Nearshore Software R&D Possibilities in Latin America

Confidential
Executive Summary

This presentation provides an analytical overview of Latin America’s value as a near-shore R&D services provider. GlobalLogic compares Latin America to other global outsourcing regions and provides a recommendation on the top four regions in which to invest. This deck also contains information on GlobalLogic’s position within Latin America and provides case studies of current Latin American engagements.
01 Latin America vs. Other Outsourcing Regions
02 Location Options in Latin America
03 MNC Centres in Latin America
04 GlobalLogic in Latin America
05 Case Studies: R&D Services in Latin America
Latin America vs. Other Outsourcing Regions
Latin America is a region of the world comprised of 20 countries in South America, Central America and the Caribbean where Romance languages are spoken (Spanish, Portuguese, French).

- Population: 590 million
- Combined GDP: US$6B (~⅓ of US GDP)
- Economic growth rate: ~5% in 2010, 2011
## Latin America vs. Other Outsourcing Regions

<table>
<thead>
<tr>
<th>Country</th>
<th>Engineering education</th>
<th>Cultural fit with US</th>
<th>English proficiency</th>
<th>Timezone for US</th>
<th>Travel proximity for US</th>
<th>Scalability</th>
<th>Cost savings</th>
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<tbody>
<tr>
<td>Latin America</td>
<td>★★★★★ ★★</td>
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<td>Eastern Europe</td>
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<td>China</td>
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Latin America vs. Other Outsourcing Regions

Harnessing the Time Zone Advantage

<table>
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<tr>
<th>Time Zone</th>
<th>UTC Offset</th>
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<tbody>
<tr>
<td>USA East, UTC-5</td>
<td></td>
</tr>
<tr>
<td>USA West, UTC-8</td>
<td></td>
</tr>
<tr>
<td>Buenos Aires, Arg</td>
<td>UTC-3</td>
</tr>
<tr>
<td>São Paulo, Brazil</td>
<td>UTC-3</td>
</tr>
<tr>
<td>Santiago, Chile</td>
<td>UTC-4</td>
</tr>
<tr>
<td>Mexico City, Mexico</td>
<td>UTC-6</td>
</tr>
</tbody>
</table>

Latin American outsourcing providers typically shift work day by 1-2 hours to better accommodate their respective US clients on the East Coast and West Cost, achieving up to 100% work day overlap.
## Nearshore Benefits for R&D Projects

### Communications
- Project meetings can be scheduled at a convenient time for both onshore and offshore engineering teams.
- Ad-hoc questions and emergencies can be handled immediately – both at the engineering, requirements and business levels.

### Teamwork
- Real-time collaboration between onshore and offshore engineering teams throughout the day allows for efficient integrated teams (where onshore and offshore developers truly collaborate on the same work instead of splitting the work into separate chunks).
- Better collaboration promotes a “single team” mentality and reduces “us vs. them” obstacles. Offshore team is more energized and vested into client’s success.

### Travel
- Travel to Latin America is easier because it’s closer and faster. Same time zone means no jet lag.

Fast turnaround cycles can save days on a project schedule and reduce re-work due to misunderstood requirements; ability to fully leverage Agile-based processes.

Better morale on both sides, lower attrition, higher productivity.

More frequent and efficient face-to-face collaboration.
Location Options in Latin America
Top Latin America Outsourcing Destinations

<table>
<thead>
<tr>
<th>#</th>
<th>Country</th>
<th>Pop. (M)</th>
<th>GDP US$B</th>
<th>GDP p/c US$</th>
<th>Poverty Index</th>
<th>Growth %</th>
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<tbody>
<tr>
<td>1</td>
<td>Brazil</td>
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<td>2,181.68</td>
<td>11,289</td>
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<td>2</td>
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<td>4</td>
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<td>9,445</td>
<td>7.6</td>
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<td>5</td>
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<tr>
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<td>20</td>
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<td>11.06</td>
<td>1,122</td>
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<td>-8.5</td>
</tr>
</tbody>
</table>

Based on economical and political development levels, four countries stand out as potential outsourcing destinations:

