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U.S. to double offshore tech services?

NEW YORK (Reuters) --U.S. technology services market will double its usage of low-cost countries next year, but much of the work will still be captured by U.S. providers as they beef up their operations abroad, market research firm IDC said.

The offshore spending component of the U.S. technology services market will rise to 10 percent of the total spending, or \$16.3 billion, in 2003. IDC also expects offshore spending to more than quadruple to \$46 billion, or 23 percent of the total, by 2007.

Indeed, much of the U.S. services market growth, projected by IDC to be 6.1 percent a year, will ultimately be delivered by workers in countries such as India, China and Russia.

In contrast, work being done domestically will increase merely 3 percent in the next four years.

"The immediately reaction to this data might be to declare both demise of United States-based vendors and a stagnant U.S. job market," Ned May, author of the study, said this week.

"However, though the delivery of IT services will increasingly come from offshore, much of the spending will continue to be captured by locally based vendors who build up their offshore delivery resources," he said.

Last year India's top five technology firms generated more than \$3 billion in revenue, with the majority originated from the U.S. market, as cost-conscious companies increasingly demand offshore component in every deal they sign, IDC said.

U.S. services companies, such as Accenture Ltd., Computer Sciences Corp., Electronic Data Systems Corp. and BearingPoint Inc. also experienced higher outsourcing demand, though pricing pressure continues.

"They are all aggressively building their own global offshore capabilities," May said. "They will continue to be successful players."

The offshore sourcing trend will have the largest impact on maintenance and support activities, with almost 27 percent of the market spending going abroad in 2007.

In comparison, information technology education and training will remain relatively resilient against the wind, the study said.