

1 Background

This is a case study of Sabre Inc. and our journey in outsourcing IT development and BPO. This journey started in 1999 with our first outsourcing relationship in India.

1.1 Mamie Jones

I am the Senior Vice President, Strategic Sourcing Services for Sabre-Holdings, Head Quarters in Fort Worth, Texas. I assumed this role in August of 2005 to rationalize outsourcing initiatives across Sabre-Holdings' business units. I have been with Sabre for 19 years serving primarily software development leadership roles.

1.2 Sabre Holdings Corporation

Sabre Holdings connects people with the world's greatest travel possibilities by retailing travel products and providing distribution and technology solutions for the travel industry. Sabre Holdings supports travelers, travel agents, corporations and travel suppliers through its companies: Travelocity, Sabre Travel Network and Sabre Airline Solutions. Headquartered in Southlake, Texas, the company has approximately 8,900 employees in 45 countries. Full year 2005 revenues totaled \$2.5 billion. Sabre Holdings, an S&P 500 company, is traded on the New York Stock Exchange under the symbol TSG.

 www.travelocity.com	 www.sabretravelnetwork.com	 www.sabreairlinesolutions.com
<p>The world's most popular online travel service</p>	<p>The world's largest electronic network serving travel agencies, travel suppliers, corporations and government agencies</p>	<p>The most comprehensive set of solutions and services to optimize operations and reduce costs for airlines, airports and government agencies</p>

2 1999 – 2001 - Getting Started

Sabre entered into IT outsourcing in 1999. Two of the three business units within Sabre were dabbling in some form of outsourcing. Each approached outsourcing independently working different agreements with different partners. Total offshore population at this time was approximately 30 people. Early projects included:

- ASP for travel suppliers, web development (limited to APAC)
- Maintenance
- Some mainframe programming

3 2002 – 2003 Focus is Cost Reduction

Work remained fairly static and growth did not accelerate until 2002 when Sabre decided to take a more strategic approach to outsourcing, primarily for cost reduction purposes. Sabre sent RFP's to seven service providers and MSAs were negotiated with two of the seven. We selected these vendors based on size and expertise in the travel and transportation vertical and focused on mid-tier companies to ensure Sabre would have executive attention. With large multi-national companies, Sabre felt our exposure would be limited at the executive level.

To realize aggressive cost reduction goals, offshore growth targets and domestic headcount reductions were set for each business unit over a three year period. This change in strategy caused upheaval in the development community and many teams went through a lot of gyrations trying to make offshore development work. Travelocity and Travel Network ramped offshore developers quickly, without a lot of thought into how to really make it work. Airlines Solutions due to contact agreements with key suppliers could not legally offshore work to third parties thus; their targets in the short term were not realized.

Coupled with offshore growth, Sabre utilized the waterfall development methodology. With the competitive landscape changing and competitors out performing Sabre in key areas of the business, we had to become more nimble, flexible and predictive in our delivery and improve quality and customer service if we were to stem the competitive threats and recapture market share.

Challenges:

- Stability was becoming an increasing issue
- Quality was suffering across the board
- Sabre was steeped formal process that made it difficult to be nimble
- Average project size exceeded 40K making it near impossible to predict delivery
- Key projects were taking 9 – 12 months to implement
- 100% grow year over year in Travelocity
- Acquisitions added new vendors, architecture and system complexity
- Limited leadership with solid off-shore experience

4 2004 –Transition to Agile Unified Process (AUP)

While we were focusing on cost reduction, at the same time late in 2003, we engaged a consulting firm to mentor Sabre in transitioning from waterfall to the AUP development methodology. We signed a 3 year agreement with the goal at the end of three years to have converted two thirds of our development population to Agile, approximately 3000 developers.

As part of the agreement, the consulting firm agreed to lower their agile program costs if we agreed to leverage their services offshore. We were hesitant to commit to offshore minimums, but because the agile program was important to Sabre, we agreed to utilize this vendor's offshore capabilities and commit to a monthly minimum. In addition, we agreed to work with this vendor to establish how we would standardize agile methodology in a shore to shore model.

4.1 Pilot Projects

We selected a few key projects to pilot the agile program and offshore capabilities:

1. Trip packaging capabilities
2. Migrating a legacy cruise application to Java architecture

4.1.1 Trip Packaging Capabilities

This was the first project selected to pilot agile development and measure project team performance. This project did not leverage offshore teams, but it did require multiple Sabre teams in different BU's to work together to complete this strategic project.

Our consultants asked that we pick low profile, small project, with a team size not to exceed 15. This was to ensure that the project teams had the time and focus to learn this methodology without being in the executive spotlight. We didn't follow these recommendations and picked a critical project with:

- Multiple teams, spanning two different business units
- Huge revenue projections
- Lots of visibility at the executive level
- Aggressive delivery date
- Multiple architectures

Timing played a big factor in Trip Packaging project decision. The necessary teams were available and ready to go, with budget approval, where other projects were not in a ready state to meet the agile kickoff timeframe.

