



Evalueserve: Globalizing the Business of Giving Insight? ¹

We do not want to do consultant's jobs. They are, after all, our clients.

Ashish Gupta, Evalueserve COO²

Our KPO transformations have zero consulting revenue, as we do not charge for our advice. We simply want to sell our services on a continued basis.

Marc Vollenweider, Evalueserve CEO

In January 2009, Marc Vollenweider, CEO of Evalueserve, was at home in the Austrian mountains, in a virtual management planning meeting with Robert Daigle, Evalueserve's VP in Marketing and Sales. Daigle requested this meeting in order to review the changing portfolio of service offerings and its impact on client engagement managers. Evalueserve is a pioneer in the knowledge process outsourcing (KPO) industry which it helped to create, and provides custom research and analytics services to leading companies and financial institutions worldwide. Evalueserve made a conscious decision to be completely focused on research at its inception in 2000; back then, Evalueserve was after all 'a no-name with essentially zero skills' in consulting. Since around 2007, however, Vollenweider and his colleagues realized that Evalueserve had the capabilities to provide not only valuable research to clients but also advice on how best to use Evalueserve services. The latter was a form of consulting, though Evalueserve positioned it as a core part of its sales and marketing activity.

Smart research is not consulting. But in response to customer expectations, Evalueserve slowly crept beyond providing research insights to offering consulting-like advice involving foresight. Entering higher value-adding consulting services appeared a natural next step in the growth of Evalueserve. But both Marc Vollenweider and Robert Daigle knew that taking that step had to be finely nuanced as it would have a profound impact on Evalueserve's approach in marketing and beyond. On what segments of consulting should Evalueserve focus its efforts, given its research presence in 'all verticals and all markets'? With the shakeout happening in the financial crisis, should Evalueserve target captive operations for acquisition, or should it enter consulting primarily through alliances? How should Evalueserve draw a line between research and consulting in its internal organization? And how should it redefine its market positioning as simultaneously an offshore service provider and a world class solutions provider?

¹ Professor Mari Sako and doctoral candidate, George Chondrakis, prepared this case with the initiative and support of an MBA alumnus who works at Evalueserve, Siddharth Nambiar. The case is developed solely as a basis for class discussion. It is not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

² Khozem Merchant, "Experts who mine nuggets of data", *FT.com* 28 August 2005.

Evalueserve: The First Eight Years

Evalueserve was founded in December 2000 by Alok Aggarwal and Marc Vollenweider (see **Exhibit 1** for bios). Prior to this, Aggarwal had been Director of Research at IBM's India Research Laboratory, whilst Vollenweider spent 20 months in India as McKinsey partner leading the healthcare practice when the firm was establishing its back-office Knowledge Centre in India. These respective backgrounds gave them the first mover advantage. The founders seized the opportunity to provide two higher-end services: back-office business research for consulting firms, and intellectual property (IP) services for global corporations.

By March 2001, Ashish Gupta, another former McKinsey consultant, was hired as COO, and operations started in earnest in Gurgaon, ten miles south of India's capital, New Delhi, with 15 professionals. Twelve of them were freshly minted MBA graduates doing Business Research, and 3 were patent lawyers. In fact, the first major contract of Evalueserve, back in 2001, was an assignment for a large pan-European insurance firm. This involved setting up an external MIS, producing daily newsletters, generating quarterly financial benchmarking data for global and country peers and, finally, undertaking custom research on various topics.

Evalueserve's capabilities were so basic at the time that the founders had to be involved at the tactical level in every single project to make it successful. Marc Vollenweider recalled: 'if our professionals could not do the research, I did it myself. I literally put my CV on the table to convince client prospects.' The senior management team also initially took on the task of marketing, with key sales managers based in the US, Singapore, the UK and Europe, and later Japan and Korea. The target client base were consulting firms, global 1000 companies, investment banks, hedge funds, private equity firms, and IP advisory firms.

These investments paid off in very rapid growth, with the company approximately doubling its headcount and sales revenue every year for the first five years (see **Exhibit 2** for employee and revenue figures). Expansion in the portfolio of business lines followed client demand and the incremental accumulation of in-house capabilities. Evalueserve started offering basic Market Research in 2002, followed by the first Investment Research engagement in 2003. Soon thereafter, Evalueserve also started doing simple data analytics, though hiring 40 employees every month posed significant challenges with training and stabilizing the quality of work.

Being a research and analytics services company, Evalueserve hired only highly qualified people, including engineers, MBA graduates, chartered accountants and lawyers. Evalueserve extended its geographic presence beyond India, primarily in order to respond to customer requests for varied language requirements, presence in the same time zone, and the distribution of risk. After Gurgaon, India, as the first hub, Evalueserve established an operation in China in 2005, followed by Chile in 2007 and Romania in 2008. The year 2008 also

saw the establishment of a second Indian site in Noida for risk spreading and business continuity. Evalueserve planned to develop capabilities in nearly all business lines at each site, so as to be able to provide flexible and seamless services to clients (see **Exhibit 3** for Evalueserve's global presence).

At the end of 2008, Evalueserve earned US\$68 million in total revenue, employing 2431 professionals representing 45 nationalities. It worked with 200 client firms, including 72 Fortune 1000 companies. Evalueserve had five main lines of business: business research, IP and legal services, market research, investment research, and data analytics (see **Exhibit 4** for Evalueserve's business lines and competencies). Half of the 2100 analysts worked for business research and related market research and data analytics, whilst 30% worked in investment research and related data analytics, and the rest (20%) in IP and legal services. Besides, Evalueserve had acquired Nitron in 2007, establishing the Circle of Experts (CoE), a network of external experts who provided pure insights to supplement the in-house research work³. In 2008, Evalueserve also started what it called Knowledge Technology, involving the development of websites and online business intelligence portals for specific clients. This reflects Evalueserve's emergent capability in knowledge management, resulting from working a lot with data internal to client firms.

Each of these seven distinctive competencies was regarded as a platform, and 'the platform could be applied to any vertical'⁴. With a wide-ranging 'domain expertise' in many verticals, the two largest sectors of Evalueserve's clients in 2008 were financial services, accounting for 40% of total revenue, and professional services – including consulting – accounting for 20%. The remaining 40% of activity is distributed to various segments, such as pharmaceuticals, healthcare, and insurance. To reflect the enormous potential for market expansion in 'all verticals and all markets', Evalueserve reorganized its internal structure in 2008, creating global practices, a matrix with expertise in industry verticals and functional competency areas.

Birth of the Knowledge Process Outsourcing (KPO) Industry

Back in the 1980s, global corporations began to outsource and offshore software applications development and maintenance to India. Captive establishments belonging to firms such as GE and Citibank were followed by third-party service providers, including Infosys, HCL, Patni, TCS, and Wipro. In the 1990s, India began to establish its reputation as an offshoring destination, going beyond IT services to transaction processing in administrative and support functions and voice-based activities in contact centres. Everything that was offshored came to be called business process outsourcing (BPO).

³ These experts are neither consultants nor part of the marketing and sales workforce.

⁴ Ashish Gupta quoted in 'Creating the KPO Industry' *BPO Watch – India*, 7 October 2008

When Evalueserve started its business, it quickly became clear that it was in a different business, with different mechanics, different people, and different fundamentals. Evalueserve came to regard it as an obstacle to business success that its private equity firm clients classified it as a BPO company, and its top management team felt it had to do something about this. As Marc Vollenweider explained:

During a dinner in 2002, we came up with calling it something different, knowledge process outsourcing, and wrote a couple of articles to size the market. The press and the industry association jumped on it because it all made good logical sense. The term, KPO, then became a standard label for the high-end services.

Knowledge process outsourcing (KPO) had been positioned as a descendant of business process outsourcing (BPO), as BPO providers climbed up the value chain to move into higher value adding services. Indeed, many industry analysts believed that organizations with experience in outsourcing IT and business processes would have a shorter learning curve when entering KPO.⁵ However, not all entries by major BPO companies into the KPO business have been successful. Many failed – Wipro, Infosys, Satyam, etc. – and Genpact was perhaps the only one that survived, according to Vollenweider. Why? Marc Vollenweider explained the reasons:

KPO and BPO are fundamentally different, representing two distinct business models. First, BPO needs large-scale rule-based operations which are essentially process-driven. By contrast, KPO is highly complex, judgement-based requiring interpretation, so it requires a different set of people running such processes. For example, *Evalueserve* had completed in total over 6000 projects, and none of them had the same scope, so it's hugely complex. Second, the sales people were motivated in a different way in KPO from BPO. Typically, sales people in BPO are incentivized by a commission of 2% of the total deal value in the first year, 1% in the second year, and nothing thereafter. This was fine for large projects with a few hundred seats, but not for small complex projects. In KPO, *Evalueserve* for example paid its sales people a commission of 6.6% on an ongoing basis until the completion of the project, providing an incentive to treat clients very well, and also to obtain small deals with only 5 or 6 desks. Not recognizing these differences is the key reason why BPO providers had not managed to penetrate the KPO market in a big way despite their scale.

Moreover, in KPO, the client was typically involved during the entire execution process, so that clients contributed a proportion of total effort – anything ranging from 5% up to 30% – by providing the appropriate

⁵ KPMG (2008) Knowledge Process Outsourcing: Unlocking Top-line growth by Outsourcing “the Core”, KPMG International.

direction to the KPO firm or by otherwise adding value to the work-product⁶. For example in investment research, end-to-end equities research and report writing require input and direction from the client firm throughout the project, in the assumptions made in financial modelling and the scope and depth of research. This necessitated very close interactive working relations with clients rather than arms-length ones.

Rapid growth projections made KPO an attractive industry for new entry, though it might remain a small part of the total offshoring business. *Evalueserve* estimated that BPO services would grow globally from USD 7.7 billion in FY 2003 to USD 39.8 billion in FY 2010, thereby implying a cumulative annual growth rate (CAGR) of 26%. In contrast, the global KPO market of USD 1.2 billion in FY 2003 was expected to grow to USD 17 billion by FY 2010, a CAGR of 46%. KPO was therefore projected to be 43% of BPO in size as measured by sales revenue by FY2010 (see **Exhibit 5** for growth projections and **Exhibit 6** for projections by market segment).

The KPO industry also attracted entry primarily because of the relatively high gross margin that KPO firms could command relative to BPO firms. KPO firms commanded higher billing rates, but their high per-unit revenue might easily be undermined by adverse factors. In particular, the high salaries that professionals commanded, exacerbated by wage inflation and high attribution rates in India, might undermine profitability. Also, relatively small scale in KPO posed disadvantages in terms of not being able to exploit economies of scale, not being able to utilize capacity to its full due to fluctuating customer demand, and the inability to spread risk arising from exposure to a few big clients. *Evalueserve* had the best of both worlds, scaling up the delivery of high value adding knowledge services (see **Exhibit 7** for comparisons of BPO and KPO financials).

Moving Up the Value Chain

KPO is an industry requiring 'vertical specialization' not least because of the need to rely heavily on domain expertise in each vertical sector. For instance, business research in the pharmaceutical industry is grounded in a very different set of disciplinary knowledge – microbiology, chemistry, etc. – from that in financial services. This is one of the reasons why 'boutique' providers specializing in specific segments thrive in the KPO industry (see **Exhibit 8** for major competitors to *Evalueserve*). In moving into the business of giving advice, *Evalueserve's* sales team encountered varied client requests in different verticals.

Management Consulting Value Chain

Strategy consulting firms were one of the most important segments of *Evalueserve's* clientele, comprising 24% of its total sales in 2008 (see **Exhibit 9** for *Evalueserve's* vertical breakup of revenues).

⁶ Alok Aggarwal (2007) India's Knowledge Process Outsourcing (KPO) Sector: Origin, Current State, and Future Directions, *Evalueserve*.

