

## IT outsourcing deals in Jan-Jun 2008 highest in decade

The first half of the current calendar year has seen the IT outsourcing industry post its strongest performance in a decade, a leading IT research firm has announced.

With a total of 282 outsourcing contracts valued at \$49 billion in total contract value (TCV) and \$10 billion in annualised contract value (ACV), or the value of a contract divided by its duration, the IT outsourcing industry notched up record business during the first two quarters of the current calendar year, according to TPI, the largest sourcing data and advisory firm in the world.

The TPI, a division of US-based Information Services Group Inc. (ISG), an industry-leading, information-based services company, announced last Wednesday that according to the latest TPI Index, which tracks commercial contracts valued greater than \$25 million, the recently-completed second quarter produced significant market strength and a solid trajectory for growth during the remainder of the year.

In the second quarter, 146 contracts were awarded in the global outsourcing industry, valued at \$25.6 billion in TCV, and almost \$5 billion in ACV, a TPI statement said.

All three measures indicate noteworthy market strength as this was the strongest second quarter performance since 2000. Additionally, each of the past three quarters has topped the \$20 billion TCV mark; this series represents the best three-consecutive quarter performance ever, the statement said.

According to TPI's analysis, the industry has seen the highest number of outsourcing contracts, TCV and ACV during the first half of 2008 in more than 10 years. At the midpoint of the year, TCV in the broader market is on trajectory to eclipse the TCV record of 2004, which has been the most prolific full year to date.

Finishing as one of the strongest first halves in more than a decade is attributed to the 282 contracts valued at nearly \$49 billion in TCV, and nearly \$10 billion in ACV that were awarded in the first half of 2008, yielding a brisk year-over-year increase of 24 percent by TCV and 36 percent in ACV.

Another major factor contributing to the first-half's record performance is the high number of 'new scope' contract awards - awards that factor out restructurings that reflect adjustments to existing relationships, TPI said.

The new scope, which signals that the growth is truly incremental to the market, increased in TCV and ACV at roughly 26 percent and 43 percent respectively - the greatest year-over-year increase in the past four years.

While the Americas and Asia Pacific regions did not have an appreciable increase in market activity, Europe, the Middle East and Africa (EMEA), by contrast, experienced 58 percent more TCV in the first half of 2008 in comparison to the same time-frame in 2007, significantly contributing to the global TCV record.

This was due to greater average contract size in EMEA rather than a surge in the number of contracts. In fact, 10 of the 13 mega deals - contracts in which the TCV is \$1 billion or greater -

awarded in the first half of the year were awarded in EMEA, along with 16 of the 24 mega relationships - those contracts with an ACV of \$100 million or more.

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