We experienced many challenges but delivered positive results

4.1.1.1 Challenges

- Team size was too big (30 people across 2 business units)
- Project required work on two architectures, one legacy, one Java
- Agile methods could not be utilized in the legacy environment

- Weekly statuses were given to executives who did not have patience for agile learning curve
- Team not bought into methodology early on in the project
- Cultural differences existed between the two different business units, creating an us versus them atmosphere
- Executive team skeptical on agile due to the challenges the team faced

4.1.1.2 Positive results

- We met the delivery date with a subset of requirements that met the business needs
- Implementation of this project increased revenues by 30K per day, even though scope was reduced
- Business teams were thrilled that they could make daily decisions on product features
- Learning was slow, but gain acceptance after 6-8 weeks
- We could measure team velocity through each of the iterations

4.1.2 Migrating a Legacy Cruise Application to a Java Architecture

Having learned from the Trip Packaging project, the Cruise project was selected for the next pilot. This project included the off-shore element and was chosen for the following reasons:

1. Project team was small and self contained
2. Perfect for agile and testing the two shore model
3. We wanted to offshore the work being done out of our San Francisco (SFO) office
4. To measure domain knowledge transfer for a complex domain areas
5. To improve cruise cost structure by eliminating cruise development in SFO
6. Build a center of excellence in India for Cruise that could eventually take end to end development responsibility
7. Collapse development from three offices to two
8. Needed to meet our Vendor commitment to utilize a minimum number of off-shore resources

4.1.2.1 Challenges

While this project was a huge success, it did face challenges:

- Communication over telephone was difficult. Quality and reliability was limited.
- Teams were not prepared for cultural differences.
- Language accents were difficult to understand
- Brand new team that had never worked together
- Job eliminations in SFO added stress to the teams

4.1.2.2 Positive Results

This project was a huge success based on a number of factors:

- Small committed team
- All Java architecture

- Team pioneered how the company would model agile development in multiple, time zones
- Rotated DFW leaders to India to teach development environment, architecture and domain expertise to offshore team
- Maintained at least one DFW team member on site for 4 months.
- India leaders spend 1 month in DFW
- Vendor teams very proficient in Agile methodologies
- Team gelled well and formed close relationships
- Delivered application early with more features than original backlog
- Revenues grew steadily month over month, and exceed records during Cruise Wave Season

5 2004 – 2006 Rapid Growth and BPO

Sabre's biggest growth years in off shoring took place during this timeframe.

5.1 2004 – *Struggling With Vendors*

We grew with three vendors in key areas of the business. However in mid 04 one of the key vendors underwent a complete change of leadership resulting in:

- Quality issues
- Rising attrition
- Challenges with existing commercial terms
- Billing issues
- Proposed rate increases inconsistent with our commercial terms
- On going debates that were straining the relationship

Even though we struggled with some vendors we continued to grow offshore. In late 2004 we acquired three new vendors with the acquisition of LastMinute.com. By the end of 04 we had 7 vendors each posing some degree of challenge with our development teams around the globe. Also, during this same time frame, Sabre transitioned from 8% to 20% of the development resources to various off shore entities.

As issues surfaced with vendors, potential switching costs started to generate concern. Sabre invested significantly in establishing Dedicated Development Centers (DDCs) and to consider moving away from a vendor after significant investment, Sabre began questioning the long term viability of investing 100% in third party vendors. As a result we began discussions on establishing our own captive development centers and collapsing work with fewer vendors.

5.2 *Travelocity BPO - 2004*

While Sabre's vendor strategy and transformation was being discussed, the Travelocity call centers were transforming as well. They were preparing to outsource significant customer service functions to offshore partners. The main business drivers for this decision were to improve the services we deliver to our customers as well as manage our

cost structure. During this time, we were struggling in delivering high value services and knew we could not sustain the status quo with huge growth projections ahead of us.

Travelocity conducted a RFP similar to our development organizations and WNS won the business. The primary goals were to achieve performance excellence, better service levels, access to skilled resources and ability to support our Customer Championship strategy. Travelocity outsourced the following business processes:

- Call Center Operations
- Data and Voice
- E-card
- Some back office functions
- Some F&A functions
- Ad-hoc analytical and knowledge base projects

This undertaking required significant planning. So how did Travelocity do it!

5.2.1 Aggressive ramp up and hiring

Travelocity had to minimize the US based employee impact by retraining, facilitated cross functional team (including HR and employee relations) discussions and constant communication across the company.

Besides ramping-up to more than 1000 staff within a year, some of the most substantial challenges faced during transition were the simultaneous knowledge transfer of complex processes and large-scale hiring and training of staff with different skill-sets. WNS and Travelocity worked closely through these challenges to deliver an effective transition.

