

## State of the IT-BPO industry

340 deals worth USD41.3 billion signed worldwide

Average annualized contract value down by 53 percent

Average deal tenure increased this quarter by eight months over 2Q15

ITO deals make up ~97 percent and BPO make up 2 percent of all deals.

Deal value:



(million)

USD 49.34

2Q15

USD 22.98

2Q16



to FIVE years and FIVE months



2Q16 was almost consistent with 1Q16 in terms of total contract value whilst there was a 49 percent increase in total number of deals as compared to 1Q16

Total contract value in 2Q16 over 1Q16



Average deal value decreased by 30 percent for ITO deals and by 75 percent for BPO deals over 1Q16.



Number of ITO deals signed increased by 59 percent and number of BPO deals decreased by 5 percent in the same period.

## Leading contributors



Government and Defense sector contributed 77 percent in terms of value of outsourcing deals signed in 2Q16

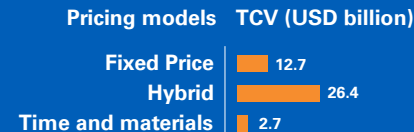


Total number of deals : 340

## The outlook

### Hybrid model gaining acceptance

Unlike previous quarters where traditional pricing models were relatively highly prevalent as compared to a hybrid model, 2Q16 showed organizations exploring hybrid pricing more than fixed pricing.



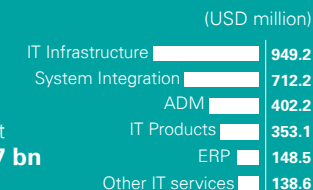
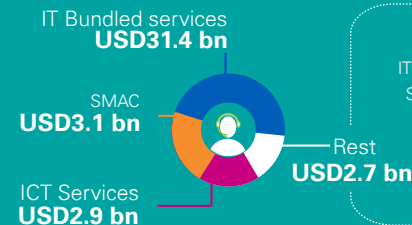
### Commoditization of outsourcing services

SMAC services and automation are major drivers for the commoditization of outsourcing services and this is especially true for IT services. There are still only a few stand-alone SMAC deals but are now becoming a common part of bundled deals.

## Leading service types

By contract value, for ITO

Worldwide in 2Q16, 311 ITO contracts worth USD40.1 billion were signed



Source: Global IT/BPO outsourcing deals analysis, KPMG International, August 2016.

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