www.globalservicesmedia.com

GLOBAL SERVICES 100

Annual Global Outsourcing Industry Analysis

WHAT'S INSIDE

Annual Issue

2011 GLOBAL SERVICES COMPENDIUM

CYBERMEDIA

GLOBAL SERVICES

neo

ED Nair, Editor
ed@cybermedia.co.in

When Good Service Providers are Bad Data Providers

The GS100 exercise gives me a chance to sample all types of outsourcing service providers in the world and relate my experience with each one of them. I can even club them into unique categories based on their acumen, attitudes, and marketing savvy.

So, here are my informal GS100 categories:

1. The disinterested large global multinationals: They choose to ignore the GS100 exercise because a) their marketing departments are so stodgy and vast that the survey deadline is over by the time they decide, or b) they hide behind some corporate policy.
2. The participative and proactive global multinationals: They are very co-operative and interested. They offer interviews and various other opportunities to help us get a good insight into their companies. They make sure they get heard.
3. The diligent global multinationals: The marketing intern diligently works for 2 months at filling up the questionnaire and then they forget about it. They don't reach out to get heard.
4. The large 6-8 Indian outsourcing service providers: A few of them choose to behave like category 1 above. But the others, if they participate, then they are like category 2 above. They put meticulous effort in giving information. These companies really understand the finer nuances of global marketing, media relations, media strategy, influence marketing, etc. Nothing is too small for them to be ignored.
5. The vast group of mid-tier Indian outsourcing service providers: Most of them in this category distinguish themselves with their utter ignorance about global marketing. Lead generation through inside sales (teams of telecallers from India), onsite bizdev (BD) guys sneaking into IT conferences in the US, a website, and a Nasscom membership forms the core of their marketing activity. A few of these guys participate in our survey by giving some information, others are happy ignoring it.
6. The US-based East European (incl. Russian), Latin American, and Chinese providers: These guys participate with full fervor and sincerity. They explore various marketing options to help them distinguish themselves from Indian mid-tier vendors. These guys also undertake the task of marketing their respective offshore locations. Year over year, they increase their marketing sophistication by adding newer elements. They are 'hungry' and have a 'sense of urgency'.
7. The small, start-up, boutique companies: They begin with the right earnestness, but they end up joining category 5 or 6 when they scale up.

Surveys such as the GS100 have a purpose— to help buyers choose potential service providers. In itself, GS100 is an exercise to recognize service provider excellence. Participating in such surveys with full information helps the entire outsourcing ecosystem.

We are happy to present the 2011 Global Services Compendium.

Happy Reading!

CONTENTS

Pradeep Gupta
Chairman & Managing Director
Cyber Media (India) Ltd.
E. Abraham Mathew
President
Ed Nair
Editor, ed@cybermedia.co.in
Satish Gupta
AVP, satishg@cybermedia.co.in
Gary Bindra
gurdeepb@cybermedia.co.in
Virendra Kumar
x-virendrap@cybermedia.co.in
Smriti Sharma
smritis@cybermedia.co.in
Niketa Chauhan
niketac@cybermedia.co.in
Smita Vasudevan
smitav@cybermedia.co.in

Sourabh Chandra Pushp
sourabhc@cybermedia.co.in
Design
Suresh Kumar
sureshk@cybermedia.co.in

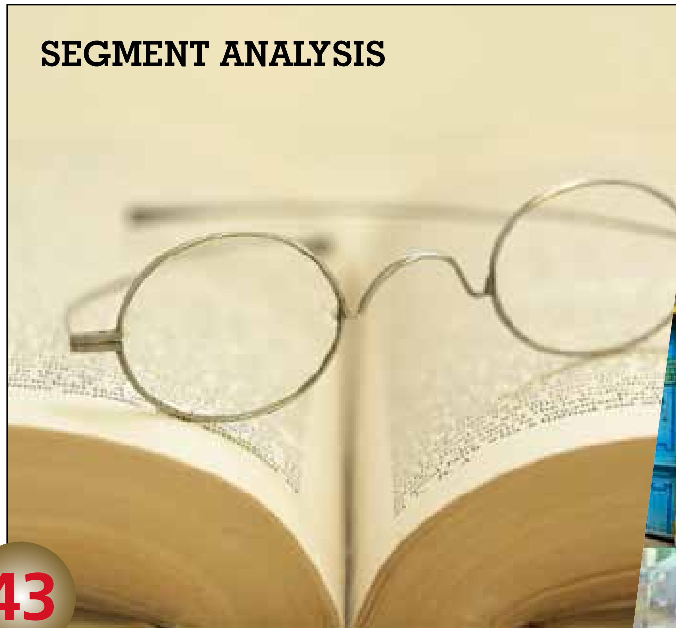
Forthcoming Compendiums
Destinations Compendium
Vox Artis - Voice of Experts

Global Services
Cyber Media (India) Ltd.
CyberHouse, B- 35, Sector 32
Gurgaon-122001, India
Tel: +911 24 4822222
Fax: +911 24 2380694
Contact:
globalservices@cybermedia.co.in

ADVERTISERS LIST

ITO Analysis and Trends

SEGMENT ANALYSIS



BPO Analysis and Trends

INDUSTRY ANALYSIS & OUTLOOK

2010-Global Outsourcing Slows Down to Re-adjust Course

The effects of the recession were seen complete in 2010 with most indicators pointing south. But the fundamentals are strong for a steady recovery. In that sense, the year was a brief interlude.

Ed Nair

The full impact of the 2008 recession on the global services industry was only beginning to get felt in 2009, but it actually played out in 2010 in terms of growth rates, total contract values, new customers gained, and type of contracts. These are the real measures of outsourcing activity and these measures tell a tough story in 2010.

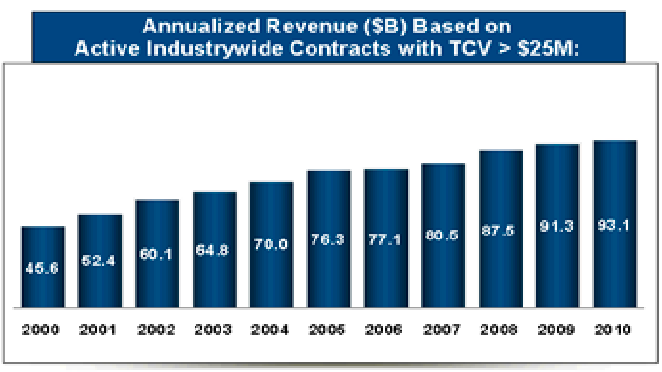
The silver lining on the dark clouds of 2010 is that despite the bad news, the size of the outsourcing industry did not shrink. The industry is not depressed. In fact, it grew at modest rates, whichever source you allude to. Global Services does not size up the overall industry, but evidences from GS100 data also suggest that the volume of outsourcing has grown. Therefore, the good news is that the big picture is intact. (See Fig. 1)

TPI tracks deal activity on a quarterly basis. Global deals larger than $25M in TCV get tracked as the global broader market. Though not a perfect measure, it is still a great indicator of global deal activity

Figure 1

Global Market Size

Companies have spent more for outsourcing services year after year during the past decade



Category	Size ($B)	Y/Y Growth	5 Year CAGR
Global	93.1	2.0%	5.1%
Americas	40.4	0.8%	-0.5%
EMEA	42.2	4.8%	11.5%
Asia Pacific	10.5	-3.6%	8.2%
ITO	67.8	2.8%	3.4%
BPO	25.3	-0.2%	10.9%

Annualized revenues cont the revenues available to service providers in any given year. It combines the active awards from current and previous years.

Source: TPI

correlated with size. For full year 2010, the TCV was $79.4 B, which is 11 percent down from 2009. The figure of course does not include deals below $25M in TCV, which if take into consideration may indicate a net increase over 2009.