Evalueserve undertook back-office business research, working with clients either on an 'on-demand' basis or by forming client-specific dedicated teams (see **Exhibit 10** for Evalueserve's relationship models).

The business consulting process consists of four major phases⁷. The first step was data collection and analysis – i.e. knowledge building. Next, the project clarified the business issues the client faced, its objectives and the sequence of work. The third step focused on strategy development and formulation. Finally, in the implementation phase, the recommendations were put into practice by defining responsibilities, detailing courses of action, and monitoring the results (see **Appendix I** for a description of the consulting industry).

Before 2000, all these steps were typically carried out within a consulting firm. In the last decade, however, four important developments challenged consultancies' competitive landscape: ICT revolution, narrowing skill gap between developed and developing nations, increased competition, and client sophistication⁸. Given these factors, management consultancies, charging \$300 per hour, realized that doing a lot of data collection and analysis onshore was not cost effective. Consequently, McKinsey & Co. created its captive knowledge centre in India as early as in 1998, followed by other captives such as the one by Bain & Co. in 2005. Evalueserve, along with other KPO firms, accelerated this process of value chain disintegration, as some corporate clients began to refer McKinseys and BCGs of this world to Evalueserve to give them a better value proposition.

The consulting model is fundamentally changing. Clients are less willing to 'pay for base of the pyramid'. Access to the partner at the top of the pyramid with the industry experience is valuable, but clients are becoming more price-sensitive when paying high hourly rates for associates and analysts at the lower levels of the pyramid.⁹

Over time, Evalueserve accumulated capabilities so that it could climb up the value chain by undertaking more sophisticated research. According to Marc Vollenweider:

A consulting firm, one of the Big Four, asked us to come up with thought papers about the future of telecommunications. Another Big Four asked us to do a study about the future of M&A in pharmaceuticals. The rules of the game have changed. It has moved from geographic cost arbitrage to value addition.

⁷ Sascha L Schmidt, Patrick Vogt, and Ansgar Richter (2005) "The Strategy Consulting Value Chain is Breaking up", *Consulting to Management*, Vol. 16, No. 1, 39-44.

⁸ Ibid.

⁹ Vinod Mahanta (2005) "Global Consulting Firms our New Backstreet Boys", *The Economic Times*, 7 July 2005.

For corporate clients, the development of data analytics capability enabled Evalueserve to add more value. Manoj Madhusudanan, head of business research, explained:

A telecoms company might ask: can you give us some industry trends in how other telecoms companies are doing? When we did not have a proper data analytics operation, we used to just do a quick secondary data research, write the report on best practices, and give it to the client. Now, we can look at the client's internal data, and understand where the opportunities are, and then marry that with external data... we can give much more value added in the report to the client, saying that here are some areas where there are problems.

But Manoj Madhusudanan emphasized that Evalueserve stopped short of providing recommendations to deal with identified problems, as they did not have the experience nor the expertise.

The consulting and advisory industry was populated by firms with functional specializations, such as in corporate strategy, operations management, information technology and human resources management. They also placed different emphases on developing strategy – as McKinsey did – and on implementing strategy¹⁰. Hence, from its existing position as knowledge developer, Evalueserve could choose different points of entry into the consulting business. Marc believed he had three options:

One option is to say not at all. The other is to have a more or less formal entry. The third, which is the most likely one, is to choose a specific part of consulting. But people mean different things by consulting, and there are multiple layers of consulting. So there is the McKinsey type consulting and there is no question that we want to do that; no way, right? But then, a Gartner or Forrester type of consulting, I think that is the big question. And then there are other types of consulting that are of a more process-oriented nature and we already do some of this. For example, we help some companies do some micro-process reengineering which, in a way, is consulting, although we don't call it that way. ...it's clear that clients are pushing us up the value chain, and they are asking for consulting, but we have to be careful where to draw the line. Conflict is going to happen with the Forresters of this world, and these guys are the ones who will stop giving us work.

A move up the value chain could not come without cost as it entailed more competition. From its existing vantage point, Evalueserve's most immediate KPO competitors were either generalist – such as Genpact and Integreon – or specialist operations such as Boston Analytics and Fractal Analytics (see **Exhibit 8**).

¹⁰ Sascha L Schmidt, Patrick Vogt, and Ansgar Richter (2005) "The Strategy Consulting Value Chain is Breaking up", *Consulting to Management*, Vol. 16, No. 1, 39-44.

However, the trickiest challenge came from onshore industry analysts such as Gartner and Forrester. They were research-cum-consulting firms that provided syndicated and customized research, and used Evalueserve to do so cost-effectively offshore. In effect, these industry analysts had been valued clients to Evalueserve. However, they were not really consulting firms, but engaged in benchmarking and synthesizing information across companies, according to Vollenweider, in order to identify industry trends for clients.

As Evalueserve built up its capabilities in business research, it would be competing in the global delivery of customized research, coming into head-to-head competition with industry analysts. To support this, Evalueserve was beginning to build access to distinctive resources. Marc explained:

Of course, when we give insight about specific industry we can't do that with MBAs. We need people who understand the context and this means, by definition, that we need onshore experts.

The 20,000 or so experts who are part of the Circle of Experts provided the depth of expertise that a 25-year-old Evalueserve analyst could not on specific projects. Moreover, Evalueserve began to hire what they called 'solution architects', experts with significant experience in an industry who have worked onshore with the client to scope projects and work streams for Evalueserve. Last but not least was KPO Transformation, an Evalueserve -led workshop ('free consulting') for a client, which resulted in the identification of multiple projects to be undertaken by Evalueserve. According to Marc, these could include making process improvements in knowledge management or reengineering:

Is this consulting, or is that just selling Evalueserve services? It's hard to tell, but people would call it consulting. We look at it differently, and we give this upfront free, because we get the downstream work. We have a Google model, which is, you get the software for free, but you pay for advertising. In our case, you get the upfront piece free, but you give us the ongoing work.

Investment Banking Value Chain

Back in 2003, Evalueserve started with a fairly low-end equities research process, namely updating and maintaining a valuation model for a client. Over time, the same client asked Evalueserve to take on more complex work. With clients providing training, Evalueserve built in-house capability gradually to build a valuation model from scratch, to write the report, and to write the qualitative part of the pitch book. To demonstrate the breadth and depth of its work, Evalueserve had six layers of billing structure for equity analysts. In 2008, the financial sector (financial services, investment banks, and hedge funds & private equity) accounted for 40% of Evalueserve's total revenue, two-thirds of which was for sell-side brokerage work (see **Exhibit 9**).

Investment banking is the business of raising capital for companies, and of advising them in corporate finance, in M&A and in debt and equity underwriting. Investment banks also provide brokerage services for securities trading. These organizations essentially act as intermediaries that provide recommendations for their customers, who might be on the buy-side or the sell-side of the market. Across M&A advice to debt underwriting and securities trading, investment banking follows three steps: extensive data collection and information search; in-depth quantitative and qualitative analysis of available data; and concrete recommendations to clients on the basis of the analysis in terms of M&A targets, IPO strategy, debt financing, etc. Of these three steps, clients placed the greatest value on the final third step, the business of giving advice. Naturally, investment banks relied heavily on their reputation to attract and maintain their customers, and their formidable reputation could not be built overnight; hence, barriers to entry were very high in this oligopolistic market dominated by a handful of well-established banking institutions – Citigroup, Goldman Sachs, Morgan Stanley, etc. (see **Appendix II** for an overview of investment banking).

Before 2000, equities research was typically done within investment banks. However, the ruling to build a Chinese wall between analysts on the one hand and those engaged in selling and buying on the other meant that investment banks had to give away research for free to their clients. This put downward pressure on the cost of research, promoting captive offshoring. In 2003 Morgan Stanley established its Morgan Stanley Advantage Services in Mumbai, and others followed suit (e.g. Lehman Brothers set up its captive operation in India in 2004). While in 2001, just one in every 10 major financial institutions employed staff in developing countries to cut down on administrative and back-office costs, in 2007 three quarters of them did¹¹. At the same time, the investment banks started using third-party offshore providers of equity research, such as Amba Research, Copal Partners, and Irevna, as well as Evalueserve (see **Exhibit 8**).

By 2009, Evalueserve employed around 600 analysts in Investment Research and Financial Analytics. These professionals worked in project teams, typically supervised by a manager from the client bank. The client's direction and involvement remained important throughout the project. Ashutosh Gupta, head of investment research, stated emphatically:

Yes, we do end-to-end work, we do end-to-end models as well as research reports. But ultimately, what we do reflects the thinking of our client, because if you are a global investment bank, you don't want to simply put a stamp on the thinking and the final output of a 25 year old sitting somewhere outside. ...we produce a structurally robust model, but the assumptions and all the thinking that goes into the numbers comes from our clients, because ultimately it's their

¹¹ Mint, "Will Wall Street Shift to Bangalore?", *Mint*, 28 June 2007.

model. The same goes for the research report. We can write research reports end-to-end, and our analysts have their own opinions also at times. But ultimately, it's been produced for our client, which means that the client typically would tell you: "Based on the valuation model and the way the company is doing, we think this company is a buy and this is an investment hypothesis. Why don't you tweak this along the way?" We help them produce a report along the way, and do 95% – 96% of the work, but the most important value add comes from our client. The remaining 4% or 5% of the total effort therefore came from the client's analyst, whose judgment ultimately framed the report's conclusions and thus added the most value in terms of effort.

In 2005, Evalueserve started work for the buy-side community, for hedge funds and private equity funds. The work was broad, ranging from modelling to doing consulting-type work. However, according to Ashutosh Gupta:

We don't substitute McKinsey or BCG. We actually end up doing work that's not cost effective for a private equity fund to outsource to McKinsey. Let's say they are not so sure about investing in a particular sector, so they might come to us to do global sector mapping. Based on our analysis and their own understanding, they may decide to move forward. So when the time comes for the actual deal making, they still hire McKinsey or BCG, and work with an investment bank, audit firm, and a law firm.

At client presentations, Evalueserve made clear that they should not expect a McKinsey or a BCG-type analysis, because Evalueserve worked in a different space, given its reliance on younger college graduates and not on experienced industry experts. Nevertheless, according to Ashutosh Gupta, "in some situations, clients push us a little bit hard. They say: hey, I know you've done all this research, and I know you can give us additional opinions and recommendations". But, Ashutosh adds:

Our mindset is a research firm mindset. People have opinions, but our deliverables in reports and client conversations are based on facts...consultants may actually give their opinion, and they include blue sky opinions; we're not in that space. We might also give opinions, but we make double- and triple-sure that our opinions are based on facts. So it's more like analysis than opinion when we do it.

Ashutosh Gupta summarized Evalueserve's achievement in these terms:

What we've been able to do, especially for private equity funds, is to create a space – a very niche position for ourselves – in an eco-system without disturbing the eco-system. We do a lot of initial stages of analysis, before they zero in on a particular investment. So there's a lot of identification of potential investments, generating a laundry list of potential targets, and doing basic industry analysis...in a couple of cases, our clients have gone to a McKinsey or a BCG but have been referred to us by a McKinsey or a BCG.

Evalueserve was therefore at the forefront of providing information, analysis, and insight to their clients, be they investment banks, private equity funds or hedge funds. Evalueserve worked very closely and interactively with clients. However, Evalueserve had not 'crossed the line' to start the sort of consulting-type work that would disturb the eco-system.

Evalueserve's Strategy and Organization

Scaling Up and Global Coverage

The KPO industry remained small scaled and fragmented, and with some large players claiming to do both BPO and KPO, it was not easy to define the total size of the KPO industry. Nevertheless, having managed to scale up very rapidly, Evalueserve was arguably the largest in the industry. While big size was no guarantee of profitability nor survival, Evalueserve used its size and diversified business lines to its advantage in a number of ways.

