

ValueNotes Outsourcing DealTracker

Quarterly Analysis of Contracts in BPO & Knowledge Services



July – September 2007

ValueNotes

Data to decisions...

Quarterly Summary – Contracts

July – September 2007 (Q3 2007)

Overview of the Quarter's contracts

The total number of business process outsourcing contracts recorded this quarter (July-September 2007) was 121, against 98 in the previous quarter (April-June 2007). The total value of contracts (declared) was \$4.87 billion, much lower than \$7.27 billion in the last quarter. The average size of deals was also smaller – at \$147.6 million. This quarter saw a larger number of contracts of smaller value. The largest contract this quarter was the \$1.1 billion human resources deal by the US Air Force to Lockheed Martin.

Largest contracts of the quarter:

Vendor	Buyer	Contract Data	Tenure
Lockheed Martin Corporation (NYSE: LMT)	US Air Force	\$1.1 billion contract for providing training and rehearsal support services for the Air Force Special Operations Command, Georgia	10 years
Capita Group (LSE:CPI.L)	Southampton City Council	\$577.6 million contract for providing customer services, IT, property services, human resources, payroll, revenues and benefits, and procurement functions.	10 years
Xchanging (LSE:XCH.L)	Allianz Global Investors	\$542 million contract to provide fund order taking, execution, maintenance of fund accounts, settlements and information to customers.	8 years
Capita Group (LSE:CPI.L)	North East Lincolnshire Council	\$349.2 million deal. The two companies will form a joint venture, which will be responsible for improving council services and providing business transformation and property regeneration services.	12 years

Source: ValueNotes Research

This quarter, contract tenures range over an average of 5 years. The largest number of contracts was signed in August 2007 (44). This month also had the highest average value and tenure of deals.

Average contract value and tenure (declared) for Q3 2007

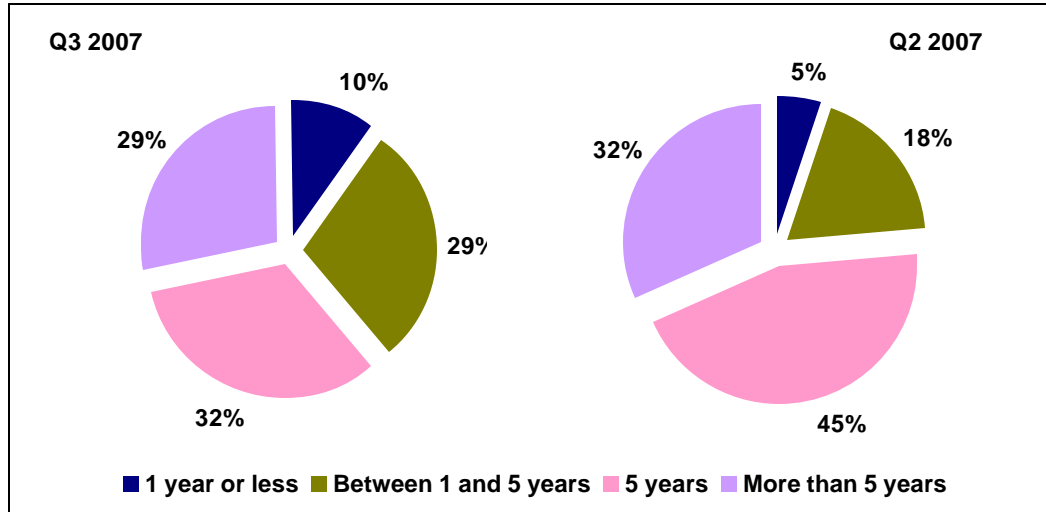
	Total number of deals	Total size of deals (\$ billion)	Average Value (\$ million)	Average tenure
July 2007	36	1.53	153.5	3.9
August 2007	44	2.13	213.7	5.6
September 2007	41	1.19	92.2	5.3
Total (Q3 2007)	121	4.87	147.6	5.0

Source: ValueNotes Research

Tenure of contracts

The proportion of contracts of less than five years' duration in Q3 (39%) was much more than that in the last quarter (23%), in keeping with the trend of lower value contracts in this quarter. The longest contract spanned twelve years, while the shortest was for six months.

