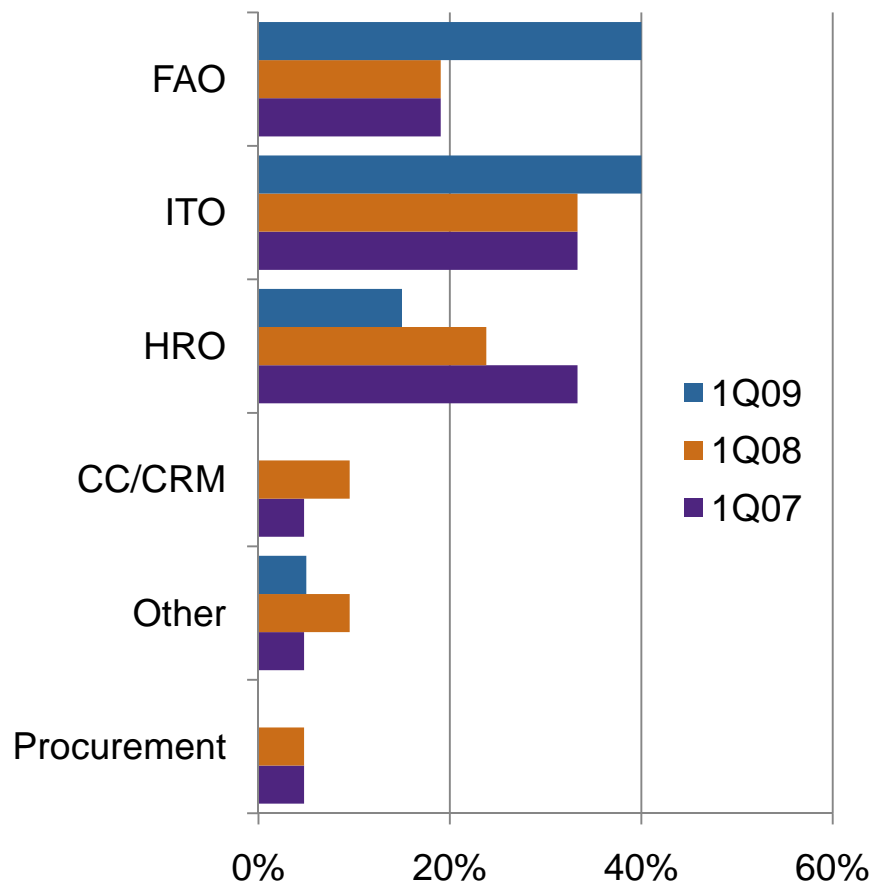
Market Conditions: Impact on Outsourcing Governance