—Brazil
—Mexico
—Argentina
—Chile
Brazil Highlights

- Largest IT labor pool in Latin America
- Excellent political stability and strong economy
- Significant government investments to develop infrastructure
- Government support for IT services industry
- Mature legal system respecting continuity of commercial contracts

- High employment taxes
- High average wages in IT sector
- Relatively low number of English speakers
- One of the highest rates of software piracy in the region
- High illiteracy and dropout rate

MNCs Operating

Microsoft, Google, Motorola, Saab, Convergys, Hewitt Associates, IBM, HP
Mexico Highlights

- Large labor force with growing number of IT professionals
- Immediate proximity and high cultural compatibility with the US
- High English language capabilities
- Strong legal framework for IP protection
- Competitive labor costs

- Rising crime rates and increasing travel risks
- Low government support for IT sector
- Shortage of highly skilled technical resources
- Political and economical instability
- Corruption within law enforcement bodies

MNCs Operating

Telefonica, Intel, Microsoft, Teleperformance, TeleTech, Hewitt Associates, IBM, HP
Argentina Highlights

- Average educational level is among the highest in Latin America
- Competitive labor costs relative to other Latin American locations
- Highest level of technology and Internet penetration in Latin America
- High English and other language capabilities
- High level of cultural affinity with Europe and the US

- Strict rules for foreign investments and bureaucracy
- Strong presence of labor unions
- High data piracy rates
- Despite growth in IT resources, high demand results in high competition

MNCs Operating

HP, Intel, IBM, Motorola, Verizon Business, NEC, Peugeot, Sabre Holdings, Deloitte, Ernst & Young, KPMG, Microsoft, TeleTech
Chile Highlights

- Educational system is considered the best in Latin America
- Strong government support of IT services, BPO and KPO industries
- Most stable political environment in Latin America
- High economic freedom and democratic development
- Lowest inflation rate in the region

- Labor pool is limited by small population
- Limited business environment
- Low average level of proficiency in English
- High software piracy rates
- Relatively high labor cost

MNCs Operating

Equifax, JPMorgan Chase, Yahoo, Citigroup, Oracle, Microsoft, Software AG, Synopsys
## Latin America Outsourcing Scorecard

<table>
<thead>
<tr>
<th>Country</th>
<th>Language</th>
<th>Educational system</th>
<th>Cultural compatibility</th>
<th>Government support</th>
<th>Political and economic env.</th>
<th>Global and legal maturity</th>
<th>Infrastructure</th>
<th>Data/IP security and privacy</th>
<th>Labor pool</th>
<th>Cost savings</th>
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<tbody>
<tr>
<td>Brazil</td>
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<td>Mexico</td>
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MNC Centers in Latin America
In October of 2008, IBM announced the opening of three Global Delivery Centers in Argentina, entailing a US$60 million investment over ten years. IBM also announced the extension and opening of its Virtual IT Campus, the largest IT services hub in South America.

Argentina has been selected by IBM as one of the four countries in the world to deploy its Global Delivery Centers, as part of the company’s strategy to become a globally integrated enterprise. IBM shapes its strategy, management and operations in a truly global manner. It locates its operations and functions where it makes more sense, based on the right cost, the right skills, the right talent and a favorable business environment.

The three new global delivery centers located in Argentina serve more than 20 countries around the world. Services include server, database, network and storage monitoring and support based on global practices, processes and methodologies.

Currently IBM Argentina employs around 2,100 professionals.
In 1994, as part of a growth strategy in the Latin American region, EDS started operations in Argentina. It initially concentrated its IT services in the banking and automotive industries.

In 2008, HP acquired EDS and integrated it into HP Enterprise Services while continuing to grow its Latin American operations.

Today, HP Enterprise Services is present in Argentina, Brazil and Mexico. It offers end-to-end capabilities through a full spectrum of services, from high-value consulting to business process implementation and maintenance to some of the most recognized companies in industries that include manufacturing, financial services and transportation.

HP Enterprise Services has become one of the leaders in the IT services industry in Latin America, with 2,300+ employees in Argentina, 9,000+ in Brazil and 350 employees in Chile.
In early 2012, Microsoft inaugurated a major technology center in Brazil's largest city, Sao Paulo. With an area of 1,300 square meters, the new Microsoft Technology Center (MTC) is the largest of its kind in Latin America, and it will operate as a tech simulation center. The MTC will be open to Microsoft's partners, corporate clients, NGOs and students.

