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Everest RFI Analysis: Large Companies Leveraging Offshore IT Services Aggressively, Multinational IT Suppliers Continue Targeting Mid-Market Buyers

ADM Deal Size, Duration for MNCs and Tier-1 Offshore Suppliers Converging

Press release

DALLAS, June 3, 2010 – North American companies signed a larger number of Infrastructure Outsourcing (IO) deals in 2009, heavily leveraging offshore suppliers of IT services as they remained focused on the bare minimum to keep IT operations working and outsourced mostly nondiscretionary infrastructure services, according to an analysis of requests for information (RFIs) by Everest, a global [consulting](#) and [research](#) firm. Large, multinational suppliers (MNCs) of [IT Outsourcing \(ITO\)](#) services continued their shift of reducing focus on very large IO buyers, inking a significant number of deals with mid-sized buyers and leveraging more complex pricing mechanisms compared to the largely offered input-based pricing models used by offshore players.

The Everest study, [ITO \(IT Outsourcing\) Market Update: ITO Request for Information 2010 – A Market Insights Report](#), analyzes 503 engagements sourced from participating suppliers that provided RFIs for their 30 largest deals, in terms of total contract value, signed in 2009.

Some of the insights from the in-depth analysis include:

- MNC suppliers signed larger IO deals than offshore providers; however, the average deal size for both of them halved in 2009
- Large buyers displayed a marginal preference for unbundling IO towers and signed deals with longer durations with MNC suppliers compared to deal length with offshore providers
- MNC suppliers refocused attention toward the Banking, Financial Services and Insurance (BFSI) sector in 2009; financial services and manufacturing companies signed the largest number of deals for IO and application development and maintenance (ADM) services
- North American ADM deals had maximum deal size. MNC suppliers signed higher value, scope, and duration ADM deals compared to offshore suppliers. Deal duration for both MNCs and offshore suppliers remained largely constant from the previous year
- The share of IO and ADM bundled deals was almost constant over deals signed in 2008, but stand-alone IO deals reduced in proportion whereas the share of ITO deals bundled with BPO moved up marginally
- EMEA saw its share of IO deals go down significantly though its share of ADM deals went up

“North American buyers focused on non discretionary infrastructure outsourcing spend due to economic conditions, which is why North American contributions in IO deals went up significantly in 2009 though it was largely similar for ADM deals compared to the previous year,” said [Ross Tisnovsky](#), vice president, Research. “Continuing the trend of previous years, a clear focus on large buyers was evident for both IO and ADM deals signed in 2009.”

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To read an extract of the [ITO \(IT Outsourcing\) Market Update: ITO Request for Information 2010 – A Market Insights Report](#) study, purchase the report, or inquire about other research services, please visit www.everestresearchinstitute.com, e-mail info@everestresearchinstitute.com or call +1-214-451-3110.

About Everest

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