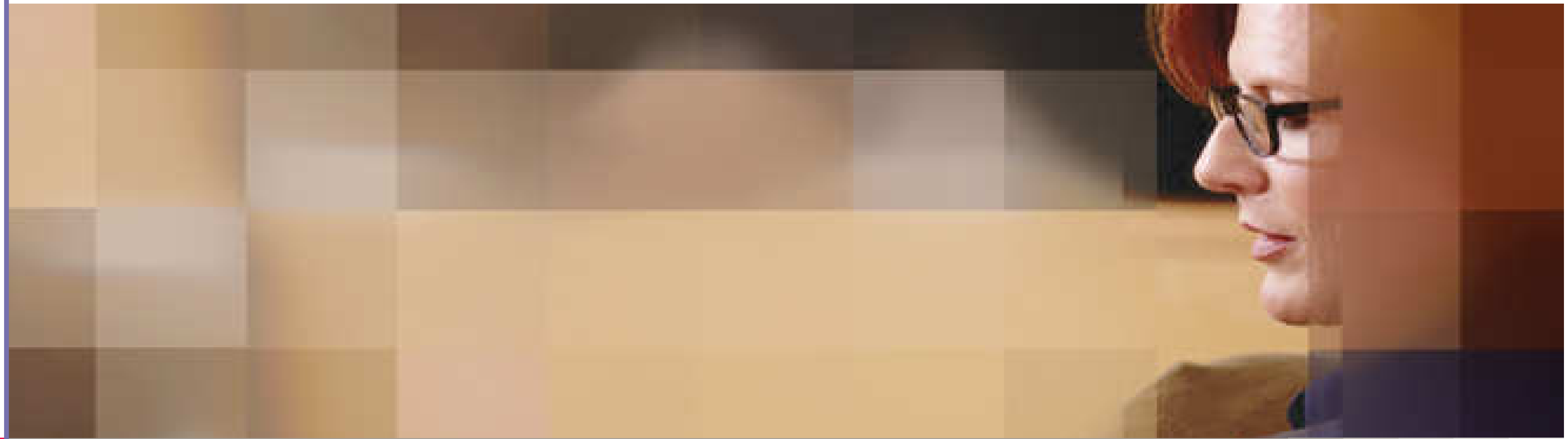

Navigating IT's ups and downs: outsourcing and global sourcing in context

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As part of the Datamonitor and Informa Groups, Ovum provides specialist consulting & advisory services on the telecoms and software & IT services markets, differentiating ourselves through:

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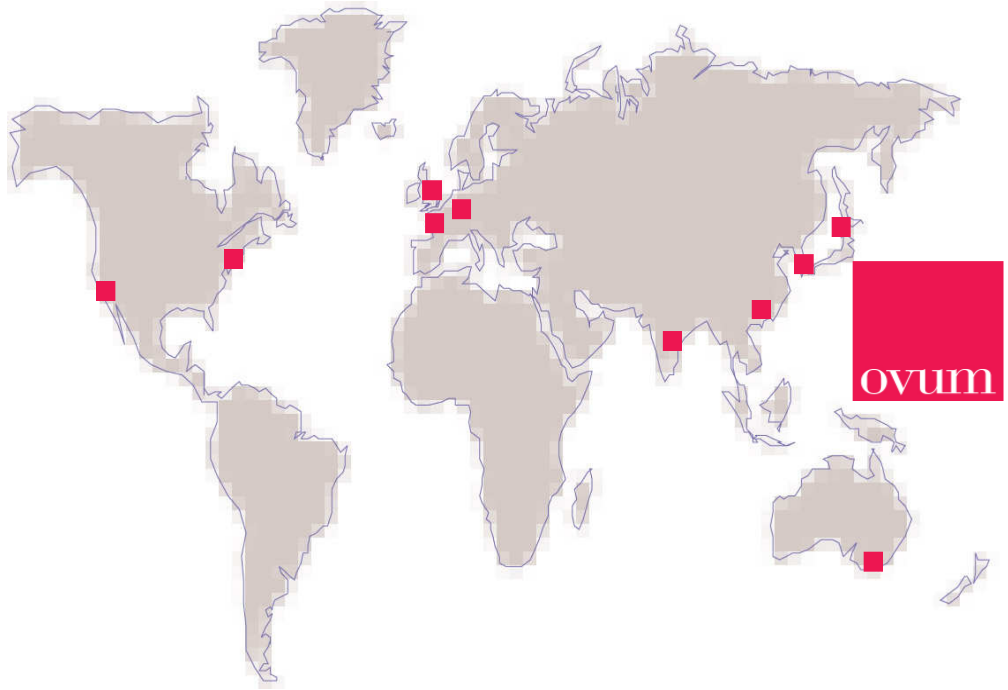
- the access that we have to our extensive research base
- our global analyst & consulting experts
- developed consulting methodologies and models
- deep connected relationships with the industry
- our independence charter



