

EquaTerra: Global Outsourcing and Offshoring Trends for 2009

Submitted by: Equaterra Europe Ltd

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For immediate release: Nov. 13, 2008 – The financial crisis and global recession will accelerate adoption of global outsourcing and offshoring as strategic business tools as organisations respond to economic adversity with a forceful push toward cost-reduction according to leading sourcing advisory firm EquaTerra. Factors expected to impact outsourcing and offshoring over the next year are:

Globalisation will continue but at a slower pace – Numerous factors, including the severe global economic downturn, repeated product health/ safety scares related to Chinese goods, a collapse of commodity prices (critical to supporting many emerging market economies) and the election of a new U.S. administration concerned with the loss of domestic jobs will slow globalisation and one of its key manifestations, the global sourcing of services. But the compelling business benefits of global sourcing – especially in tough economic times – will continue to drive growth.

Reassessment of current global outsourcing strategies/destinations – As buyer focus shifts to cost reduction and cost avoidance, organisations will carefully analyse current and future outsourcing efforts and service provider partners to ensure they are getting services from the most cost-effective location.

Steep learning curves – As buyers turn to outsourcing/offshoring to help weather economic turbulence, they will need to consider mitigating factors, including service provider capacity levels, prior direct experience and whether engaging a service provider expands or consolidates the supplier base – supplier consolidation/rationalisation is viewed as a means to gain economies of scale, reduce overall costs and speed implementation of new efforts to meet shorter term business needs.

Volatility in foreign exchange markets – Outsourcing buyers and sellers must become more effective/efficient at hedging against currency fluctuations that often negatively impact local currencies in emerging markets, creating instability in cost structure/pricing/profit margins. The seesawing value of the dollar will make calculating the true costs of outsourcing/offshoring more complicated, challenging buyers and service providers to plan/project longer-term pricing, cost and profitability levels. Efforts to do this should include explicit contractual contingencies and, when possible, spreading global service delivery efforts across multiple markets.

Wage inflation in offshoring markets will abate, at least temporarily – As Western markets pause to digest events and determine a go-forward strategy, demand for global outsourcing services will slow temporarily, curbing the recent trend toward wage inflation in offshoring markets and helping top outsourcing destinations remain competitive.

Evolving outsourcing business model – Buyers will continue to shift away from the use of project-based contract labor in favor of longer term, formalised outsourcing relationships. By committing to longer term and larger scale deals, buyers can get better pricing from service providers, better levels of service and lock-in longer term cost savings strategies.

Move toward flexible service delivery models and acquiring in-house skills needed to manage sourcing successfully – As buyers gain outsourcing/offshoring management experience, they will seek greater

flexibility in service delivery models to fit form to function and tasks. The result will be a mix of domestic, nearshore and offshore shared services/captive centres and other outsourcing efforts that will evolve with the marketplace. Organisations will also place greater emphasis on defining, acquiring and transferring skills needed to successfully govern outsourcing/offshoring efforts.

Stan Lepeak, Managing Director of Global Research for EquaTerra will be available to do interviews on this topic. EquaTerra (www.EquaTerra.com) is a leading sourcing advisor.

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