Functional Area Demand



Advisors: Demand by Functional Area

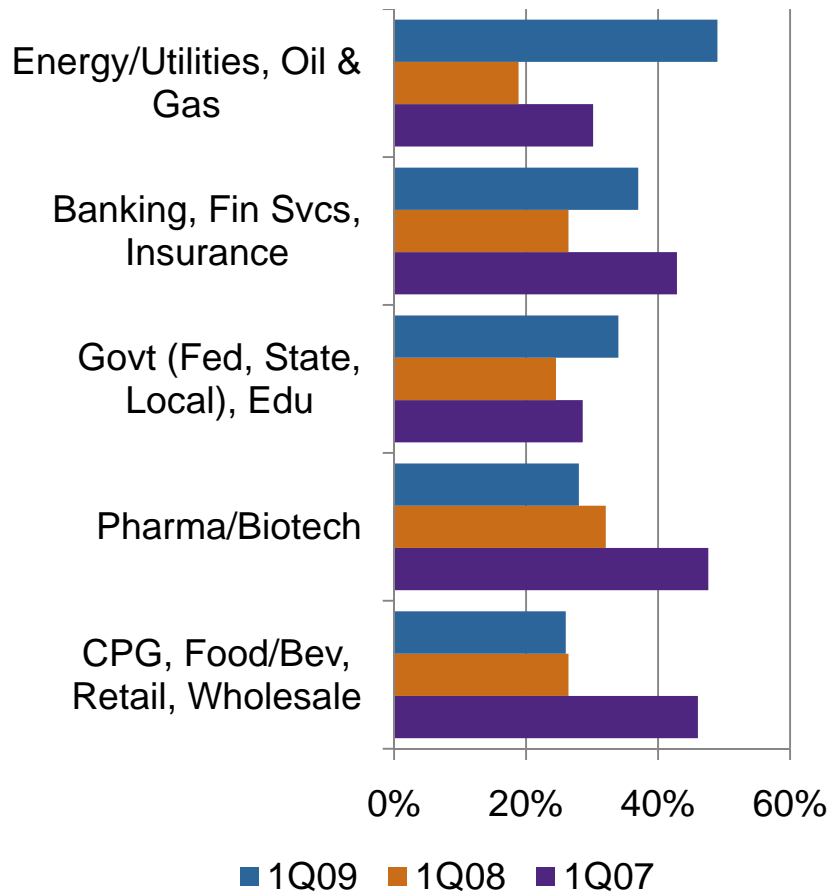


Service Providers: Demand by Functional Area

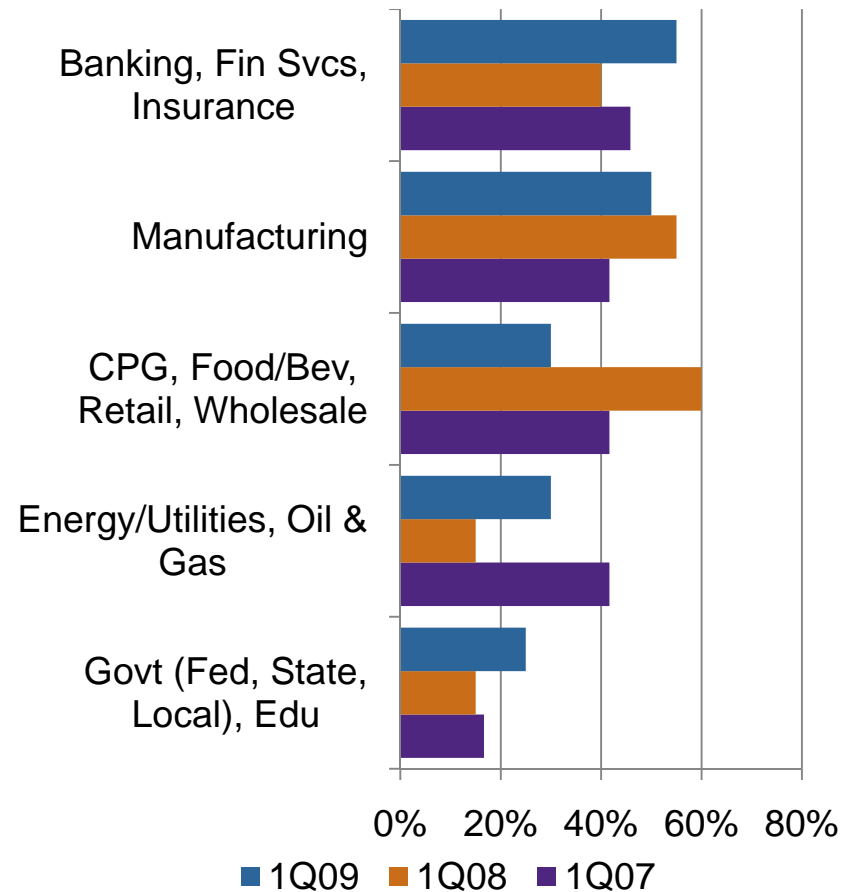
Outsourcing Demand within Functional Areas

Advisors	Service Providers
<p style="text-align: center;">HRO</p> <p style="text-align: center;">1) Payroll, 2) HR IT, 3) Benefits</p>	<p style="text-align: center;">HRO</p> <p style="text-align: center;">1) Payroll, 2) Benefits, 3) HR IT</p>
<p style="text-align: center;">ITO</p> <p style="text-align: center;">1) ADM, 2) Infrastructure/Ops, 3) Desktop</p>	<p style="text-align: center;">ITO</p> <p style="text-align: center;">1) ADM, 2) Infrastructure/Ops, 3) Packaged App Services</p>
<p style="text-align: center;">FAO</p> <p style="text-align: center;">1) AP, 2) AR/C&C, 3) General Accounting</p>	<p style="text-align: center;">FAO</p> <p style="text-align: center;">1) AP, 2) AR/C&C, 3) General Accounting</p>
<p style="text-align: center;">Procurement Outsourcing</p> <p style="text-align: center;">1) AP, 2) Strategic Sourcing, 3) Order Management</p>	<p style="text-align: center;">Procurement Outsourcing</p> <p style="text-align: center;">1) AP, 2) Order Management, 3) Category Management</p>

Demand by Industry



Advisors: Demand by Industry – Top Five



Service Providers: Demand by Industry - Top Five

Additional Market Trends

See Appendix for Charts

- » Service provider capacity
 - Steady for deal pursuit; selectivity balancing resources cutbacks
 - Still tight for transition and delivery; endemic challenges
- » Sales cycles
 - Some stabilization; deal flow disruption less an issue overall than in recent quarters
 - Fifth straight quarter of more providers indicating sales cycles lengthening
- » Deal scope
 - Stable
 - Provider ability to increase scope improving, driven by consolidation among top tier firms
- » Service provider profitability
 - Still pressured; just 20% of providers indicating profitability improving
- » Renegotiations
 - Some increase in frequency as buyers seeks better deal terms, but complexities associated with opening up in-flight deals tempers demand

EquaTerra Service Provider Performance Reporting

- » Outsourcing service provider performance and satisfaction assessments based on surveys and interviews clients currently engaged with identified service providers
- » Focused on ITO in several European markets
 - UK, Netherlands, BeLux, Nordics, Pan-European, Germany (2H09)
- » Launching FAO coverage 2H09 and HRO 2010
- » Sample of some of the service providers profiled
 - Multinationals: Accenture, ACS, Capgemini, CSC, EDS, Fujitsu, HP, IBM, Unisys
 - European and regional players: Atos Origin, BT, Logica, Siemens, Steria/Xansa, T-Systems
 - Indian-based providers: Infosys, Satyam, TCS, Wipro
- » Contact [EquaTerra Research](#) for more details

