

NEWS RELEASE

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Global Sourcing supply far exceeds demand; only handful of 'mega' companies fully leveraging offshore business support services advantages, says Everest Group

DALLAS, June 11, 2007 – Although Global Sourcing for business process services is a \$17-plus billion (US) market and continues to grow steadily at a 40 percent annual rate, the majority of companies in developed nations have still not yet offshored in a significant way according to Everest Group, a leading independent advisor on global sourcing.

“More than 85 percent of companies that have offshored have achieved average net savings of 30 percent, in addition to service quality, process cycle, and other productivity benefits,” said Peter Bendor-Samuel, CEO of Everest Group. “However, despite the fact that service providers and captive leaders are commonly delivering high-end services from global locations, only a handful of ‘mega’ (>\$10B U.S. revenue) companies are heavy adopters of offshored services, and the adoption rate drops off dramatically for mid-sized and smaller organizations.”

Everest sees most North American and European companies struggling with similar challenges including skilled labor shortages across all functions, increasing competitive pressure for cycle time reduction, profitability, and needs for tighter controls and compliance. “Although labor arbitrage remains a key driver, leading offshoring adopters are seeking out and capitalizing on access to new technologies and skills that are helping them improve existing products and services and accelerate new developments,” said Nikhil Rajpal, Vice President of Global Sourcing for the Everest Research Institute. “Consequently, users of offshore suppliers are reporting generally high satisfaction with their services.”

Everest’s research validates significant growth opportunities for business process offshoring, particularly as a measure to reduce costs within ‘back-office’ processes such as finance, human resources, procurement, supply chain management, engineering, and other areas of business support that often represent a significant portion of the cost base for domestic companies. As an example of an underutilized offshoring resource, India represents 45 percent of

today's global sourcing market, but only 30 percent of services are for business processes and the remaining 70 percent is focused on traditional information technology services.

The root causes of slow offshoring adoption are strikingly familiar to past fundamental shifts in the business environment, according to Jim Mikell, who leads Everest's Market Measurement & Maximization services practice. "Similar to the early days of the internet or emergence of just-in-time delivery in the 1980s, less than 10 percent of leaders are fully proactive in leveraging the available opportunities," said Mikell. "The bulk of offshoring demand is being driven by the largest companies in select industries such as financial services, yet a staggering 75 percent of financial services firms have yet to adopt offshoring in a significant way. Clearly, growth potential still exists even in leading industries."

"Leveraging the power of sourcing can quickly give a company a competitive advantage and solve critical problems, which is why we utilize our *Global Sourcing Opportunity Assessment* approach to help accelerate the investigation of offshoring advantages," said Mikell. "Our approach leverages data from hundreds of third-party and other sourcing arrangements we have facilitated, our continuous monitoring and assessment of over 150 global sourcing locations, and a number of other market insights that enable us to provide a rapid, accurate estimate of the value for a potential buyer. What corporate leaders need are objective facts on the market and education on the relative benefits and risks of different levers to optimize non-core services whether through outsourcing, captive offshore centers, reengineering or other means. Everest can provide that unbiased perspective relatively quickly."

In response to these issues, Everest will hold a one-hour Webinar on Thursday, June 21, at 9 a.m. CDT / 10 a.m. EDT / 7:30 p.m. IST hosted by Mikell and Sheetal Bahl, Research Director, Everest Research Institute. Mikell and Bahl will present a "how to" guide for assessing global sourcing opportunities within your organization and discuss the following topics.

- Trends in adoption of global sourcing across industries, including offshoring, outsourcing and captive operations
- Successful approaches to assessing opportunities for global sourcing with any organization
- Lessons learned on topics such as benchmarking, requests for proposal, and change management

To register, please visit: <http://www.everestgrp.com/Webinars>.

About Everest Group

Everest Group is a global consulting firm with offices in such leading business centers as Dallas, Delhi, London, New York, Toronto and Melbourne. An industry leader since 1991 when we created the sourcing consulting category, Everest

Group has earned a worldwide reputation for ongoing innovation as we help clients achieve maximum value from their sourcing strategy and implementation. Everest created the Everest Research Institute (www.everestresearchinstitute.com) as the central source of industry information. Please visit www.everestgrp.com and www.everestresearchinstitute.com for more information.