



Press Contacts:
Todd Miller, TPI
+1 480 235 7018
todd.miller@tpi.net

Rhena Wallace, Cohn & Wolfe for TPI
+1 212 537 8014
rhena.wallace@cohnwolfe.com

ECONOMY STILL HOLDING OUTSOURCING MARKET BACK

TPI Index shows first-half contract awards down 11 percent over last year, total contract value down 22 percent, annualized contract value down 28 percent

Companies continue to show caution about implementing sourcing strategies

HOUSTON, July 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, today released second-quarter and first-half global market data showing that outsourcing activity continues to be constrained by difficult macroeconomic conditions, despite its potential to soften the impact of the recession through cost savings and efficiency gains.

The TPI Index, which measures commercial outsourcing contracts valued at \$25 million or more, found that the total number of contract awards fell 7.5 percent from the first quarter to the second quarter, to 135. While total contract value (TCV) rose about 5 percent sequentially to \$20.5 billion, Annualized Contract Value (ACV) – TCV divided by the duration of the contracts – fell 5 percent from the previous quarter to \$3.6 billion.

Compared with the first six months of 2008, which saw record levels of sourcing activity, the market in the first half of 2009 awarded 11 percent fewer contracts with 22 percent lower TCV and 28 percent lower ACV. Driving the declines were a reduction in mega-deals in Europe as well as lower spending globally on business process outsourcing (BPO).

On the bright side, demand for IT outsourcing (ITO) remained stable both sequentially and year-over-year in the Americas and Asia Pacific. In addition, several industry verticals, including Diversified Financials, Transportation, Retail and Telecom, increased their adoption of outsourcing during the first half of 2009.

“The first half of 2008 was extremely strong for the outsourcing industry, which makes year-over-year comparisons tough,” said Mark Mayo, Partner and President, TPI Global Resources Management. “In addition, over the past six months, companies have been more tentative and tactical about making sourcing decisions as they try to navigate these challenging economic times. Nonetheless, recently we have seen some very early signs of stabilization in ITO markets, especially in the United States, which gives us some encouragement that we may be seeing a bottom to the current slump.”

The TPI Index provides a quarterly snapshot of the global sourcing industry for clients, service providers, analysts and the media. Now in its 27th consecutive quarter, the TPI Index is the authoritative source for marketplace intelligence related to outsourcing transaction structures and terms, industry adoption, geographic prevalence and service provider metrics.

TPI INDEX HIGHLIGHTS

Second-quarter results indicate that the outsourcing market has entered into a period of sustained activity, albeit at a significantly lower level than just a year ago. In fact, to match the market’s results for the full year of 2008, the industry would need to sign \$53 billion in TCV during the second half of this year, which would be a record performance and in TPI’s view, is unlikely to happen. Full-year TCV could fall below \$80 billion, which has not happened since 2001, another year of global recession.

The slowdown in the market is obvious in the precipitous decline in demand for BPO. The number, TCV and ACV of BPO contracts are all lower in first-half comparisons than in any of the past five years. The BPO market is displaying weakness in all regions and across functions, including Human Resources, Finance & Accounting, Facilities Management and Financial Services Outsourcing. The decline appears to extend beyond a response to the recession, so BPO may be a swing factor in considering the timing and size of any eventual surge in contract activity.

By contrast, ITO has held steady, stabilizing the broader market. In the first half, TCV in this segment was in line with pre-2008 levels, although the average TCV has dropped considerably. The ITO market has benefitted from strength in Network Services, which has accounted for about half of the mega-deals and mega-relationships so far in 2009, as well as in the Americas and Asia Pacific. Compared to the first half of last year, the TCV of ITO awards is up 6 percent in Americas.

INDUSTRY SECTORS

The second quarter also revealed some telling industry sector and geographical trends. Not surprisingly, the banking sector, traditionally a heavy adopter of outsourcing services, has slowed its activity significantly in the wake of last year’s financial crisis. Oil & Gas, Food & Drink and Consumer Durables, to name a few, have also slumped in 2009.

But at the same time, the Diversified Financials, Transportation, Retailing and Telecom sectors have been increasing their adoption of sourcing strategies. For instance, the 26 contracts awarded by Transportation companies in the first half of 2009, with buyers in Europe, Middle East and Africa leading the way, represented 44 percent year-over-year growth. In Telecom, the number of contracts did not change substantially, but TCV and ACV each doubled year-over-year. Those four sectors together account about 37 percent of the number of contracts and 47 percent of TCV awarded this year.

REGIONAL DIFFERENCES

The Q2 TPI Index revealed significant differences among regions. Outsourcing markets in EMEA dragged down the global market, with just 53 contracts with a TCV of \$8.8 billion. Both figures were among the lowest the region recorded over the last ten quarters.

Weakness in EMEA was offset by strong performance in Asia Pacific, which had its second best quarter ever with TCV up 200 percent over a year ago. Uncharacteristically, two of eight mega deals and six of 15 mega relationships have been awarded in the region thus far this year.

In the Americas, the TCV performance has been more evenly distributed during recent quarters than in Europe. However, in the second quarter, the Americas witnessed a sequential loss of 35 percent by TCV, and only one mega deal has been signed in the region since 2009 began.

SUMMARY

“Despite these bright spots and some signs of a pickup in early-stage market activity as we enter the third quarter, the balance of 2009 is likely to remain challenging and we do not expect total contract awards and TCV to match 2008 levels,” Mayo said. “Yet the potential return on investment from outsourcing hasn’t changed. Successful outsourcing can create tremendous value for many buying companies.”

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. In addition, TPI Momentum, a business unit of TPI, provides information and insights to outsourcing and offshoring service providers to help them provide enhanced services to their sourcing clients. In 2009, TPI is celebrating its 20th anniversary. 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 www.informationsg.com.

###