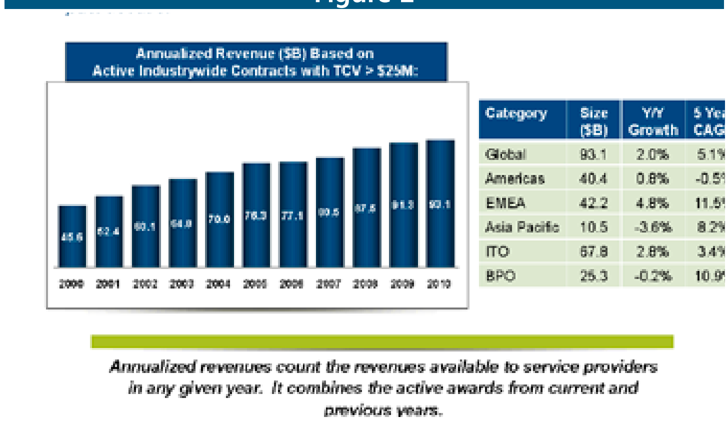
The split between contract restructuring and new scope reveals that the year was predominated by restructuring, which showed a 39% increase over 2009. At the same time, new scope contracts showed a sharp decline of 25 percent. It means that in 2010, the focus of outsourcing was to extend existing relationships, mostly on renegotiated rates and different terms. New scope is suggestive of fresh activity, which in itself, is an indication of growth and advancement of the envelope of outsourcing. In other words, depressed new scope denotes sluggishness.

BPO contracts in 2010 fell by 31 percent. In addition, most of the BPO activity was from the Americas. One of the prominent reasons for this is that BPO contracts are often smaller in value. The days of large multi-tower BPO deals are over. Instead, companies are now looking at part processes and having a phased approach to implementing end-to-end business processes. Multi-sourcing is another reason for BPO numbers to drop. (see Figure 2)

In 2010, nearly three-fourths of the contracts were multi-sourced, which in comparison to 2000, suggests that true multi-sourcing has become the mainstream practice.

In summary, 2010 was a difficult year brought about by the effects of recession and manifested as reduced TCV, increase in restructurings, and reduced new scope. Add to this, a general decline in contract sizes and a deepening of the trend of multi-sourcing. These are the new behaviors that are likely to continue. In summary, none of this suggests that outsourcing is coming to a logical decline in activity. The economic case for outsourcing is still strong, the strategic case for outsourcing is proven, and there's a whole lot of scope for more outsourcing in all areas. That's the reason that in 2011, we would see a steady recovery and a more positive outlook.

Figure 2



Categories (Based on TCV)	2010 FY TCV ($B)	2010 FY Growth
Global Broader Market	79.4	-11%
Restructuring	26.3	39%
New Scope	53.1	-25%
Americas	33	-3.2%
EMEA	37.7	-14%
APAC	8.7	-24%
ITO	62.4	-3.7%
BPO	17	-31%

Source: TPI 4Q10 Index

Outlook 2011- Rising from the Bottom, Steady Recovery Onward

The worst seems to be behind us and 2011 would see the beginning of slow and steady recovery.

Ed Nair

The overall outlook for 2011 is that of steady recovery. But the year began with weak performance. It was expected that there would be a lot of spillover from 4Q2010 (OND 2010), but it was not quite discernible.

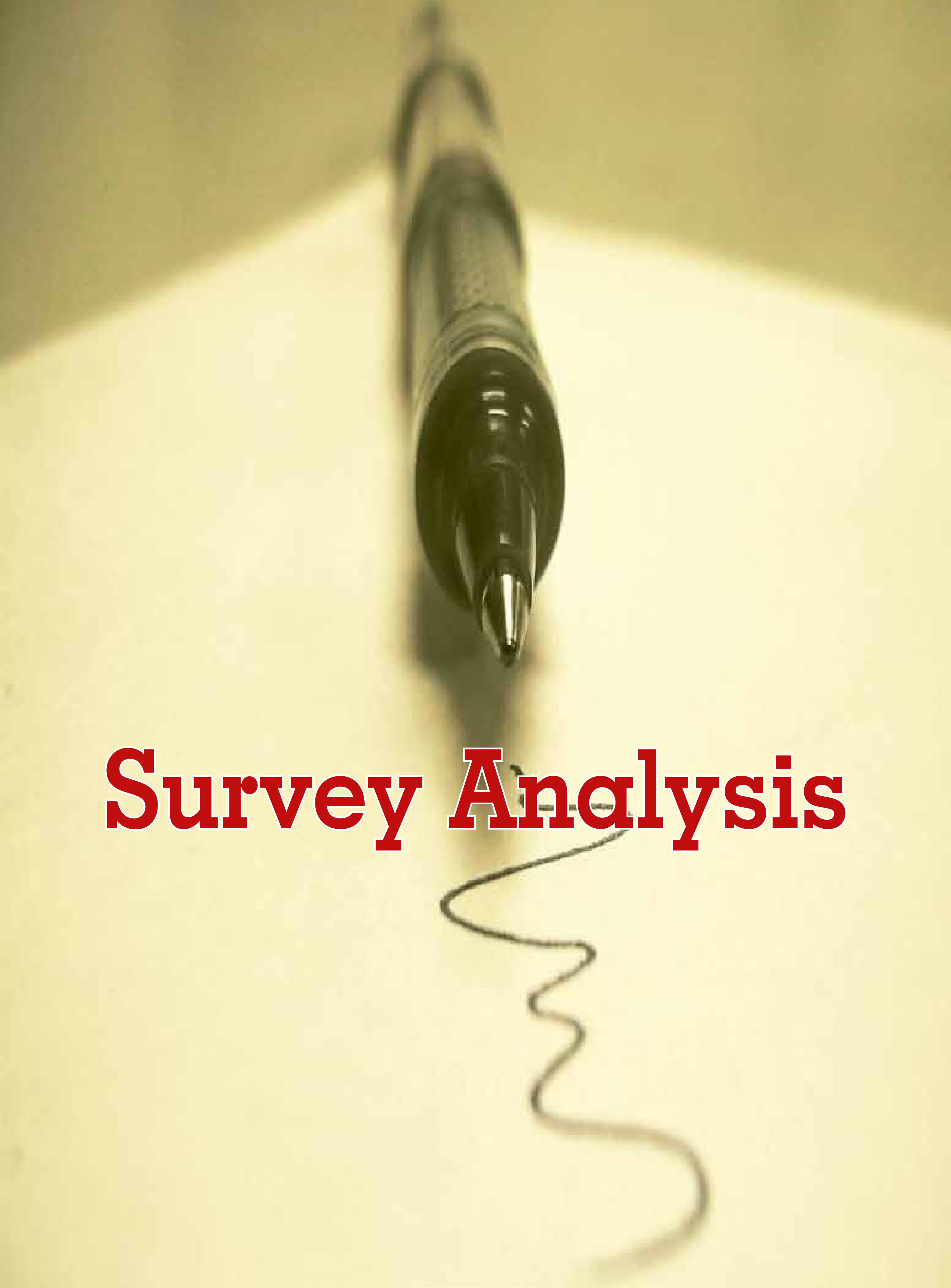
As of this time, there is insufficient prognosis or data on 2Q2011. Vendors have informally reported a positive outlook after an exceedingly difficult previous quarter. Indications are that volumes would rise, but there would be pricing pressure.

Even in the first quarter, there were signs of a reversal in course. Restructurings, which were at an all-time high in 2010, saw a remarkable dip earlier this year. Though this showed up as a headwind for ITO TCV, the concurrent effect of increase in new scope was a welcome sign.

There is a resurgence in BPO activity this year with a 66% rise in TCV, with activity levels near a 5-year high, again according to TPI. It shows that BPO had clearly bottomed out last quarter.

Fears of a double-dip recession have been doing the rounds recently. Economists are divided on their opinion. Providers have not reported any material tion of IT are also the driving factors for more technology work. Similarly, business processes optimized using BPO, can have direct impact on costs and profitability. This is true of both generic SG&A-related processes and industry-specific processes. Even mid-size organizations are looking to embrace new trends in IT and BPO. These would translate into new demand for IT services and BPO.