First, Evalueserve could offer a platform, as it invested heavily in compliance, and became an ISO 27001:2005 certified organization for all the business processes and support functions that were delivered from its operation centres in India. Vollenweider said: "unless you're certified, big companies don't even talk to you". Scaling up required industrializing processes, with good project management skills to ensure on time, on budget delivery, and Evalueserve overcame the challenge to replicate the success of a two-man team to a company of a few thousand people.

Second, Evalueserve's global geographic coverage enabled it not only to meet customer demand around the clock, but also to bridge the offshore and onshore cultural differences. Evalueserve could certainly exploit cost arbitrage: they could offer offshore costs which were roughly 40 to 60 per cent lower than if they had been carried out onshore. Moreover, the ORC model was estimated to be 25% lower, and the Research Desk model 10% lower, than on-demand projects¹². It could also deliver services on demand at very short notice: a

¹² These figures varied a lot with industry. For example, investment banking could save up to 100% on some functions using the ORC model. Law firms also made 100% savings on demand, while Fortune 1000 and consulting firms reduced costs to a lesser extent (around 30-40%).

partner in a consulting firm based in London could email Evalueserve's India team at night for quick help with research on a client firm, and the Evalueserve team could pick up the project and produce a company profile for a meeting the following morning in the UK. More recently, however, as Evalueserve's competition moved from India to onshore, Vollenweider projected that the onshore-offshore ratio of personnel would have to shift from 1: 100 in the past to 1: 10 in the future.

Evalueserve started to talk about the continuum of offshore-ness, with onshore, nearshore, offshore, and farshore. Given global coverage, Evalueserve's China operations did onshore work for Chinese clients and offshore work for clients in Japan and Korea; the India centre was onshore for Indian clients and offshore for the rest; Romania might be considered nearshore for European clients, but offshore otherwise, and Chile was completely offshore. However, as Evalueserve began to have global teams serving clients from multiple hubs, the whole notion of shore-thing was likely to go out of the window. According to Vollenweider, it would become all about optimal resource allocation in multiple locations, each with capabilities to deliver a wide range of services. In 2009, India was complete with all capabilities; China was complete except in market research; Chile had all except market research and IP; and Rumania was still too small and had business research only.

Third, due to synergies across different business lines, Evalueserve could provide integrated services across functions for clients. With growing reputation, Evalueserve increasingly had a direct line at higher levels in client organizations, not a junior functional manager but a COO. This enabled Evalueserve in 2008 to obtain an 'umbrella deal' in which the client placed an order for multiple projects in procurement, intellectual property, and marketing. In the downturn, "only those back office firms that can offer services related to law, company restructuring and financial accounting under one roof will benefit going forward", said Dr Saluja, head of IP at Evalueserve¹³.

Managing Client Relationships

"At heart, the professional service industry is about two things – managing professional talent and managing client relationships"¹⁴. On the latter, Evalueserve's approach to target 'all verticals, all markets' meant a huge potential market worldwide. According to Marc Vollenweider, Evalueserve, being a research company, did some market research for itself (see **Exhibit 11** for the analysis result):

We can serve around 100,000 clients, including one-man band research analysts. Out of these, there are the Fortune 1000 companies, of which we serve 72. We serve on average 2 out of 5 divisions in each of these corporations. Within each division, we only serve only 2

¹³ 'US meltdown prompts LPOs to step up hiring', *Business Line (The Hindu)*, 29 September 2008.

¹⁴ Mark C. Scott (2001) *The Professional Service Firm: The Manager's Guide to Maximising Profit and Value*, Wiley.

functions like R&D. Thus, our market share in the addressable market is below one percent.

The main competition for us is therefore 'in-house'.

A diversified client base spread risk for Evalueserve. It was a good insurance against the shakeout due to the financial crisis, as some niche competitors such as Boston Analytics and Fractal Analytics were badly hit when one or two of their major clients withdrew. Moreover, Evalueserve came to benefit from stable business as more and more of its work was based on dedicated teams for specific clients. In fact, around 90% of investment research and 65% of business research were carried out by dedicated teams.

But risk-spreading also posed a challenge in managing client relationships. Over time, Evalueserve came to establish a professional sales force worldwide. This was the culmination of the success of what Evalueserve called an onion-layer approach to earning credibility with clients, by starting with small low-end work and moving one step at a time to slightly more complex work. As Evalueserve moved into consulting-like work, however, the company needed more client executives who could have peer-to-peer discussion with C-level people at client firms. Out of necessity, the founders, Ashish Gupta and Marc Vollenweider, were still doing a lot of client-facing work themselves, for example leading KPO transformation workshops. Thus, whilst Evalueserve's sales operations might be scalable, the marketing activities to win consulting-like work appeared not to be scalable.

Managing Talent

The key assets of professional services firms – namely their employees – walked out of their door every evening to go home. They walked back in the next day, in part out of an inherent sense of professional identity and ethics, in part due to the hope of making it to partner one day. Evalueserve employed 2431 professionals representing 35 nationalities. Without a partnership structure, how did Evalueserve reward and motivate these professional employees? How would Evalueserve bridge the culture between onshore and offshore?

A typical employee at Evalueserve was a graduate with an MBA, with two or three years of work experience. He/she was relatively inexperienced but was highly intelligent and motivated, having gone through a rigorous selection process. According to Ashutosh Gupta, head of investment research:

We follow a problem-solving based approach for hiring people. We give applicants a case study. They need to be able to think on their feet, analyze the structure, and come up with an answer. Through this kind of approach and through other tests, we therefore ensure that people who join Evalueserve has an analytical bend of mind. So that's very efficient because they can't be people who do some research on the Internet, put some data and tables and go home. They need to think through: why does the client want to do this? What is the extra

value that we can add to the client? What if we deliver it in X way rather than Y way? So, though our people don't have experience, they can point to the right resources and talk to the right industry experts. They put their analytical horse power, and industry experts come from elsewhere.

The Circle of Experts provided an edge for Evalueserve to deepen its research capability, but would not help towards developing its consulting-like capability. To do so, Evalueserve required industry experts with years of experience. The top management team at Evalueserve thought that it needed to go onshore to find such talent, because of the skill glass ceiling in India. The onshore solution architects could charge \$125 per hour, compared to \$25 per hour for analysts offshore. Manoj Madhusudanan in business research speculated that even in ten to twenty years time, Evalueserve's typical employee would be a 25 year old MBA graduate with little experience, as the company would continue to recruit rapidly. Ashutosh Gupta in investment research also thought it unlikely that Evalueserve would be able to retain young and impatient analysts for even a decade. If consulting – the business of giving advice – was primarily about client relationships, Marc Vollenweider knew that expanding the client base for consulting-like work rested heavily on him and a handful of client executives and experienced solution architects.

The Future of Consulting and Next Steps for Evalueserve

A major shakeout was under way due to the financial crisis which started in late 2008, affecting some of Evalueserve's important clients. However, this crisis looked to present more opportunities than threats for Evalueserve. Marc Vollenweider thought: "cutting discretionary spending means less outsourcing. But when they have to cut into their flesh, delivering the same services by cutting headcount, that's when it's good news for outsourcing". Vollenweider was convinced, however, that Evalueserve's future lay not just in offshore outsourcing work, and that he had to make some key decisions concerning the future of consulting-like work at Evalueserve.

He realized that entering strategy consulting was off limits due to lack of brand, in-house experience and expertise. But in business research, confronting industry analysts onshore looked inevitable. Vollenweider said: "Our competition is no longer in India, but onshore; we're in this interesting transition right now of moving completely onshore". He realized, however, that a bold shift into offering KPO transformation solutions – in effect business consulting – onshore would potentially kill Evalueserve's core business of back-office research. Industry analyst and process re-engineering consultancies would feel threatened, and might redirect their back-office research work to Evalueserve's offshore competitors.

So, which segment in the multi-dimensional space of consulting market should Evalueserve target? Depending on the target area, should Evalueserve buy captive operations or competitors going on sale due to financial distress? Should Evalueserve maintain the eco-system in business research and investment research, or should it disturb the eco-system, changing the rules of the game if it were to enter any segment of consulting? One issue was Evalueserve's market positioning. Should it be an outsourcing provider, a research company, or a solutions provider? So far, Evalueserve benefited from being ambiguous, but could it continue to do so? These were important strategic questions to which Marc Vollenweider needed a well-researched answer from his management team.

DO NOT COPY

EXHIBIT 1: Brief Bios of Evalueserve Executive Leadership

Alok Aggarwal, Chairman and Co-founder

Alok is a co-founder of Evalueserve. Prior to this, Alok was the Director of Emerging Business Opportunities for IBM Research Division Worldwide. In this capacity, he headed IBM's India Research Laboratory. There he was managing a team of 55 researchers involved in the research and development of major IBM products and technologies, including those in e-commerce, supply chain management, natural user interface, speech recognition, networking software, data mining and media mining products as well as systems management. Alok received his B. Tech. in Electrical Engineering from the Indian Institute of Technology, Delhi, and his PhD in Computer Science from the Johns Hopkins University. He has published over 50 research papers and 10 patents, and has received 2 Outstanding Invention Awards.

Marc Vollenweider, CEO and Co-founder

Marc is a co-founder of Evalueserve. Prior to this, Marc was a Principal with McKinsey & Co. He spent 20 months in the Delhi office and was in charge of the McKinsey Knowledge Centre, an internal research operation, providing services to McKinsey consultants worldwide. He was also actively involved in both the financial services and the pharmaceutical practice in India and Switzerland. Marc has an MBA from INSEAD, France, and a Masters in Telecommunications from the Swiss Federal Institute of Technology, Zurich.

Ashish Gupta, COO and Country Head (India)

Ashish is the COO and Country Head (India) of Evalueserve. Prior to joining Evalueserve, he was the founder and CEO of Ties2Family.com, a community building portal that provided various services to Indians in India and overseas. At Ties2Family, Ashish was responsible for garnering 100,000 customers, and taking the employee strength to 25. Before starting Ties2Family, Ashish was an Engagement Manager and spent about five years with McKinsey & Co. in Delhi. While at McKinsey, he worked with Clients in India, the US, Europe and China, and was also a core member of the Firm's e-Commerce Practice. Ashish received his MBA from The Carnegie Mellon University and a B.Tech. in Mechanical Engineering from the Indian Institute of Technology, Delhi.

Robert Daigle, VP-Marketing and Sales

Robert is the Vice President of Marketing and Sales for Evalueserve. Prior to this, Robert was a Sales and Marketing Executive with IBM. In the calendar year 2000, he was the Manager for the B2B marketplace sales group, concentrating primarily on Process Industry marketplaces worldwide. During 1998 and 1999, Robert ran a worldwide software sales team responsible for all of IBM's commercial supply-chain-oriented software solutions. During 1994-1998, Robert was the Product Manager for an advanced planning and scheduling application called 'IBM Mill Scheduling'. In this capacity, Robert led the original team that conceived and built this

software solution. With IBM investment funding, Robert led the team to turn this application into a viable commercial product, responsible directly for the worldwide marketing strategy, sales team and collateral, professional services process design and implementation and ongoing support strategy. Robert graduated from Bryant University in 1982 with a Bachelor of Science degree.