Inaugural EquaTerra Dutch ITO Service Provider Pulse Survey

- » Newest in a series of regional and industry service provider Pulse surveys
- » Conducted 1Q09; all leading market providers polled, including: Accenture, Atos Origin, Capgemini, Fujitsu, Getronics, HP/EDS, IBM, Logica, Schuberg Philis, T-Systems
- » Key findings
 - **Market events driving more outsourcing:** 69% of service providers indicate economic conditions are pushing up demand
 - **Profits crimped:** Only 1% one percent of providers indicated contract profitability was improving while 78% percent cited no change in profitability levels
 - **Offshore upswing:** 43% of providers cited increased offshore usage in deals; “Offshoring gains acceptance thanks to the credit crunch.”
- » Contact [EquaTerra Research](#) for more survey details
- » Direct all Dutch market questions or comments to Paul Cornelisse, paul.cornelisse@equaterra.com, +31 (0)620 561 475 or Mariska ten Broek, mariska.tenbroek@equaterra.com, +31 (0)620 364 354.

Links to Other Selected EquaTerra & EquaSiis Research

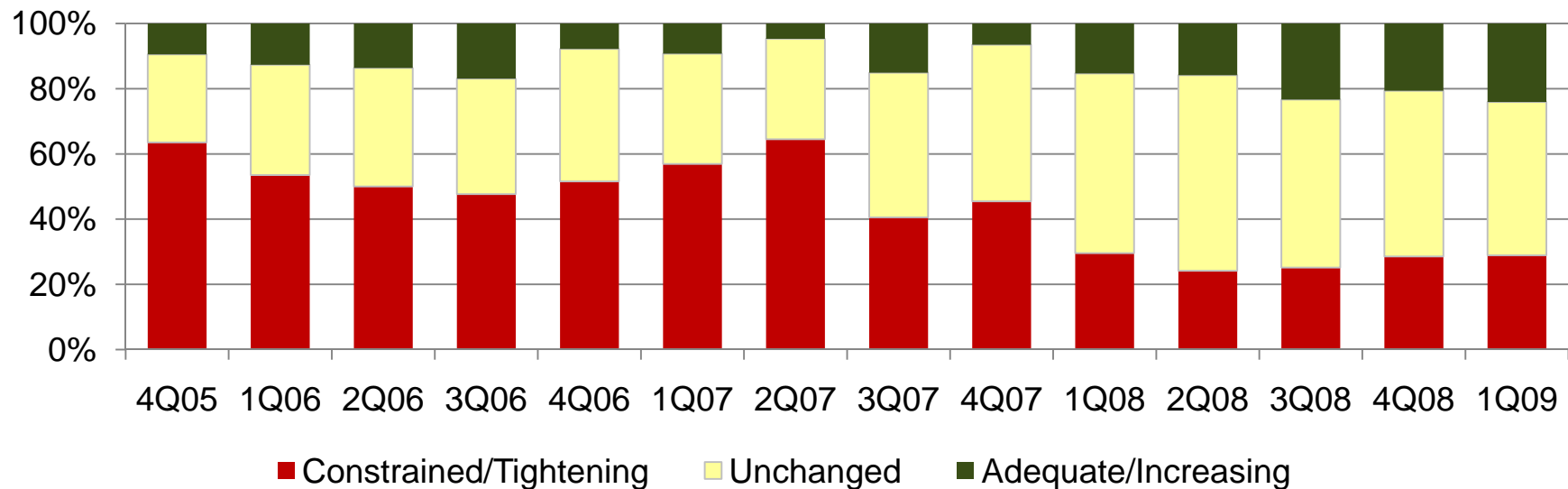
- » Visit the EquaTerra Research Library for additional results from the Pulse surveys, archived Pulse research, and wide range of additional EquaTerra research and thought leadership. <http://www.equaterra.com/fw/main/The-Library-81.html>
- » Visit the new EquaSiis Research and Resources Library to access the *Sourcing Market Pulse* blog and additional EquaSiis and third party sourcing related blogs, research and thought leadership. <http://www.equasiis.com/research-plus-resources>
- » [EquaSiis](#) is an EquaTerra company that provides software and services that improve the business support services lifecycle for shared services, outsourcing practitioners and service providers.