Chaotic times

Challenging economic outlook

Cost containment agenda

Pressure on pricing

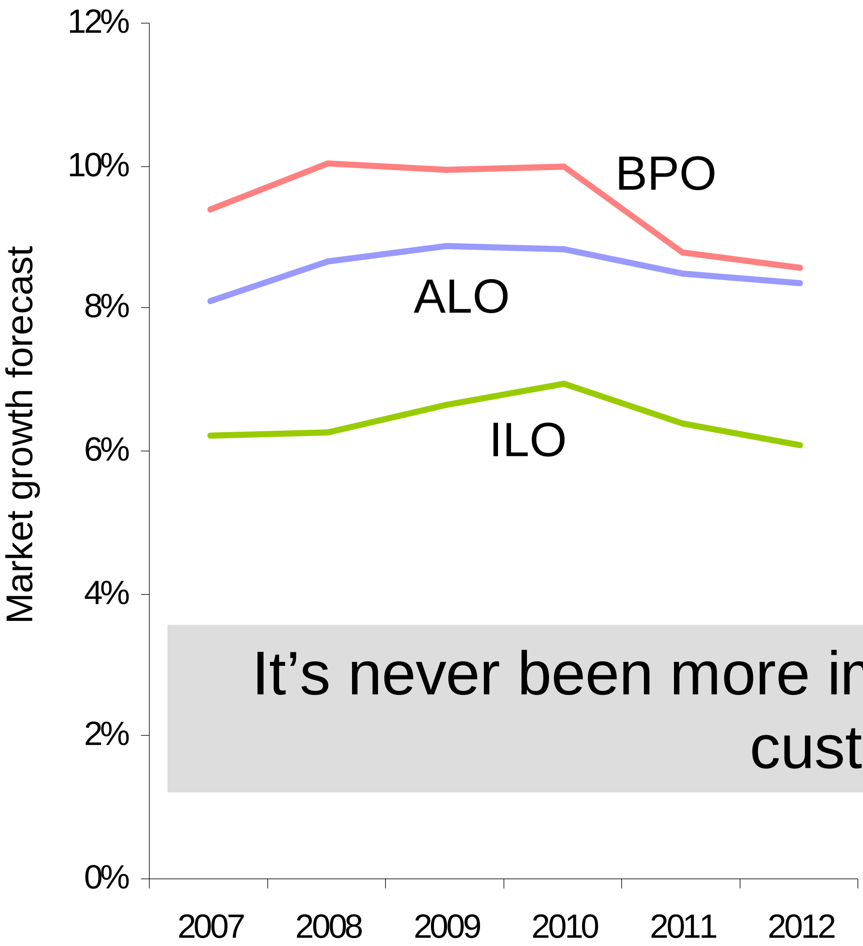
Over-supply

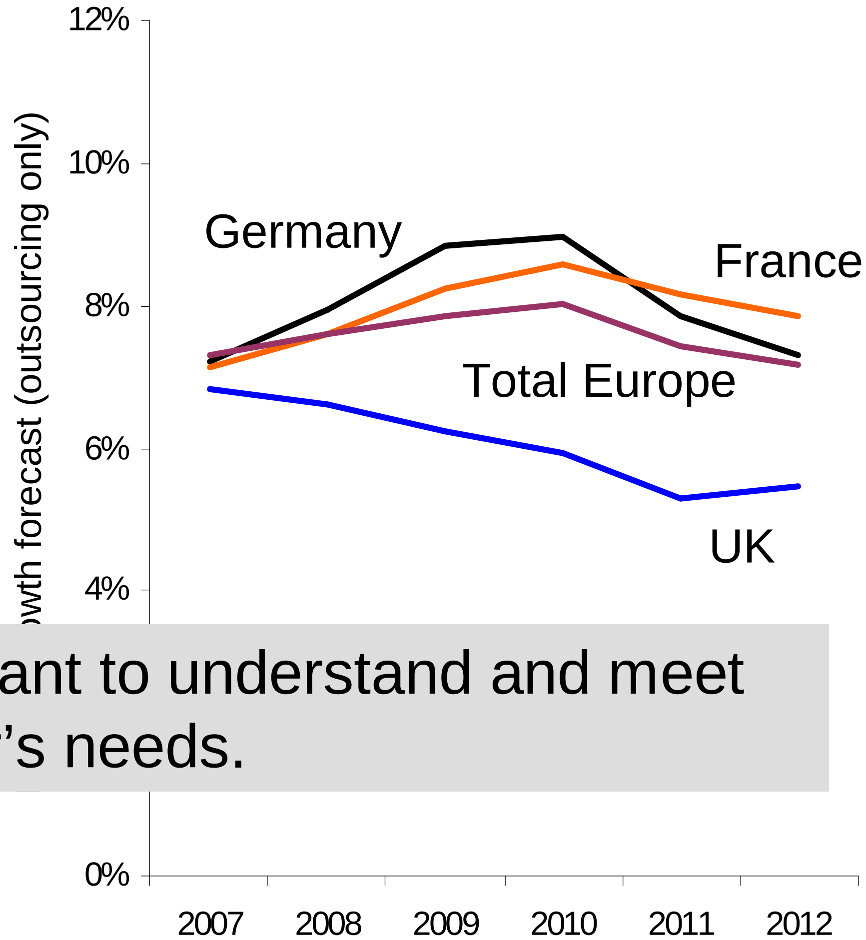
Outsourcing broadly a-cyclical

Growth agenda for IT

Potential for innovation

A tougher outlook





It's never been more important to understand and meet customer's needs.

Customers' two challenges

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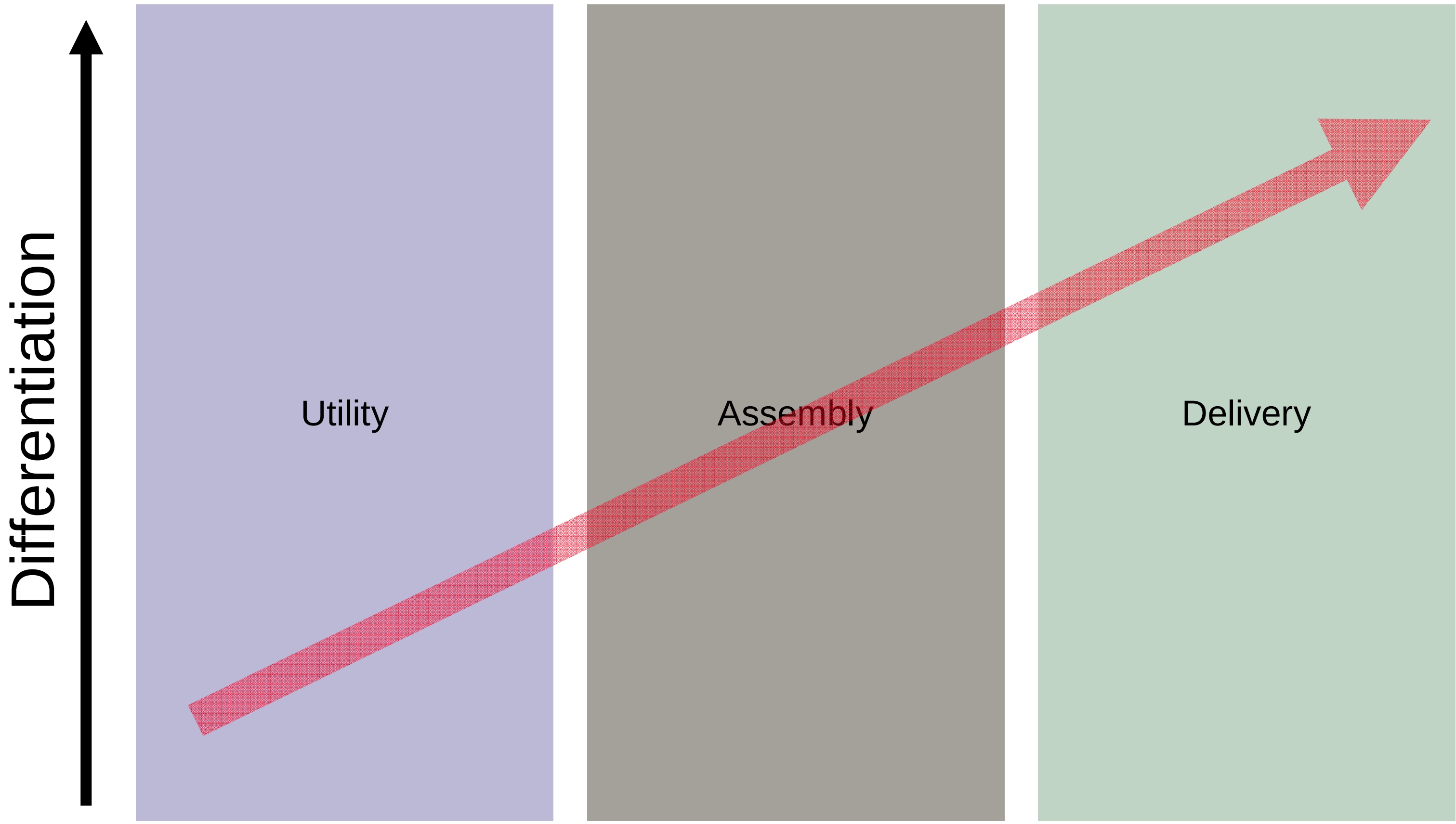
Effectiveness

Deliver the flexibility and innovation that the business needs to grow and compete

