

ValueNotes Outsourcing DealTracker

Quarterly Analysis of Contracts in BPO & Knowledge Services



July – September 2008

ValueNotes

Data to decisions...

Quarterly Summary – Contracts

July – September 2008 (Q3 2008)

Overview of the Quarter's contracts

Outsourcing activity picked up in this quarter (Jul-Sep 2008), compared to the previous quarter. The total number of BPO contracts recorded in this quarter (Jul-Sep 2008) was 87 as against 58 in Q2 2008 (Apr-Jun 2008) and 78 in Q1 2008 (Jan-Mar 2008).

The total value of contracts (publicly declared) was \$4.41 billion, around 39% higher than \$3.18 billion in the last quarter. However, the average deal size has been lower this quarter (\$163.3 million) because of an overall smaller size contracts being awarded by companies, compared to that of the last quarter (\$208.43 million). The largest number of contracts (37) was signed in August 2008. The largest contract this quarter was the \$1.2 billion human resources outsourcing contract awarded by Transportation Security Administration (USA) to Lockheed Martin Corporation in July 2008.

Largest contracts of the quarter (Jul-Sep 2008):

Vendor	Buyer	Contract Data	Tenure
Lockheed Martin Corporation	Transportation Security Administration (USA)	USD 1.2 b human resources outsourcing contract to Lockheed Martin	8 years
HP	BT Group Plc	USD 660 m Infrastructure and Services outsourcing contract to HP. HP will provide Service Desk and End User Services to 100,000 users of BT in UK	7.5 years
Accenture	Bristol-Myers Squibb	USD 550 m IT and financial support services contract to Accenture. Accenture was providing application maintenance and accounts payable services which will continue and in addition it will provide global financial support and application development services.	10 years
Raytheon Technical Services	Federal Aviation Administration	USD 437 m contract to Raytheon Technical Services. Raytheon will conduct initial qualification tests and training, and support classroom and simulations in the field. It will also develop and maintain training materials and provide administrative support for the training	5 years
Xchanging	Aon Corporation	USD 404.8 m outsourced client division contract to Xchanging. Xchanging will handle the entire client operation division of Aon	10 years

Source: ValueNotes Research

The average value of contracts was highest for September 2008. An overview of contracts for the three months Jul, Aug and Sep is presented below:

Average contract value and tenure (declared) for Q3 2008

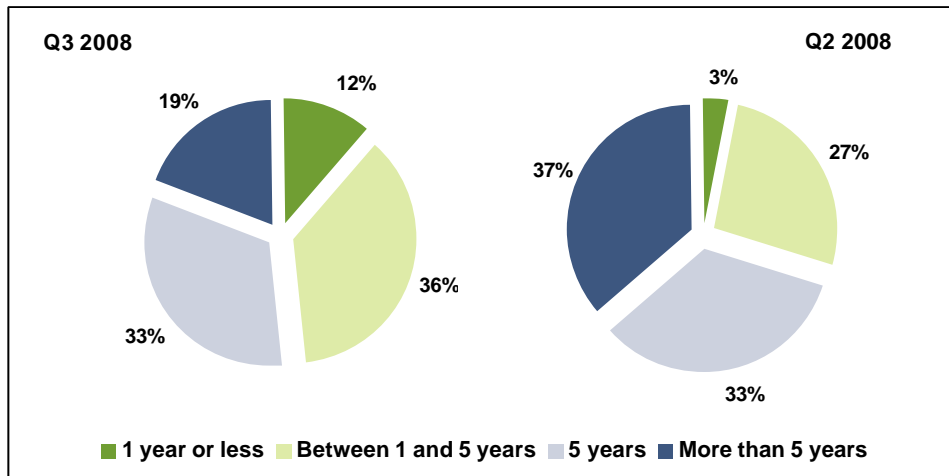
	Total number of deals	Total size of deals (\$ billion)	Average Value (\$ million)	Average tenure
July 2008	21	1.39	198	5.33
August 2008	37	1.11	79.9	4.4
September 2008	29	1.90	212	4.5
Total (Q3 2008)	87	4.41	163.3	4.74

Source: ValueNotes Research

Tenure of contracts

This quarter saw a surge in short duration contracts as compared to the previous quarter ending June 2008. The proportion of contracts with less than one year tenure was 12% in this quarter as compared to 3% in the previous quarter. Only 19% of the total contracts in this quarter had a tenure greater than five years as compared to the last quarters 37% for the five year tenure contracts. The longest contract spanned for 15 years, while the shortest was for 1 year.