Contracts by Tenure

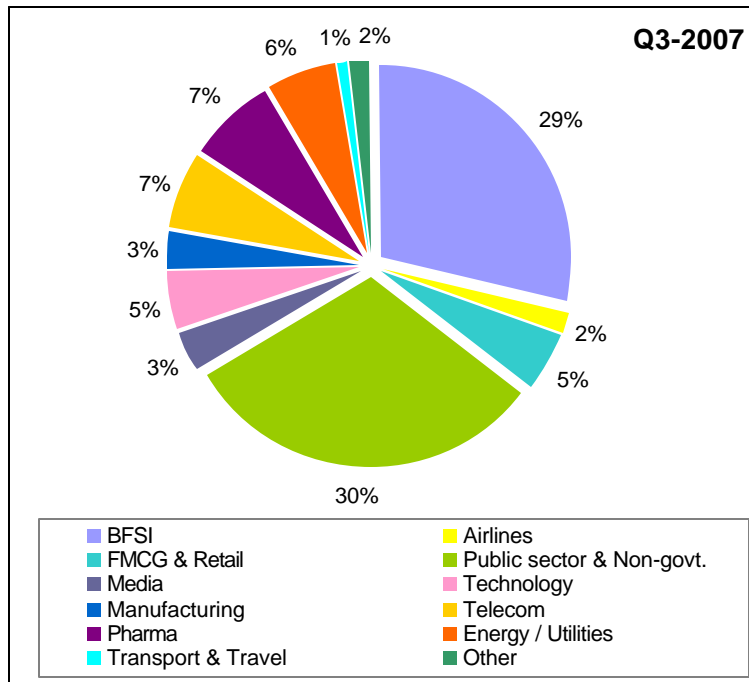


Source: ValueNotes Research

Contracts by Vertical

Public sector and non-government organizations (30%) and banking, financial services and insurance companies (29%) were the top verticals awarding contracts this quarter. Telecom and pharmaceutical companies awarded 7% each out of the total number of contracts.

Contracts by Vertical: Q3 2007

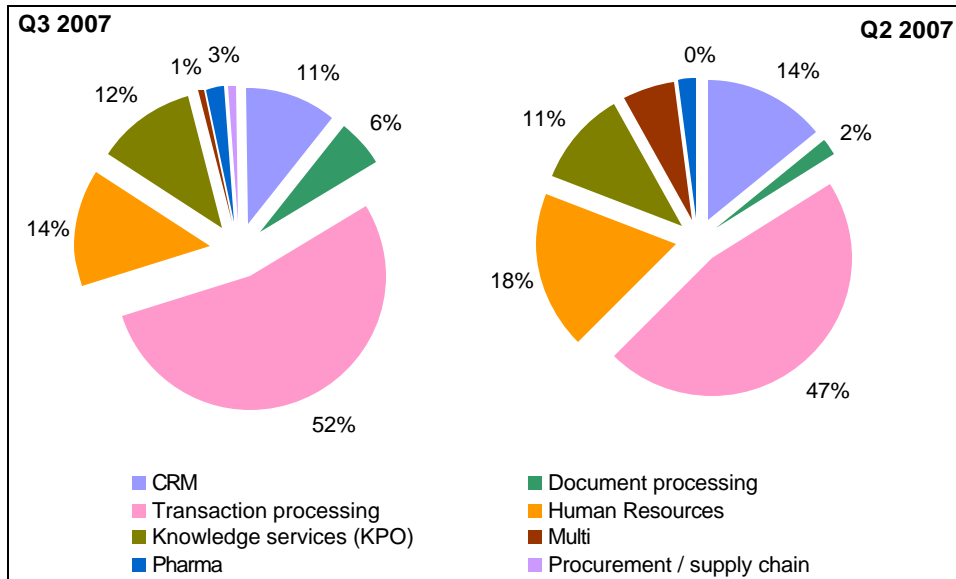


Source: ValueNotes Research

Contracts by Services

Like in the last quarter, transaction processing contracts were the most widely awarded (52%). Human resource contracts took second position, with 14%, while knowledge services contracts formed 12% of the total. KPO contracts consisted of analytics, engineering services, publishing, research and consulting.

Contracts by Services: Q3 2007



Source: ValueNotes Research

Public sector and non-government organizations leading outsourcers

This quarter, we take a closer look at contracts awarded by public sector and non-government organizations. Leading the way in this trend are public sector departments in the US and the UK. Trusts, societies and associations were classified as “non-government” organizations.

Public sector and non-government contracts

Category	Type of organization	Type of services outsourced
US Government departments	US Air Force, US Navy, US Postal Service, US Housing Department, etc.	Engineering services, recruitment services, mailroom services, research, training, healthcare services, etc.
Non-US government departments	London Council, Indian embassy in Washington,	Card processing, customer support, transaction processing, fund management, etc.
Non-government	AICPA, NHS Trust, Oakland Housing Authority, etc	Human resources, payroll, medical coding, travel services, document services, credit card processing, etc.

Source: ValueNotes Research

Top Vendors

The Bank of New York (BoNY) and Affiliated Computer Services (ACS) were awarded more than three contracts this quarter. Four other vendors secured three contracts each.