WNS set up a separate business unit structure to manage the transition and operations of Travelocity. This was implemented to ensure the project had fully dedicated resources, which enabled a smooth transition in a short time frame. Key senior and middle management executives were hired with prior experience in transition and managing large and complex operations. Robust recruitment mechanisms were also set up which enabled WNS to hire more than 1000 staff in less than 10 months.

5.2.2 Knowledge Transfer and Training

The key challenges faced was tuning the Travelocity curriculum for India agents, developing voice and accent training to suit the process requirements and being up-to-date in changes happening in US travel market. The training was 10 weeks long and WNS trained multiple batches concurrently with a peak of 14-15 training batches at one stage. For Customer Service process alone, 64 batches were trained over a period of 10 months. Multiple processes were migrated with very aggressive ramp-up plans. To meet these challenges, WNS also hired ex-Travelocity employees to train WNS staff and support the first few weeks of operations. WNS sent approximately 40 trainers and operations staff to Travelocity locations to speed up training. Travelocity provided an

expert team of Subject Matter Experts (SME) who provided training, certified the WNS trainers and agents and provided operational support during the initial 4 months of the program. As a result of the learnings from the initial training classes, the training curriculum was completely re-written by a joint Travelocity/WNS curriculum development team and the new curriculum was not only delivered to all subsequent WNS classes but also leveraged for Travelocity's domestic new-hire classes. There were many smaller, specialty functions that did not have a formal training curriculum. For these functions Travelocity as WNS worked together to document the functions (many for the first time) and develop a methodology to train WNS personnel on the functions. In some cases WNS sat side-by-side with the Travelocity teams performing the function to learn the domain knowledge and other Travelocity SME's traveled to India to train WNS personnel.

5.2.3 Cultural Sensitization

Trainers or SMEs for both Travelocity and WNS had to travel to the others' sites to perform their jobs – frequently for months at a time. For many this was their first international travel experience. To assure that their first experience was a positive one and that they were comfortable enough with their new environment to do their job at a peak performance level, both parties took extraordinary measures to assure the safety, comfort and enjoyment of the traveling personnel – from western barbecues in Texas to hosted sightseeing trips in India. Because of these efforts all of the trainers and SMEs were eager to make repeat trips to perform their jobs.

5.2.4 Risk Management

To ensure business continuity, a two-site strategy was adopted. WNS successfully ramped-up a second location on time by replicating the process used for the first location. WNS and Travelocity jointly participated in a series of tests of the business continuity plan to transition to full production. As a result, on those few occasions where the business continuity plan has been invoked, it has worked exceptionally well.

5.2.5 Program Management

Both organizations assigned senior, experienced program managers to the transition project. Although each organization maintained detailed project plans, it was decided to maintain one project schedule, linked at the milestone level, to assure alignment of critical path activities. The program management team established over a dozen “functional community of interest” teams with functional representatives of both organization and organized frequent (no less than weekly) status meetings for these teams to assure coordination of efforts and to surface any issues or roadblocks to success. The program management team assured that any threats to success were resolved and/or escalated promptly.

The program governance was structured in a way where the Joint Steering Committee (SC) at the top provided guidance, direction and facilitated key decisions quickly. CEO's of both companies were on this SC to ensure the teams stayed focused on delivering the

program. The day-to-day project management was entrusted to a core project management team, which was made up of key executives from Travelocity and WNS. This team ran an “1800” line project plan very rigorously with a daily review of tasks and resources and was one of key reasons for the success of this program. Post transition challenges: Some of the key challenges faced post transition has been related to changes in processes and policies, technology changes, continuously improving customer satisfaction and people retention.

5.2.6 Current State

There were also challenges around continuously improving customer satisfaction scores. WNS and Travelocity have been working together in analyzing reports and survey results and jointly designing new survey questionnaire. Customer Satisfaction scores have improved with rigorous and insightful analysis of data used to drive training, QA enhanced staff coaching processes, policy and product adjustments.

To retain people in a growing and competitive market place for offshore outsourcing in India, WNS has been following innovative practices. Within the Travelocity project at WNS, around 350 people have been provided career growth in terms of role and position. Travelocity and WNS work together to engage employees through an extensive reward and recognition program.

As a result of the combined efforts, the WNS – Travelocity relationship has grown much beyond the initial cope of the program.