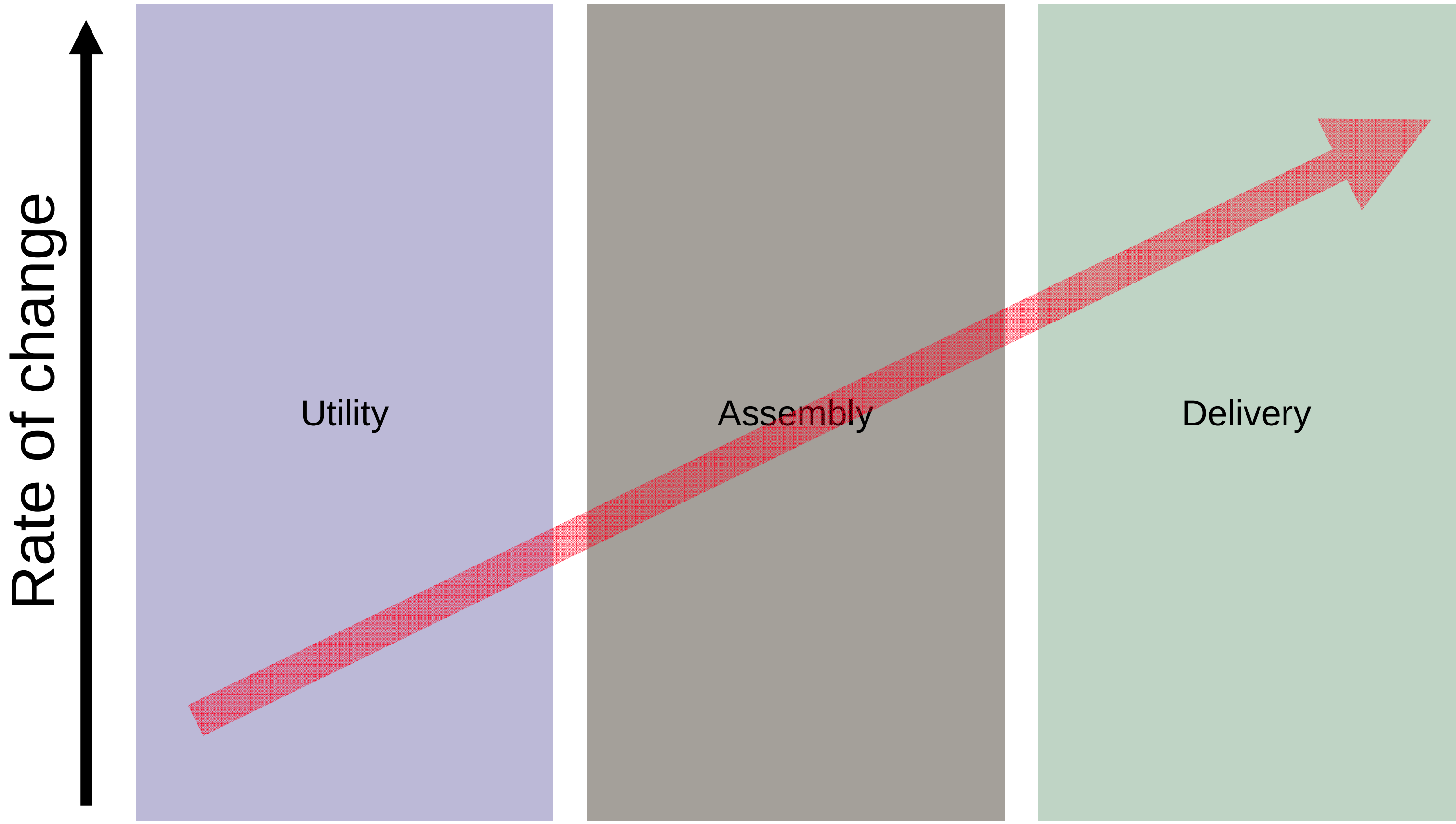
Efficiency

Drive down the cost of core, non-differentiating processes and systems

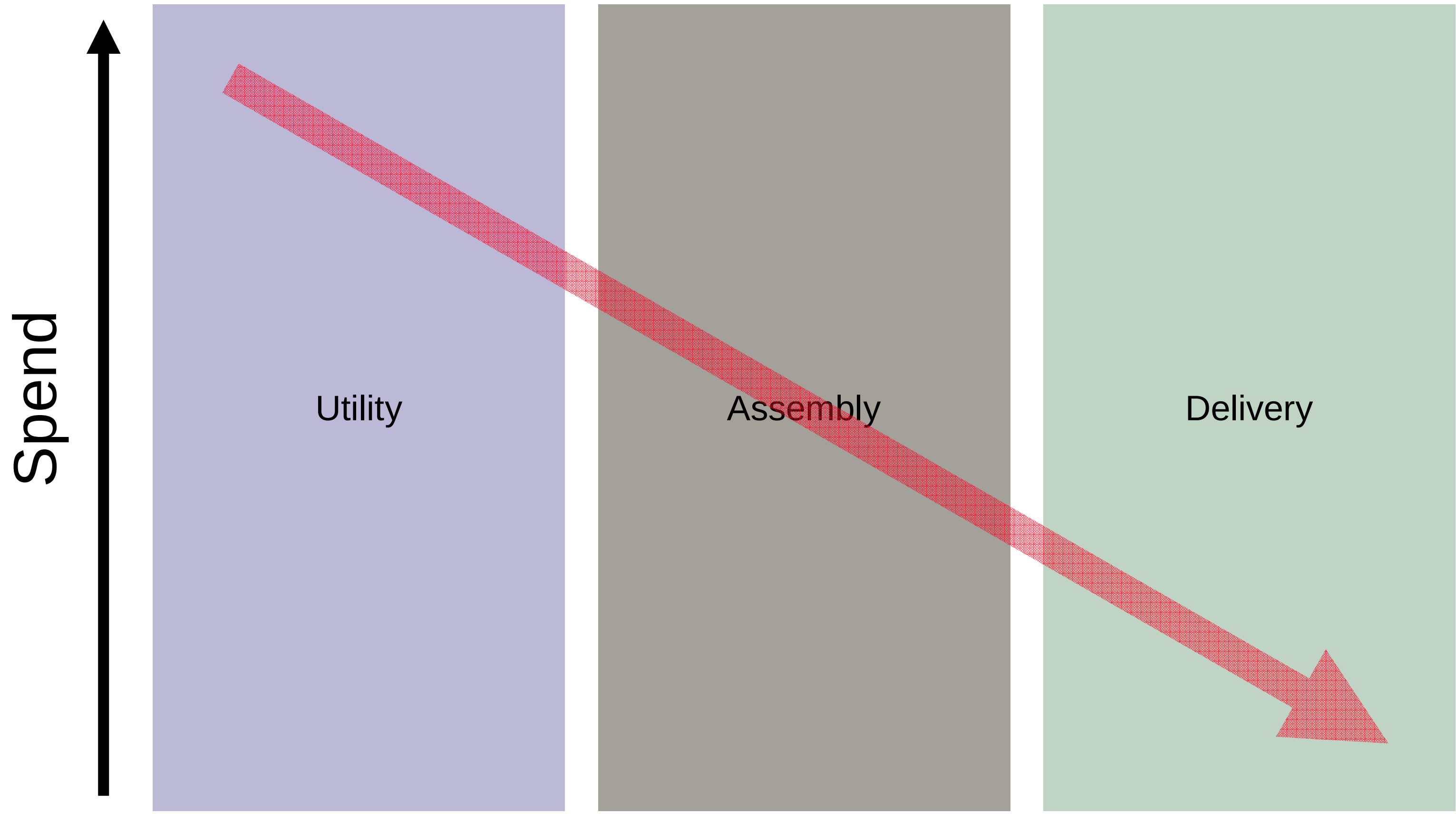
Where do clients differentiate?



What changes most?