1Q2011 was the lowest first quarter ever in the past 10 years and the global TCV was down by 25%, according to TPI. Global Services believes that this is the last squeeze out of the tube for outsourcing and it is the beginning of a slow steady recovery.



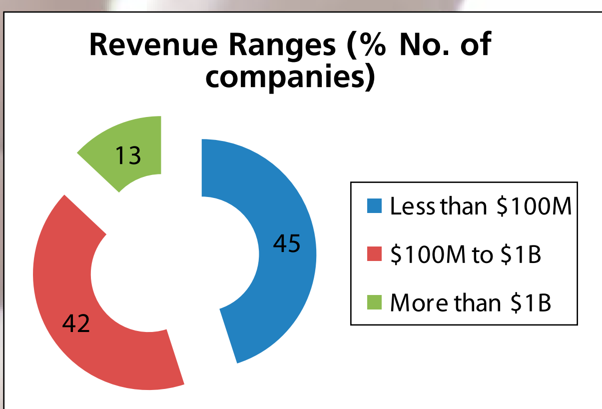
Survey Analysis

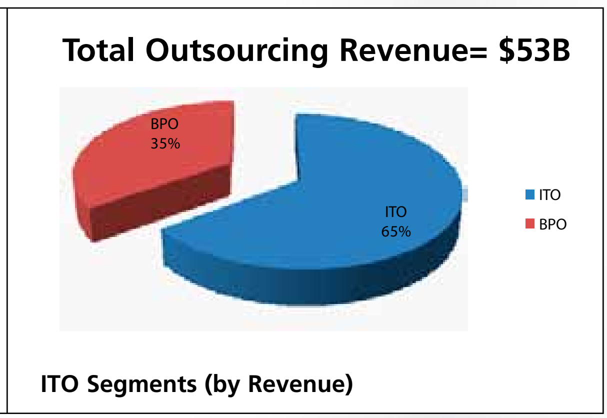
The 2011 Global Services 100: Defining Leadership in Global IT and Business Process Outsourcing

Ed Nair

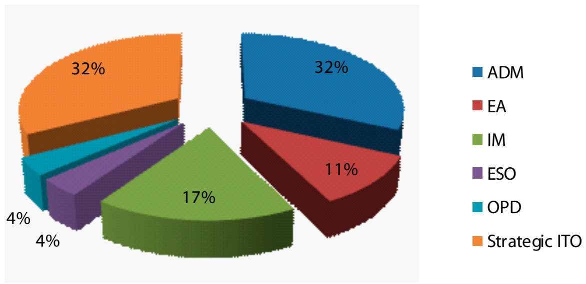
This is neither a study of 100 companies nor a survey aimed at choosing hundred best companies based on financial performance. Hundred best companies they are; chosen through a rigorous methodology (see Methodology section below) that evaluates each company across multiple dimensions, measured both quantitatively and qualitatively. From over 200 applications (companies that opt-in to participate), the study presents a complete view of the dynamics of the most significant segments that make up the IT and business process outsourcing industry.

The following charts show the make-up of the 100 companies that form part of this year's GS100 and what they do.

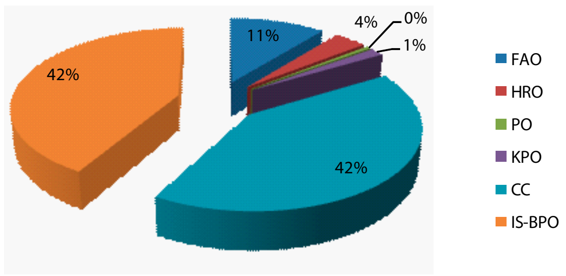




Total ITO Revenue- $35B



Total BPO Revenue- $18B



BPO Segments (by Revenue)

The GS100 Methodology

Companies who opted to participate in the survey were asked to share exhaustive information through an online survey done during 03/11 and 04/11. The top 100 list and the names in the categories are derived using a scientific research methodology based on over 200 data points and several qualitative parameters.

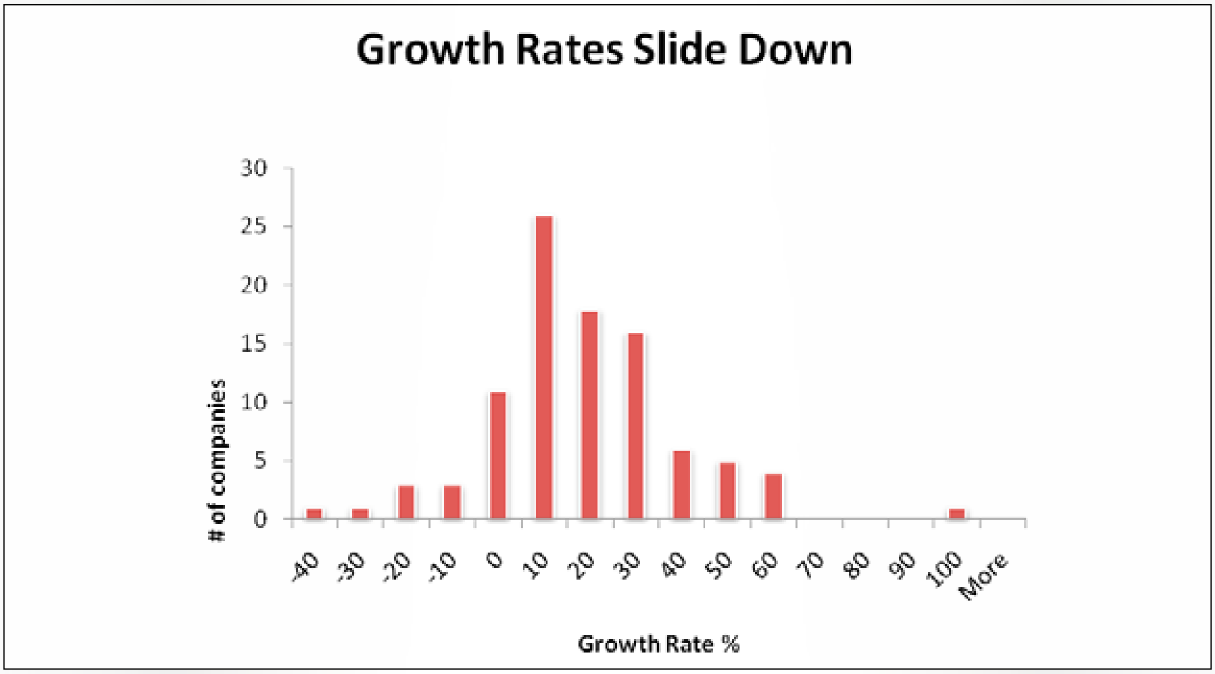
The GS100 model for analysis is based on four primary pillars:

- Management Excellence (includes revenue, growth, profitability, expansion, M&A, headcount, thought leadership, innovation capability, marketing excellence, leadership quality, resource profile, risk management measures, HR practices and policies, and several other performance indicators)
- Customer Maturity (paying customers, new customers, verticals represented, geographies represented, sectoral diversity, contract sizes, customer case studies, complexity of projects, marquee clients, important wins, etc.)
- Global Delivery Maturity (global delivery footprint, type of work done, expansions, headcounts, growth in headcounts)
- Breadth of Services Portfolio (breadth of capabilities and service offerings across ITO and BPO, domain expertise across verticals, engagement models, vendor management practices, new capabilities and services launched, category leadership, ability to serve niche markets, etc.)

A weighted scoring scheme was used to rate each of the above areas based on a scoring scheme designed by a panel from Global Services' and NeoGroup's practice experts.

The Growth Story

Revenue growth was the most sought after performance indicator during 2010, but it eluded most of the companies due the depressed market environment.



Nearly half the companies have growth rates of 10 percent or less, including about a fifth of companies in the negative zone. Six out the 19 companies in the negative zone are global $1B+ companies and most of the rest are mid-tier companies. The spread includes few companies with IT and BPO capabilities, few niche IT leaders, and many pure play BPO companies. Single digit growth companies are an assortment of many mid-tier IT and BPO companies from India and a few small non-Indian offshore players. Clearly, there was pressure on the top-line for mid-tier companies.