Top vendors with multiple contracts in Q3 2007

	Vendor	Number of contracts	% to total contracts	Total Value (\$ Million)	% to total value	Average Tenure
1	The Bank of New York	5	4.1	NA	NA	NA
2	ACS	4	3.3	6.4*	0.1	6 months
3	Accenture	3	2.5	185*	3.6	7.2 years
4	Convergys	3	2.5	46*	0.1	3 years
5	First Data International	3	2.5	NA	NA	NA
6	Teletch Holdings	3	2.5	NA	NA	NA

* Value is known only in one case, out of the total contracts signed.

Source: ValueNotes Research

Top Buyers

The top outsourcers in Q3 2007 were the US Army, US Navy, British Telecom and OGCBuying.solutions.

Top buyers outsourcing multiple contracts in Q3 2007

	Buyer	Number of contracts	% to total contracts	Total Value (\$ Million)	% to total value	Average Tenure
1	US Navy	5	4.1	147.0	2.9	5.3 years
2	US Army	5	4.1	144.4	2.8	4 years
3	British Telecom	2	1.7	257.8	5.0	5.8 years
4	OGCBuying.solutions	2	1.7	NA	NA	NA

Source: ValueNotes Research

Historical Database:

A historical database and/or custom analysis on contracts (since 2003) in the BPO and knowledge services space for specific verticals / services is available on demand. Please contact us on email at bporesearch@valuenotes.biz or on telephone at +91 20 66010423 / 24 ... extension 235 / 236 for more information on this.

About ValueNotes

ValueNotes Database is a leading provider of business intelligence and research, with expertise across selected domains and types of customer needs. Working with clients across the globe we have significant understanding of international markets.

The ValueNotes Outsourcing Practice is one of the largest information providers on the outsourcing industry. Our Outsourcing Practice uses a comprehensive, analytical framework providing fresh insights into the fast emerging and yet, complex outsourcing space. We extensively track the outsourcing space in-depth through a regular analysis of news and events and continuous primary research and contact with the industry.

Research Publications

Our publications combine our extensive research experience and knowledge of the outsourcing space to bring you unparalleled insights and analysis. We continuously track all news and events in the outsourcing industry, and supplement this with extensive primary research from vendors, customers, consultants and other experts in the outsourcing space. Over time, we aim to provide a wide range of publications with differing levels of depth for the needs of different audiences.

A list of our recent publications is as follows:

- Offshoring Legal Services to India – An Update [July 2007, 96 pages, US\$625]
- Offshoring in the Publishing vertical – An Update [May 2007, 72 pages, US\$625]
- Contract Research Opportunity for the Indian Pharmaceutical Industry [April 2007, 129 pages, US\$1200]US Healthcare Revenue Cycle Management: Offshoring of Medical Coding and Billing Services [February 2007, 50 pages, US\$395]
- Offshoring Tax Returns Preparation to India [November 2006, 115 pages, US\$495]
- Insurance Outsourcing: India Gains Momentum As Offshoring Intensifies: Trends, Insights and Key Vendor Profiles [October 2006, 85 pages, US\$395]
- Banking and Financial Services Offshoring: From Transaction Processing to Analytics [July 2006, 90 pages, US\$495]
- Offshoring of Automotive Design and Engineering Services to India [July 2006, 74 pages, US\$495]
- The US Medical Transcription Industry: Perspective on outsourcing and offshoring [May 2006, 88 pages, US\$395]

To know more about our publications, view abstracts and table of contents, and to purchase online, please visit <http://www.valuenotes.biz/bpo/bpopublications.asp>

Recent Custom Projects

In the outsourcing space, some of our recent assignments have included:

Target Intelligence	Market Intelligence
<ul style="list-style-type: none"> ▪ Evaluation and Benchmarking of vendors in the legal publishing industry ▪ Benchmarking for an Engineering Design Outsourcing operation ▪ Industry Overview and Partner Due Diligence in Medical Transcription ▪ Detailed profiles on global IT/BPO service providers 	<ul style="list-style-type: none"> ▪ Study of captive units of global banking and financial services organizations ▪ Opportunity Assessment Study: Canada as a near-shore destination ▪ Opportunities for venture capital and private equity investment in India's IT sector
Entry / Implementation Strategy	Country Analysis / Comparison
<ul style="list-style-type: none"> ▪ Study to analyze market-size and acceptance for an auditing solutions provider company: ▪ Cost analysis for a legal outsourcing vendor ▪ Setting up a captive Offshore operation for a Financial Services firm ▪ Human Resources manual for a financial services captive BPO 	<ul style="list-style-type: none"> ▪ Comparative Analysis of large IT services & BPO vendors in the US and India ▪ Competitive assessment of Call Center locations – India, Philippines, Jamaica, South Africa and Mexico ▪ Comparison of India vs/ China: Telecom Software ▪ Study of IT vendors in Poland, Hungary and Czech Republic

Note: This is not a complete list

To learn more about the ValueNotes Outsourcing Practice or provide us with your feedback on this research, please contact us at:

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