

NEWS RELEASE

IT infrastructure outsourcing suppliers employing the traditional model will see steadily declining revenues as early as 2009, according to Everest Research Institute

DALLAS, March 13, 2007 — Infrastructure outsourcing suppliers that employ the traditional model will face steadily declining revenues as early as 2009, according to a new study by the Everest Research Institute. This is the result of companies continuing to sign shorter-term IT outsourcing contracts that retain ownership of their assets but allow remote infrastructure support.

Although the traditional Infrastructure Outsourcing (IO) revenue decline trend is predicted to be slow, suppliers must develop new strategies to grow their businesses, according to *Growth of Infrastructure Management Outsourcing (IMO)*. The report is one of a four-report series that provides a comprehensive examination of the IO market trends and dynamics.

“We will continue to see steady growth of IT infrastructure outsourcing, but the predictable continued cannibalization of the traditional model in favor of IMO solutions will compel suppliers to decide which IO model is most appropriate for their businesses,” said Ross Tisnovsky, Vice President of the Institute’s ITO Research Group. “Traditional suppliers can slow down the adoption of IMO by expanding their traditional model offerings to take advantage of offshore labor arbitrage or compete by adopting key aspects of the IMO model that might jeopardize prospects of pure-plays but allow the IMO market to expand faster.”

The Institute analyzed four key market forces driving IMO growth:

- (1) **An increase in remote infrastructure tools:** The emergence and widespread adoption of advanced remote infrastructure management tools (e.g., infrastructure planning, administration, and monitoring and problem-solving tools), many of which provide a comprehensive solution for the majority of infrastructure needs, has driven increased ability to perform infrastructure tasks remotely.
- (2) **“Permission to play” from traditional suppliers:** Traditional suppliers were slow to adopt offshore labor arbitrage in Application Development and Maintenance (ADM), but they are not likely to give IMO suppliers the same leeway in infrastructure and many of them are actively incorporating remote management in their offerings.
- (3) **Shorter technology cycles:** New interoperable technologies such as open-source are more susceptible to the IMO model and being introduced and adopted more quickly.
- (4) **Growing interest from buyers:** Buyers increasingly see IMO as a viable alternative due to the benefits of its asset-light nature and ability to maintain control over most aspects of IT delivery.

Selecting Locations for Remote Infrastructure Management Report

The second report released this week as part of the IO study series, *Selecting Locations for Remote Infrastructure Management*, provides insights to companies regarding what countries and cities they should consider based on their individual infrastructure outsourcing needs. According to the Institute’s work, commonly used Gross Domestic Product (GDP) and number of IT graduates alone are deceptive measurement tools to determine where an infrastructure outsourcing center should be hosted.

“Whereas most other location identification processes only measure GDP and IT graduates, companies must consider factors such as a country’s technology installed base, its IT expenditures and IT infrastructure resources,” said Tisnovsky. “This study takes you through our proprietary location optimization process that derives an IT-centric GDP and other

economic factors for countries located within applicable time zones. For example, being on complementary time zones, such as North America and Latin American or Europe and Africa, is very important for infrastructure outsourcing, versus other outsourcing services that work on a “follow-the-sun approach” such as North America and India.”

Applying the Institute’s methodology, 23 countries meet the minimum criteria for delivery centers. Company-specific location recommendations are finalized based upon several company-centric business factors, such as the location of a company’s existing outsourcing provider or local offices.

ITO Market Update Report Series

The four-part *Information Technology Outsourcing (ITO) Market Update* report series includes two studies published last month. *Infrastructure Outsourcing Roadmap* provides insights into the benefits of Remote Infrastructure Management Outsourcing (RIMO) for buyers and discusses suppliers’ challenges in meeting new trend demands. The *Asset-light Outsourcing Model* study offers insights into one of the most important drivers of changes in the IO market – the IT asset ownership trends in an infrastructure outsourcing deal.

For additional information and samples from the Information Technology Outsourcing (ITO) Market Update series, please visit www.outsourcing-center.com. You may also call 214-451-3110 to schedule a personal briefing appointment.

About Everest Research Institute

Everest Research Institute (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 Research Institute is the research arm of the Everest Group (www.everestgrp.com), a global consulting firm that assists corporations in developing and implementing leading-edge sourcing strategies. Since 1991, Everest Group has served as the trusted business advisor for hundreds of IT and business process outsourcing transactions worldwide.

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