In the 10 percent to 30 percent band, there are many aggressive and leading India-focused companies and large regional IT leaders. These are the companies that were equipped to handle the market forces, were able to get business either through their scale or specialty, and were able to deliver better than average results.

Amongst companies that grew fastest, with growth rates in excess of 30 percent, one would find many global mid-tier companies from India, China, Russia, E.Europe, and Latin America. In some cases, growth has come in from acquisitions— a strategy that works well when primary demand is weak.

Fastest Growing Companies*

Aegis Limited
Auriga Inc.
Chinasoft International Ltd.
Ci&T Software
Ciklum
DBA Engenharia de Sistemas
eClerx Services Ltd
EPAM Systems
ExlService Holdings, Inc. (EXL Service)
Globant
HTC Global Services, Inc.
iGATE Global Solutions Limited
InterGlobe Technologies
KPIT Cummins Infosystems Ltd.
Luxoft
Nagarro, Inc.
VanceInfo Technologies

*Growth rate of more than 30 percent

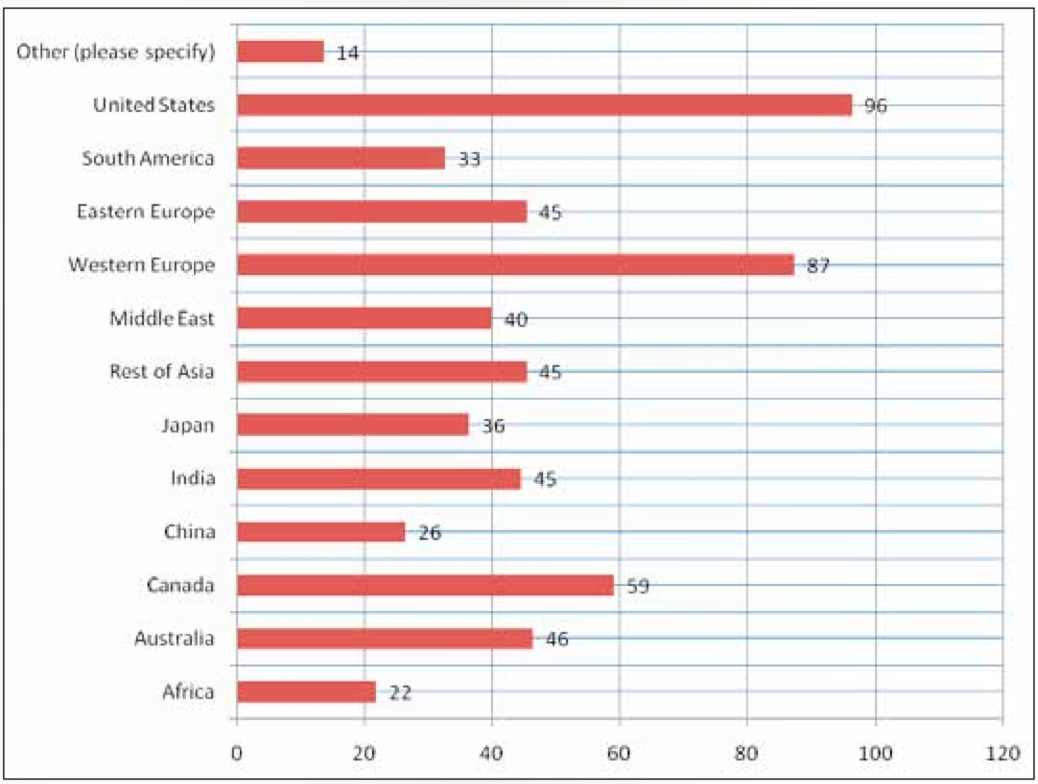
Customer Leadership

Customer acquisition is one of the key factors for success in the services business. Customers represent lifetime value to the business. The quality of customers determines the stability of the business model, the potential to innovate, and the overall learning for the organization.

A global customer base signifies the ability to understand diverse global businesses and the ability to orchestrate delivery using multiple offshore delivery locations.

GS100 companies serve customers across the globe. The chart shows the global diversity of GS100 customer base. US and W. Europe (with 96 and 87 companies respectively) obviously lead the group because they continue to be the demand centers

No. of companies with corporate customers in the region



for services. Canada and Australia come next. Interestingly, other countries/ regions that include India, Japan, South America, and E. Europe are rising in demand for global services.

In terms of new customer acquisition in 2010, the GS100 companies got in nearly 6800 new customers for IT services. Within that, the major areas are ADM and bundled IT services (multi-tower IT services). Similarly in BPO, the areas were analytics and industry-specific BPO.

ITO Customers

Area	Total Paying Customers	New Customers in 2010	% New in Total Customer Base
ADM	8542	2373	27.78
EA	3819	1008	26.39
ESO	1477	252	17.06
OPD	1749	625	35.73
IM	1999	314	15.71
Multi-IT	7376	2209	29.95

BPO Customers

Area	Total Paying Customers	New Customers in 2010	% New in Total Customer Base
FAO	5337	317	5.94
HRO	270	29	10.74
CC	2079	472	22.70
PO	153	13	8.50
KPO/ Analytics	4365	653	14.96
Industry-specific	2012	447	22.22

Software Paradise, Hangzhou Sourcing

HANGZHOU

Demonstration City of Chinasourcing Hangzhou

Hangzhou was defined as the "China Service Outsourcing Demonstration City" in February 2009. Hangzhou is also the one of eleven software industry base cities in mainland China. It has currently formed the several industries including telecommunication, software, integrated circuit, digital TV, animation games and E-commerce.

The revenue of software business in Hangzhou was achieved at 47 billion RMB in 2009, the software export revenue reached at 460million USD. There were total 112 enterprises passed CMMCMI, ISO27001 certification. There were 20 IT software enterprises have list on public market, two companies ranked at Top 10 of self-brand software products, total 15 enterprises have list at the key software enterprises name list of the national strategic planning.

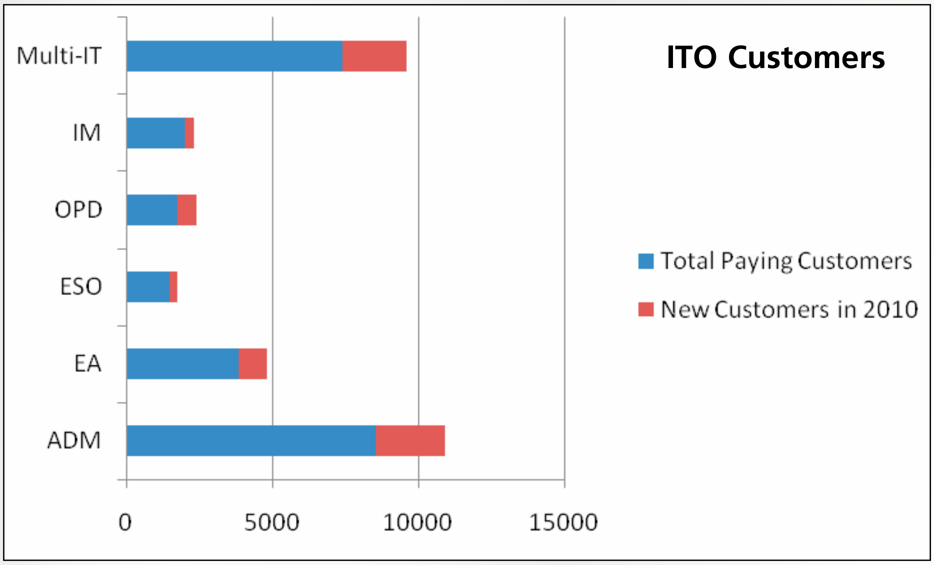
In order to accelerate the development of outsourcing industry, Hangzhou Municipal Government set up the leading team to draw up the development plan, issue the supporting policy to make the rapid development of outsourcing industry in Hangzhou. The total delivered amount of offshore outsourcing business reached at 919mllion US Dollars, risen to 352% compared to the same period of last year (2008).

