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Outsourcing Market Shows Continued Softness in First Quarter of 2009

Total contract value of \$19 billion down 21 percent quarter on quarter and 22 percent year on year, according to latest TPI Index

HOUSTON, April 21, 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, released first-quarter market data today showing softness in performance in a historical context — among first quarters.

The TPI Index, which measures commercial contracts greater than \$25 million, showed 141 contracts signed during the quarter with a total contract value (TCV) of \$19 billion, down 21 percent quarter-on-quarter and 22 percent year-on-year. Annual contract value (ACV), which is TCV divided by the duration of the contracts, reached nearly \$4 billion in the quarter, down 18 percent quarter-on-quarter and 27 percent year-on-year. The TCV for the first quarter of 2009 was the lowest first quarter since the first quarter of 2001, and the ACV was the lowest first quarter since the first quarter of 2003.

The TPI Index, a quarterly snapshot of the global sourcing industry, is the authoritative source for marketplace intelligence related to transaction structures and terms, industry adoption and provider metrics. Today's release marks the 26th consecutive quarter of the TPI Index.

TPI INDEX HIGHLIGHTS

The information technology outsourcing (ITO) market has delivered a steady flow of contract awards during the past three quarters, and the first quarter of 2009 was no exception. ITO transactions, which accounted for 101 contract awards valued at \$15 billion during the quarter, tend to make the most significant near-term cost impact for buyers of outsourcing.

“The TPI Index for the first quarter of 2009 delivered a profile of contract awards that reflected the pace set at the end of 2008, and which conformed to the pace experienced prior to the unusual surge of nine to

15 months ago,” said Peter Allen, partner and managing director, TPI, “Looking forward, we anticipate a sustained pace of smaller contracts not unlike that before and after the ‘surge’ of 2008 contracts.”

INDUSTRY SECTORS

The first quarter also provided some telling industry sector and geographical trends that are important to note. The media, retail, utilities and telecom sectors are all increasing their outsourcing activity amidst the current economic downturn. These industries see outsourcing as an excellent solution for some of the most pressing challenges they face.

Key industry highlights:

- The Media sector has shown fairly consistent growth in all three major metrics during the past five years, with a slight uptick in number of contracts and ACV in the first quarter.
- Retail accounted for 30 contracts in the first quarter, up 40 percent from the previous year, but the average TCV and ACV of those awards dropped to their lowest levels in five years.
- Robust activity in the Utilities sector, which also signed 30 contracts, can be traced to stronger momentum in the Americas that reversed EMEA’s traditional dominance, ITO activity and outsourcing by regional companies.
- Telecom has seen the number of contracts (99) and the TCV reach an all-time high in the past year.

“With pressure to reduce costs, it is no surprise that some sectors are looking to outsourcing as a strategic driver to help meet those goals,” said Tom Lang, Partner & Managing Director, Industry Verticals, Americas, TPI. For example, utilities — traditionally highly regulated and influenced by unions — have avoided off-shoring services. However, pressure to reduce costs is increasing and therefore these organizations are more open to outsourcing solutions.”

REGIONAL DIFFERENCES

The TPI Index also revealed a “tale of two regions” when analyzing geographic differences. By number of contracts and TCV, EMEA accounted for the majority of the global market in the first quarter of 2009. The Americas region contributed the greatest ACV in the quarter, at \$1.6 billion, demonstrating that the durations of contracts awarded there have tended to be materially shorter than contracts awarded in EMEA.

The \$1.6 billion in ACV in the Americas equals EMEA ACV value for the first time since the fourth quarter of 2007 and marks only the second time since 2006 that a quarterly ACV performance in the Americas matched that in EMEA. This speaks to the prolonged period during which EMEA’s contracts were of considerably larger value and longer duration than those in the Americas.

In Asia Pacific, there was a quarter-over-quarter decline of about 40 percent in number of contracts signed, alongside a 61 percent dip in TCV and 48 percent drop in ACV.

SUMMARY

“The pace of outsourcing contract awards has returned to the levels seen prior to the EMEA-driven surge of a year ago,” Allen said. “Overall, there’s no appreciable upward movement in outsourcing awards. The comparisons tell the story of a relatively soft market for outsourcing compared to this time last year, although some industries are adopting outsourcing at a more rapid pace to better manage the current economic conditions.”

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. For more, visit <http://www.informationsg.com>.

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