



Interim survey findings - a quick snapshot

As off 7th November 2008

The survey is available at <http://www.proxi.co.uk/op2i>

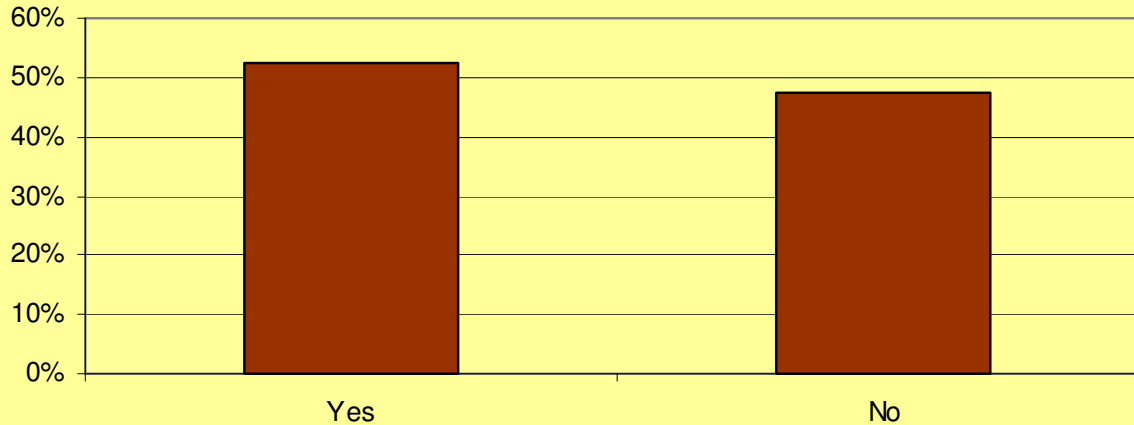


- Op2i launched in October 2008, a survey to understand the state of the outsourcing market, given the current economic downturn and perceived view that there was a fundamental shift from Outsourcing 1.0 to Outsourcing 2.0.
 - The survey has gathered information from outsourcing users, suppliers and experienced advisors, via an online survey.
 - This analysis is based on respondents from across the globe, including the UK, USA, Europe, India, Australia, Philippines and the Middle East, as of Friday 7th November 2008.
- Op2i will be releasing survey findings, in addition to interviews with key industry leaders through a report which it will be launched at the International Outsourcing Forum, in Barcelona in March 09.
- The following slides represent only an interim snapshot view, and only represents a fraction of the information collected.
- We encourage all those involved in the outsourcing industry to take part in the survey to provide us, and the industry a robust view of where the outsourcing industry is headed!
 - The survey and 2.0 analysis tool is available on <http://www.proxi.co.uk/op2i>



Interest in outsourcing - mixed feelings

Increase interest in outsourcing, given economic downturn



Just over 50% of the respondents believe the current economic downturn and credit crunch has increased interest in outsourcing.

Given the current focus on cost reduction for many companies, this may appear to be a somewhat surprising finding.

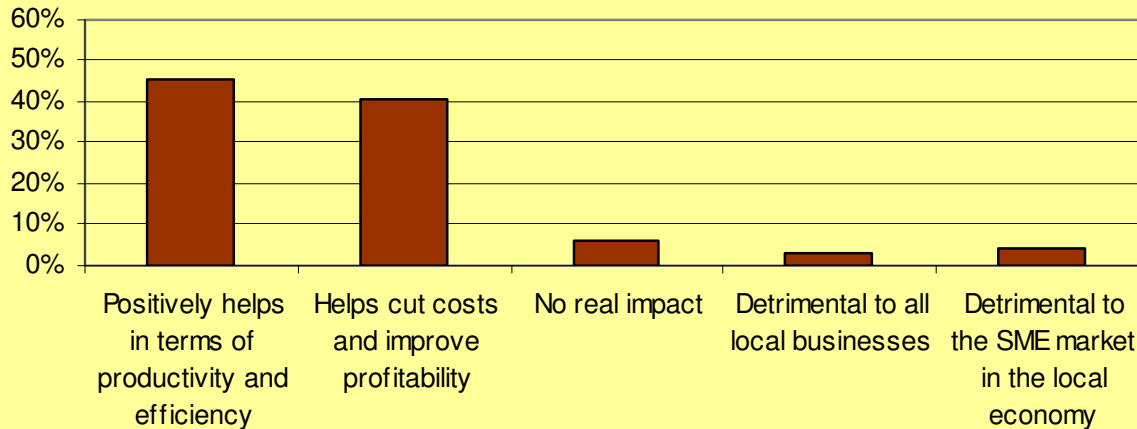
However, based on our experience, many companies who would be potential outsourcing candidates are delaying their decision making process and therefore interest in outsourcing is on hold.

