

World's Largest Outsourcing Service Providers Say Their New Deal Pipelines Surged in 1Q09; EquaTerra Projects Demand to Stay Strong in 2Q

Submitted by: Equaterra Europe Ltd

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Houston and London (April 28, 2009) – The urgent need for cost savings is fueling demand for outsourcing, according to EquaTerra, a global business advisory firm which tracks worldwide demand for third-party business and IT services. In its 1Q09 Advisor and Business/IT Service Provider Pulse Survey *, EquaTerra reports 57 percent of the service providers polled, including the largest U.S. and Indian companies, cited a surge in their new deal pipeline in the first quarter, a 26 percent increase over last quarter. While the deals were smaller in scope, they grew in number as organizations decided cost-saving initiatives could no longer be postponed.

“We’ve been citing pent up demand for outsourcing in our past two quarterly Pulse surveys,” said Stan Lepeak, managing director of global research for EquaTerra. “These deals are beginning to flow as the need to control costs outweighs reluctance to initiate major change efforts like outsourcing in the midst of an economic crisis and regulatory uncertainty.”

Key findings from EquaTerra’s 1Q09 Pulse:

- Demand for business process/information technology outsourcing rose significantly in the first quarter with 49 percent of EquaTerra’s client-facing advisors citing increased demand (up 11 percent from last quarter) and 57 percent of the service providers polled reporting a surge in their new deal pipeline, a 26 percent improvement over 4Q08.
- Service providers (62 percent) expect demand to stay strong in the second quarter, up 9 percent quarter-over-quarter and 14 percent year-over year.
- Over 75 percent of EquaTerra’s advisors reported buyers are currently focused on short-term (less than 12 months) cost- saving deals versus process improvement or access to external talent, and are pushing service providers to finance/defer/absorb any upfront change/transition costs.

The economic crisis is reshaping business operating models

EquaTerra sees indications the worldwide recession may trigger a fundamental shift in the way organizations do business in the next decade. The scope and severity of the economic downturn is forcing organizations to make deep workforce cuts and introduce radical changes to methods of service delivery. Economic survival/liquidity is driving most initiatives and EquaTerra advisors report some organizations have no choice but to essentially transform their operating model.

Additionally, instead of bringing work back onshore, experienced outsourcers are expanding initiatives and migrating/consolidating them with existing service providers to gain economies of scale, preferred pricing and better terms and conditions. Buyers entering the outsourcing market for the first time are focused on short-term deals with a clear return on investment. These buyers have a propensity to select A-list providers, indicating a desire to go with proven performance to ensure quality and enhance the

chances of a successful outcome. Both categories of buyers are sharpening their negotiation tactics and keenly monitoring ROIs.

Overall, the economic crisis has prioritized outsourcing as a tool to achieve critical short-term cost reductions and drive significant, often overdue, overhauls to back-office service delivery models. "Ironically, despite populist backlash, the recession is likely to break through remaining resistance to outsourcing as business becomes more adept at using the tool to cut cost and improve efficiency," said Lepeak.

About EquaTerra's 1Q09 Pulse*

EquaTerra combines relevant recent research with trending data gathered through a quarterly survey of leading outsourcing service providers and EquaTerra's own client-facing advisors to create the quarterly Pulse survey. For insight into the global outsourcing market and a comprehensive discussion of survey results, please register for EquaTerra's 1Q Pulse Webcast Tuesday, April 28, at 11 a.m. (EDT). Presenters: Mark Toon, CEO of EquaTerra, Phil Morris, managing director for EquaTerra in Europe and Asia, and Stan Lepeak, managing director of global research for EquaTerra and EquaSiis. To obtain a copy of the 1Q09 Pulse survey, please contact Stan Lepeak.

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, Middle East, Africa 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. For more information, please contact Lee Ann Moore at +1 713.669.9292; www.equaterra.com.

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