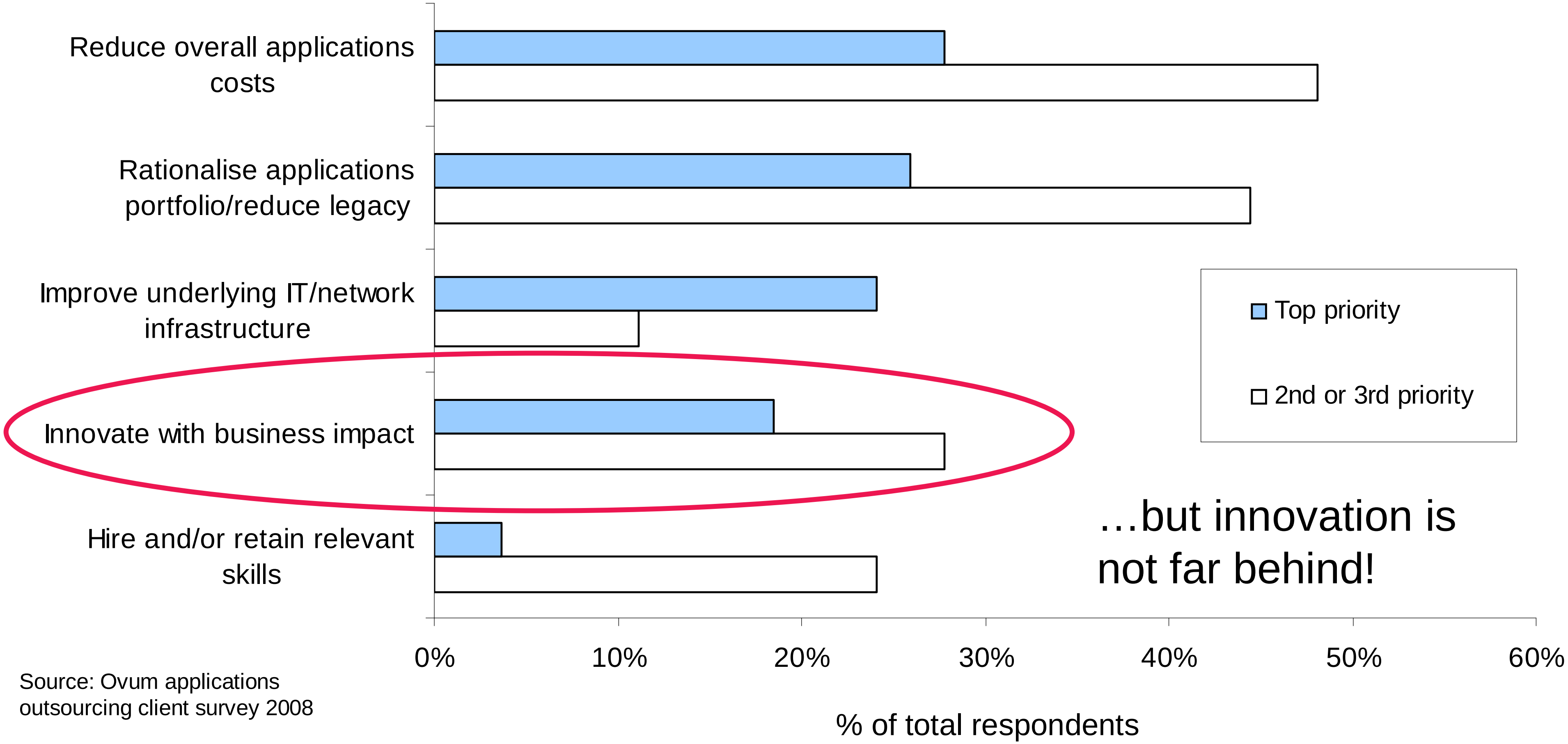


Where do they spend their money?



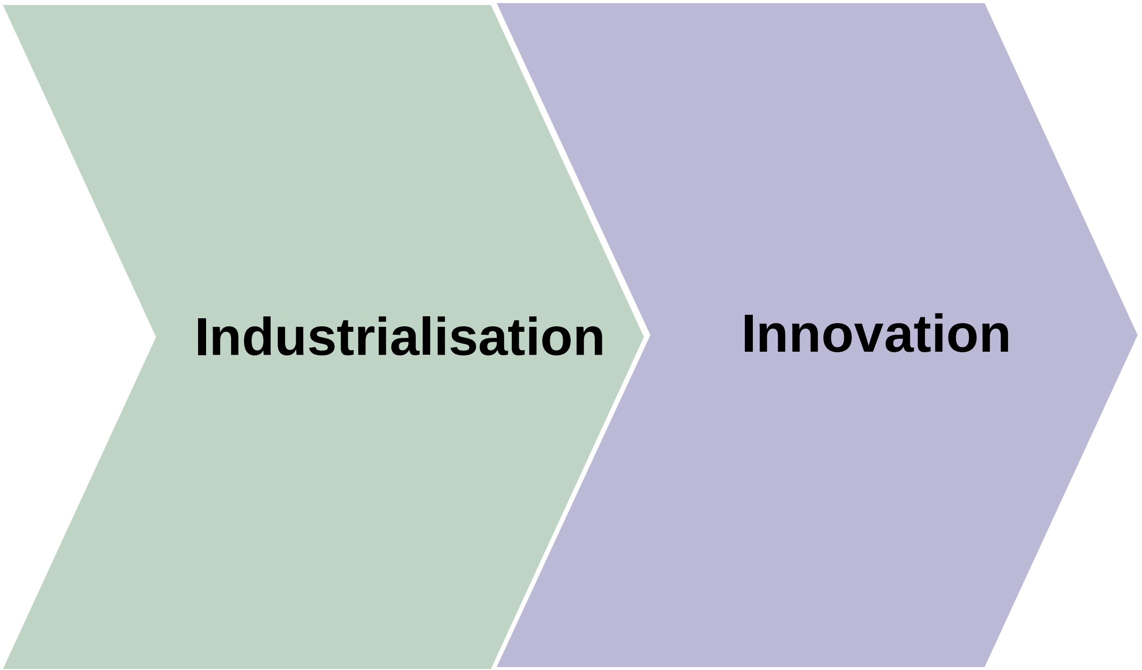
A cost agenda drives outsourcing…

"Please indicate your organisation's three highest priorities with regard to its use and management of applications in the twelve months ahead…"



Source: Ovum applications outsourcing client survey 2008

Keys to success



Organisations on innovation

"Innovation is about new ideas that **increase revenues** or **reduce costs**" (Cetrel)

"Innovation is a tool to enable us to meet **business objectives**" (Banca Carige)