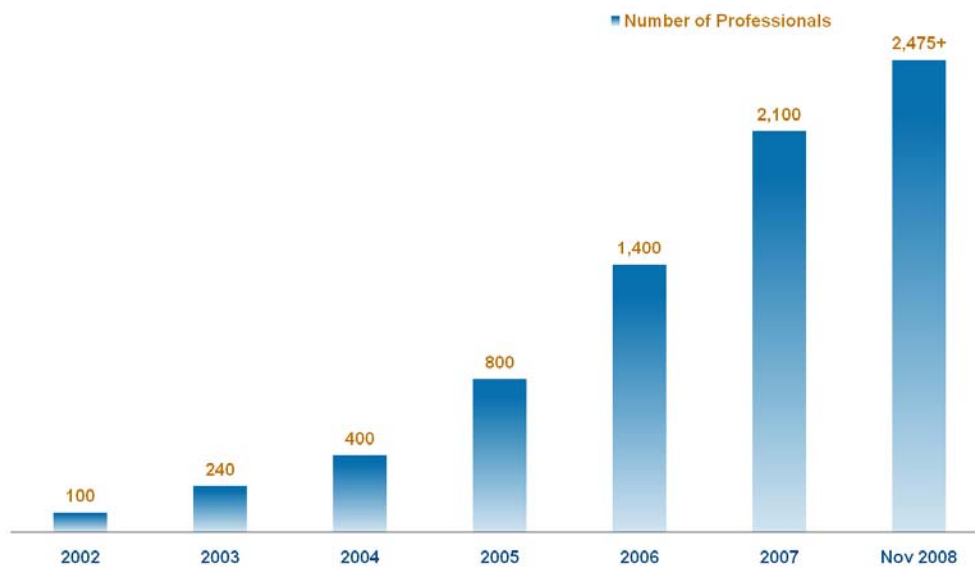
Nand Gangwani, CFO

Nand is the CFO of Evalueserve. Prior to joining Evalueserve, he served as Napster's Chief Financial Officer (CFO) for 3 years (2004–07). Prior to that, he served as the CFO of Roxio, where he led the successful restructuring of the software business and assisted in the transition of Napster to a leading music subscription service. Before joining Roxio, he was the Vice President of Corporate and Business Development at Evolve Inc. Nand has also held various business and corporate development/planning positions at Intuit, Emery Worldwide and DHL Airways. He holds a Bachelor of Technology degree from the Indian Institute of Technology (IIT) Delhi and an MBA in Finance from Bentley College (Boston).

EXHIBIT 2: Evalueserve's Rapid Growth, 2001- 2008

Headcount numbers (= No. of professionals)

- December 2001 – 52 (India)
- December 2002 – 115 (India)
- December 2003 – 234 (India)
- December 2004 – 471 (India)
- December 2005 – 859 (India) + 9 (China)
- December 2006 – 1306 (India) + 37 (China) + 3 (Chile) + 41 (Sr. Management and Sales)
- December 2007 – 1842 (India) + 109 (China) + 87 (Chile) + 77 (Sr. Management and Sales)
- December 2008 – 2017 (India) + 180 (China) + 148 (Chile) + 20 (Romania) + 66 (Sr. Management and Sales)

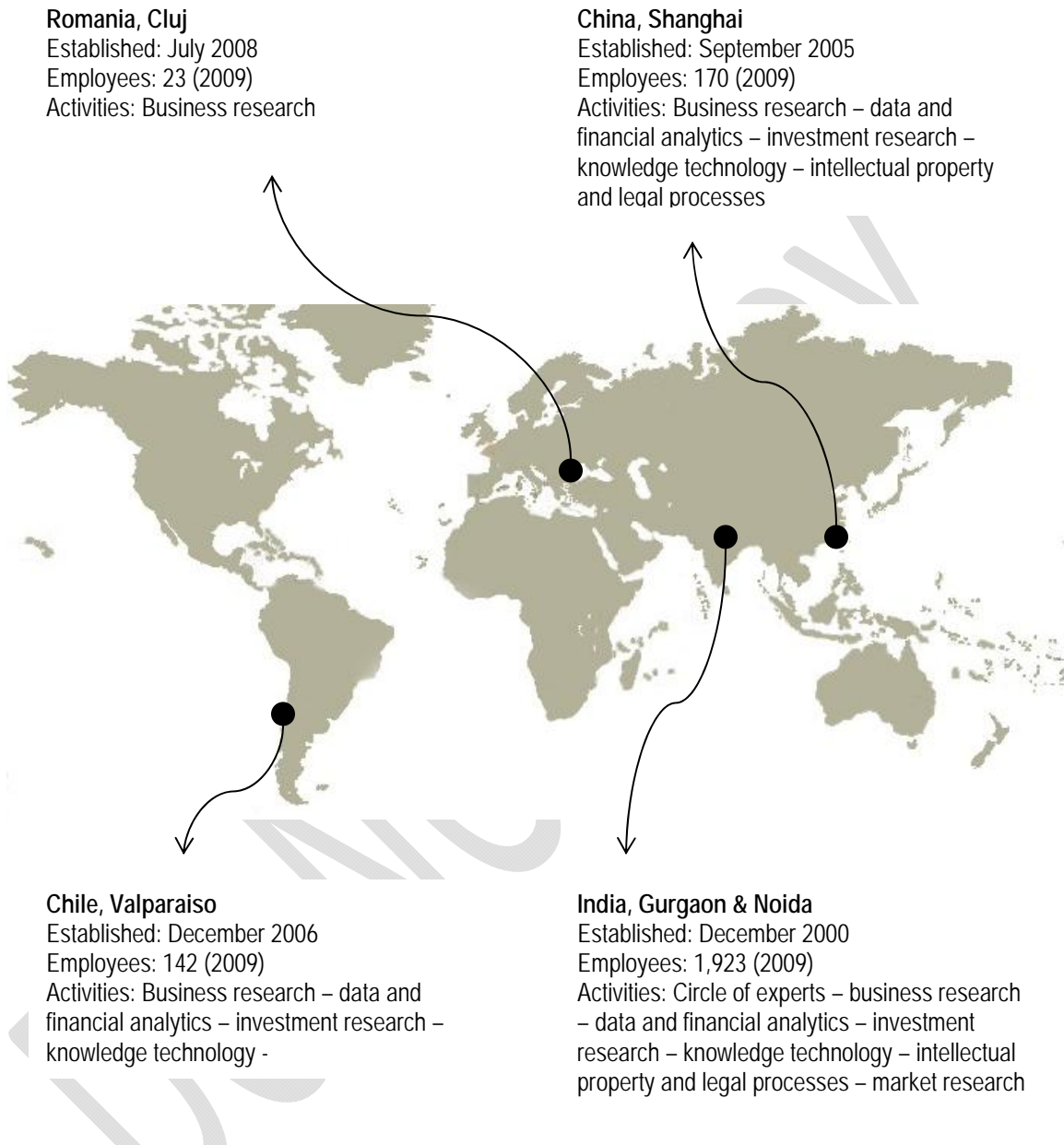


Evalueserve: Revenue (CY: calendar year)

Year	(US\$ million)
CY 2000	-
CY 2001	\$0.69
CY 2002	\$1.80
CY 2003	\$4.37
CY 2004	\$9.36
CY 2005	\$17.77
CY 2006	\$29.43
CY 2007	\$51.65
CY 2008	\$68.03

Source: Evalueserve

EXHIBIT 3: Evalueserve’s Research Centres around the World and Comparative Wage Rates

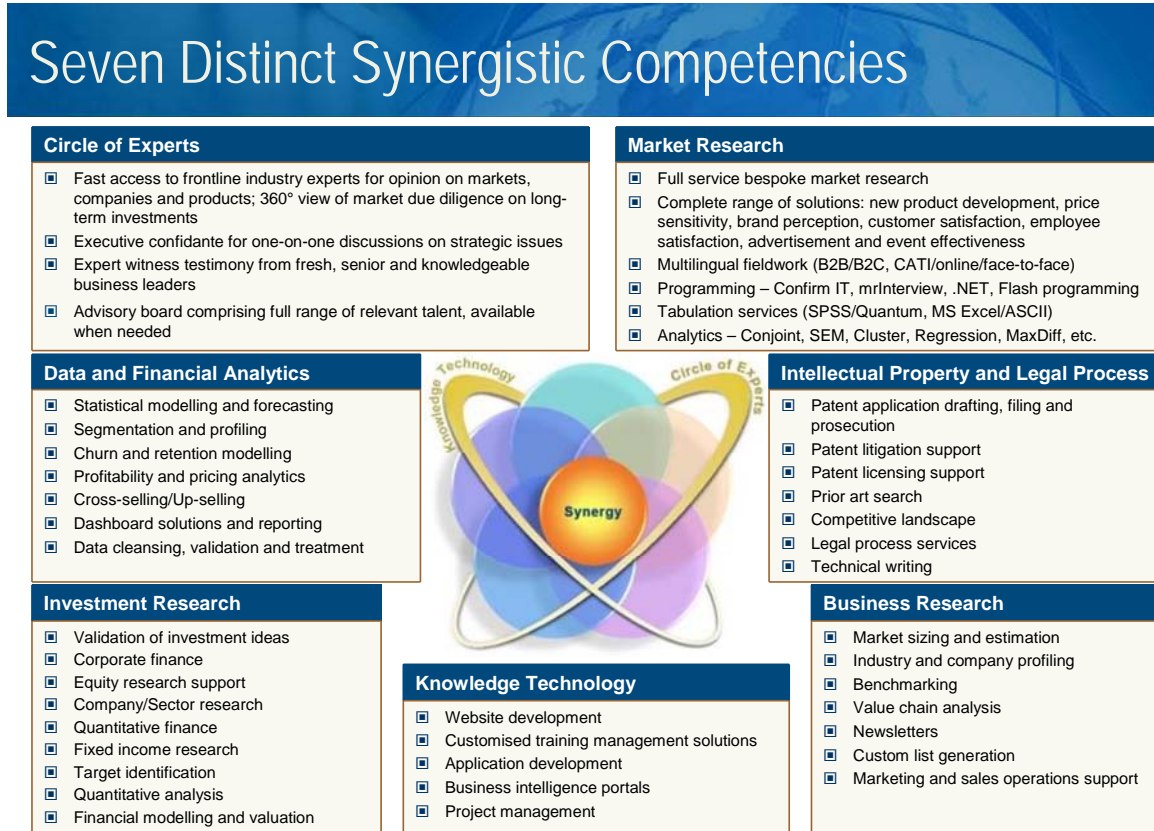


Sales Offices and Client Executive Locations: Atlanta, Boston, Chicago, Cincinnati, Los Angeles, New York, Orlando, the Philadelphia, Portland, San Francisco, Tampa, Washington DC (US); Melbourne (Australia); Vienna (Austria); Brussels (Belgium); Toronto (Canada); Hong Kong (China); Helsinki (Finland); Berlin (Germany) Tokyo (Japan); Luxembourg; Singapore; Stockholm (Sweden); Zurich (Switzerland); Amsterdam (the Netherlands), London (UK).