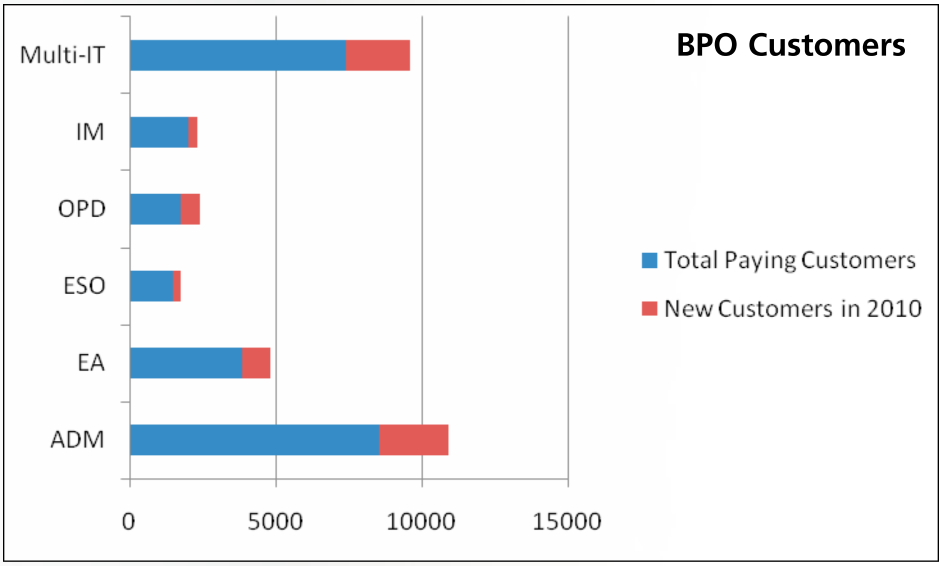
Hangzhou government has put more focus on the financial service outsourcing that is considered as the medium and high end outsourcing industry, Hangzhou now is creating to become the financial delivery center.

Software Paradise | Hangzhou Sourcing

International Financial Outsourcing Center

Promotion & Undertaker: Great-Idea International Outsourcing Consulting Center



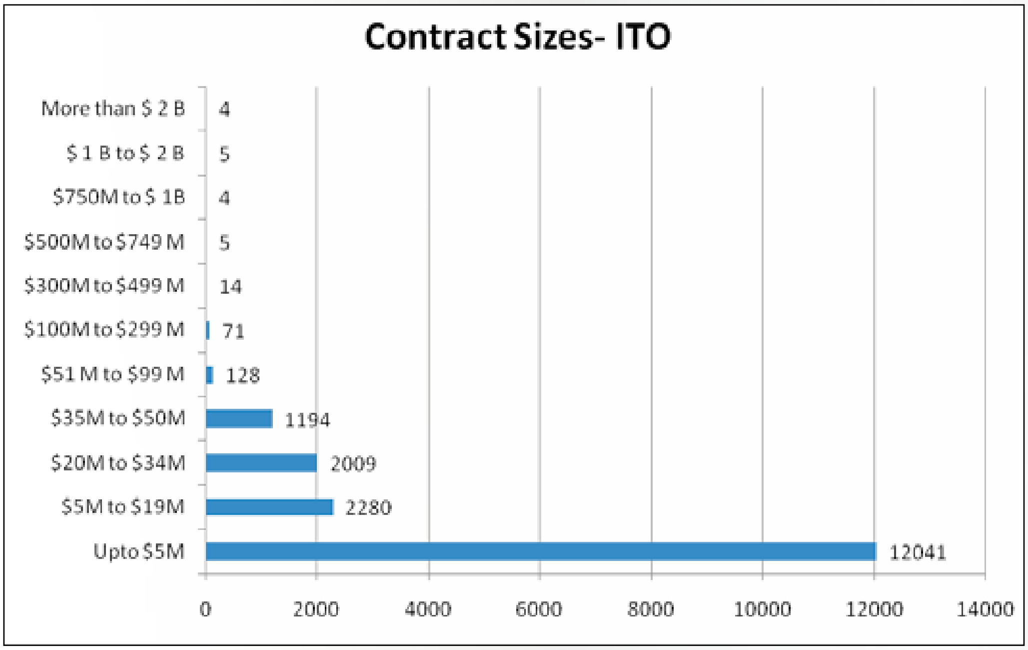


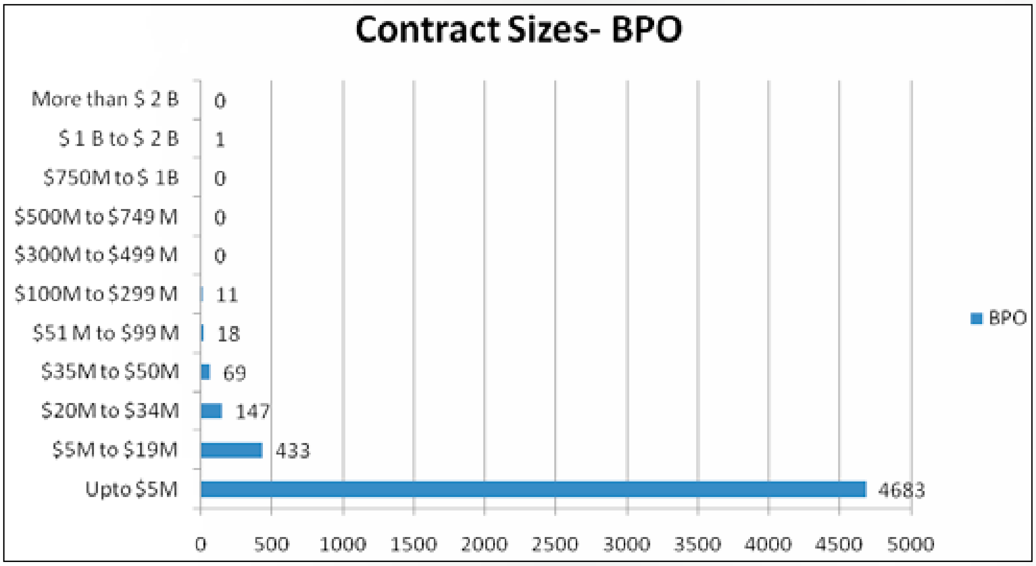
Contracts and Deals

Contracts in terms of numbers and value (which includes duration) are very good indicators of the level of activity in the services market.

Figures below denote the value of existing contracts, including new ones signed during the year. The relative level and scale of activity in the ITO and BPO areas can be easily understood from this. Large BPO contracts are almost absent, whereas in ITO, there are nearly 100 contracts that are $100M plus in TCV.

Contract TCV Range	ITO	BPO
Upto $5M	12041	4683
$5M to $19M	2280	433
$20M to $34M	2009	147
$35M to $50M	1194	69
$51 M to $99 M	128	18
$100M to $299 M	71	11
$300M to $499 M	14	0
$500M to $749 M	5	0
$750M to $ 1B	4	0
$ 1 B to $ 2 B	5	1
More than $ 2 B	4	0