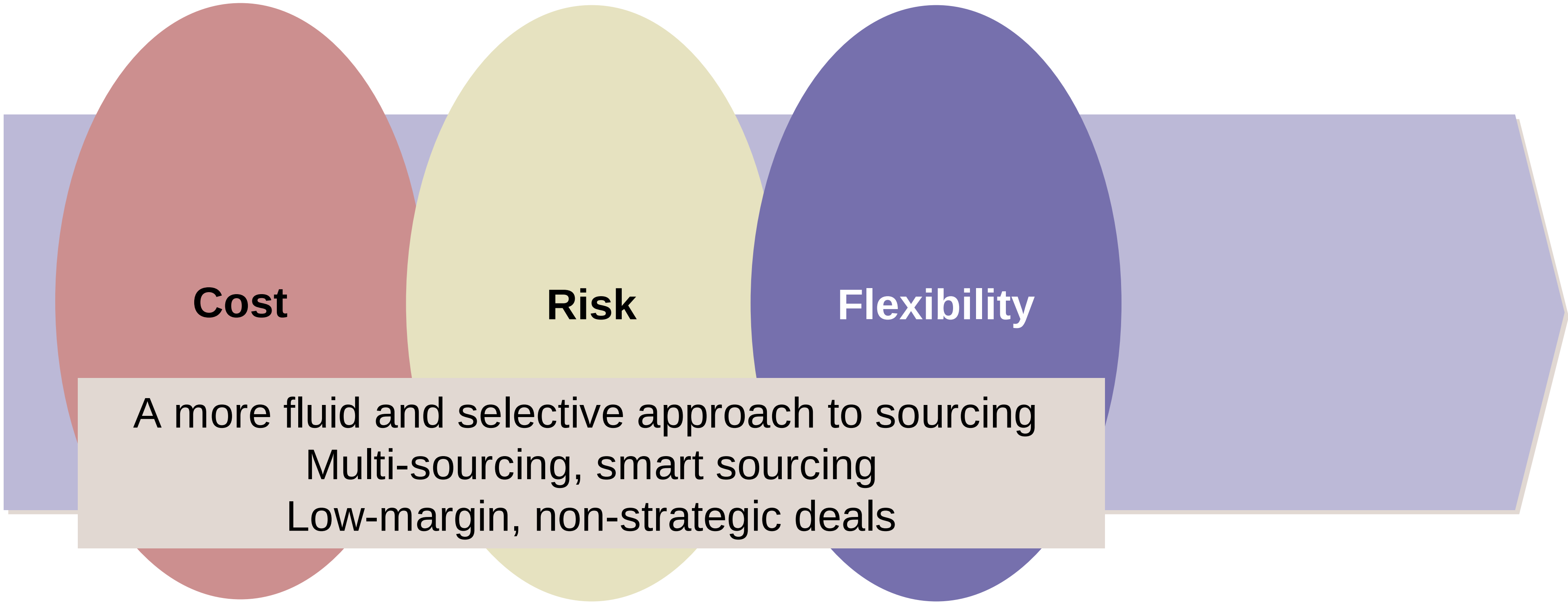
"Innovation is about new ideas that **add value**" (Norwich Union)

"Innovation is about **delivering business value**" (SKF)

"Innovation enables us to **develop new ideas** and **define more effective ways of working**" (Max Bahr)

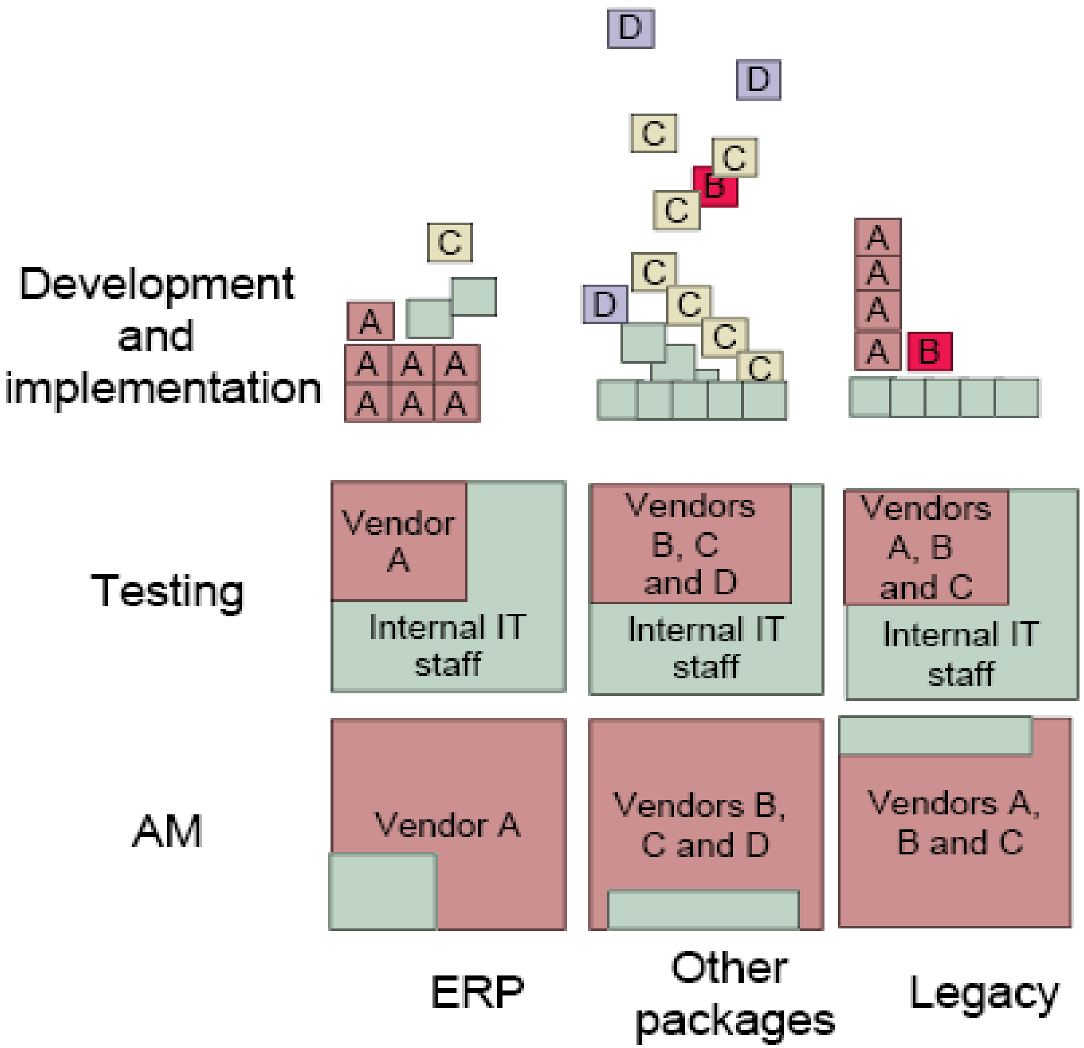
"The innovation process is a dialogue focused on **business outcomes**" (DWP)

But it’s not just about cost



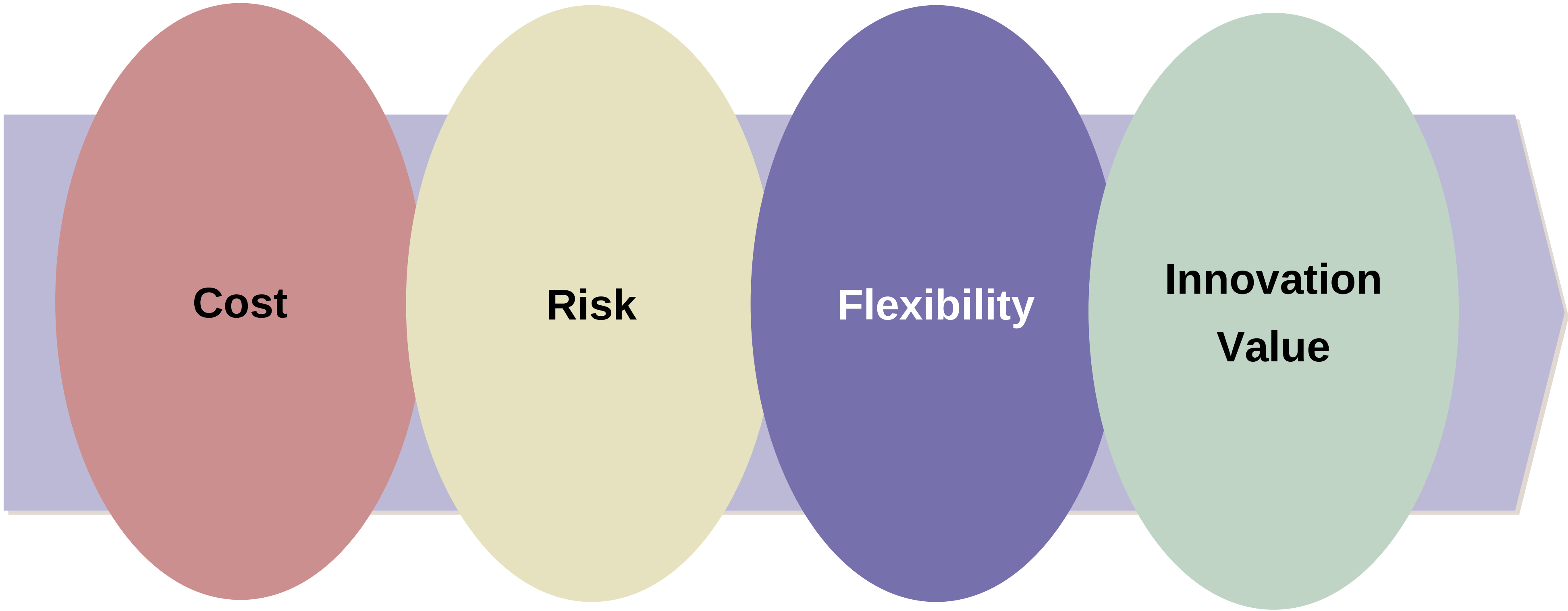
Based on Ovum’s conversations with 400 CIOs annually