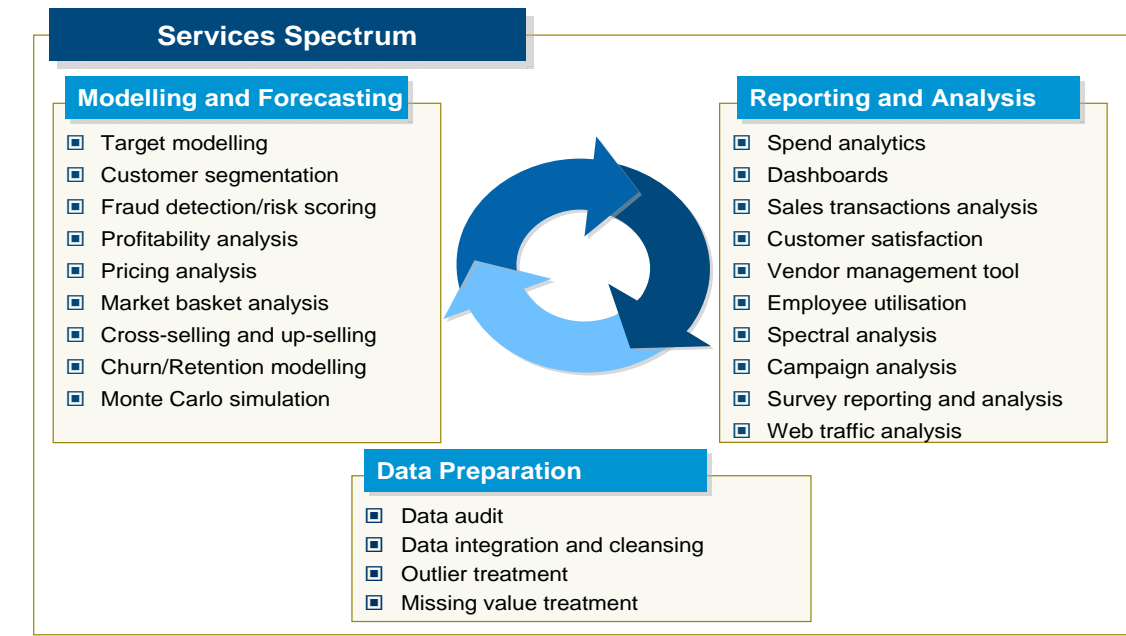
Wage rates compared:

	Hourly wage Index
India	100
China	130
Chile	130
Romania	140

Exhibit 4: Evalueserve's Business Lines and Competencies



Data and Financial Analytics



Business Research

Services Spectrum

Market Assessment Studies

- ▣ Market situation studies including metrics, such as market size, market growth and forecasts
- ▣ Competitive scenario
- ▣ Regulatory environment
- ▣ Consumer behaviour
- ▣ Brand perception studies
- ▣ Commercialisation and business plan

Competitive Analysis

- ▣ Product and value chain analysis
- ▣ Financial analysis
- ▣ Identification of strategic partners
- ▣ Internal and external communications strategy
- ▣ Supply chain and distribution strategy
- ▣ Pricing strategy
- ▣ Innovation and R&D focus
- ▣ Newsletters

Marketing and Sales Support

- ▣ Sales lead generation
- ▣ Custom sales collateral
- ▣ Custom proposals
- ▣ Identification of partners

Innovation Search

- ▣ Identification of innovation
- ▣ Benchmarking against existing innovations
- ▣ Study of innovation networks and identification of best practices

Investment Research

Services Spectrum

Corporate Finance

- ▣ Comparable companies analysis (comps)
- ▣ Precedent transactions analysis
- ▣ Company profiles
- ▣ Industry landscape analysis
- ▣ Accretion/Dilution modelling
- ▣ LBO modelling
- ▣ Target identification

Buy-side/sell-side Research

- ▣ Company/Sector research
 - Valuation modelling
 - Preparation of equity research notes
- ▣ DCF and relative valuation
- ▣ Product support (newsletters, databases)
- ▣ Editorial and desktop publishing support
- ▣ Fixed income research

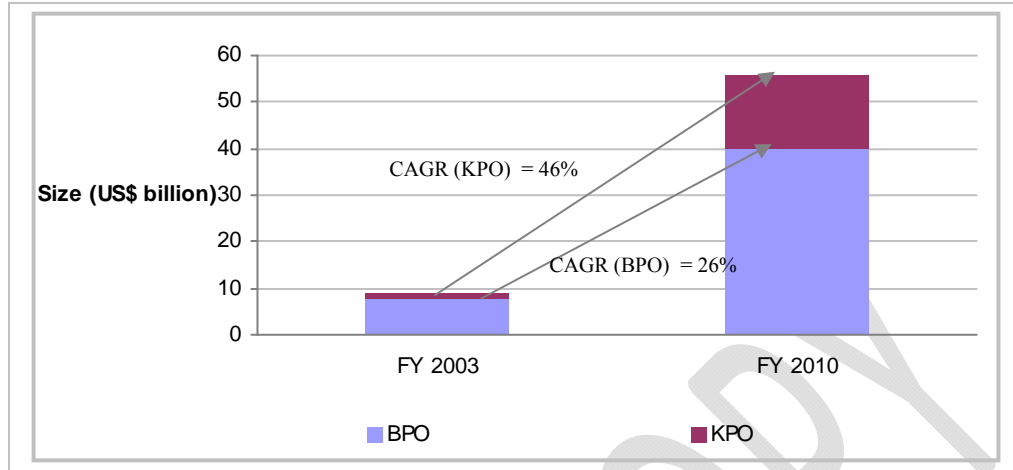
Quantitative Finance

- ▣ Index quant
- ▣ Back testing
- ▣ Credit risk
- ▣ Portfolio/Fund analytics
- ▣ Derivatives strategy
- ▣ Technical analysis
- ▣ Macroeconomic research

Private Equity/VC

- ▣ Identification of acquisition targets
- ▣ Validation of investment ideas
- ▣ Market sizing studies
- ▣ Valuation of portfolio companies
- ▣ Comps, company profiles

Exhibit 5: Expected Growth in Global BPO and KPO Markets



Source: Abhishek Pandey, Alok Aggarwal, Richard Devane, Yevgeny Kuznetsov (2004) *India's Transformation to Knowledge-based Economy – Evolving Role of the Indian Diaspora*.

EXHIBIT 6: India's KPO Industry 2010 – 11

Description of Sub-segment	Revenue (in Millions)	No. of professionals	Revenue (in Millions)	No. of professionals
	2006-07	2006-07	Expected, 2010-11	Expected, 2010-11
Banking, Securities & Insurance Research	\$175	3,500	\$600	12,000
Data Management, searching, & analytics	\$590	15,000	\$2,500	60,000
Business & Consulting Research	\$125	3,200	\$450	11,000
Human Resources - Research & Analytics	\$25	600	\$120	2,500
Market Research & Comp. Intelligence	\$175	4,500	\$460	12,000
Eng. Design & Architecture, CAD	\$315	8,000	\$950	21,000
Game-design & Animation services	\$245	7,000	\$900	22,500
Legal, Paralegal & Intellectual Property	\$95	2,500	\$500	12,000
Scientific & Medical Content Publishing	\$165	400	\$100	2,000
Remote Education. Publishing, Tech. Writing	\$300	9,000	\$1,000	25,000
Contract Res. Orgs, Biotech services	\$580	15,000	\$2,500	50,000
Translation and Localisation	\$75	2,000	\$360	9,000
Marketing & Sales Support, Answering RFPs	\$20	500	\$150	3,000
Remote Logistic services & Procurement	\$40	1,100	\$160	4,000
Network Optimisation & Analytics	\$125	3,100	\$450	9,000
TOTAL	\$3,050	75,400	\$11,200	255,000

Source: Evalueserve (2007) *India's Knowledge Process Outsourcing (KPO) Sector: Origin, Current State, and Future Directions*

Exhibit 7: Revenue and Profit Structures of KPO and BPO Firms

BPO				
	2005	2006	2007	2008
Firstsource - Revenues (US\$ mil)	120.89	184.40	293.41	391.42
Firstsource - Gross margin (%)	14.67%	19.76%	17.31%	14.03%
EXL - Revenues (US\$ mil)	65.17	97.77	147.99	158.32
EXL - Gross margin (%)	34.09%	39.39%	38.17%	36.48%
BPO + KPO				
	2005	2006	2007	2008
Genpact - Revenues (US\$ mil)	492.00	613.00	823.00	1041.00
Genpact - Gross margin (%)	38.21%	39.80%	41.31%	40.54%
WNS - Revenues (US\$ mil)	202.80	352.30	459.90	539.30
WNS - Gross margin (%)	28.10%	23.00%	21.00%	23.90%
KPO				
	2005	2006	2007	2008
EXL - Revenues (US\$ mil)	8.78	24.00	31.90	37.16
EXL - Gross margin (%)	45.34%	39.14%	30.90%	35.54%
eClerx - Revenues (US\$ mil)	10.38	18.95	28.08	43.40
eClerx - Gross margin (%)	73.50%	71.50%	66.60%	61.01%

Source: Company reports

Note:

- i. the figures above are for a limited number of publicly quoted companies, as many companies in this sector, including Evalueserve, are privately held. They are therefore not a comprehensive representation of the entire KPO and BPO industries.
- ii. EXL reports financials for BPO and KPO separately. The KPO part originates from EXL's acquisition of Inductis.
- iii. Average profitability for each segment in the graph below was calculated based on the data from the companies presented in the table above, standardized for revenue size.

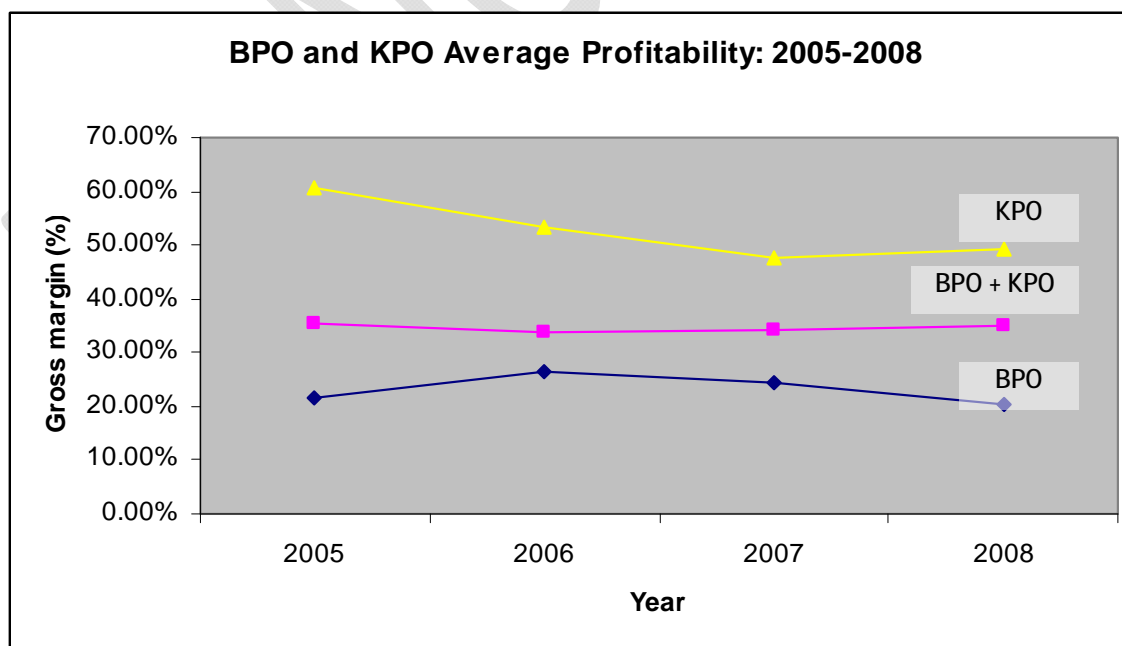


Exhibit 8: Evalueserve's major competitors

Industry Analysts

Gartner, Inc.

Founded in 1979 by Gideon Gartner and Dave L.R. Stein, Gartner is one of the world's leading information technology research and advisory companies. It is headquartered in Stamford, Connecticut, USA and has over 4,000 associates, including 1,200 research analysts and consultants in 80 countries. Gartner's portfolio of products and services includes research services (databases of market statistics, expert opinions, customized research analysis etc.), consulting services and executive education programs, primarily directed to technology professionals. Its clients include 65% of the Fortune 1000 and 80% of the Global 500 companies. Since 1986, Gartner is a public-listed company (NYSE) while Silver Lake Partners, a private equity fund, is currently one of the main shareholders together with VA Partners LLC. Gartner's operating revenues amounted to US\$ 1.27 billion in 2008, a 10% increase since 2007 and 20% increase since 2006. With the exception of 2001 and 2002, it has been consistently profitable, with its profits (before tax) reaching approximately US\$ 115 thousands in 2008, an 11% profit margin.

Forrester Research, Inc.