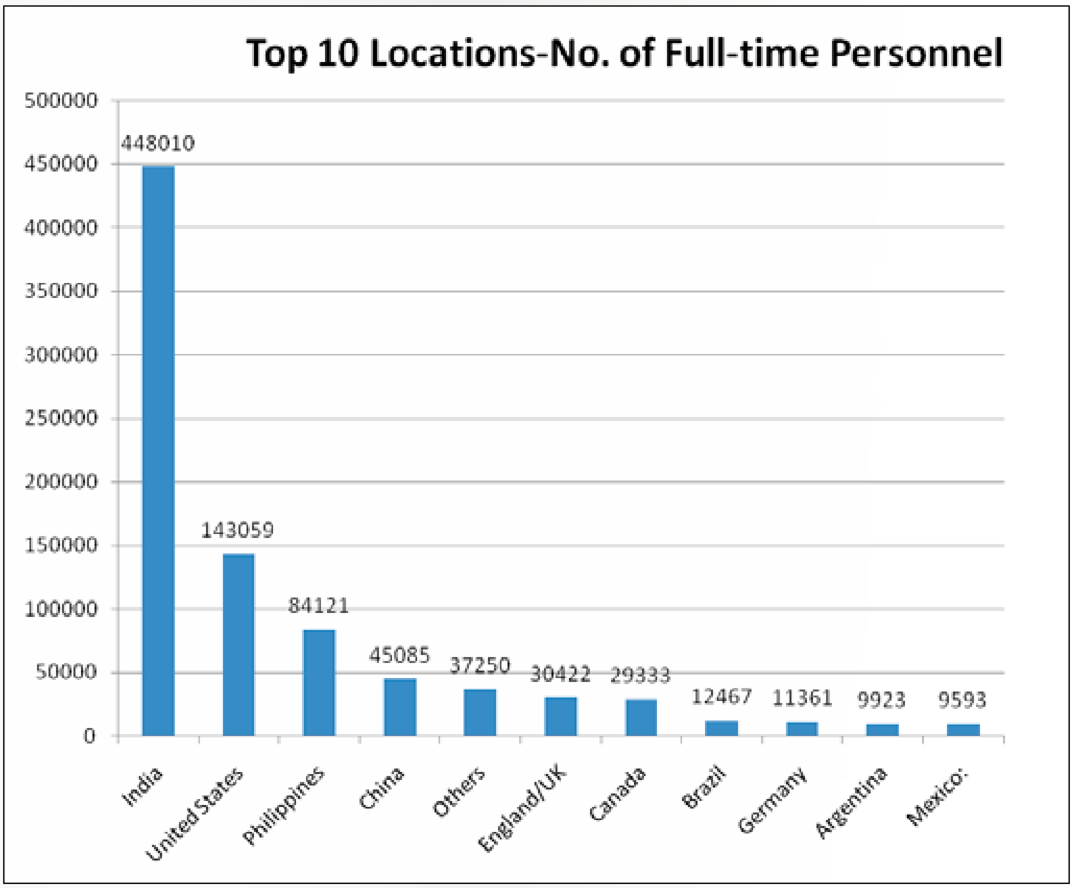




Global Spread

With the spread of global delivery, the number of employees in various countries helps to understand the rise of new locations.

Top 5 Locations	
Country	**No. of Full-time Personnel**
India	448010
United States	143059
Philippines	84121
China	45085
England/UK	30422
Next 5 Locations	
Country	**No. of Full-time Personnel**
Canada	29333
Brazil	12467
Germany	11361
Argentina	9923
Mexico	9593

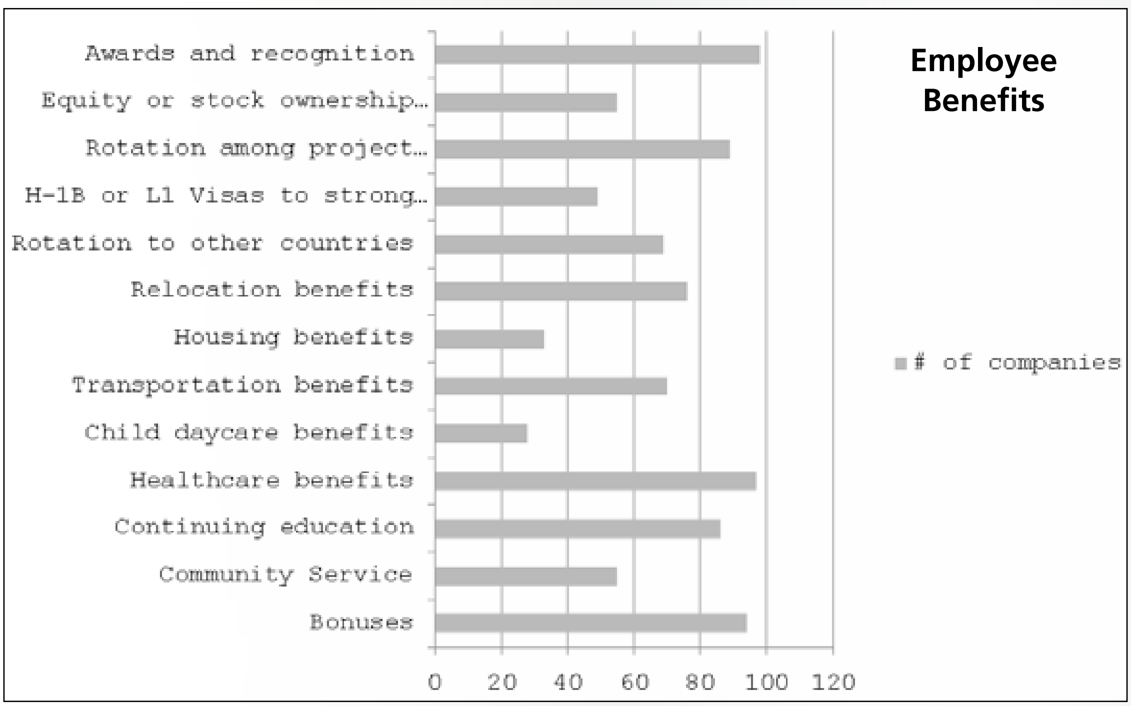


YoY Comparison

Country	2009	2010
India	514157	448010
Philippines	97740	84121
United States	42808	143059
China	34672	45085
Canada	32690	29333
England/UK	23494	30422
Brazil	10213	12467
Germany	9269	11361
Australia	8544	8247
Mexico	8412	9593
Argentina	NA	9923

- Numbers are not strictly comparable because they belong to different samples, but the samples are identical.
- Drop in India numbers can be attributed to the non-participation of TCS, which was part of the sample last year.
- Rise in the US numbers does point towards increased hiring of professionals in the US by offshore vendors in IT and contact centers.
- Numbers in China does not signify an overall rising trend; at best the numbers should be construed to be stable and growing, but definitely not decreasing.
- Increased deal activity in UK is the reason behind increase in the numbers.
- Numbers from Latin American countries like Argentina, Chile, Colombia, and Mexico alongwith Brazil are on a steady rise. This trend is undoubted, though the numbers from the sample are not significant enough.

HUMAN RESOURCES



Top 20 Employers
(in terms of total employees in 2010)

Aditya Birla Minacs Worldwide Ltd.
Aegis Limited
Capgemini S. A.
CGI Group, Inc.
Convergys Corporation
CSC
Firstsource Solutions Ltd
Genpact
HCL Technologies Ltd.
Hinduja Global Solutions Limited
Infosys Technologies Limited
Intelenet Global Services Pvt. Ltd
NCO Financial Systems, Inc.
Neusoft Corporation
Sitel
Stream Global Services
Sutherland Global Services, Inc.
Tech Mahindra Ltd.
Unisys Corporation
Wipro Technologies

Top 10 Employers
(in terms of employees recruited)

Aegis Limited
Aditya Birla Minacs Worldwide Ltd.
Capgemini S. A.
Firstsource Solutions Ltd
HCL Technologies Ltd.
Infosys Technologies Limited
Intelenet Global Services Pvt. Ltd
Stream Global Services
Sutherland Global Services, Inc.
Wipro Technologies

GS100 LISTS

The 2011 Global Services 100

Defining Leadership in Global IT and Business Process Outsourcing

This is neither a study of 100 companies nor a survey aimed at choosing hundred best companies based on financial performance. Hundred best companies they are; chosen through a rigorous methodology that evaluates each company across multiple dimensions, measured both quantitatively and qualitatively. The study presents a complete view of the dynamics of the most significant segments that make up the IT and business process outsourcing industry.

The GS100 Methodology

Companies who opted to participate in the survey were asked to share exhaustive information through an online survey done during 03/11 and 04/11. The top 100 list and the names in the categories are derived using a scientific research methodology based on over 200 data points and several qualitative parameters.