The reality…



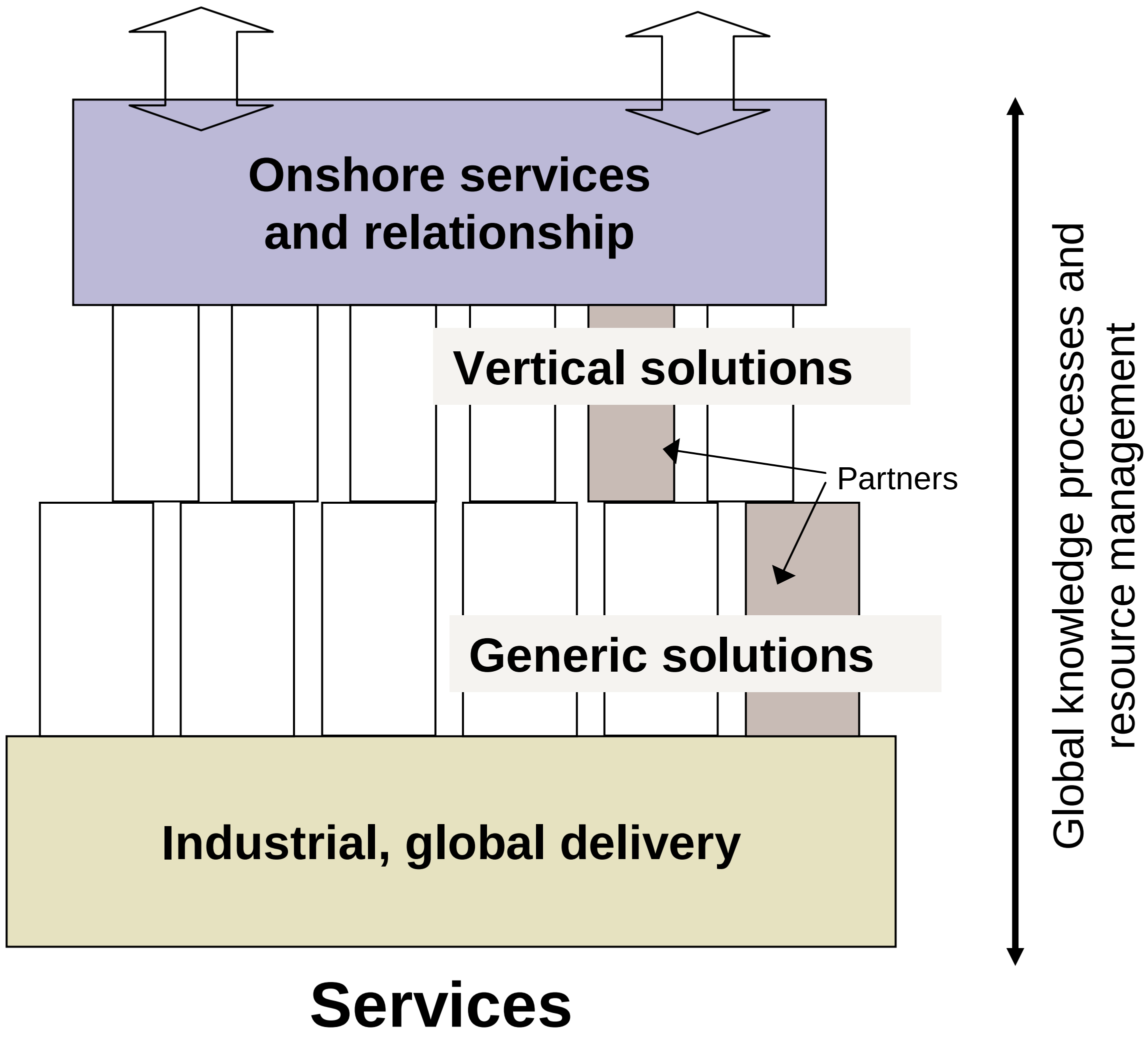
… often an unmanageable, ineffective mess