There is also a dependence on the type of outsourcing being considered – any deal that would require upfront investment will clearly find it more difficult than a proposition which reduces costs, without significant capital investment.



Outsourcing/ offshoring seen as having a positive impact on domestic businesses

Main effect outsourcing / Offshoring has on domestic businesses



Over 80% of respondents believe outsourcing / offshoring benefits domestic businesses, contrary to general perceptions within the general media and the rhetoric expounded by some politicians. Less than 5% believe outsourcing / offshoring has a detrimental impact.

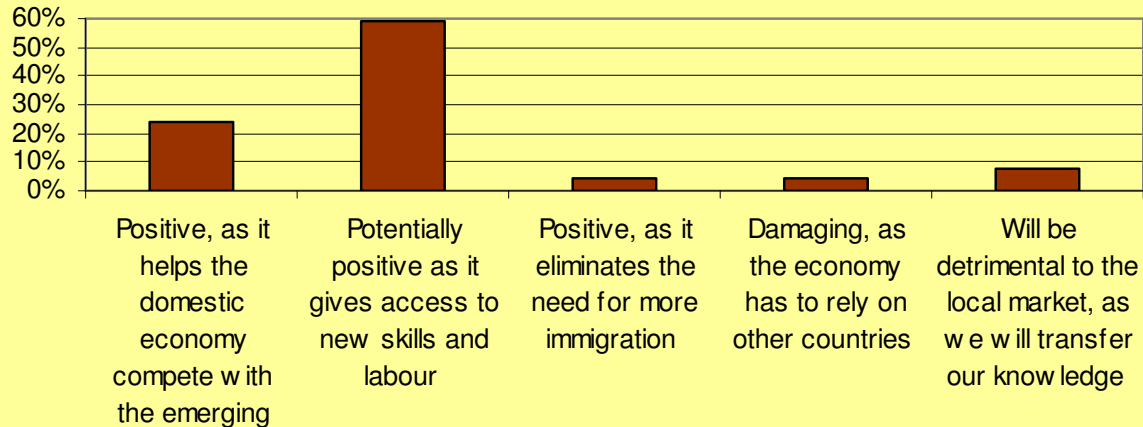
Most believe the key benefit that outsourcing / offshoring brings is with respect to productivity and efficiency, whilst cost savings is close behind.

This would suggest the industry has now matured to a stage where the proposition is not simply one of cost cutting, but about additional value add.



Outsourcing / offshoring also seen as having a positive impact on the domestic economy

Main effect outsourcing / Offshoring has on domestic economy



Again the vast majority of respondents believe outsourcing/ offshoring has positive benefit on the domestic economy, with around 60% stating that access to new skills and labour are the principle drivers.

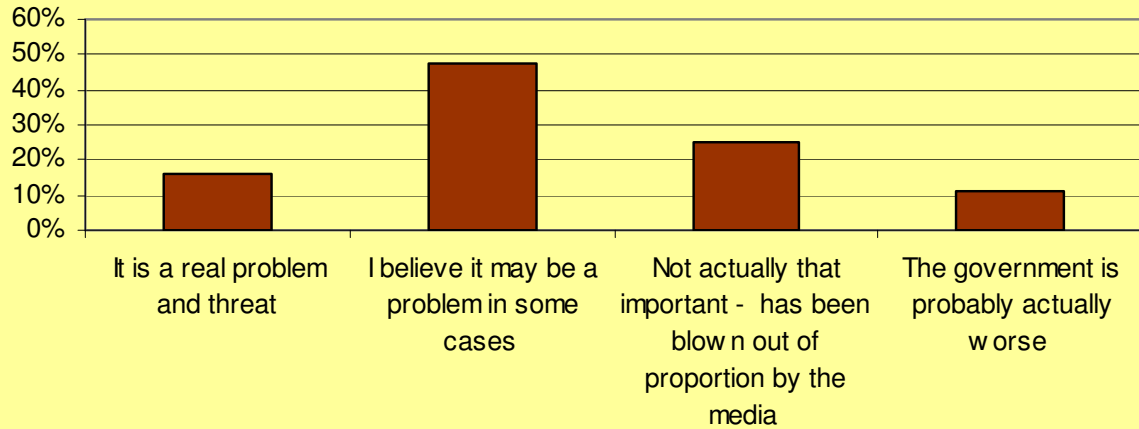
This is not unusual, given the aging population of developed economies and specific skills shortages in some high technology areas.