The investments in the new technology center amounted to US$10M. Several software company partners like AMD, Dell, HP, Nokia and Hewlett-Packard participated.

Microsoft plans to inaugurate five other MTCs in Brazil. Three cities have already been chosen, including Rio, Salvador and Recife. The MTC in Rio will be located in the port area, which is undergoing major renovations for the 2016 Summer Olympics.

The Sao Paulo MTC is the second center to be built in Latin America. The first was inaugurated last year in Mexico City. According to Microsoft, it is the 17th center outside the United States.
In 2005, Google announced the launch of an R&D center in Belo Horizonte, Brazil based on the acquisition of a local company called Akwan. Google’s VP of Engineering, Alan Eustace, commented, “We see tremendous potential for Google across all of Latin America, both in terms of recruiting considerable local talent and in continuing to expand our products and services in the region.”

Later that same year, Google continued its international expansion by launching two Latin American operations centers in Sao Paulo, Brazil and Mexico City, Mexico. These offices enable Google to provide the best advertising services and search experience to its users, advertisers and partners in Brazil, Mexico and throughout Latin America.
In addition to its sales office in Buenos Aires, Intel opened its first Software Development Center (ASDC) in Latin America in May 2006 to address its global growth strategy.

The chosen location for the center was Córdoba, Argentina.

The current focus of the center is on developing infrastructure software for supporting SOA-based applications, including XML processing, Web services protocols and Web services security.

In the future, ASDC activities will include performance optimization for Intel architectures, developing middleware software to support digital health applications and creating software to address local market requirements.

Software development includes general purpose libraries, application management modules, user interfaces, application development tools and frameworks, and hardware-optimized components using computer languages such as .NET, Java, C#, C++, C and assembler.
Motorola

- In the early 1980's, Motorola started working in Argentina to develop the first cellular network in Latin America. In 2000, Motorola technology made it possible to introduce the first wireless Internet service in Latin America.

- In 1993, Motorola opened its own offices in Buenos Aires, Argentina.

- In 2001, Motorola opened a Software Development Center in Córdoba, Argentina.

- In 2011, Motorola announced that some of its leading smartphones and tablets will be completely developed and manufactured in Argentina.
GlobalLogic in Latin America
Who is GlobalLogic?

R&D and Advisory services for software-enabled businesses

- Privately held and backed by Sequoia Capital, Goldman Sachs, NAV, NEA, and WestBridge Capital
- One of the fastest-growing full product lifecycle services firms globally

Strong finance performance

- ~$220M revenue run rate (as of September 2011)
- 50% CAGR over past 5 years
- 6,000 people, 250+ customers

Global presence

- HQ in the US with 74% business in North America, 26% international
- Engineering centers in Argentina, China, India, Ukraine, and the US
GlobalLogic Latin America Highlights

- 450+ engineers in 3 innovation centers in Argentina
- 40+ customers (including Nextel, Telecom, Fox, Coca Cola, Oracle)
- 10+ years of experience in several industries: Telecom, Digital Media, Retail, Enterprise, Finance, Healthcare
- Delivering services for customers in the US, Europe, and Latin America
- Business offices in Buenos Aires, Argentina and Santiago, Chile
- CMMi Level 2 Certification, ISO 9001 / 90003 Certification, 30+ Certified SCRUM Masters, Oracle SOA Implementation Partner (Gold Member), Adobe Certified Partner
- Expertise in mission critical Java, .NET, SOA, RIAs
- Distributed Agile software development process
GlobalLogic Latin America Facilities

- Physical building security
- Video surveillance
- Access control system
- Security alarm system
- Fire alarm system
- On-demand private areas with biometric security control
GlobalLogic Latin America Competencies

Technology Competencies

- Java
- Flex
- SOA, SaaS
- PL/SQL
- Web Applications, RIA

Industry Competencies

- Telecom
- Digital Media
- Retail
- Enterprise
- Finance
- Healthcare

Customers Served out of Argentina
Case Studies:
R&D Services in Latin America
A Hollywood-based provider of workflow & media asset management tools

