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## **OUTSOURCING INDUSTRY TURNS IN BEST PERFORMANCE IN SIX QUARTERS, SIGNALING START OF GRADUAL RECOVERY IN GLOBAL MARKET**

Total contract value up 47 percent sequentially to \$24.7 billion, highest since 2Q08, according to 4Q09 Global TPI Index

Market bottomed in first half of 2009, turned in second half; positive outlook for 2010

**HOUSTON**, January 20, 2010 — TPI, the largest sourcing data and advisory firm in the world and a unit of Information Services Group, Inc. (ISG) (NASDAQ:III, IIIIU, IIIIW), an industry-leading information-based services company, today released fourth-quarter and full-year 2009 data showing that the global outsourcing market had its best performance in six quarters and that a slow but steady recovery in the industry is underway as businesses commit to long-term strategies to reduce costs and streamline operations.

The 4Q09 Global TPI Index, which measured commercial outsourcing contracts valued at greater than \$25 million, showed the market's total contract value (TCV) reached \$24.7 billion, an increase of 47 percent sequentially and 8 percent year-over-year and the best quarterly performance since the second quarter of 2008. Driving the market were strong demand for IT outsourcing (ITO), a regional surge in Europe, the Middle East and Africa (EMEA), and a continuation of the rebound in mega-deals and mega-relationships that began in the third quarter.

Full-year 2009 results could not overcome the market's weak showing during first two quarters. TCV for the year declined 13 percent to \$74.5 billion, its lowest point since 2001. However, as 2010 begins, industry pipelines are healthier and more stable than a year ago.

"As we anticipated, 2009 marked a low point in outsourcing because of the recession in the general economy and its impact on commercial buyers," said Mark Mayo, Partner and

President, Global Operations, TPI. “The global market bottomed in the first half of the year and turned in the second half. It now shows signs of recovering slowly and steadily, rather than bouncing back to pre-recession levels, but the outlook for building on its second-half momentum is positive.”

## **MARKET OVERVIEW**

The Global TPI Index provides a quarterly snapshot of the sourcing industry for clients, service providers, analysts and the media. Now in its 29<sup>th</sup> consecutive quarter, it is the authoritative source for marketplace intelligence related to outsourcing transaction structures and terms, industry adoption, geographic prevalence and service provider metrics.

During the fourth quarter of 2009, ITO activity continued to drive the broader market, as it has all year. TCV in this category increased 54 percent over the prior quarter and 32 percent over a year ago to \$19 billion, the highest quarterly total in six years. For the year, the market produced \$56 billion in TCV, flat with 2008. The Network Services and Application Development & Maintenance towers both experienced declines for the year, but Infrastructure, the largest tower within ITO, grew modestly.

Meanwhile, the market for business process outsourcing (BPO) continued to struggle in the fourth quarter. While TCV in this segment increased almost 29 percent sequentially, a third consecutive quarterly improvement, it remained 33 percent below the same period in 2008. For 2009, BPO TCV declined 38 percent to \$18.5 billion, its lowest level since 2001, and the Finance & Accounting, Financial Services Operations and Human Resources Outsourcing categories remained stalled at a fraction of totals reached in prior years.

## **REGIONS AND INDUSTRIES**

Once again, the Global TPI Index showed vastly different results among the three major geographic regions of the world. In the Americas, TCV rose just over 4 percent over the prior quarter but remained off by 17 percent year-over-year. Despite growth in Latin America, full-year TCV in the region declined 6 percent to \$27 billion, the lowest level of the decade. The service provider landscape continued to shift in the region due to significant consolidation and gains by India-heritage firms, which now make up nearly one-third of the top players.

In EMEA, several large transactions boosted fourth-quarter TCV 135 percent sequentially and 60 percent year-over-year to \$15.4 billion, its best performance since the second quarter of 2008. However, full-year TCV in the region fell 21 percent to \$36.7 billion despite only a slight decline in the number of contracts, an indication that EMEA is experiencing the same shrinking transaction sizes that have slowed growth in the United States.

Asia Pacific fourth-quarter TCV fell 37 percent sequentially and 56 percent year-over-year to \$2.1 billion. But for the year, the region’s \$10.5 billion in TCV represented stabilization with 2008 after several volatile years. While China and India have yet to reach their full potential as outsourcing markets, Australia continued its solid track record of late, doubling its share of the region’s TCV.

Among industries, the three verticals with the largest footprint in the outsourcing market – Financial Services, Manufacturing and Telecom & Media – experienced significant increases in demand during the second half of 2009. Manufacturing, where softening consumer demand is necessitating investments in reducing operational costs, TCV rose 76 percent over the first two quarters of the year. In financial services, TCV was up 33 percent in the second half. And in Telecom & Media, a mature vertical that is nonetheless seeing contract renewals and

renegotiations, TCV was up 24 percent. These three verticals will need to continue their positive momentum if the broader market is to maintain its gradual recovery.

## **OUTLOOK**

Looking ahead, industry pipeline metrics monitored by TPI have strengthened over a year ago, as have anecdotal descriptions of the health of service provider pipelines. The rate of new transactions added to pipelines, which had slowed in 2009, has apparently stabilized, and the level of contracts coming up for renewal is up 29 percent.

“As businesses becoming more confident in making strategic decisions, we are seeing promising signs for the global outsourcing market,” Mayo said. “All in all, we sense that the worst is behind us and expect a return to growth in 2010.”

TPI will hold a conference call to discuss the 4Q09 Global TPI Index at 11:00 a.m. ET today. To learn more or view presentation slides, please visit <http://www.tpi.net/knowledgecenter/tpiindex/>.

## **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, our 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](http://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. For more, visit [www.informationsg.com](http://www.informationsg.com).

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