



49 RIVERSIDE AVENUE  
WESTPORT, CT 06880  
PHONE: 1.203.454.3900  
FAX: 1.203.454.0022  
EMAIL: [INFO@SAUGATECH.COM](mailto:INFO@SAUGATECH.COM)  
WEB: [WWW.SAUGATECH.COM](http://WWW.SAUGATECH.COM)

## Study: Business Value Shifts will Drive Outsourcing

*Newest Saugatuck research shows 2005-2010 growth will be driven by firms changing their business model; offshoring backlash is a minimal factor*

**Westport, CT, May 19, 2005** – Research released this week by Saugatuck Technology Inc. indicates that growth in the outsourcing of IT and business processes not only will continue through 2010, but will be driven increasingly by firms making strategic shifts in their traditional business value and operations.

“Tactical cost-cutting needs will always be an important factor in outsourcing decisions, but the real driver for the next several years will be a shift in how firms see themselves and their value chains,” according to Bruce Guptill, leader of the study and managing director of research for Saugatuck.

“Companies used to compete based on how much of the customer value chain they could control,” explains Guptill. “But now, forward-looking companies only want to own the pieces of the value chain where they have true competitive advantage. Their focus is on ensuring that supporting operations and processes are agile enough to quickly adapt to market changes – and outsourcing is a prime means of accomplishing that.”

Saugatuck’s findings are based on a year-long research program regarding outsourcing plans and perceptions, including surveys of more than 200 IT, finance and business executives worldwide. Research findings include the following:

- An increasing acceptance of Business Transformation Outsourcing (BTO), involving a more strategic relationship between service provider and client, will drive new sources of business value beyond cutting costs. 43 percent of companies say that the percentage of outsourcing spending categorized as BTO would increase from 2004 to 2005
- Twelve percent of outsourcing spending in 2005 will involve *offshore resources*, growing to 19 percent in 2009. Less than one-third of companies surveyed agreed that potential backlash against their company’s brand is impacting their offshore outsourcing decisions. And less than one-third agreed that consideration of the potential impact on their home country’s economy is impacting their offshore outsourcing decision.
- New *standardized delivery models* will reduce the upfront investment and short-term return on outsourcing options. Companies expect the percentage of their outsourcing spending that is for utility-type shared services to grow from 12 percent in 2005 to 22 percent in 2009 for IT outsourcing, and from 11 percent to 19 percent for business process outsourcing.
- New *pricing models* will better link outsourcing costs to business value obtained. The biggest changes in pricing models will be in benefits-based and equity-based models.

The complete research study, entitled “Outsourcing Transformed: New Models and Methods 2005-2010,” was published today by Saugatuck and is available on the company’s web site ([www.saugatech.com](http://www.saugatech.com)).

The implications of this research for the already overcrowded outsourcing service provider market are huge, according to study co-author Bill McNee, Saugatuck’s founder and CEO.

“Vendors will need to develop offerings and value propositions that reflect the changing user perceptions of business value from outsourcing,” explains McNee, adding, “Value propositions such as improved time-to-market, improved levels of customer satisfaction, and access to new markets will be facilitated by new delivery and pricing models for outsourcing.”

**MORE**

### **Executive Research and Interviews**

The study is a result of a year-long Saugatuck research program, including a web survey of more than 200 senior IT, finance and business executives and 40 detailed interviews. The research was conducted between October 2004 and March of 2005. More than two-thirds of the firms participating in the research had revenues of at least \$1 Billion per year. Details regarding this research, and Saugatuck findings and recommendations, can be found by visiting Saugatuck's web site at [www.saugatech.com](http://www.saugatech.com), or by calling 1.203.454.3900.

### **About Saugatuck Technology**

Saugatuck Technology Inc. provides research-based consulting services to senior executives, information technology vendors, and investors, combining strategy development, business planning, and market intelligence with first-hand research of executive technology buyer trends. Founded in 1999, Saugatuck is headquartered in Westport, CT.

### **MEDIA CONTACT:**

Chris MacGregor, Saugatuck Technology

[chris.macgregor@saugatech.com](mailto:chris.macgregor@saugatech.com)

+1.203.454.3900

-30-

