

## NEWS RELEASE

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### **IT Outsourcing Engagements Leaning Toward Collaborative Models that Boost Buyer Savings**

**DALLAS, January 29, 2008** — An increasing number of IT Outsourcing (ITO) arrangements employ collaborative, value-shared engagement models as buyers seek to release more value in their outsourcing relationships and gain more cost savings, according to a new [Everest Research Institute](#) study.

The Institute's IT study, [The Outsourcing Engagement Model as a Strategic Element in Expanding Share of the Buyer's Wallet](#), reports that large outsourcing relationships almost inevitably lead to the deployment of multiple engagement models. This entails a portfolio of pricing models (e.g., input or output-based) and relationship approaches (e.g., arms-length or collaborative).

"As the IT outsourcing business continues to mature and inflow of new buyers continues to slow down, wallet share expansion becomes the key growth strategy for suppliers," said [Ross Tisnovsky](#), Vice President, Everest Research Institute. "This trend is not only supplier-driven. The diversity of technologies and end-user requirements often leads buyers to consider a portfolio of engagement models to meet their varied needs."

According to the study, outsourcing engagement models vary significantly across the ITO market, leading to different hybrid contract structures prevalent in each of the segments:

- Although Application Development Maintenance (ADM) deals are well positioned for the *value-sharing model*, due to easier linkage to business benefits rather than infrastructure deals, arms-length relationships still prevail in ADM. This is driven primarily by labor arbitrage being the primary source of value in ADM
- Due to the asset-heavy nature of the traditional Infrastructure Outsourcing (IO), deals, there is a clear preference for asset-driven, output-based pricing where payment to the supplier is based upon consumption of the outsourced service. Although there is an indication of movement toward collaborative arrangements, the value-based model is still infrequent
- Most RIMO suppliers use input-based pricing models, where payment to the supplier is based upon input measures such as labor hours, but adopt output-based models in large contracts. They also tend to exhibit openness to collaborative arrangements and are well positioned to take advantage of value-based engagement models

To read an extract of *Evolution of Engagement Models in the IT Outsourcing Relationship*, visit [www.outsourcing-research.com](http://www.outsourcing-research.com). To purchase the report or request more information about other research services, please email [info@everestresearchinstitute.com](mailto:info@everestresearchinstitute.com) or call +1-214-451-3110 to schedule a personal briefing appointment.

## About Everest Research Institute

[Everest Research Institute](#) 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.

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[Everest Group](#) is a global operational strategy consulting firm with offices in such leading business centers as Dallas; Gurgaon, India; London; Amsterdam; 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](#) 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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