Forrester Research was founded in 1983 by George F. Colony, now Chairman of the Board and CEO, in Cambridge, MA where it is still headquartered. Forrester focuses on the business implications of technology change and provides proprietary research, consumer insight, consulting, events and peer-to-peer executive programs to its clients. It employs more than 1,000 employees, of whom more than 400 are research professionals, and has offices in 20 countries worldwide. A public-listed company since 1996, Forrester's main shareholder remains the Colony George F. family. Forrester's clients include many Fortune 100 and FTSE 100 corporations while its revenues in 2008 reached US\$ 240 million, following an annual increase of approximately 15% in 2006 and 2007. Its profitability has increased to 18.6% in 2008, compared to 14.1% and 14.3% in 2007 and 2006 respectively.

KPO 'Generalists'

Integreon Managed Solutions

Integreon was founded in 1998 and employs around 2,000 associates worldwide. It provides a range of knowledge support services to professionals, such as research and analytics, legal and financial document services, legal and discovery services, and finance and accounting services. The company is headquartered in New York but delivers a full suite of integrated knowledge services from multiple, low-cost centers in India, the Philippines and the USA, as well as on-site at customer locations. Integreon's customers include 6 of the 10 largest global investment banks, 2 of the 3 largest global law firms, many Fortune 100 and FTSE 100

corporations and several top-tier private equity firms and hedge funds. In 2007, Integreon had a turnover of approximately US\$ 36 million.

Genpact

Genpact began in 1997 as the India-based business process services operation for GE Capital. In 2005 it became an independent company, with equity investment from General Atlantic and Oak Hill Capital Partners, and was rebranded Genpact. Headquartered in New York, Genpact provides a wide range of business analytics and finance research services in multiple geographic regions, delivering its services from a global network of more than 31 operations centers in ten countries. Global delivery centers are located in India, China, Hungary, Mexico, the Philippines, the Netherlands, Romania, Spain, Guatemala and the United States. With revenues of US\$ 1 billion in 2008, its annual turnover has increased 300% since 2005. In 2008, Genpact employed more than 36,000 people.

WNS

WNS is a global outsourcing provider, offering a range of business analytics, financial research and industry research services. Co-founded in 1996 by Neeraj Bhargava (CEO), David Tibble (Chairman WNS UK) and Alan Stephen (Director WNS UK), its revenues amounted to US\$ 460 million in 2008. From its headquarters in Mumbai, WNS employs more than 21,000 professionals and has offices in India, US, UK, Philippines, Romania and Sri Lanka. Major shareholders include FMR Corp. and the Bank of America while its clients include industry leaders in retail banking, insurance, investment banking and tourism.

Investment Research Specialists

Amba Research

Amba is an independent service provider with domain expertise in investment research support services. It was founded in Colombo in 2003 by four former directors of equity research at banks, Andrew Houston, Mohan Alexander, Brad West and Anand Aithal, all of them currently serving as managing directors. Amba now employs more than 300 analysts in Sri Lanka, India and Costa Rica but has offices also in New York, London and Singapore. Amba's principal line of business is equity research, but also carries out credit research and quantitative research. Amba works for more than half of the world's top 15 investment banks and a string of hedge funds.

Irevna Research Services

Irevna, a division of credit rating agency Crisil Ltd which is owned by Standard and Poor's, is a KPO provider specializing in equity and derivatives research. It was founded in 2001 by Selvan Swamy (former CEO) in Chennai and has now offices in Mumbai and Buenos Aires. Irevna employs more than 650 associates while its

clients include large investment banks and hedge funds. Revenues in 2006 were US\$ 14.9 million, a 170% increase from 2005, and has a profit margin of approximately 32%.

Copal Partners

Copal Partners is a KPO firm specializing in financial research, mainly investment banking, credit and equity research. Copal has approximately 1,000 professionals and over 40 clients, including several global bulge bracket investment banks, equity research firms, hedge funds, private equity funds, consulting firms and Fortune 500 corporations. The company, founded in 2002 by Rishi Khosla (CEO) and Joel Perlman (President), serves clients from its offices in the US, UK, Argentina, Dubai, India, and Mauritius. Its shareholders include Citigroup, Deutsche Bank and Merrill Lynch. Copal's annual turnover has increased more than 3 times since 2006 to US\$ 19 million in 2008 and its profit margin approximates 1%.

Adventity

Adventity is a full service outsourcing firm for the financial services industry. It was founded in 2003 by Kumar Subramanian (CEO), Niket Patankar (Director), Jagdish Iyer and Vivek Arora (COO) but commenced operations in 2004 with the opening of its first delivery center in Mumbai. Since then, Adventity has added offices in India, North America and Middle East. One of its major investors is Norwest Venture Partners, a top Silicon Valley VC firm, while its clients are mainly banks and financial services companies, including 15 out of the top 20 investment banks. Besides financial research, Adventity focuses also on mortgage processing. It currently employs almost 4,000 people.

LPO Specialists

Pangea3

Pangea3 is the industry leader in legal outsourcing services. Established in 2004 by Sanjay Kamlani and David Perla, it employs 270 lawyers and has offices in New York and Mumbai (HQ). Pangea3 focuses on patent drafting and litigation services, contract drafting and management systems, document review services and legal research and support services. A private firm, with Sequoia Capital India being a major shareholder, Pangea3's clients are mainly large US law firms while in 2006 its operating revenues reached US\$ 5 million.

CPA Global

CPA Global was set up in 1969 by patent attorneys from different UK firms and today employs more than 1,200 people. Having established offices in the US during the early 1980s, CPA Global has moved a significant part of its operations to India since 2005. Its services to corporate and law firm clients in over 100 countries include document management solutions, patent research or intellectual property support services as well as a range of litigation services such as legal research and the preparation of standard litigation documents and deposition summaries. More than 15 UK-based and international law firms are CPA Global's shareholders. Revenues grew

by 30% in 2007 to US\$ 33.5 million, however, its net profit decreased from 3.73% of sales in 2006 to -8.96% in 2007.

Pharmaceuticals Business and Market Research Specialists

marketRx

MarketRx, headquartered in New Jersey, is a provider of analytics and related software services to global life sciences companies in the pharmaceutical, biotechnology and medical devices segments. marketRx was founded by Jaswinder Chadha (CEO) and Navdeep Chadha (VP/Technology) in 2000 but was later acquired by Cognizant, a leading provider of global IT and BPO services, in October 2007. marketRx employs approximately 350 employees and has offices in the US, UK and India. In 2007 it had an annual turnover of US\$ 13.3 million.

PharmARC Analytic Solutions

PharmARC is a provider of sales/marketing analytics and business consulting services from its headquarters in Bangalore to the global pharmaceutical and healthcare industry. It was established in India in 2004 by Amit Sadana (President) and Siraj Dhanani (CEO) and currently employs 250 analysts. PharmARC mainly specializes in sales forecasting, competitive intelligence, performance analysis and data management.

Manthan Services

Manthan is an integrated technology and services provider, servicing customers in the area of legal services, market and business research and advanced analytics. Located in Bangalore (HQ), Manthan focuses on the niche areas of pharmaceutical research and business and market research verticals.

Business Research Specialists

Fractal Analytics

Fractal is a provider of advanced analytics that helps companies leverage data driven insights in making better decisions. With offices in New Jersey, Singapore and Mumbai (HQ), Fractal has a diverse pool of clients, including several Fortune 500 companies. It was founded in 2000 by Srikanth Velamakanni (CEO), Nirmal Palaparthy (VP) and Pranay Agrawal (VP) who are the main shareholders together with Gulu Mirchandani, a private investor. It employs 120 professionals and its key areas of expertise include CRM analytics, risk analytics and marketing optimization.

Boston Analytics

Boston Analytics is a business analytics specialist firm, focusing on providing its corporate, consulting and financial clients with customized knowledge services. The firm is headquartered in Boston with offices in New York, London and Mumbai and currently employs 50 analysts. Boston Analytics was founded by Rashid Bilimoria (CEO) and Ted Thorbjornsen (CAO) while the Godrej Group, a holdings company in India, is the leading investor.

EXHIBIT 9: Distribution of Vertical Markets and Geographies at Evalueserve

(Revenues %)

Industries	2008	Q1 - 2009
Research & Consulting	24%	20%
Telecom, High-tech and IT	12%	10%
Pharma & Healthcare	7%	10%
Financial Services	4%	3%
Automobiles	1%	1%
Law Firms	2%	1%
Investment Banks	33%	34%
Hedge Funds & Private Equity	3%	1%
Energy & Utility	7%	5%
Consumer Goods	2%	3%
Other	5%	12%
Total	100%	100%

Source: Evalueserve

(Revenues %)

Geographic Region	2008
US/Canada	40%
UK	15%
Benelux/Nordic	13%
German-speaking Europe	10%
Hong Kong and China	10%
Australia	5%
Latin America	3%
Japan/Korea	2%
Other	2%
Total	100%

Source: Evalueserve

EXHIBIT 10: Evalueserve Client Relationship Models

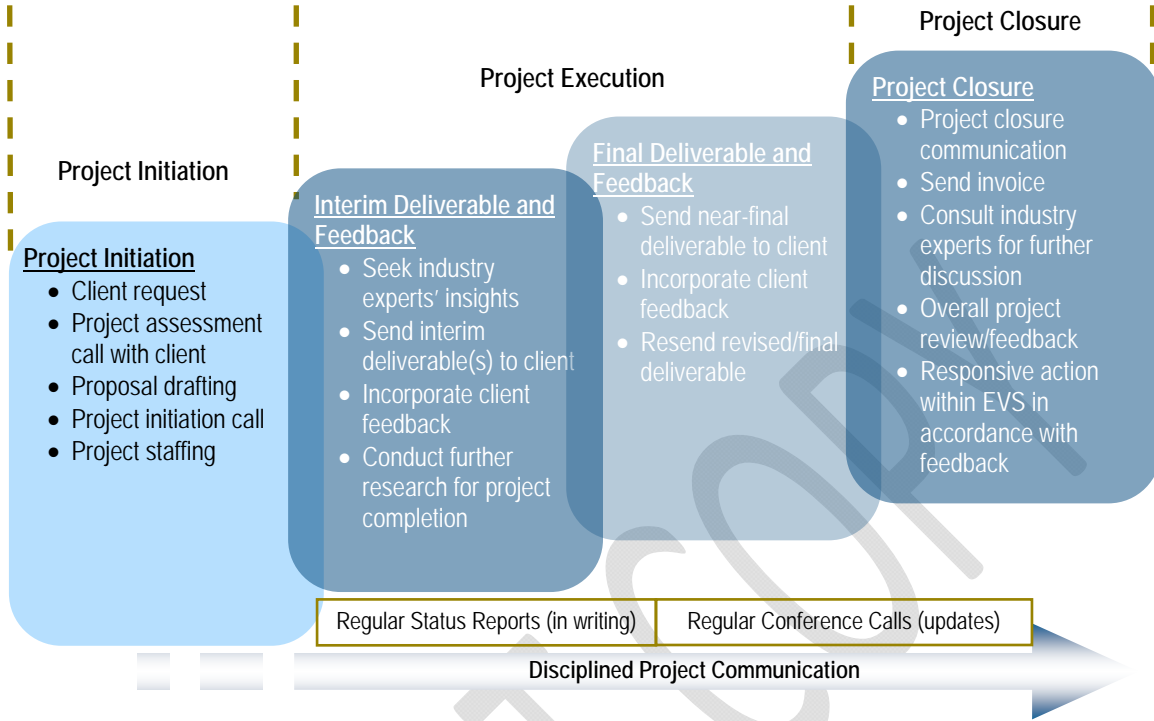
Evalueserve supports three types of projects.

- **On Demand:** Evalueserve clients have access to analyst teams and experts to address on-demand research requirements.
- **Outsourced Research Center (ORC):** Evalueserve forms dedicated full-time analyst teams, and provides customized infrastructure and methodology to cater to specific clients.
- **Research Desk:** A client purchases a fixed number of hours for conducting research over a predetermined time period. This model is suitable for clients who have ongoing but irregular research requirements, and do not wish to commit to a dedicated team/ORC structure.

