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Outsourcing Sees Strong Growth in 2008, Exceeding 2007 Values

\$17.6 billion annualized contract value in 2008 the largest ever despite slowdown in outsourcing awards in second half of year, according to the latest TPI Index

HOUSTON, January 20, 2009 – TPI, the largest sourcing data and advisory firm in the world and a unit of Information Services Group Inc. (ISG) (NASDAQ:III, IIIIU, IIIIW), a leader in the information-based services industry, revealed 2008 was a strong year for the outsourcing industry with both total contract and annualized contract values exceeding overall values for 2007.

The TPI Index, which measures commercial contracts greater than \$25 million, also showed that India-based providers made steady and significant increases in market share this year. However, it also indicates that the global financial crisis is impacting the form of outsourcing contracts as corporations focus on near-term concerns related to their day-to-day business.

TPI INDEX HIGHLIGHTS

Total contract values (TCVs) softened in the second half of 2008, producing one of the weakest half years for TCV performance on record. Strong performance from the first half of the year sustained the \$90 billion year-end TCV. Annualized contract value (ACV) — the TCV divided by the duration of the contract — was the largest ever with a record \$17 billion. This fact reflects the impact of shorter overall contract duration, another evidence of a tactical orientation to outsourcing.

In 2008, the market was defined by a 12 percent increase in smaller contract awards. These comprise contracts of less than \$1 billion in value and represent the inherent demand for outsourcing among corporations.

While the first half of 2008 witnessed 12 mega deals, or contracts valued at more than \$1 billion, the second half of 2008 only had three mega deals — making the first half of 2008 very front end heavy. Historically, mega deals have been move evenly spread across the half-years. These higher-valued contracts weigh heavily on the TCV record for the full year tally.

“The TPI Index for the fourth quarter and 2008 is a telltale sign that unrest in the industry has tempered larger-valued outsourcing relationships for the near term, yet the fundamental business

case and return on investment from outsourcing remain solid” said Peter Allen, partner and managing director, TPI, “With more providers that have deeper capabilities than ever before, the industry stands prepared to respond quickly to these challenges. In many ways, 2009 will be a defining year for outsourcing as the industry steps up to help clients find near-term cost-realignment opportunities.”

INDUSTRY SECTORS

Additionally there were telling industry sector and geographical trends that are important to note. Declining activity in the financial services sector had the greatest impact on overall 2008 values while manufacturing, telecommunication and energy increased their TCVs a moderate or substantial amount. In the second half of the year, financial services TCV actually increased as a result of companies divesting captive offshore operations and issuing an associated outsourcing services agreement.

REGIONAL DIFFERENCES

Contract volume and its share of the total market have increased in EMEA, with the region accounting for 55 percent of the global outsourcing market TCV, while the U.S. accounted for 38 percent. 2008 is the first year EMEA contracts surpassed those in the Americas. The regional contrasts in the use of IT outsourcing and business process outsourcing are also noteworthy. EMEA adopted the most IT outsourcing – 62 percent in 2008. The Americas adopted the most business process outsourcing – 43 percent in 2008.

While contract values remained steady in the Americas during 2008, EMEA saw its strongest half-year in the first half of the year followed by a drop of nearly 50 percent in the second half. Asia-Pacific values nearly tripled between the first and second half of 2008 with a TCV in the second half that was at its highest in two years. This can be attributed to significant gains in the Indian market as well as captive center disposals as it now ranks fifth among countries where companies were awarding the most outsourcing contract value.

SUMMARY

“The effects of the current global recession are evident in the strategies among larger corporations. They are tending to contract for shorter-duration and smaller-valued outsourcing arrangements. We expect this trend to continue until confidence in the return to growth is attained,” said Allen.

To learn more about upcoming trends and topics for 2009 visit TPI's blog hosted by Peter Allen (www.considerthesourceblog.com).

Access presentation slides at www.tpi.net.

About TPI

TPI, a unit of Information Services Group, Inc. (ISG) (NASDAQ:III, IIIIU, IIIIW) is the founder and innovator of the sourcing advisory industry, and the largest sourcing data and advisory firm in the world. We are expert at a broad range of business support functions and related research methodologies. Utilizing deep functional domain expertise and extensive practical experience, TPI's accomplished industry experts collaborate with organizations to help them advance their business operations through the best combination of business process improvement, shared services, outsourcing and offshoring. For additional information, visit www.tpi.net.

About Information Services Group, Inc

Information Services Group, Inc. (ISG) (NASDAQ:III, IIIIU, IIIIW) was founded in 2006 to build an industry-leading, high-growth, information-based services company by acquiring and growing businesses in advisory, data, business and media information services. In November 2007, the company acquired TPI, the largest independent sourcing advisory firm in the world. Based in Stamford, Conn., ISG has a proven leadership team with global experience in information-based

services and a track record of creating significant value for shareowners, clients and employees.
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