



RESEARCH INSTITUTE

Everest: Offshore IO Suppliers in Identity Crisis

RIMO Suppliers Deviating From Models to Court Larger Buyers

Press release

DALLAS, August 19, 2009 – Under pressure to sustain growth and compete with multinational outsourcing suppliers increasing their offshore labor centers, India's IT providers of Remote Infrastructure Management Outsourcing (RIMO) services are successfully targeting and signing deals with larger buyers but have found themselves in the midst of an identity crisis, according a study by the [Everest Research Institute](#).

Offshore (mostly India-based) suppliers are essentially targeting the same buyers as traditional multi-national firms – deviating from game-changing innovations that propelled them to their current level – and are starting to play by rules long established by the traditional players, according to the Institute's study, [Remote Infrastructure Management: Impending Crisis of Genre](#).

Due to multinational outsourcers' investments in offshore labor centers, labor arbitrage is a table stake. Challenged around the main source of their competitive advantage in Infrastructure Outsourcing (IO), offshore firms are responding by adopting traditional rules of IO, including offering more complex pricing mechanisms, longer deal durations, more complex SLA-driven delivery metrics, and even rebadging of employees.

"As large offshore RIMO suppliers started reaching critical mass in IO, they realized they had to target larger buyers to continue growing," said [Ross Tisnovsky](#), the Institute's Vice President of IT Outsourcing Research. "Their target profiles and deal characteristics started rapidly approaching those of the large multinational legacy suppliers, and they also had to play by new rules."

The RIMO market grew rapidly at 66 percent CAGR until 2007, when early signs of a sagging economy marked the beginning of the market's slower growth rate of 18 percent CAGR. Despite the slowdown, RIMO remains the fastest growing IO delivery model, and offshore suppliers have grown and held market share.

"Offshore RIMO suppliers are walking away from some of the innovations they brought to the market, such as a 'penetrate and radiate' market strategy," said Tisnovsky. "Offshore suppliers need to build creative IO offerings, respecting the biases of large buyers and capitalizing on their gradual change in mindset. Offshore suppliers also need to recognize their strength is in flexibility and openness to new approaches and avoid getting sucked into traditional rules where they are unlikely to win."

The study provides a data-driven analysis of the evolution of IO market models, key differentiators between infrastructure service delivery models, and overview of likely offshore RIMO suppliers' strategies based upon their market signals.

Other [ITO studies](#) providing additional insights on this topic include:

- [Adoption of Modular Architecture in IT Infrastructure Outsourcing](#)
- [ITO Request for Information 2008](#)
- [Emerging Supplier Dilemma in the Remote Infrastructure Management Market](#)

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To read an extract of [Remote Infrastructure Management: Impending Crisis of Genre](#) and other ITO research studies, visit www.everestresearchinstitute.com. To purchase the report or receive more information about other research services, please email info@everestresearchinstitute.com or call +1-214-451-3110.

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