Challenge

− Customer wanted to develop an iPad version of its Cloud-based platform for TV/film production (dax|Mobile)
− Needed to launch app before TV filming season began or risk not having it adopted
− Required enterprise mobility and product usability & design expertise

Solution

− Partnered with GlobalLogic to access its expertise in cloud, enterprise mobility, digital media and product usability & design
− GlobalLogic’s Argentina lab provided real-time collaboration for US-based customer
− Agile methods enabled customer to make changes on-the-fly and still meet rigorous timelines

Benefits

− Successfully launched app prior to TV filming season and gained first-to-market status
− Earned media recognition (Variety, SandHill) and was adopted by over 100 productions (Mad Men, Weeds, CSI) within first 6 months
− Customer achieves ROI within 12 months

“GlobalLogic worked closely with our in-house developers to manage the significant complexity involved in creating a full-featured app that exceeded our exacting specifications, as well as those of the studios.”

— Patrick MacDonald-King
CEO, Sample Digital
A provider of digital shopping platforms

Challenge
- Customer wanted to partner with a proven R&D specialist to develop two new products for its Fluid Retail Platform
- Customer opened its skill search to a global network to access both a larger pool of talent and a more cost-effective R&D model

Solution
- Took responsibility for the majority of the development tasks
- Utilized Agile methodologies and collaborated with customer in real-time
- Worked on everything from client-side HTML to server-side databases to 3D modeling platforms.

Benefits
- Fluid Configure & Fluid Socialize components developed by GlobalLogic outperform other online retail solutions by 150-200%
- Eagerly adopted by top retailers like Reebok, Jansport, Vans and Sears to enhance their online shopping experiences
- Customer is now working with GlobalLogic to move its solution to Cloud

“\textit{I maintain the same level of trust, confidence and communication with my GlobalLogic team as I do with my in-house developers. It’s a real pleasure working with them; they’re my team.}”
— Andrew Guldman
VP Product Engineering, Fluid
Case Study

A leading US commercial broadcasting television network

Challenge

- Customer wanted their traffickers to manage more accounts and customer’s advertising campaigns at the same time
- Customer wanted to improve the quality of the reports, as well as the campaign results, that they present to their customers

Solution

- Customer partnered with GlobalLogic to develop a technical solution to overcome business challenges
- GlobalLogic developed a system that gathers campaign results through several ad servers like AdWords, Facebook and Yahoo!

Benefits

- System developed by GlobalLogic enables a traffic analyst to make an exhaustive performance analysis of several customers’ campaigns in order to improve results and enhance their performance on the net
- Allows end users to significantly save time analyzing and consulting on information, thus enabling traffickers to generate more comprehensive reports faster
- Improved quality of charts and reports generated by the system, facilitating a faster decision-making during the campaigns
A leading US entertainment company

Challenge
- Customer’s web properties required frequent updates
- Existing CMS applications couldn’t effectively manage and administrate all the content changes (previous versions and creation of new content)

Solution
- Partnered with GlobalLogic to implement a complete and scalable CMS solution
- GlobalLogic developed product using SCRUM methodology, working in collaboration with customer’s team
- Same time zone allowed regular virtual meetings to align customer’s expectations and requirements to real development process

Benefits
- Customer obtained complete CMS tailored to its specific business needs
- System consists of 3 components (Administrator Server, Publisher Server, Content Server) that were developed in Grails and Flex
- System is highly scalable for future expansions and is easy to manage by any member (e.g., marketing team, IT team, etc.)
A for-profit, publicly-traded firm

Challenge
- Customer wanted to move its products and offering to a mobile platform

Solution
- Customer partnered with GlobalLogic to create a mobile strategy and develop the first mobile applications
- GlobalLogic assembled a team of UX designers and manager in Buenos Aires and Mendoza
- Team’s location allowed smooth real-time collaboration with customer’s team in the US
- Successfully developed iPad app for customer’s offerings

Benefits
- Customer was able to bring its product to the most popular mobile platform very quickly and cost-effectively
- Now users can read, comment and share customer’s reports on-the-go from their iPads
- GlobalLogic customized the app to meet specific users’ requirements, enabling users to query about useful information from everywhere, anytime
Thank you