On-demand Projects	Outsourced Research Centres (ORC)	Research Desk (Subscription Model)
<p>Attributes</p> <ul style="list-style-type: none"> ■ Team of 2,100+ highly skilled analysts ■ Access to experts worldwide for specific research questions ■ Multi-industry/global coverage ■ Rapid project initiation and conduct ■ Disciplined project management <p>Benefits</p> <ul style="list-style-type: none"> ■ No volume commitments ■ Fixed-cost engagements ■ Rapid response 	<p>Attributes</p> <ul style="list-style-type: none"> ■ Dedicated/Full-time analyst teams ■ Project team/infrastructure/security/methodology/quality/timing tailored to meet client requirements ■ Defined service-level agreements <p>Benefits</p> <ul style="list-style-type: none"> ■ Reduced cost by 25% ■ Increased synergy between clients and EVS team ■ Confidentiality firewall (physical, IT, communication, project processes, etc.) ■ Improved efficiency and quality due to consistent team ■ Management staffing, training, compensation, management and quality 	<p>Attributes</p> <ul style="list-style-type: none"> ■ Research commitment for a fixed number of hours over a fixed time period (quarterly/semi-annual/annual) ■ Client charged at pre-agreed charge rates ■ Single point-of-contact (desk manager) for all project requests ■ Analysts staffed as per skill requirements and resource availability <p>Benefits</p> <ul style="list-style-type: none"> ■ Cost savings of approximately 10% as compared to project-based hourly rates ■ Suited for clients with irregular but ongoing research requirements

Source: Evalueserve

On-demand Model – Project Methodology



ORC Model – Project Methodology

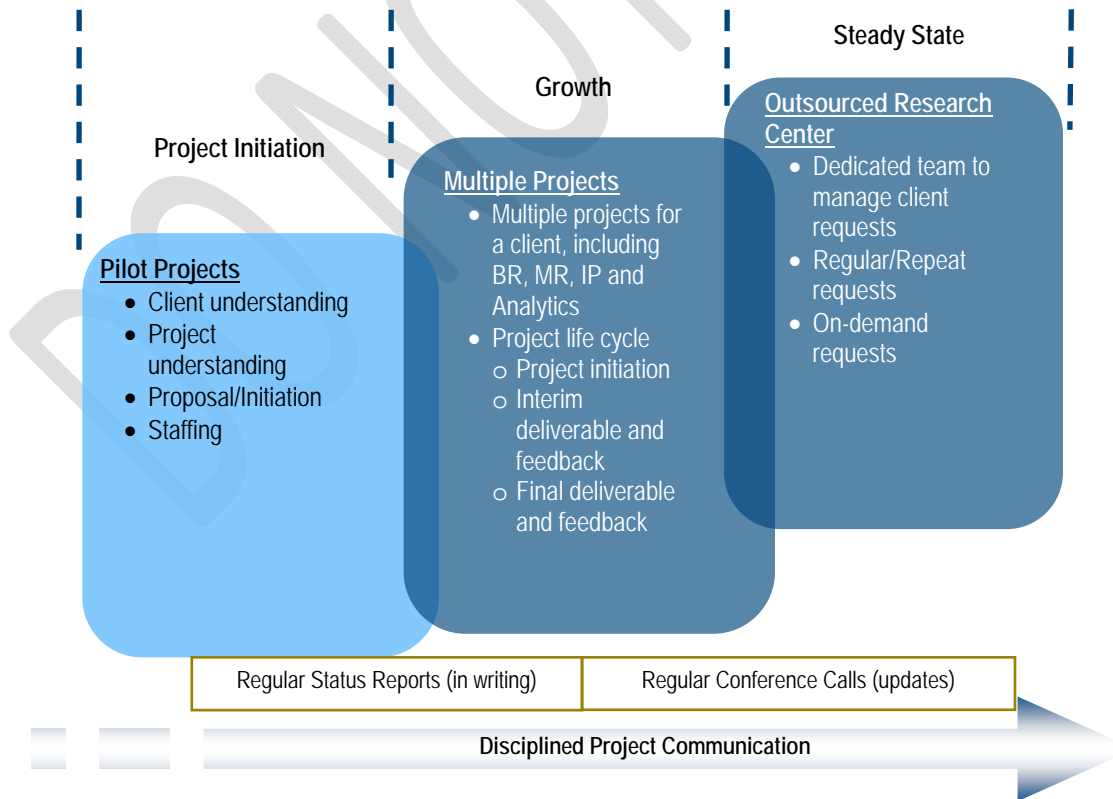
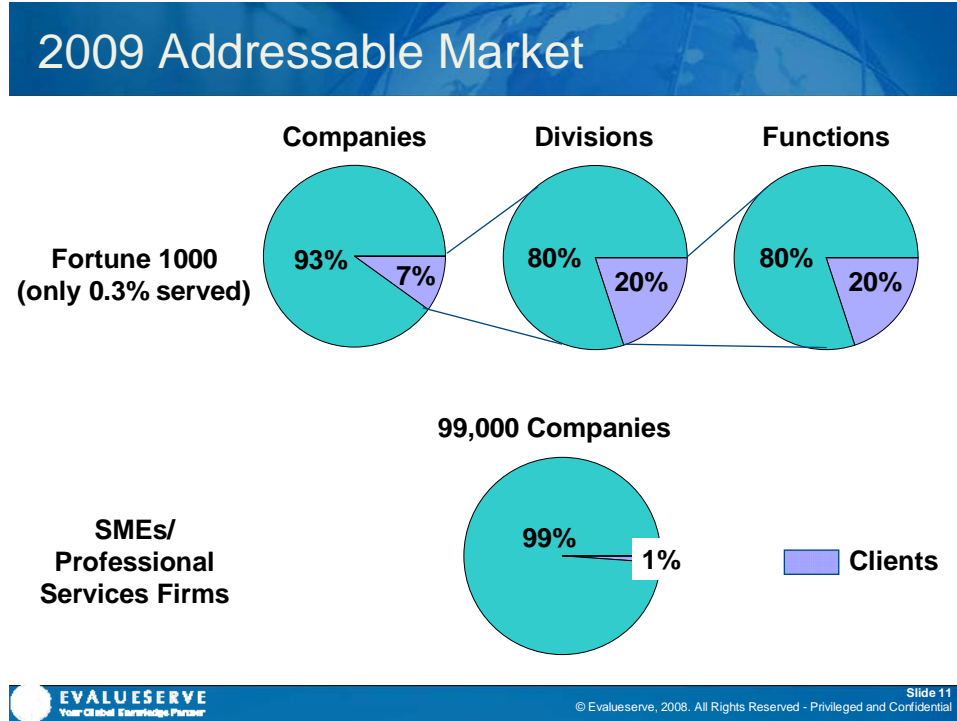


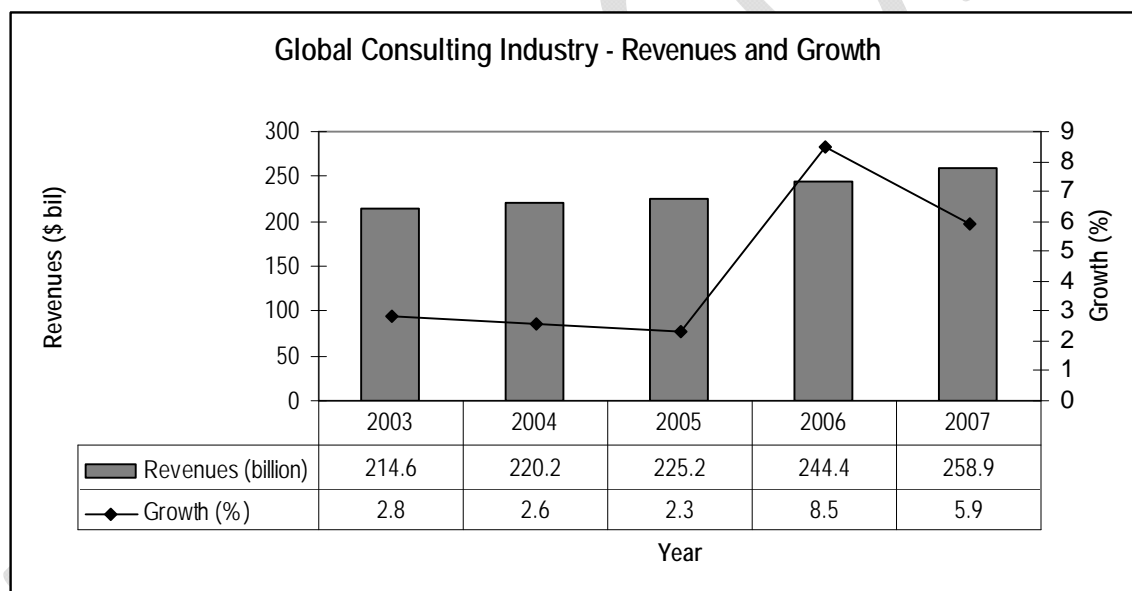
EXHIBIT 11: Evalueserve's Own Addressable Market Analysis



APPENDIX I: Overview of the Consulting Industry

The consulting industry, or the business of giving advice to managers, has come to dominate the corporate world since the 1930s. In 1965, there was one consultant for every hundred salaried managers in the US while by 1995 the ratio stood at one for every thirteen¹⁵. The clients – private firms, non-profit organizations, governments etc – are after the consultants' expertise in identifying, diagnosing and resolving management-related issues that can help organizations in their decision-making process. The product is primarily the intellectual capital of consultants, that is the experience, skills and knowledge they possess.

The global management consultancy market grew by 5.9% in 2007 to reach a value of \$258.9 billion while, in 2012, the market is forecast to have a value of \$318.4 billion, an increase of 23% since 2007. The Americas is the world's largest market and generates 60.6% of the global revenues. In more detail, the size of the market in the last five years is shown below¹⁶.