Q&A

Appendix

Advisors

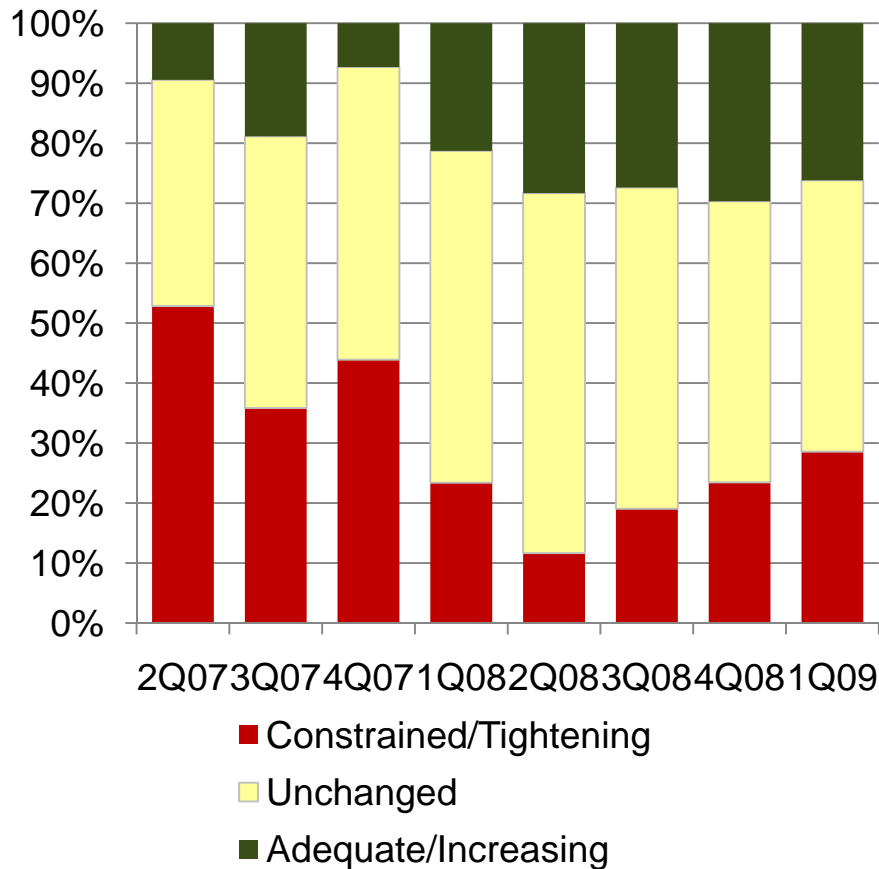
Service Provider Capacity



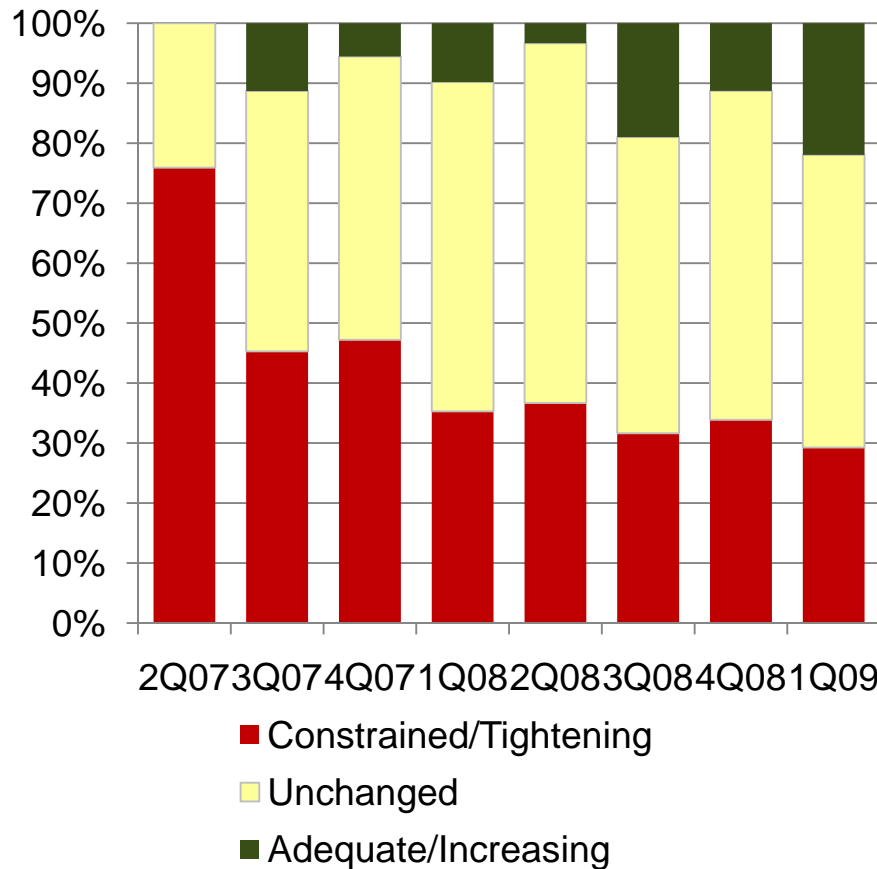
- » Service provider capacity is defined as adequate and skilled resources for sales pursuit, engagement and transition/ delivery
- » Improvements in service provider capacity for deal pursuit are being driven by selectivity and slower market conditions but countered by cutbacks in pursuit resources and investments
- » Transition capacity remains problematic for larger deals and is also negatively impacted by resource cutbacks

