

February, 2008

DataArt Leverages a Unique Delivery Model and Europe-proximate Facilities to Win Marquee Business

During 2007, the International Association of Outsourcing Professionals (IAOP) selected DataArt for the Rising Star category in the 2007 Global Sourcing 100 ranking for the third year in a row. Global Services 100 has also named DataArt one of the top emerging European companies for the second year in a row. During 2006, DataArt was named a Top 4 emerging global company and a Top 4 emerging European company in the rankings. By leveraging extensive cost-effective talent in Eastern Europe to deliver re-engineering, applications development and IT systems integration services, DataArt benefits from the language skills, cultural similarity and time zone proximity that have emerged as key enablers sought by companies in Western Europe.

Business Issues

Driven by the need to quickly productize ideas and re-engineer products to meet changing market demands, companies are choosing to outsource R&D to accelerate product development cycles in the face of talent shortages and the high cost of delivering R&D services in-house. DataArt's solutions are designed to meet the needs of companies seeking R&D outsourcing services, its delivery infrastructure provides cost, time-zone and time-to-implement advantages, and its early-mover status should prove valuable as more firms in Europe seek partners working 'near-shore' rather than offshore.

From the end user's perspective, the key benefits to outsourcing R&D functions are the opportunity to gain access to intellectual property and engineering expertise in an environment of scarcity, accomplishing:

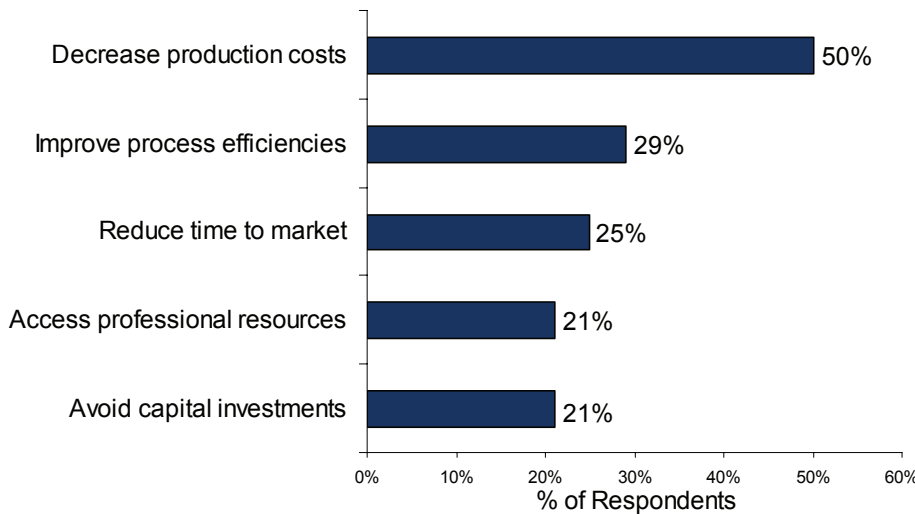
- Faster time to market for new and re-engineered products
- Reduced product development costs
- Enhanced ability to focus on core R&D activities
- Access to innovative professional resources

Figure 1 provides a graphical view of the top factors driving the outsourcing of R&D.

Market Alert

Aberdeen's Market Alerts provide timely analysis of current market events drawing upon independent fact-based research to lend insight into the topics that impact organizations

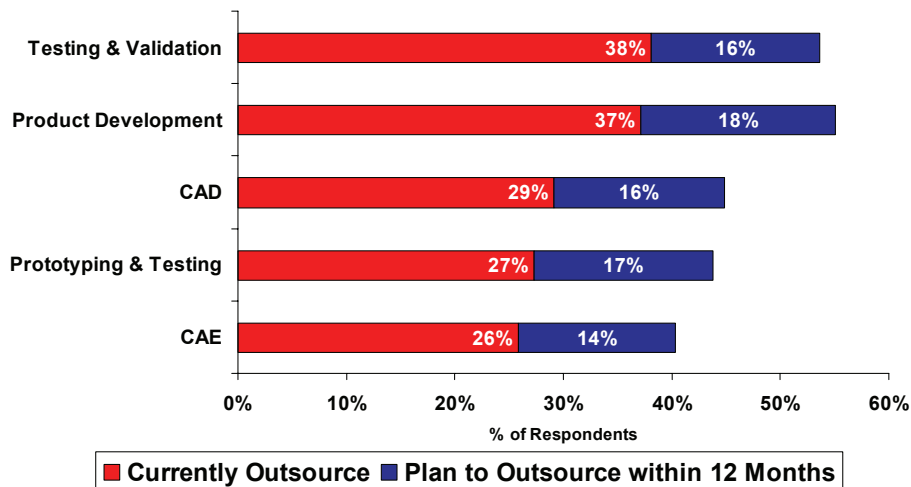
Figure 1: Top Five Factors Driving R&D Outsourcing



Source: Aberdeen Group, February 2008

Aberdeen research shows that more than half of 400 organizations surveyed during January 2008 (57%) use research and development outsourcers to perform a variety of engineering-related tasks. Figure 2 presents a broad view of the nature of the R&D Outsourcing market in terms of the functions being outsourced.

