

NEWS RELEASE

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Large IT outsourcing mega-deals an infrequent occurrence in 2008, according to Everest Research Institute ***Competition for contract renewals will drive pricing lower for buyers***

DALLAS, December 13, 2007 — A fewer number of Information Technology Outsourcing (ITO) mega-deals will occur in 2008, according to the [Everest Research Institute](#). A decline in the number and size of mega-deals, defined as contracts of \$1 billion or more in total contract value, will instead result in a focus on existing mega-deal renewals and an increase in price competition by suppliers, according to a new study by the Institute.

“A decline in mega-deals is likely irreversible any time soon as few Fortune 100 companies remain that could sign new mega contracts,” said [Ross Tisnovsky](#), Vice President of ITO Research at Everest Research Institute. “Next year, we expect buyers will gain pricing benefits due to the pressure suppliers will have to grow signings and contend with increased competition for contract renewals. In the large enterprise market segment, comprised of Fortune 1000 companies, we also foresee long-term price decline in the Infrastructure Outsourcing (IO) market due to an influx of new suppliers and increased competition where the most opportunities for ITO exist.”

The Institute study, [How Structural Changes in the ITO Market are Likely to Affect the Industry](#), analyzed the market from the client point of view to study how buyer-driven structural changes will affect the ITO market. The analysis examined the three basic ITO market segments: mega deals, large enterprises, and small and medium business (SMB).

In addition to conclusions about a mega-deal decline, key findings of the study include:

- Relationship consolidation in large enterprises segment will present multiple improvement opportunities to buyers, enabling them to benefit from lower governance overhead and better prices.
- Labor arbitrage will continue to be a significant driver of value in ADM (application development and maintenance) and will continue penetrating Infrastructure Outsourcing (IO), resulting in increased competitive intensity and price pressure
- Increased market velocity (i.e., shorter durations and faster contract renewal cycles) will present buyers with more opportunities to renegotiate contracts and consider alternative suppliers.

- Despite multiple initiatives by numerous suppliers to expand into the SMB market, this market segment is likely to remain underserved and continue to be serviced by smaller suppliers with limited capabilities.

To read more about the results of the *Information Technology Outsourcing Market Update* study, an extract of the report is available at www.outsourcing-center.com. To purchase the report or receive more information about other research services, please [e-mail info@everestresearchinstitute.com](mailto:info@everestresearchinstitute.com) or call +1-214-451-3110.

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Everest Research Institute [members](#) receive access to unparalleled analytical and advisory services, including access to Everest analysts, in-depth [reports](#) on major outsourcing and offshoring topics, [white papers](#) on market-shaping events, and [Webinars](#) designed to provide insight and information about important market trends. The Institute's wealth of knowledge and experience provides members with unique perspectives into today's marketplace and the competitive edge required to take advantage of emerging opportunities.

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