Advisors

Service Provider Capacity, Pursuit and Delivery

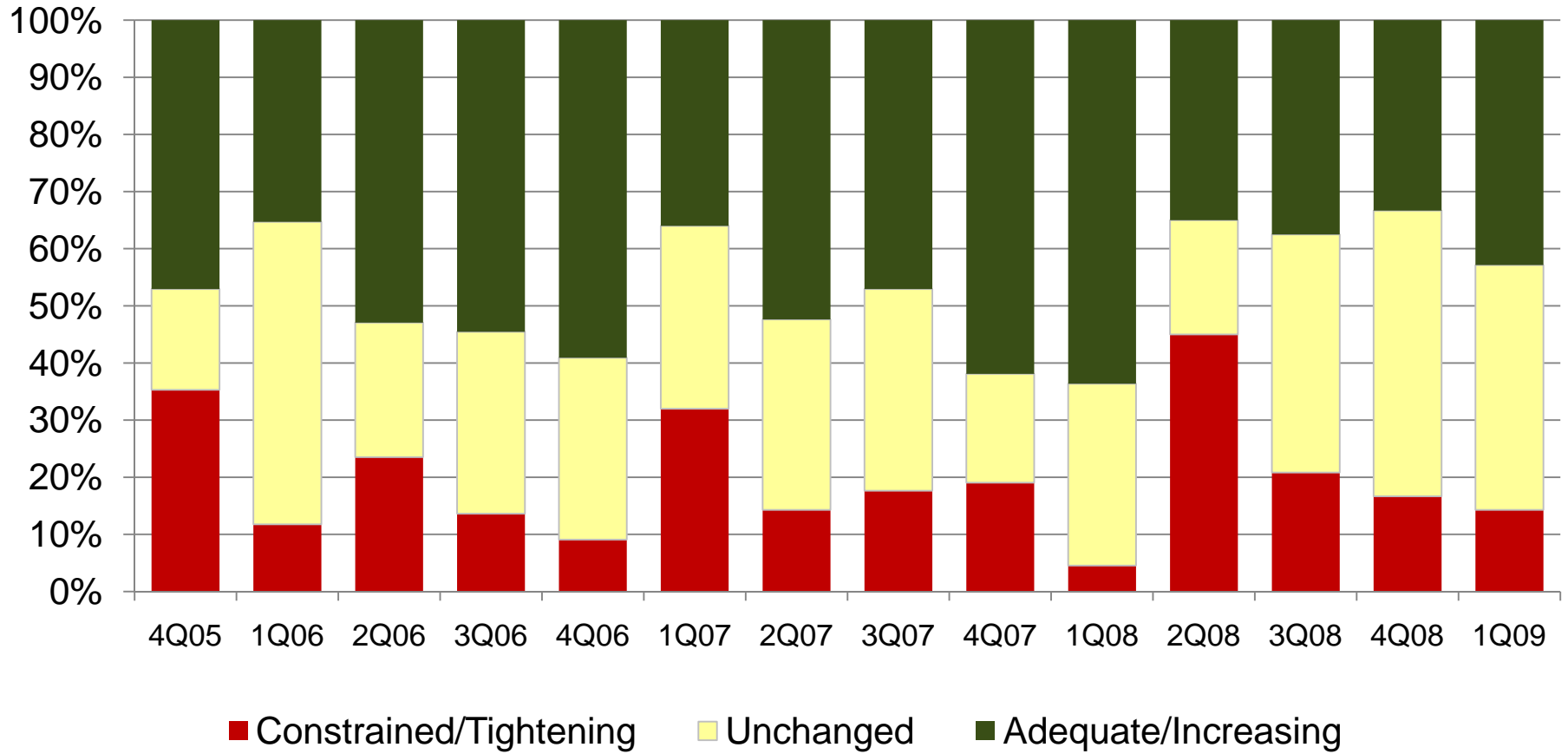


Capacity: Pursuit



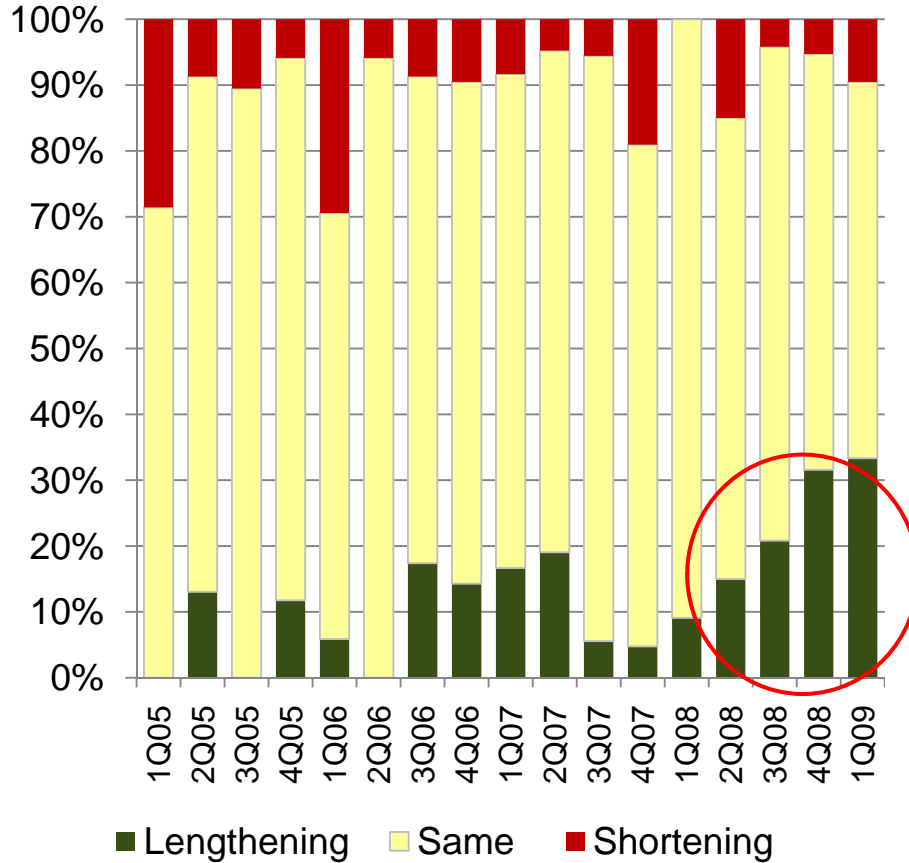
Capacity: Delivery

Service Providers Capacity

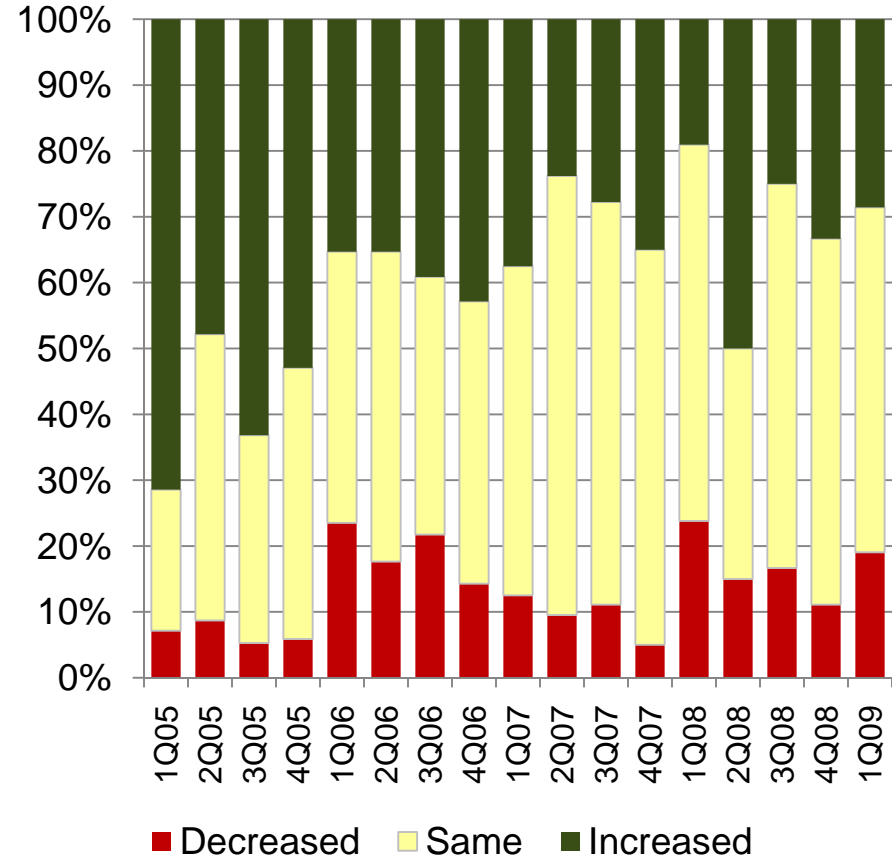


Service Providers

Sales Cycle & Scope



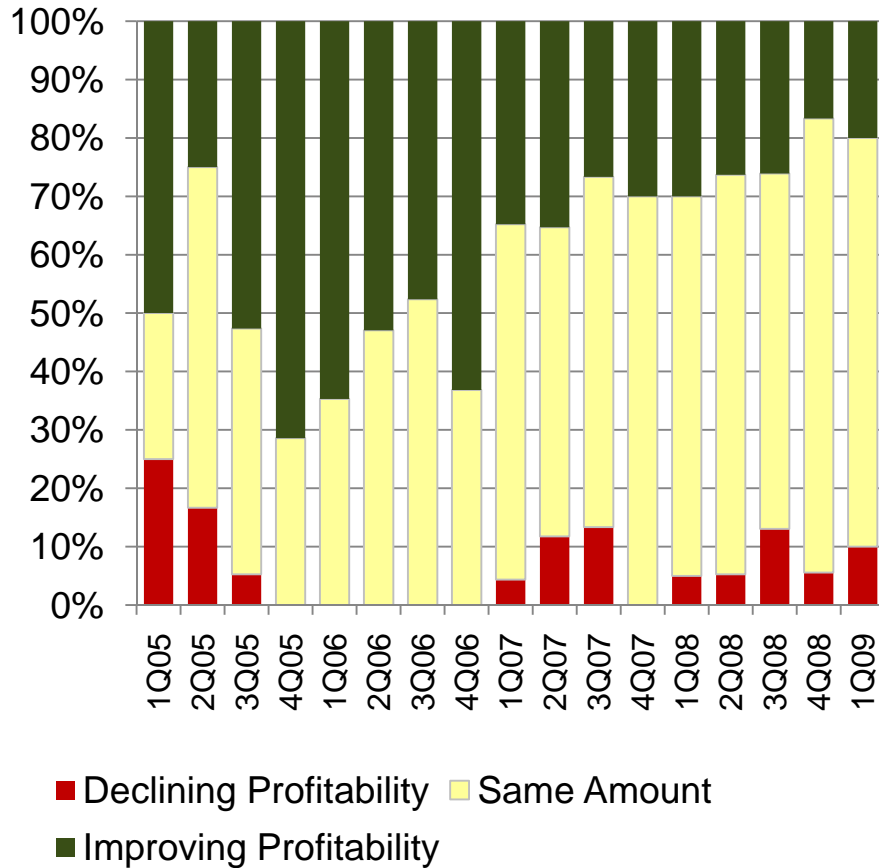
Service Providers: Sales Cycle



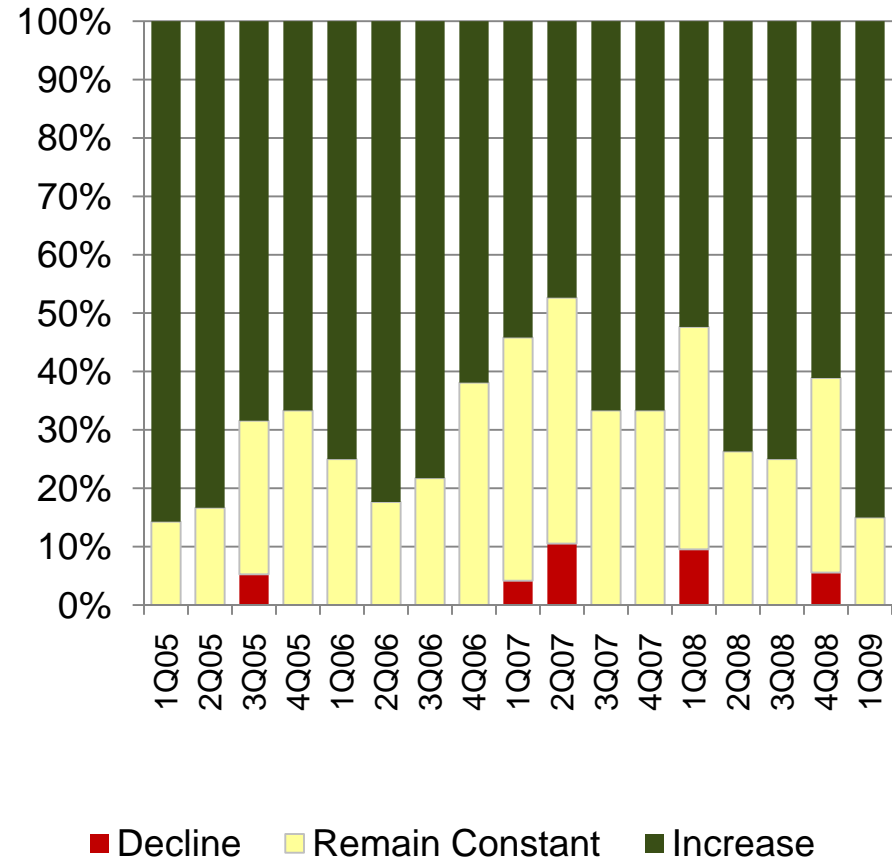
Service Providers: Scope

Service Providers

Existing Contract Profitability & Ability to Increase Scope



Service Providers: Profitability

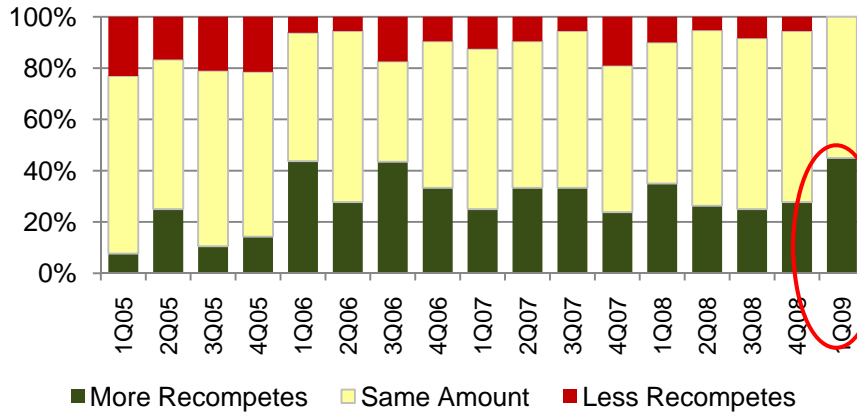


Service Providers: Ability to Increase Scope

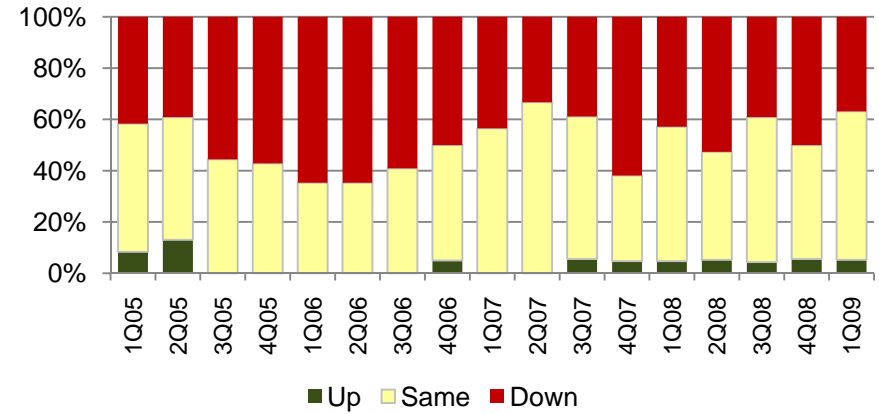
Service Providers

Additional Points

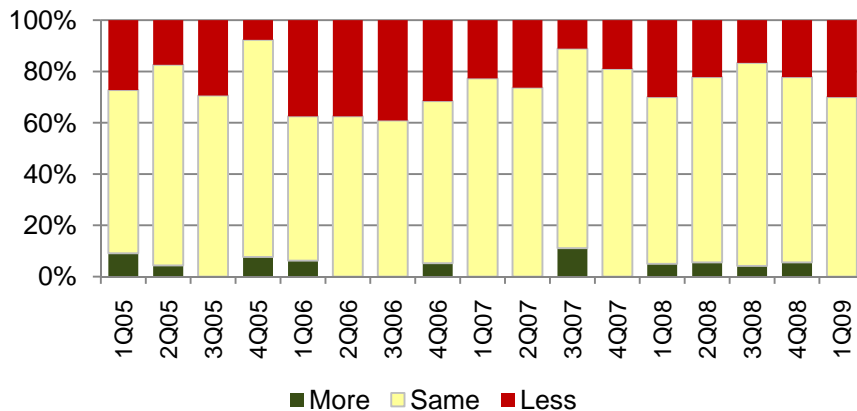
Re-competes/Renegotiations



Problem Contracts as % of Total



Cancellations/Non-Renewals



Stan Lepeak

Managing Director, Global Research



