THE DOGBERT OUT-SOURCING COMPANY HAS A SOLUTION FOR EVERY BUDGET.

AT THE DELUXE LEVEL YOU GET HIGHLY EDUCATED INDIANS WHO SPEAK PERFECT ENGLISH.

SOUNDS PRICEY.

LET ME SEE... AT MY BUDGET LEVEL WE CAN GET...

... ONE ILLITERATE ELBONIAN WITH POOR ATTENDANCE AND AN ANGER MANAGEMENT PROBLEM.

STUPID ECONOMY.

I'LL TAKE HIM.

I SHOULD WARN YOU THAT HE HANDLES SEVERAL ACCOUNTS... AND HE DOESN'T KNOW HE HAS A JOB.

WHY DOES EVERYONE KEEP CALLING ME AND COMPLAINING?! I HATE YOUR GUTS!
Trends in Outsourcing in the Great Recession

ITechLaw 2010 World Technology Law Conference
May 20-21, 2010
Boston, Massachusetts

Diana J.P. McKenzie
Partner and Chair, Information Technology & Outsourcing Practice Group
Hunter Maclean
Direct: 912-238-2627
Cell: 847-370-1121
Fax: 912-236-4936
Email: dmckenzie@huntermaclean.com
Outsourcing 2009

Almost 90% of companies cut costs in 2009

- Pricewaterhouse Coopers
  13th Annual Global CEO Survey
Outsourcing 2009

• 35% of companies outsourced a business process or function
  - Pricewaterhouse Coopers
  13th Annual Global CEO Survey

• Contract renegotiations increased
  - Compass America
Trends

IT

2009

Total contract value = $56 billion
Steady at $54-$56 billion since 2006

BPO

Total contract value = $18.5 billion
Lowest since 2001

Source – TPI Index, 2009
Trends

Why?
1. Many providers cut costs too low during recession and need assistance.
2. Larger or combined companies are better able to absorb losses.
3. Consolidated providers can cover more niche markets.
4. Outsourcers are realizing that multi-sourcing means multi-managing, and want one company to cover multiple aspects of business.
1. Large companies without outsourcing divisions do not want to create one, so they buy one.
Trends

Many commentators believe that deals cobbled together quickly to cut costs during the recession will unravel, leading to an increase in disputes.
## IT Outsourcing Destinations

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>11%</td>
<td>8%</td>
<td>N/A</td>
<td>U.S.</td>
<td>2%</td>
<td>22%</td>
<td>N/A</td>
</tr>
<tr>
<td>Canada</td>
<td>11%</td>
<td>4%</td>
<td>17%</td>
<td>Canada</td>
<td>2%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>China</td>
<td>44%</td>
<td>19%</td>
<td>46%</td>
<td>China</td>
<td>28%</td>
<td>16%</td>
<td>23%</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>17%</td>
<td>12%</td>
<td>19%</td>
<td>Eastern Europe</td>
<td>11%</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>India</td>
<td>36%</td>
<td>50%</td>
<td>60%</td>
<td>India</td>
<td>20%</td>
<td>13%</td>
<td>30%</td>
</tr>
<tr>
<td>Latin America</td>
<td>22%</td>
<td>8%</td>
<td>19%</td>
<td>Latin America</td>
<td>4%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>36%</td>
<td>31%</td>
<td>50%</td>
<td>Southeast Asia</td>
<td>22%</td>
<td>7%</td>
<td>22%</td>
</tr>
<tr>
<td>Western Europe</td>
<td>22%</td>
<td>19%</td>
<td>21%</td>
<td>Western Europe</td>
<td>0%</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: BDO 2010 Technology Outlook Survey
Outsourcing 2010

Most senior business executives’ priorities shifting from cost cutting to revenue growth in 2010

- Gartner CEO and Business Executive Survey (Oct.-Nov. 2009)
Trends

• Cost cutting remains a priority
• Emphasis on quality
• Higher volume of deals
• Smaller dollar value per deal
• Shorter time to close deal
• More flexibility built into agreements
Trends

• Some renegotiations continue

• 422 Outsourcing contracts with TCV of $15 billion expected to expire in 2010 (40% increase over TCV of contracts expiring last year).
  – These are large contracts likely to be spread over many niche providers (one reason for industry consolidation)

Source – TPI Index, 2009
CEO and Senior Business Executive Priorities

2009

1. Cut costs through efficiency
2. Retain customers; enhance relationships
3. Attract new customers
4. Maintain competitive edge
5. Build responsive, flexible company

2010

1. Retain customers; enhance relationships
2. Maintain competitive edge
3. Attract new customers
4. Attract/retain talent
5. Cut costs through efficiency

Source - Gartner CEO and Business Executive Survey (Oct.-Nov. 2009)
Economic Recovery - LUV

- Europe – slow L-shaped recovery
- United States – slow U-shaped recovery
- Brazil, Russia, India, China (BRIC) – faster V-shaped recovery

Source - The Economist
U.S. Nearshoring
Chile (NY time zone)
Mexico
Brazil
Costa Rica
Argentina
Uruguay
- 2009 A.T. Kearney Global Services Location Index Top 50

EU Nearshoring
Ukraine
Romania
Slovakia

Latin America – Fastest growing outsourcing industry in the world - KPMG

U.S. - Second most spoken language is Spanish; Hispanic population = 47 Million

India – Continued dominance
Philippines – Increasing BPO
China – Increasing dominance
Diana J.P. McKenzie  
Partner and Chair, Information Technology & Outsourcing Practice Group  
HunterMaclean  
200 E. Saint Julian Street  
Post Office Box 9848  
Savannah, GA  31412-0048  
Direct:  912-238-2627  
Cell:  847-370-1121  
Fax:  912-236-4936  
Email: dmckenzie@huntermaclean.com