Figure 2: Top Five R&D Functions Being Outsourced



Source: Aberdeen Group, February 2008

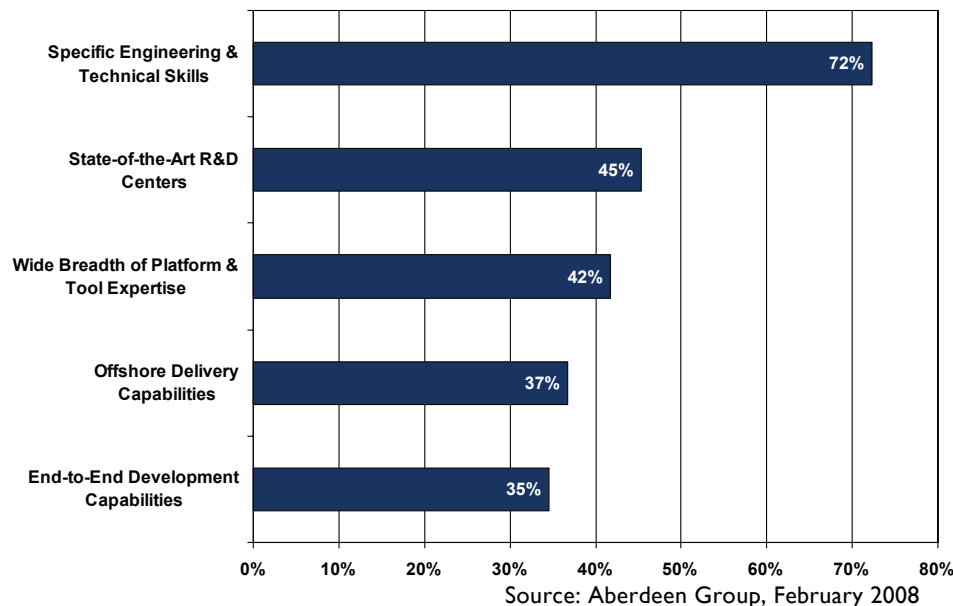
Among the most common engineering tasks being outsourced are the development, verification and testing of custom applications. The percentage of companies choosing to outsource R&D and engineering activities will increase as talent shortages and shorter cycle times demand innovation and global sourcing. Aberdeen's latest benchmark report

Speeding Time-to-Market by Outsourcing R&D, February 2008, indicates that 18% plan to outsource product design, 17% will outsource prototyping and testing, and 16% intend to outsource testing and validation within the next 12 months.

DataArt, a Best-in-Class R&D Outsourcing Provider

In the same study, Aberdeen benchmarked the performance of more than 400 end-users of R&D Outsourcing services and determined the most important enablers sought in R&D outsourcing providers? The data shown in Figure 3 indicates the main characteristics Best-in-Class organizations seek from providers and reveals the parallels between DataArt's enablers and their importance to Best-in-Class end users. The company maintains several state-of-the art development centers in St Petersburg and Voronezh, Russia, and Kherson and Kharkov, Ukraine. DataArt staff also share both domain and functional expertise in each of engineer. In other words while in most companies domain experts are highly present in customer-facing positions, developers work primarily remotely. At DataArt the developers are the domain experts themselves, they bring detailed knowledge of platforms and expertise in tools, and are involved in all aspects of project scoping, customer facing and delivery, allowing end-to-end development and delivery capabilities.

Figure 3: Main Enablers Sought by End-Users from R&D Providers



Key Insights

We believe that companies across industries are increasingly amenable to outsourcing R&D activities that used to be kept in-house. Companies that are outsourcing R&D activities to drive products to market faster, access IP and professional resources are hoping to realize significant reductions in

time to market, improvements in product quality, and higher customer satisfaction as a result of these outsourcing engagements. Aberdeen anticipates that the best performing companies using outside providers to support R&D efforts will be those who choose R&D providers with deep domain expertise, large dedicated research teams, IP security protections in place, significant intellectual property to leverage, and the ability to provide services from the idea stage through production. DataArt demonstrates domain expertise in several key outsourcing verticals as witnessed by its marquee clientele from financial services to medical services to communications to high technology.

The awarding of the 'leading emerging outsourcing provider's worldwide' title by Business Week and top rankings in the emerging global services provider landscape in the Global Services 100 shows that DataArt is being recognized for solid project execution, significant growth for an emerging company based in Eastern Europe and the unique skill sets its staff bring to all parts of project development and delivery. Further, Aberdeen believes DataArt is an example of the expanding roster of companies providing outsourced engineering services from ever-expanding global locations. And as a company with a high degree of expertise and specialization across several key verticals, DataArt is an example of companies developing deep domain and functional skills across several sectors. DataArt gives extra benefits to end-users by the fact that both domain and functional knowledge are characteristics of its delivery staffers, precluding the delay of knowledge transfer that affects other firms where domain expertise and functional expertise are found in different individuals across the delivery chain.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[*BPO: The Next Generation;*](#)
November 2007

[*Procurement Outsourcing: All or Nothing?*](#) August 2007

[*Who Outsourced the Outsourcers:*](#)
June 2007

[*Outsourcing App Development and Maintenance KPIs;*](#) January 2007

[*The Procurement Outsourcing Benchmark Report;*](#) May 2006

[*IT Outsourcing and the Mid-tier Enterprise;*](#)
April 2006

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