The GS100 model for analysis is based on four primary pillars:

- Management Excellence (includes revenue, growth, profitability, expansion, M&A, headcount, thought leadership, innovation capability, marketing excellence, leadership quality, resource profile, risk management measures, HR practices and policies, and several other performance indicators)
- Customer Maturity (paying customers, new customers, verticals represented, geographies represented, sectoral diversity, contract sizes, customer case studies, complexity of projects, marquee clients, important wins, etc.)
- Global Delivery Maturity (global delivery footprint, type of work done, expansions, headcounts, growth in headcounts)
- Breadth of Services Portfolio (breadth of capabilities and service offerings across ITO and BPO, domain expertise across verticals, engagement models, vendor management practices, new capabilities and services launched, category leadership, ability to serve niche markets, etc.)

A weighted scoring scheme was used to rate each of the above areas based on a scoring scheme designed by a panel from Global Services' and NeoGroup's practice experts.

A Directory of Global Outsourcing Service Providers!

Presenting OSourceBook

EXCLUSIVE BENEFITS FOR PLATINUM CLUB MEMBERS

1. CREATE THE 'PULL' EFFECT
Get going with more profile visits through indepth/exclusive editorial linkage.

2. GET TOP PRIORITY
By default, the Platinum members get top priority on a search result followed by other profiles such as custom/free.

3. HARNESS THE POTENTIAL
Track number of visits to your profile on-demand with a feature that keeps you updated on how your profile is performing.

4. BE VISIBLE
OSourceBook will be promoted to all potential buyers of services globally through our multi-media platform promotional campaign.

PROFILE TYPES	PLATINUM	CUSTOM	BASIC
TOTAL COST	$999	from $50	FREE
COMPANY IDENTITY	✓	✓	✓
SERVICES PROVIDED	✓	✓	✓
QUICK FACTS	✓	✓	✓
SLIDE SHOW	✓	$100	✗
COMPANY OVERVIEW	✓	$150	✗
CONTACT/LOCATION MAP	✓	$150	✗
INDUSTRIES SERVICED	✓	$100	✗
EVENTS CALENDAR	✓	$50	✗
AWARDS/RECOGNISTIONS	✓	$50	✗
CERTIFICATIONS	✓	$50	✗
OPT-IN SUBSCRIPTION	✓	$50	✗
RESOURCES	✓	$50	✗
DYNAMIC SECTION	✓	$100	✗
ADDITIONAL BENEFITS	✓	✗	✗

SIGN UP TODAY!

For more details, visit www.osourcebook.com

GLOBAL SERVICES CYBER MEDIA

2011 GLOBAL SERVICES 100 COMPANIES

Company	Name of the CEO	Headquarters
24/7 Customer Pvt. Ltd	P V Kannan	Campbell, (California) USA
Aditya Birla Minacs Worldwide Ltd.	Deepak J Patel	Bangalore, India Toronto, Canada
Aegis Ltd.	Aparup Sengupta	Mumbai, India
Affinity Express Inc.	Kenneth W. Swanson	Elgin, USA
Altisource Portfolio Solutions S.A	William B. Shepro	Luxembourg City, Luxembourg
AppLabs	Sashi Reddi	Philadelphia, PA
Artezio	Pavel Adylin	Moscow, Russia
Auriga Inc.	Andrei Pronin	Moscow, Russian Federation
Birlasoft	Arup Gupta	Noida, India
Bleum, Inc.	Eric Rongley	Shanghai, China
Capgemini S. A.	Paul Hermelin	Paris, France
CGI Group, Inc.	Michael E. Roach	Montreal, Canada
Chinasoft International Ltd.	Yu Hong Henry Chen	Hongkong (Beijing), China
Ci&T Software	Cesar Gon	Campinas, Brazil
Ciklum	Torben Majgaard	Kiev, Ukraine
Collabera Inc	Hiten Patel	Morristown, (NJ) USA
Convergys Corporation	Jeff Fox	Cincinnati, (OH) USA
CSC	Michael W. Laphen	Falls Church, (VA) USA
Cybage Software Private Ltd.	Arun Nathani	Pune, India
DataArt	Eugene Goland	New York, USA
Datamatics Global Services Ltd	Rahul Kanodia	Mumbai, India
DATROSE	William Rose	Rochester, (NY) USA
DBA Engenharia de Sistemas	Patricia Andrea Freitas	Rio de Janeiro, Brazil
eClerx Services Ltd	PD Mundhra and Anjan Malik	Mumbai, India

Endava Ltd.	John Cotterell	London, United Kingdom
EPAM Systems	Arkadiy Dobkin	Newtown, (PA) USA
Exigen Services	Alec Miloslavsky	San-Francisco, (CA) USA
ExlService Holdings, Inc. (EXL Service)	Rohit Kapoor	New York, USA
Firstsource Solutions Ltd	Matthew Vallance	Mumbai, India
Freeborders, Inc.	Jean Cholka	San Francisco, (CA) USA
Genpact	NV Tiger Tyagarajan	NYC, USA and Gurgaon, India
GlobalLogic, Inc.	Peter CJ Harrison	McLean, (VA) USA
Globant	Martin Migoya	Buenos Aires, Argentina
Grupo Prominente	Gonzalo Rueda	Cordoba, Argentina
HCL Technologies Ltd.	Vineet Nayar	Noida, India
*Headstrong Services, LLC	Sandeep Sahai	Reston, (VA) USA
Hexacta	Juan Navarro	Buenos Aires, Argentina
Hexaware Technologies Ltd.	P.R.Chandrasekar	Jamesburg, USA
Hildebrando S.A. de C.V	Diego Zavala	Mexico City, Mexico
Hinduja Global Solutions Ltd	Partha Sarkar	Bangalore, India
HOV Services Ltd.	Parvinder S Chadha	Troy, MI and Chennai, India, USA and India
HP	Leo Apotheker	Palo Alto, CA USA
HTC Global Services, Inc.	Madhava Reddy	Troy, CA USA
IBA Group	Sergei Levteev	Prague Czech, Republic
iGATE Global Solutions Ltd	Phaneesh Murthy	Fremont, CA USA
Indecomm Global services	Naresh Ponnapa	Bangalore, India
Infosys Technologies Ltd.	S. Gopalakrishnan	Bangalore, India
Innodata Isogen	Jack Abuhoff	Hackensack, (NJ) USA
Insigma Technology Co., Ltd	Lie Shi	Hangzhou, China
Intelenet Global Services Pvt. Ltd	Susir Kumar	Mumbai, India

* Headstrong Services LLC has been acquired by Genpact

InterGlobe Technologies	Vipul Doshi	Gurgaon, India
Intetics Co	Boris Kontsevoi	Wilmette, (IL) USA
ITC Infotech	B Sumant	Bangalore, India
Itransition Software Development Company	Sergey Gvardeitsev	Minsk, Belarus
KPIT Cummins Infosystems Ltd.	Kishor Patil	Pune, India
Lanit-Tercom, Inc	Andrey N.Terekhov	St.Petersburg, Russia
Lionbridge Technologies, Inc.	Rory Cowan	Waltham, (MA) USA
LogiGear Corporation	Hung Quoc Nguyen	San Mateo, CA USA
LOHIKA	Daniel Dargham	San Bruno, USA
Luxoft	Dmitry Loschinin	Moscow, Russia
Marlabs, Inc.	Siby Vadakekkara	Piscataway, NJ USA
MERA	Dmitry Ponomarev	Nizhny Novgorod, Russia
Microland Ltd.	Pradeep Kar	Bangalore, Bangalore
Mindteck (India) Ltd.	Pankaj Agarwal	Bangalore, India
MindTree Ltd.	Krishnakumar Natarajan	Bangalore, India
Nagarro, Inc.	Vikas Sehgal	San Jose, (CA) USA
NCO Financial Systems, Inc.	Ron Rittenmeyer	Horsham, (PA) USA
Neilsoft Ltd.	Ketan Bakshi	Pune, India
NEORIS	Claudio Muruzabal	Miami, USA
Ness Technologies	Sachi Gerhlitz	New Jersey, USA
Neusoft Corporation	Jiren Liu	Shenyang, China
Omnitech Solutions	Atul Hemani	Mumbai, India
Outsource Partners International	Clarence T. Schmitz	Los Angeles & New York (Dual HQ), USA
Pacific Global, Inc	Shwetabh Kumar	Noida, India
Persistent Systems Ltd	Dr. Anand Deshpande	Pune, India
Polaris Software Lab Ltd.	Arun Jain	Chennai, India

