

Business Process Outsourcing Overtakes IT Outsourcing in North America in Q1 2004

Submitted by: NelsonHall

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WASHINGTON & LONDON (May 4, 2004) — BPO market research firm NelsonHall today announced that the value of BPO contracts awarded in North America in Q1 2004 overtook the value of new IT outsourcing contracts in the same quarter. With BPO contracts now accounting for 52 percent of North American outsourcing contract value, as compared to 39 percent in Q1 2003, organizations are sending a clear signal that they recognize the high value-add BPO can deliver to their stakeholders, both internal and external.

A GLOBAL VIEW

According to the firm's research, the value of global BPO contract awards in Q1 2004 reached \$6.9 billion, and accounted for 41 percent of awarded global outsourcing contract value, an increase from 35 percent in Q1 2003. The bulk of BPO contract value (78 percent) was derived from front-office and middle-office related services, with back-office accounting, human resources, and procurement outsourcing services representing just 22 percent of global BPO contract value.

INDUSTRY AND SERVICE TRENDS

As a result of some fall-off in the adoption rate of BPO by the government sector, middle-office BPO contract awards in Q1 2004 were dominated by the financial services and telecommunications sectors (combined totaling 70 percent of BPO contract value.) The insurance industry in Q1 2004 came in at 18 percent of total contract value, up one percent from the same quarter in 2003. The banking industry made a significant jump, up from 2 percent to 12 percent.

Contrary to earlier trends, back-office BPO contract awards in Q1 2004 were dominated by finance and accounting (F&A) services, rather than HR services. NelsonHall believes the larger growth in F&A outsourcing is due to major organizations beginning to selectively outsource elements of their F&A processes – such as accounts payable and receivable – rather than facing the high organizational hurdles involved in full scope F&A outsourcing. Moreover, the firm's research found that the nascent market for procurement services is beginning to emerge more strongly.

A GEOGRAPHICAL VIEW

By geography, the BPO continues to develop more strongly in North America (68 percent of awarded contract value in Q1 2004) than in Europe (26 percent), with Asia making an increasing contribution (5 percent) in Q1 2004.

A LOOK AT THE SERVICE PROVIDERS

The three leading vendors in winning new BPO contract value globally in Q1 2004 were, in order, IBM Global Services, Capita, and ACS. Hewlett-Packard is emerging into the BPO market, capturing sixth place. However, the areas of success varied widely between the three leading vendors in Q1 2004. IBM Global Services owes its leadership position to the award of a major customer management services contract from U.S. telecommunications operator Sprint. Capita's success came from major middle-office contract wins in the financial services sector, and ACS derived its success in Q1 2004 from F&A and HR outsourcing contract wins.

The BPO Contract Analysis Q1 2004 is available to subscribers to NelsonHall's BPO and Outsourcing Service. It contains a wide array of charts and detailed contract, industry, service, geography and service provider analyses. For more information, please contact andrew.milroy@nelson-hall.com (U.S.) or john.willmott@nelson-hall.com (U.K.)

About NelsonHall

Based in the U.K. with offices in the U.S. and Germany, NelsonHall provides buy-side and sell-side organizations with deeper research and analyses in front office, mid-office and back office BPO than any other research firm in the world. The company's subscription-based model provides subscribers with robust market analyses, case studies, vendor assessments, contract analyses, market reports and access to a content-rich BPO contracts database. The firm covers a wide range of industries including financial services, government and utilities sectors, and tracks worldwide and regional BPO activity.

NelsonHall's home page is www.nelson-hall.com.

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