Customer priorities are evolving



* Based on Ovum’s conversations with 400 CIOs annually

Competitive formulae

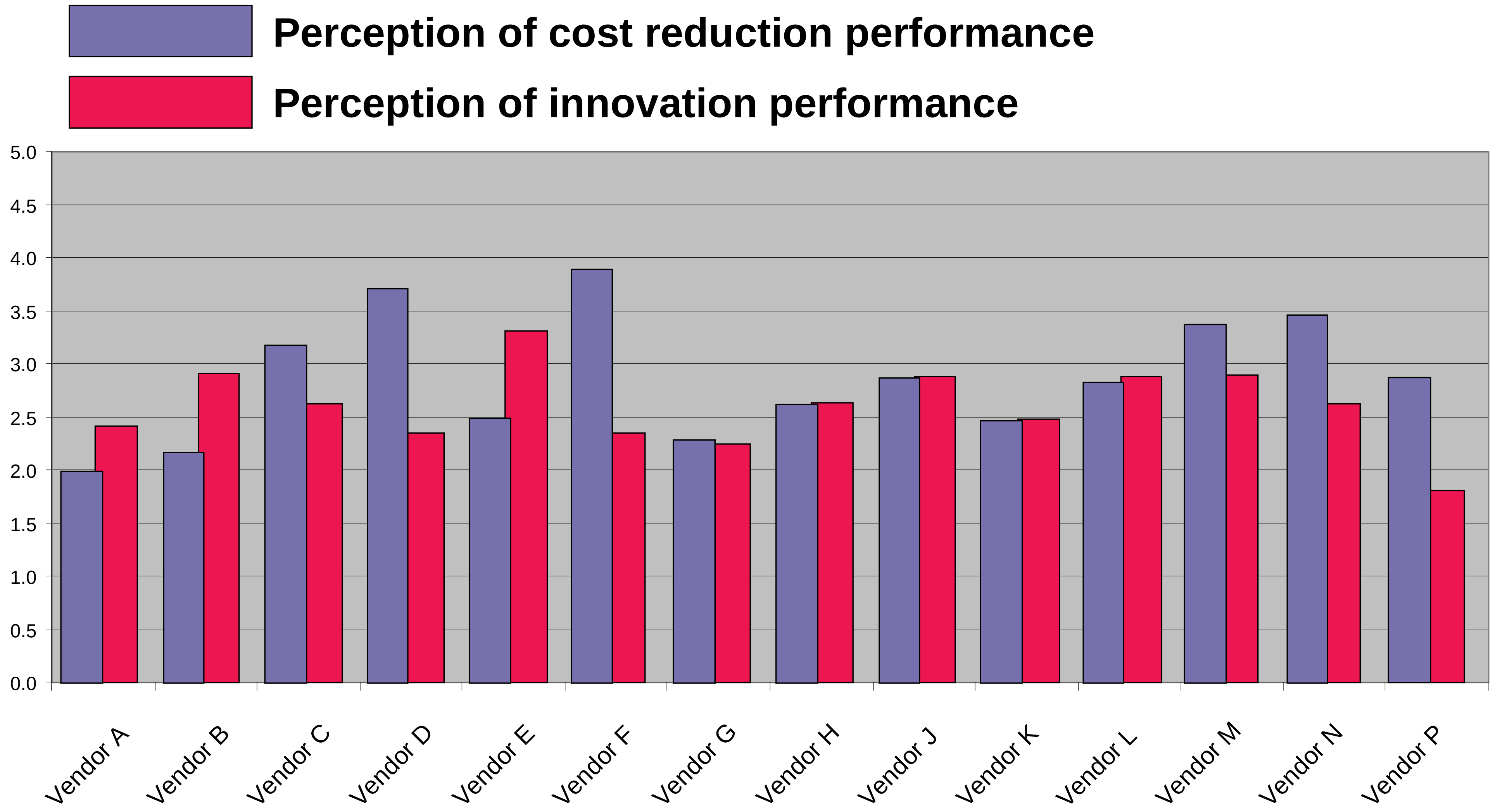


No single player has this model working fully, yet

Remaining challenges

- “Onshore” players have made progress on scale of global delivery but integration challenges remain
- “Offshore” players are starting to make progress on the onshore, business analysis piece but have a long way to go
- Such models work best at scale
- Commercial models still evolving
    - How to ensure that some of the savings from efficiency are reinvested in innovation and value for the business?
    - How to measure and reward innovation and value?
    - How to balance ISV support with independence

Innovation and cost reduction not in sync



Source: Orbys / Ovum

No competitor is good at everything

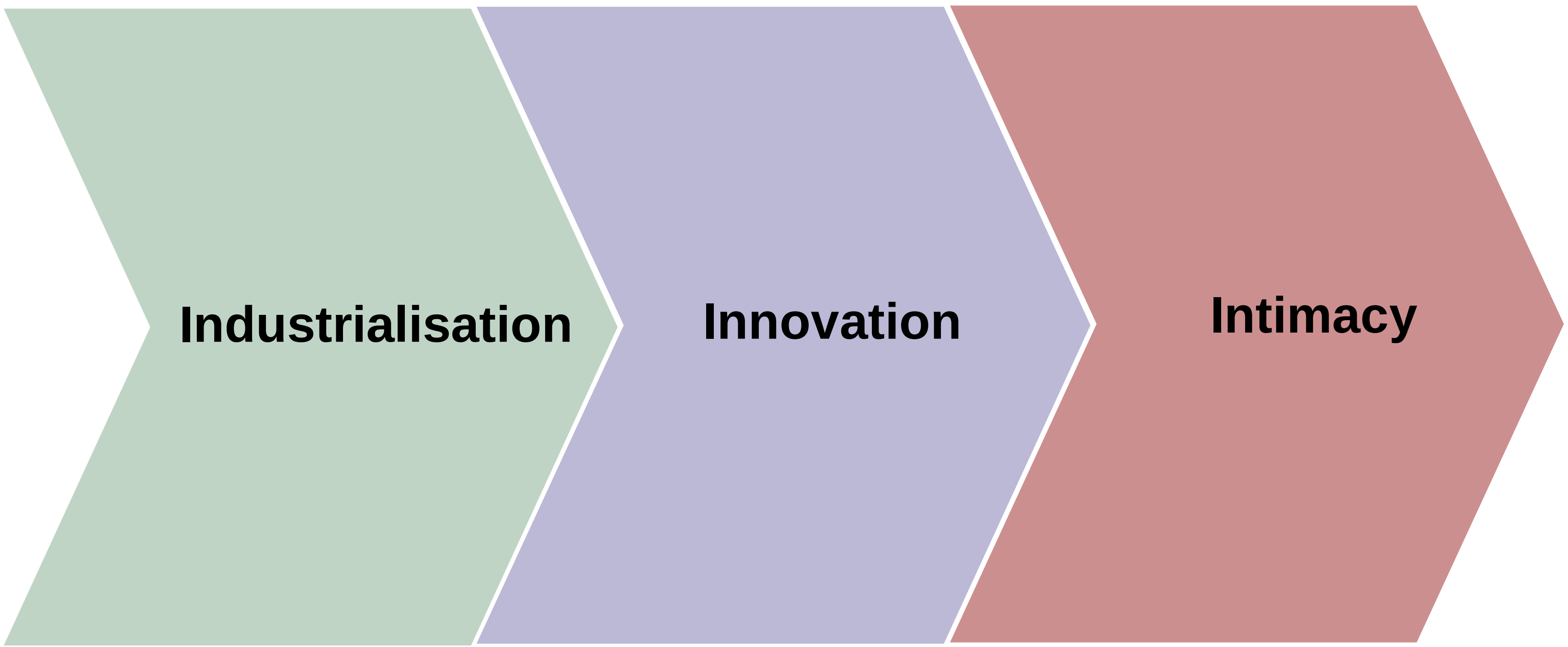
	Strengths*	Weaknesses*
IBM	Big, complex deals. Customer presence. Financial services. Global scale and reach.	Smaller deals. Mid-sized customers. Go-to-market and delivery could be more joined up.
accenture	High level relationships. Vertical go-to-market. Consulting / devt capability. Global scale.	Seen as too expensive for AM. Hierarchy impedes flexibility. Mega-deal failures.
EDS	Mega-deal experience. Indian capability. Partnering. Industrialisation progress.	Commercial sector, especially at business level. High-profile messes. Sales reputation.
CSC	Consistent delivery. Indian capability. Good at smaller deals too. Flexible.	Perception of infrastructure focus. Lack of proactive sales / consulting capability.
Capgemini	Shared services experience. Growing offshore presence. European scale.	Over-reliance on one customer in UK. Could be more joined-up on sales and delivery.
Atos Origin	Mid-sized deal focus. Improving joined-up go-to-market and delivery. Business consulting.	Lack of multi-national sales. Low offshore scale and experience.
logicaCMG	Applications focus. Vertical specialisms and go-to-market. Industrialisation progress.	Corporate angst. Lack of proactive selling and "rainmakers". Falling behind on offshore.
WIPRO, Infosys, TATA CONSULTANCY SERVICES	Price. Offshore/onshore delivery processes. Often seen as improving quality. Flexibility.	Lack of business-level capability and relationships. Still gaining experience in many areas

* Based on customer conversations and vendor analysis

The crux of the problem…

Customers often have conflicting needs and priorities but this creates opportunities for vendors that can be flexible, manage relationships and listen…

