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**Everest Research Institute: Third-party outsourcing suppliers can provide 5-15 percent more savings than captives; best-in-class captives can match third-party performance**

*Third-party vs. Captive Study Advises Value Evaluation More Important than Costs*

**DALLAS, October 2, 2007** — Third-parties outsourcing suppliers are typically 5-15 percent less expensive than captives in terms of their total cost of operations, according to a recent study by the [Everest Research Institute](#). The study makes a holistic comparison of costs across operating costs, productivity, transition, sales and marketing and margins. The cost advantage of the third-party model is derived primarily from better leverage of scale, leaner operating environments, more complex overhead management associated with most captives, as well as higher investments that captives make in knowledge transfer during offshore migration and creation of a more global culture. However, best-in-class captives are observed to operate at similar and even lower costs.

Although cost reduction is important, the study, [Comparison of Outsourced and Captive Solutions for Capturing Value from Outsourcing](#), advises that a company's decision of which model to leverage must be aligned with its near- and long-term strategic goals. The Institute will also host a [Webinar](#) on October 11 at 8 a.m. CDT, to provide multiple viewpoints on the third-party and captive offshore divide.

“Many of the factors that drive up the near-term captive operating cost structure can be valuable investments in the long-term to create business and strategic impact,” said Nikhil Rajpal, Vice President of Global Sourcing for Everest Research Institute. “To capture the value associated with the captive model requires an investment of effort and finances, and the company moving the work offshore as a captive operation must maintain focus on cost-reduction opportunities where relevant.”

According to the study, the third-party model can be better suited for companies who value goals such as minimizing location risk, attracting scarce talent that is not core to the business, and scaling costs to match demand for processes with fluctuations in volume. Conversely, the captive model can further goals such as to gain access to new geographic markets, increase access to management talent, achieve end-to-end control, and enable greater integration with the parent company.

“A company must identify the model that works best for its specific objectives and situation,” said Eric Simonson, Managing Principal of the Everest Research Institute. “It is becoming increasingly clear that the third-party and captive models are differentiating themselves and should be compared based upon their unique attributes. There are unique types of value that the third-party and captive models are better suited to capture that can help a company better reach its strategic goals and, in many cases, a combination of both models is the optimal solution.”

This report builds on to the results of a recent Everest study, [\*Captive Value Diagnostic Study Market Update\*](#), which surveyed over 100 key executives who operate captives across global companies. The survey revealed that more than 85 percent of these executives believe that their captive operations are delivering on cost savings and service expectations, despite contrary opinions.

The Webinar will take place on **October 11, 2007**, at 8 a.m. CDT; 1300 GMT; 6:30 p.m. IST. To register, please visit: [www.everestgrp.com/Webinars](http://www.everestgrp.com/Webinars).

To read more about the results of the captive studies, an extract of both reports are available at [www.outsourcing-center.com](http://www.outsourcing-center.com). To purchase the reports or receive more information about other research services, please e-mail [info@everestresearchinstitute.com](mailto:info@everestresearchinstitute.com) or call +1-214-451-3110.

#### **About Everest Research Institute**

[Everest Research Institute \(www.everestresearchinstitute.com\)](http://www.everestresearchinstitute.com) serves as a central source of independent and objective strategic intelligence, analysis, and actionable insight for leading corporations, service providers, and investors in the global outsourcing and offshoring marketplace. The Institute addresses both business process and information technology sourcing topics, providing the global outsourcing and offshoring community with information that empowers highly productive, sustainable sourcing strategies and relationships. The Institute’s distinguished Board of Advisors, senior executives and thought leaders oversee the Institute’s research agenda to ensure that it fully supports the business needs of corporations, service providers and investors.

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.

[Everest Group](#) is a global operational strategy consulting firm with offices in such leading business centers as Dallas; Gurgaon, India; 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 operations, which includes sourcing strategy and implementation. Everest created the Everest Research Institute ([www.everestresearchinstitute.com](http://www.everestresearchinstitute.com)) as the central source of industry information. Please visit [www.everestgrp.com](http://www.everestgrp.com) and [www.everestresearchinstitute.com](http://www.everestresearchinstitute.com) for more information.

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