

New Engagement Models

Business priorities have changed enormously over the past two years with the advent of the downturn and the turnaround the economy is now undergoing. Now there is an increased focus on improving efficiency and getting more from every dollar spent without compromising on quality. Business now demands better predictability of expenditure, better forecast and better control on dollars spent. New Engagement Models help achieve these areas and some more by aligning clients' and vendor's stakes and interests. More specifically it creates an environment where both client and vendor staffs have direct encouragement to work together towards the common goal of improving efficiency and bringing in predictability. These new engagement models are essentially about linking the cost of service to values derived from them. They are flexible enough to take various shapes and forms depending on the client's unique situation and the nature of project. We, at Infosys, have proven repeatedly that technology and IT services can be delivered through these New Engagement Models and its increasing popularity amongst our clients is a testimony to that.

Drivers of New Engagement Models

Following are some of the drivers for adopting New Engagement Models:

1. Align IT costs with business volumes or value delivered
2. Better visibility to IT spend
3. Better way to cater to fluctuating business demands
4. Share the project risks with vendor and focus on business instead
5. Reduce operational overheads
6. Optimized staffing
7. Difficulties starting projects with high initial Capital Expenditure

The New Engagement Models achieve reduced TCO by helping in some or all of the areas highlighted above. Large programs with high volume predictability will tend to benefit from these new engagement models more than relatively smaller programs with unpredictable variation in volumes

What are New Engagement Models?

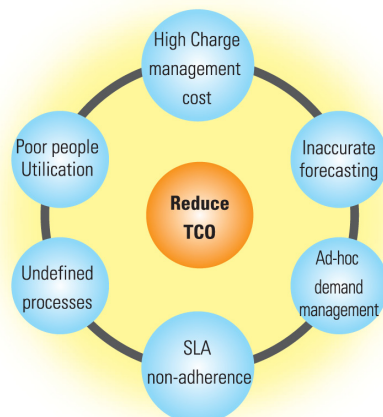
Traditionally IT projects are priced on effort (T&M) or on fixed price basis. New Engagement Model (NEM) is a strategy that can potentially change the game and create a paradigm shift. Typically New Engagement Models directly tie-in the cost of IT with the values derived by it.

What support will Infosys need from customers to help them adopt to these new pricing models?

- Customer Management Commitment
- Historical Data
- Changes to existing contracts
- Mindset Change: Moving away from staffing (resources, location) to value based models

When should you opt for New Engagement Models?

New engagement model is a good choice if your projects are facing one or more of below issues. Adopting these models help achieve lower TCO by removing these commonly occurring problems.



Key Success Stories

1. Let your Business Needs decide what you pay

Example: A L2 /L3 support arrangement for one of the world's premier hotel companies, where volume of work is decided by the customer every quarter based on their dynamic business needs

2. Flexibility in Workload/Demand Fluctuations

Example: For a global firm in the Airframe, Aero Engine engineering/manufacturing sectors, created the ability to manage workload fluctuations and reduce the risk of over/ under utilized staffing, gives a better flexibility in Demand Management

3. Reduce your IT Spend

Example: Implemented an alternative pricing model that helped in the reduction of overall cost/ time spent in IT management for a world leader in gases for industry, health and environment

4. Want to see your TCO coming down

Example: Working on a value based pricing model for one of world's largest truck and car manufacturer that help them reduce the overall cost of ownership with increase in volume of work giving economies of scale

5. Leverage the benefits of Resource Pooling

Example: Implemented an alternative pricing model for a fortune 500 global financial services provider to reduce the cost of management overheads & a higher flexibility to ramp up/down in a short time without incurring any additional overhead costs

6. Improves cost predictability of IT operations

Example 1: For a leading multinational pharmaceutical company, Infosys implemented alternative pricing model for large application portfolio to improve the cost predictability of IT operations for 5 years; with Client having the flexibility to adjust service levels and associated costs for the existing portfolio as well as for newer applications.

Example 2: For a leading aircraft manufacturer, Infosys implemented an alternative pricing model to substantially improve the cost predictability. Implemented a value based billing to lower Client management overheads to track Vendor performance.

Example 3: A US based mortgage services firm converted its existing T&M FTE based contract to an alternative pricing model to achieve cost predictability.

7. Reduced IT management overhead, your manager will have more time for fun and family

Example: For a world leader in supplying industrial gas and services to manufacturing industry, Infosys implemented an alternative model to reduce the overall IT cost and the time spent by Client in Vendor management. The model was flexible to allow additions of other systems and applications at a later point in time.

Analyst Speak

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For more information, contact askus@infosys.com

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