Around 25% believe outsourcing / offshoring enables developed economies to compete with emerging economies, whilst around 10% believe it will damage the economy in terms of reliance on other countries and transfer of knowledge.



Data protection and IP theft still a real concern for offshoring

View of Data protection and IP theft within Offshoring



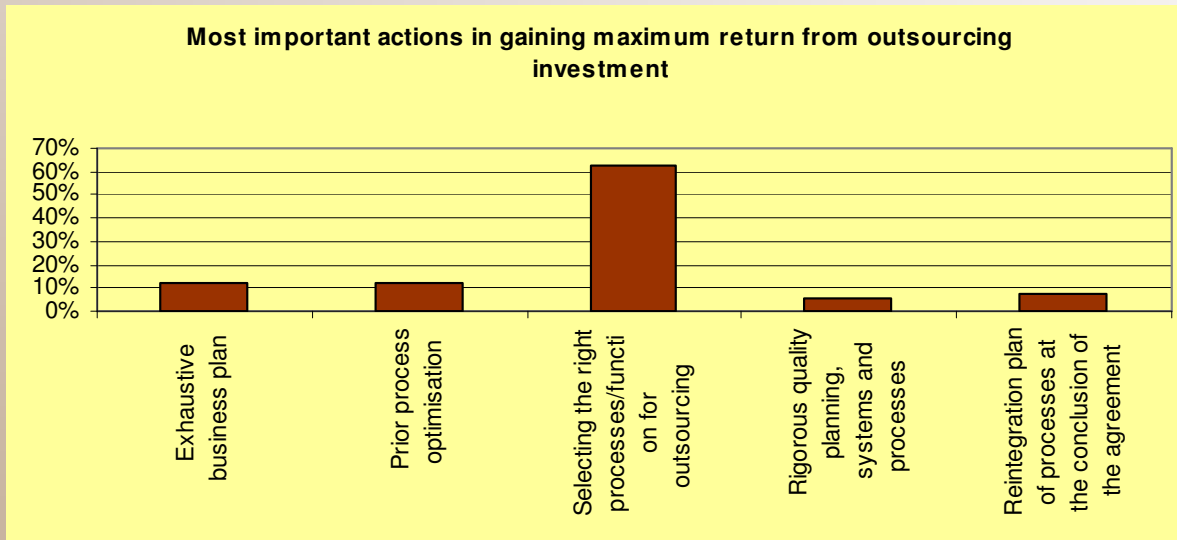
Given the general positive perception towards outsourcing and offshoring, concerns remain about data protection and intellectual property theft, with over 60% believing it to be a real or potential threat.

10% of respondents believe the government is actually worse when it comes to data protection – not surprising given the recent experiences of the UK government....

The industry must continue to address the real concerns of organisations wanting to offshore, if the industry is to continue to grow.



Selection of processes and functions for outsourcing seen as key driver in gaining maximum return from outsourcing investment