Results since contract signing:

- Lower unit cost structure leading to improvement in profitability
- Higher market share
- Seen as an innovator in market through unique customer championship policies and proactive approach in customer care
- Higher service levels and lower abandonment rate
- Reduced time to market through access to WNS labor pool
- Improved analysis of customer call drivers
- Comprehensive analysis of customer satisfaction survey through joint initiatives to enhance performance
- Focus on correcting customer highlighted product deficiencies
- Reduction in human error which has led to reduced cost of error recovery
- Reduction in fraudulent transactions

Relationship results

- Transparency and openness in communications
- Transformation focus
- Openness to ongoing recommendations on process improvements
- Timely reactions to business events with a proactive approach
- Consultative training program development
- Dedicated account and interface organization

- Positive attitude of both parties mutually partnering towards aligned goals
- WNS – Travelocity truly works as an extension of Travelocity

Candidly, we engaged consultants to advise us on the offshore outsourcing process and they told us that what we were attempting to transition in the timeframe we desired was not possible – they may have been right had we had a different partner but with WNS it went exceptionally well. The cooperative and mutually beneficial relationship that has been established between Travelocity and WNS has enabled us to move many of our strategic business initiatives forward faster and more effectively than we would have been able to do otherwise.

The relationship with Travelocity has been truly transformational for both companies. Through an open and trusting approach, we have together delivered a difficult transition and continue to deliver strong operational performance. The outsourcing engagement has continued to evolve with creative business models designed to allow mutual risk sharing and participation in the core business success. This relationship has grown into an energized and sustainable partnership.

5.3 2005 – Sabre’s Captive Centers

IT Outsourcing in 2005 was a pivotal year for Sabre. Sabre continued to grow rapidly and offshore targets percentages were set for 28-30% by year end. We had seven vendors wanting more and more business/revenue from Sabre.

With only two business units leveraging offshore capabilities, increasing pressure was placed on the Airline Solutions BU to start contributing to Sabre’s offshore cost savings initiative. Airlines Solutions wanted to protect sensitive IP and with some of their supplier contracts, they were not able to send some work to third party vendors. These two factors led Airline Solutions to aggressively build a Sabre facility in India and China.

Sabre made the decision to:

- Focus on a few strategic partners, eliminate others
- Grow our own centers so all BU’s could leverage offshore cost benefits while satisfying contractual commitments
- Build key leadership and domain expertise in our captive centers to better support our strategic partners and customers
- Develop products in close proximity to our customers
- Build risk and cost models to help teams select the right projects in the right regions with the right skill sets for the right costs

We opened our Sabre India Center in July 2005 and Sabre China Center in November 2005. We created the “Go Global Program” that encouraged US Based employees to move to these regions to build Sabre’s global footprint. This program focused primarily on Indian and China nationals, but was open to everyone in the company.

Airlines Solutions lead the effort to build the India Center but other BU's jumped on board as the facilities were established. Airline Solutions was successful in seeding eleven key leaders in early spring and by the end of the year they had hired approximately 30 new employees. As a result of this action Sabre secured two additional key contracts with two major airlines in the country. Without Sabre's presence in India, securing this new business would have been difficult, if not impossible to win.

Airlines Solutions started building offshore capabilities in early 2005, and went from 0% offshore to nearly 30%. This was a huge success for the BU and a huge win for the company from a revenue and cost perspective. A true success story!

5.4 Build Operate Transfer (BOT) - 2005

Once the decision was made to build a Sabre India entity, we turned our focus to selecting our Vendors of choice. We selected these partners using the following criteria:

- Core competencies in systems, functions and processes
- Deep knowledge in travel/transportation vertical
- Ease of doing business

We made the conscience decision to ramp down 3-4 vendors, one of which we negotiated a modified BOT. We agreed to make a financial payment for those employees that agreed join Sabre as an employee. This transaction concludes at the end of 2006 to coincide with the conclusion of an agreement with this vendor. This was a win/win for both companies.

6 2006 And Beyond

At the end of 2005, because development was fragmented across the BU's Sabre made the decision to centralize all Global Sourcing efforts for the enterprise. A small team was formed to work with each BU to:

- Establish Sabre's Global Sourcing Vision
- Develop a product strategy roadmap
 - o Identify primary and secondary locations for products and systems
 - o Collapse product development into fewer key locations
 - o Close offices where it makes sense
 - o Leverage vendors for increase in Sabre's resource demands
 - o Fully develop centers of excellence in Sabre's captive centers and with our vendors of choice
- Develop a vendor strategy and roadmap
 - o Eliminate partners that do not add value
 - o Establish new partnerships with vendors that have core competencies in areas where Sabre is weak
 - o Grow with two primary vendors
- Identify road blocks to global sourcing and build plans to address
- Create KPIs for enterprise executive reviews
 - o Create a common office structure for remote development centers

- Build training portal for all contractors to improve knowledge transfer related to domain expertise and Sabre processes
 - Standardize how development team performance is measured
- Meet quarterly with Sabre CEO and provide updates on Product and Vendor roadmaps

We are executing against our product and vendor strategy roadmaps to reduce vendors and collapse product into key development offices. We will continue to modify our plans as the business changes. Whether through acquisition or entering new markets, we will adjust our planning as necessary.