- » Leads EquaTerra and EquaSiis research practices focused on trends, issues and futures in the global information technology and business process outsourcing markets. EquaTerra research assess trends around process improvement and transformation best practices, globalization, and related business and economic market developments.
- » 20+ years experience in the business and IT services markets. Previously served with the META Group as VP and Research Lead for the business & IT services marketplaces, compliance research practice area co-lead and as a leader of the Electronic Business Strategies service. Additional roles in software and services industries as well as positions in finance, accounting and operations across several industries.
- » Noted commentator and frequent speaker on business and IT professional services, business process outsourcing and transformation, organizational change, risk management, compliance, and underlying supporting technologies.
- » Contact for more info on the Pulse Surveys



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Phil Morris

Chief Operating Officer, Europe & Asia



- » Phil was Chief Executive and a founding member of Morgan Chambers. Since the acquisition he has taken on the role of Managing Director with responsibility for Europe and Asia.
- » He is a highly accomplished director level consultant with over 25 years of ICT and Business Process Outsourcing experience.
- » Phil's experience has been gained as a senior supply-side industry executive and management consultant. Phil, as MD, takes ultimate responsibility for the delivery of assignments across the company in Europe and Asia.
- » Phil has supported the development and negotiation of contracts for some of the largest and most complex deals implemented in the UK, Europe and around the world for ICT and Business Process Outsourcing. Phil has a rare understanding of the cultural implications of significant business change having worked in 26 countries over the past fourteen years executing the assignments of Morgan Chambers and now EquaTerra.



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Mark Toon

CEO



- » Co-founder and Chief Executive Officer, EquaTerra.
- » Mark has more than 16 years of expertise helping companies transform, improve and outsource general and administrative (G&A) processes.
- » Prior to forming EquaTerra, Mark was a Partner with TPI and responsible for the marketing, sales and business development function.
- » Before TPI, Mark was the Chief Executive Officer and a Founder of SourceNet Solutions; the first comprehensive payment and disbursements outsourcer.
- » Mark also spent nine years at Andersen Consulting/Accenture focused on helping G2000 companies improve their business processes
- » Representative clients include Bristol-Myers Squibb, Deutsche Bank, General Motors, Gillette, Hewlett-Packard, Procter & Gamble, Royal Dutch Shell.
- » Mark graduated from Baylor University with a Bachelor of Business Administration in Management and Statistics, and a Masters of Business Administration with Honors in Marketing Research.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries.

Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

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