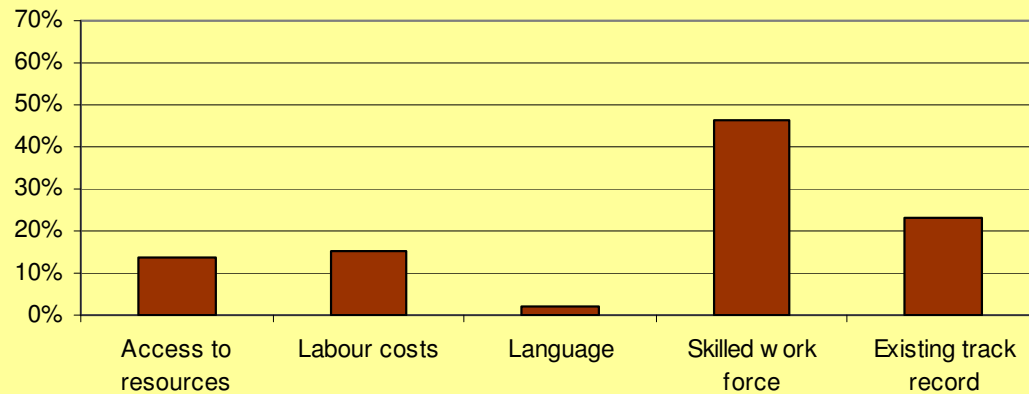
Not surprisingly, a majority, in excess of 60% believe selecting the right processes and functions for outsourcing in the first place is the best means of getting maximum return on their outsourcing investment.

However, what is surprising, is that only around 5% believe a well constructed reintegration plan of processes at the conclusion of the agreement as being important. This would seem to suggest most organisations that outsource, don't expect to bring those processes or functions back in-house, rather, that at the conclusion of the first agreement, either they will renew the agreement, or transition to another supplier – or perhaps many just don't realise how important reintegration is...



India remains first choice offshore destination

First choice destination is India - why?



India still leads by a long way in terms of organisations first choice for an offshoring destination.

The top two drivers are the availability of skilled workforce and India's existing track record.

What is surprising and bodes well for India, given its problems with wage inflation and dollar exchange rates, is that less than 20% choose India due to lower labour costs.



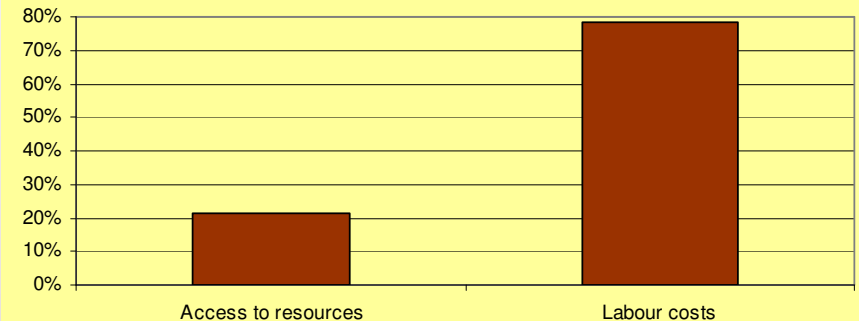
Philippines and China competing for joint second choice for offshoring destination - but for different reasons

Second choice destination is Philippines - why?



The Philippines comes joint second with China, but for very different reasons. Most organisations choose Philippines for its language capability and would concur with a recent trend of call centre outsourcing heading towards the Philippines. Many respondents also view the Philippines economy as being stable.

Second choice destination is China - why?



China competes with the Philippines for second choice, but primarily driven by the search for lower labour costs, where of 70% of respondents rated this as being the most important driver. Access to resources was the only other driver for choosing China.

Clearly India, Philippines and China all offer quite different value propositions and in many ways compete for different aspects within the outsourcing sphere:

- India for specialist skills (e.g. ITO and KPO)
- Philippines for customer facing language skill sets (e.g. Customer centric BPO)
- China for general back office, lower skilled BPO and those not needing significant English language interaction



About Op2i

- Op2i is a business improvement firm, helping organisations transition and transform their business through Global Strategic Sourcing, providing advisory, implementation, brokerage and managed outsourcing solutions.
- We help client organisations exploit resources, partners and markets in order to innovate, differentiate and win in a convergent world.
- Our services include: advisory support, training, project management, governance and arbitration services throughout the outsourcing lifecycle.
- Our brokered services tailored to the technology industry, offers our clients:
 - Fast track outsourcing;
 - Lower / shared risk;
 - Offshoring with onshore assistance;
 - Seamless transition;
 - Domain expertise;
 - Sustainability; and
 - Flexibility



Contact Op2i for more information on the survey or assistance with your outsourcing needs

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The survey is available at <http://www.proxi.co.uk/op2i>