Contracts by Tenure

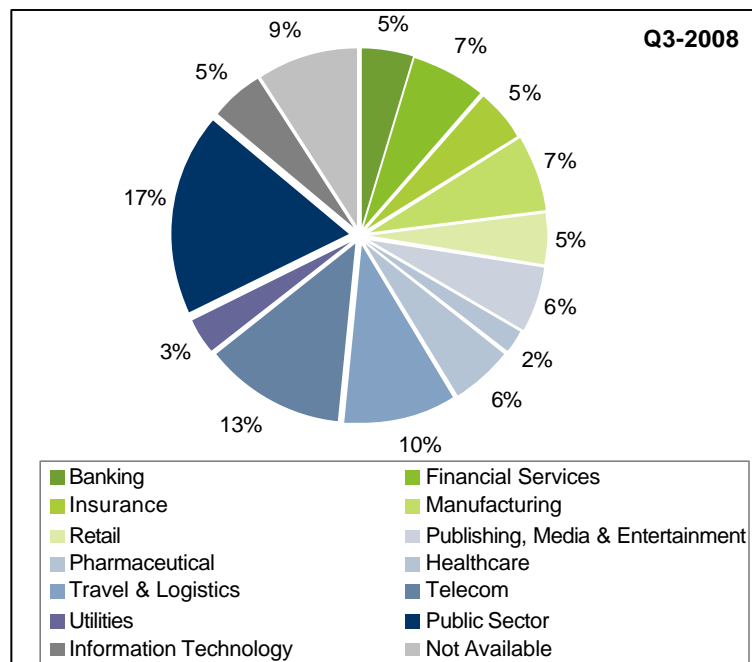


Source: ValueNotes Research

Contracts by Vertical

The Public Sector segment took the lead again in this quarter, awarding 17% of the contracts in Q3 2008. Telecom contracts have again shown a substantial share of 13% this quarter. Banking and financial services contracts have reduced further in this quarter with 12% share of the total contracts in Q3 2008 as compared to last quarters share of 14% of the total contracts. Travel and Logistics accounted for a 10% share in Q3 2008.

Contracts by Vertical: Q3 2008



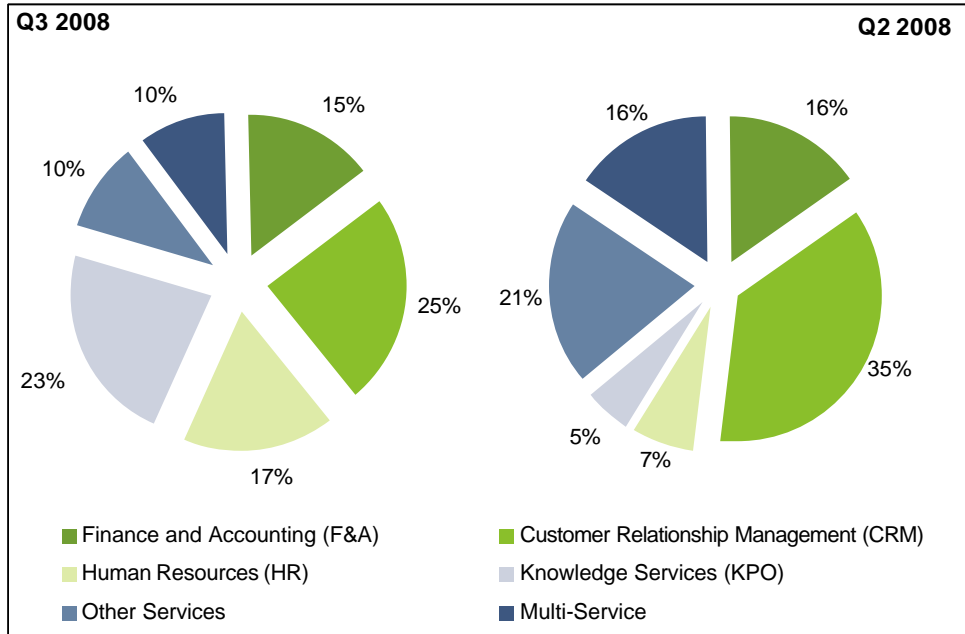
Source: ValueNotes Research

Contracts by Services

Customer relationship management contracts reduced this quarter to 25% of all the contracts that were awarded. Knowledge services mainly consisting of publishing, research & analytics and e-learning have shown substantial growth, contributing 23% of all the contracts as compared to previous quarters share of just 5% of total contracts. Also, HRO has seen a growth this quarter with a share of 17% of total contracts awarded as compared to only 7% in the previous quarter

Other services include specialist services like Tax Returns preparation, clinical research, warehouse management, logistic services etc.

Contracts by Services: Q2 2008



Source: ValueNotes Research

Top Vendors

Convergys was awarded seven contracts this quarter. However, the largest contract worth \$1.2 billion was awarded to Lockheed Martin. While the value and tenure of contracts were not available in all the cases, Lockheed Martin took away the highest proportion - about 27.92% - of the total value of contracts.

Top vendors with multiple contracts in Q3 2007

Sr. No.	Vendor	Number of contracts	% to total contracts	Total Value (\$ Million)	% to total value	Average Tenure (yrs)
1	Convergys Corporation	7	8.05	110	2.49	3.25
2	Affiliated Computer Services	3	3.45	247	5.60	4.33
3	Genpact	3	3.45	NA	NA	5
4	GeoLearning Inc	2	2.30	11.6	0.26	3.5
5	Lockheed Martin	2	2.30	1,232	27.92	4.5
6	Computer Sciences Corporation	2	2.30	NA	NA	15

* Total value need not be equal to the sum of the values of all contract signed by a vendor

Source: ValueNotes Research

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:

- Outsourcing in the Indian Banking Industry – [Jul 2008, 45 pages, US\$400]
- Offshoring Patent Services to India – [Jun 2008, 45 pages, US\$600]
- Market Research Outsourcing – The India Growth Story [Jan 2008, 98 pages, US\$625]
- Bioinformatics Outsourcing for Life Sciences – India Opportunity [Dec 2007, 90 pages, US\$675]
- 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.sourcingnotes.com/content/view/41/68/>

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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