Three keys to success



The fundamentals behind “value-adding” partnerships

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- Customers want to see*:
  - Presence and reach, breadth of skills, quality of people
  - Trust and flexibility
  - Track record / results
  - Demonstrable business case
  - Innovation network / ecosystem
  - Willingness to support knowledge transfer
  - Understanding of the business
  - Ability to discover unmet needs

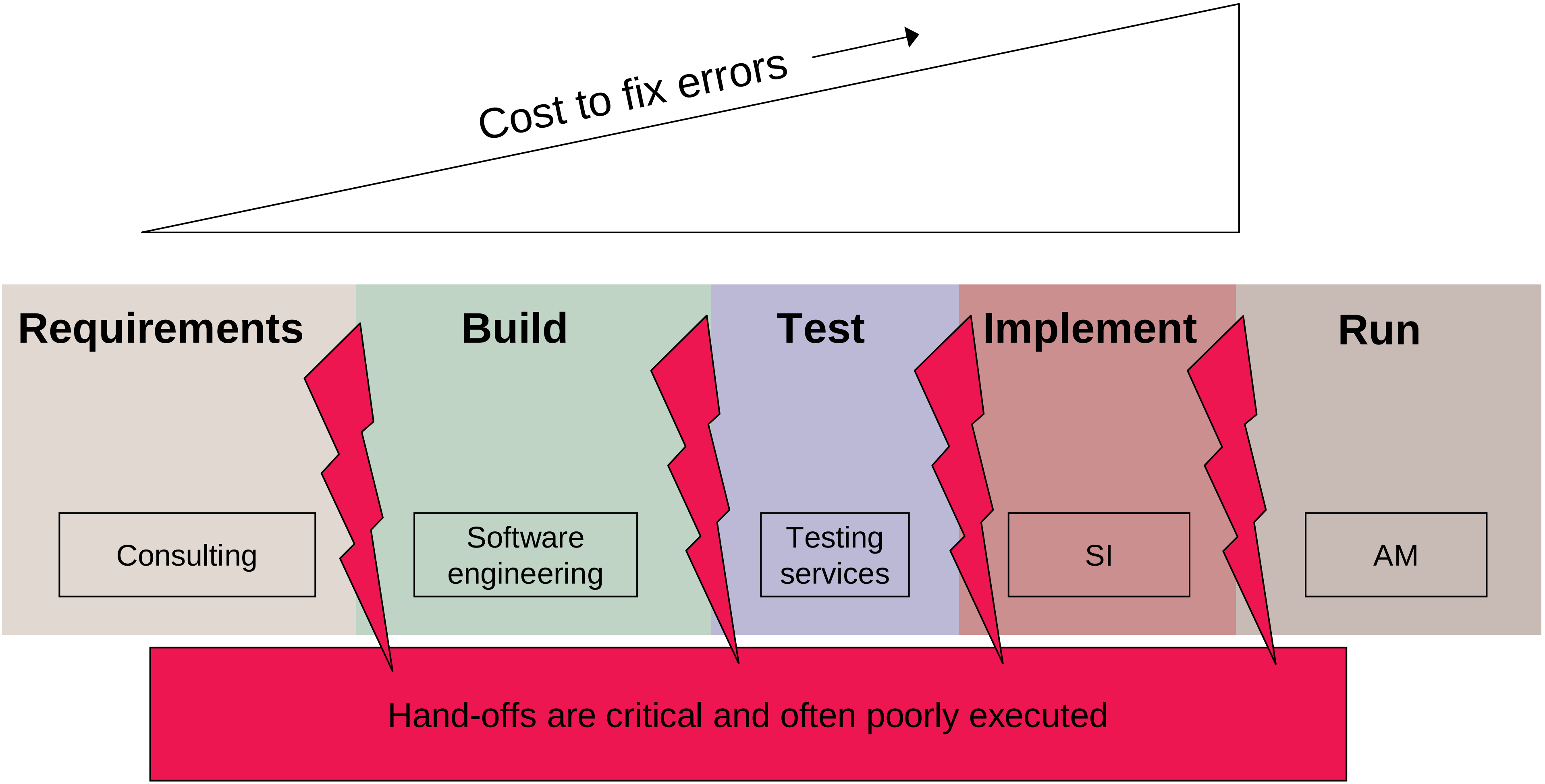
Client organisations are using such criteria to distinguish between “suppliers” and “partners”

* Based on conversations with CxOs, Summer 2007

Being a partner demands a lot more of the vendor

Suppliers	Partners
A sales culture: transactional	A partnering culture: open, trusting, personal
Know the IT team	Maintain relationships with senior management
Hire sales people	See the value of “rainmakers”
Familiar with the systems and some processes	Familiar with the business, its context and its priorities
Deliver the contract	Deliver and seek out new ways to add value
Respond to tenders	Uncover needs and opportunities pro-actively
Margins always under pressure	Better chance of improving margins
Unlikely to have a great brand as an employer	Attract and retain the best in the industry
One of the crowd	**Differentiated…**

Example: extending service range and relationship to deliver innovation in AM

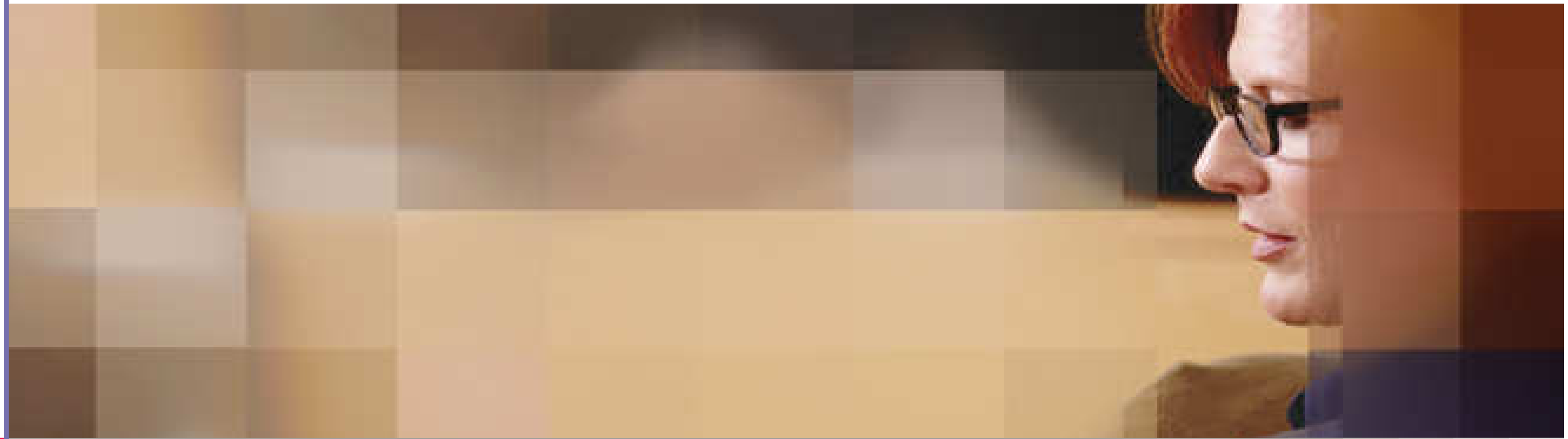


In conclusion

- Industrialisation of service, and globalisation of delivery are the “table stakes” for outsourcing today and going forward
- Getting closer to the client will help vendors navigate the downturn over the rest of the ‘naughties’
- Customer intimacy will also help vendors deliver innovation with a real impact on client’s business

So…

“Glocalisation” is real, valid, and what customers are demanding. It needs to be taken seriously by all vendors in the market!



Thank you

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