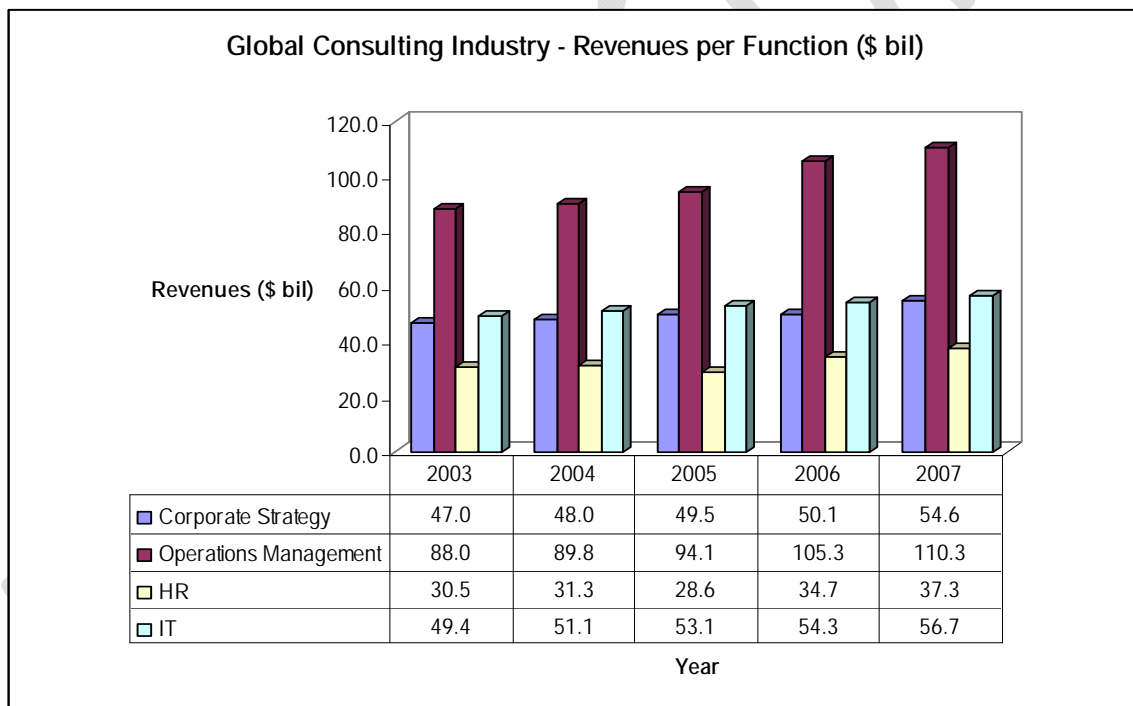
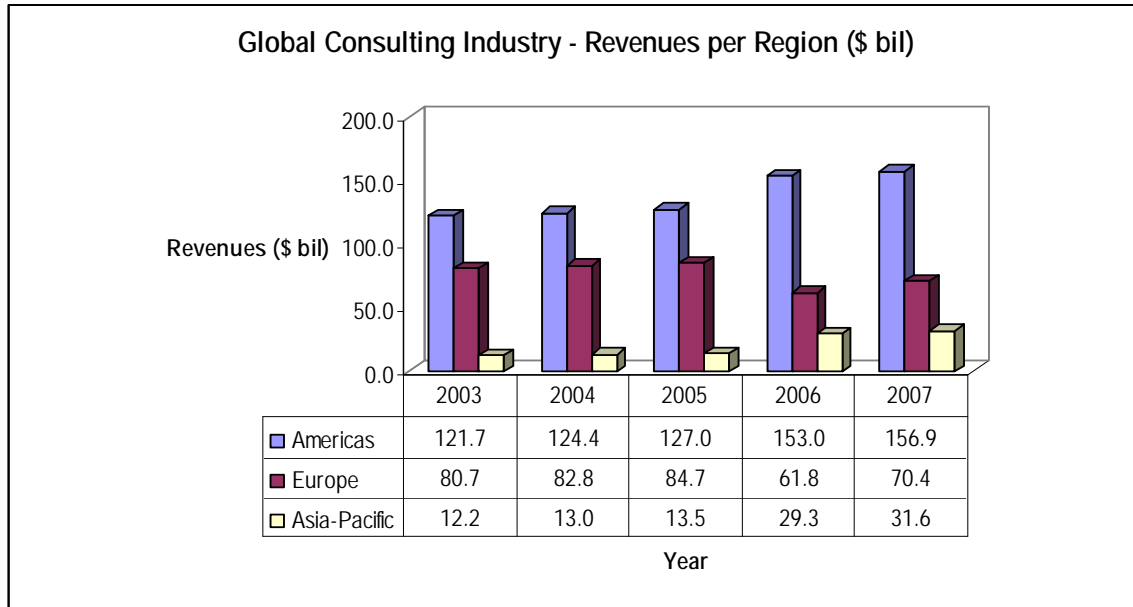


The consulting industry is usually segmented according to the functional type of the work performed. Operations management accounts for 42.6% of the global market's value while the information technology segment generates a further 21.9% of the market revenues. The respective figures for the last 5 years are presented below¹⁷.

¹⁵ Christopher D. McKenna (2006) *The World's Newest Profession: Management Consulting in the Twentieth Century*, New York: Cambridge University Press.

¹⁶ Source: Datamonitor

¹⁷ Source: Datamonitor



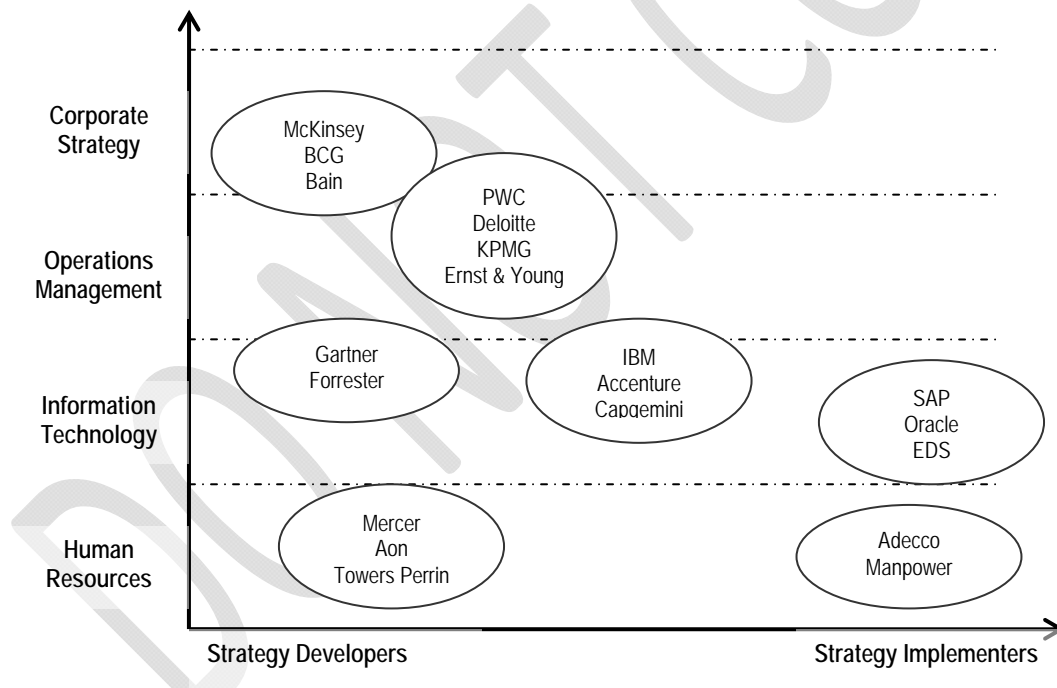
Consultancies may be further categorized to strategy developers and strategy implementers¹⁸. Strategy developers primarily focus on the 'top-level', long-term decisions that relate to an organization's goals, mode of competition, investment in capabilities, entry in regional markets etc. Strategy implementers usually facilitate organizations in putting their strategies into practice through their ability to manage large-scale, complex projects.

¹⁸ Sascha L Schmidt, Patrick Vogt, and Ansgar Richter (2005) "The Strategy Consulting Value Chain is Breaking up", *Consulting to Management*, Vol. 16, No. 1, 39-44.

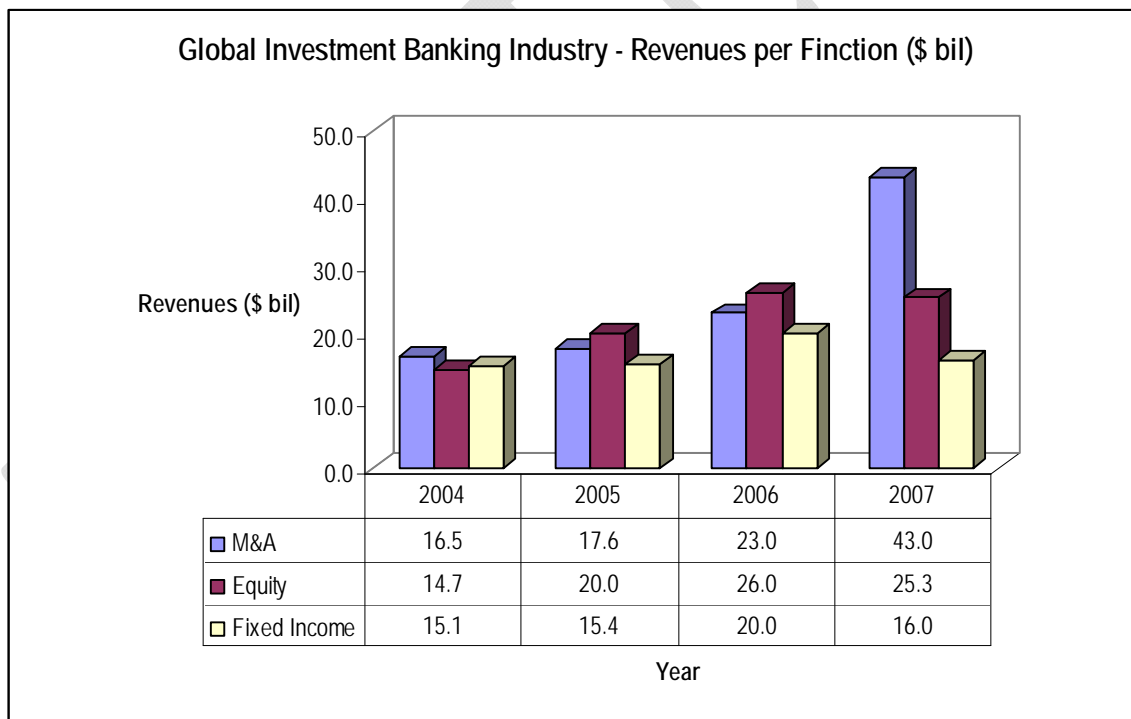
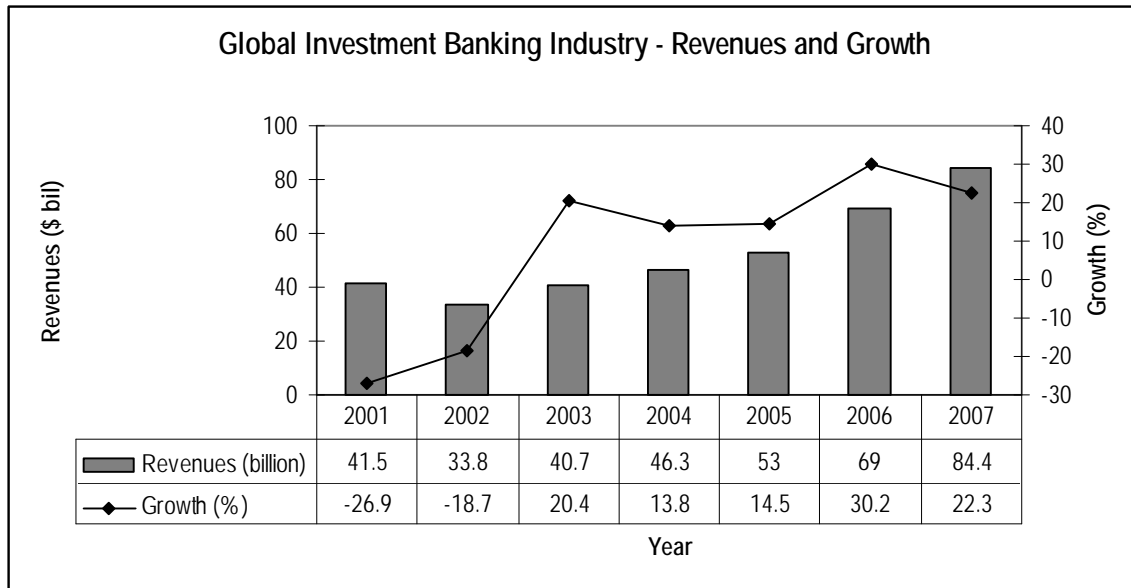
By combining those two perspectives, the key players in the consulting industry can be roughly classified to different groups. Premium-brand firms, like McKinsey or BCG, consult their clients in the areas of corporate strategy or operations management but don't work with the client in order to implement their recommendations. Similarly, the Big Four display significant brand strength but tend to get more involved in the actual implementation phase, especially in the areas of tax or accounting.

A large number of consultancies specialize in IT consulting. The biggest firms in this area are IBM Global Services and Accenture, providing both IS strategic insights and systems integration or management services. Forrester and Gartner are advising companies in the area of IT and technological change but also have an important research services business which generates an important part of their revenues. Finally, a smaller number of firms, like Mercer or Aon, concentrate on providing advice to HR-related issues.

Consulting Market Segmentation and Strategic Groups



APPENDIX II: Overview of Investment Banking Industry ^{19,20}



¹⁹ Source: Datamonitor

²⁰ Market values reflect revenues generated through fees and commissions.