Quality Engineering and Software Technologies	Ajit Prabhu	Singapore, Singapore
RCG Information Technology	Robert Simplot	Edison, (NJ) USA
Reksoft	Alexander Egorov	St-Petersburg, Russia
Scicom (MSC) Berhad	Leo Ariyanayakam	Kuala Lumpur, Malaysia
Sitel	David Garner	Nashville, (TN) USA
SoftServe, Inc.	Taras Kytsmey	Lviv, Ukraine
Sonata Software Ltd.	B Ramaswamy	Bangalore, India
SPi Global	Maulik Parekh	Metro Manila, Philippines
Stream Global Services	Kathryn Marinello	Wellesley, USA
Sutherland Global Serives, Inc.	Dilip Vellodi	New York, USA
Symphony BPO Solutions Sdn Bhd	Abdul Hamid Sheikh Mohamed	Petaling Jaya, Malaysia
Synapsis Soluciones y Servicios IT LTDA	Leonardo Covalschi	Santiago, Chile
Syntel, Inc.	Prashant Ranade	Troy, (MI) USA
Talentica Software (India) Pvt Ltd	Nitin Shimpi	Pune, India
TEAM International	Matt Moore	Lake Mary, USA
Tech Mahindra Ltd.	Vineet Nayyar	Pune, India
TELUS International	Jeffrey D. Puritt	Vancouver, Canada
Transactel Barbados Inc	Guillermo Montano	Guatemala, Guatemala
Unisys Corporation	J. Edward Coleman	Blue Bell, (PA) USA
VanceInfo Technologies	Chris Chen	Beijing, China
Virtusa Corporation	Kris Canekeratne	Westborough, USA
Wipro Technologies	T K Kurien	Bangalore, India
WNS Global Services	Keshav R Murugesh	Mumbai, India
Zensar Technologies	Ganesh Natarajan	Pune, India

**The companies are in alphabetical order, not ranked.*

INDECOMM GLOBAL SERVICES
Partnerships@work

INDECOMM RATED TOP
SPECIALIST PRODUCT ENGINEERING PROVIDER

Consulting | Outsourcing | Learning | Technology

INNOVATION AND VISION - THE BUILDING BLOCKS OF GROWTH

Indecomm is backed by leading venture capital firms such as Sequoia Capital, Tiger Global Management and the International Finance Corporation (member of the World Bank Group)

Indecomm's Technology Services covers the full spectrum of Product Lifecycle including Core R&D, Product Re-Engineering, Mobility/Wireless, Business Intelligence/Analytics, Integration/Data Management/Aggregation, QA Automation & Product Support services.

NICHE SOLUTIONS

- Cloud / Saas
- Mobile Enablement
- BI/ DW
- Test Automation
- Re- Engineering

PRODUCT SERVICES

PRODUCT DEVELOPMENT	PRODUCT TESTING	IMPLEMENTATION	SUPPORT
PRD Dev / Business Analysis	QA and Testing	Client-centric demonstration	Troubleshooting
UI and Usability Engineering	Alpha and Beta Testing	Gap Analysis, Scoping, Estimation	Performance Tuning
Product Selection and POC	Stress and Load Testing	Pilot Deployment	Product Enhancements
Architecture Definition	Test Automation	Full Rollout	Level 2 and 3 Support
Product Design	Product Certification	Data Migration	Patch / Svc Packs Dev
Construction		End-user Training	
		Migration, Upgrades & Patches	

TECHNOLOGIES

CLOUD / SAAS	DEVELOPMENT	MOBILE	DB	BI / DW
Azure	Microsoft	iOS	Oracle	SAP BO
AWS	Java	Android	DB2	Cognos
Force.com	LAMP	Blackberry	MS SQL	Informatica
Google	RoR	J2ME	MySQL	Pentaho
	Apple	Win Mobile	Informix	Actuate
	Etc.	Symbian	PostgreS	Teradata
		Palm	Etc.	Etc.
		Brew		

INDUSTRIES

- Web / Media
- Health Sciences
- Financial Services
- E-Commerce
- Manufacturing
- Education

BRIEF DESCRIPTION:

- Significant experience with all deployment models including On-Premise and On-Demand
- Setup and Run Dedicated and Collaborative Labs
- Implement migration, integration, administration impacts of various cloud architectures
- Significant experience with SaaS best practices - multi-tenancy models, cloud computing, data protection, privacy, integration patterns, data analytics, security and access
- Technology platforms are an integral part of our delivery model. Platforms include ViewPoint©, InteleDocDirect©, Taxplorer©, eTitleExpress©, iMortgageMentor©, YellowPlatter©, WoW©, PayLocPro©, DynamicDocs©, Fee Calculator©, Track Central©, Chartmover© and KrishiDvar©;all extensively andsuccessfully used by our leading clients worldwide.
- Expert at Distributed Agile Methodology

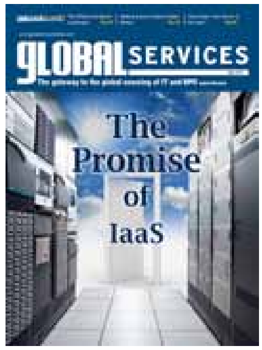
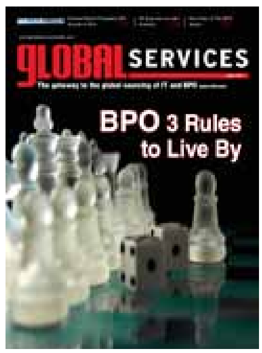
PARTIAL LIST OF TECHNOLOGY CUSTOMERS

Google | Blackboard | IBM | Facebook | Microsoft | Churchill Downs | accelrys | LifeLock | Jenzabar | Progress Software | comScore

TO LEARN MORE
CONTACT US marketing@indecommglobal.com | or call us at 480-991-3635
PLEASE ALSO visit us at: www.indecomm.net

GLOBAL SERVICES 100 CATEGORY LIST- 2011

Top ADM Vendors
CapGemini
CGI Group, Inc.
CSC
HCL Technologies Ltd.
HP
Infosys Technologies Ltd.
Syntel, Inc.
Tech Mahindra Ltd.
Unisys Corporation
Wipro Technologies
Leading Mid-Tier ADM Vendors
Collabera Inc
Hildebrando
HTC Global Services, Inc.
iGATE Global Solutions Ltd.
Luxoft
MindTree Ltd.
Neoris
Polaris
Top FAO Vendors
CapGemini
ExlService Holdings, Inc. (EXL Service)
Genpact
HOV Services Ltd.
Infosys Technologies Ltd.
Intelenet Global Services Pvt. Ltd
NCO Financial Systems, Inc.
Wipro Technologies
WNS Global Services
Zensar Technologies
Top Global BPO Vendors
Aegis Ltd.
Convergys Corporation
Firstsource Solutions Ltd

GLOBAL SERVICES MAGAZINE	
Past Issues	
2011 May Issue 	**The Promise of IaaS** New Opportunities in Global Sourcing: IaaS and Analytics **Click Here To Read**
2011 April Issue 	**The New Rules in BPO** Learn about what will drive the BPO sector in this special report. **Click Here To Read**
2011 March Issue 	**Contact Center Industry: Where Do You Go From Here?** Contact Centers and the Challenge of Social Media **Click Here To Read**

Genpact
HP
NCO Financial Systems, Inc.
Sitel
Stream Global Services
Sutherland Global Serives, Inc.
Wipro Technologies
Top Global ITO Vendors
Capgemini S. A.
CGI Group, Inc.
HCL Technologies Ltd.
HP
Infosys Technologies Ltd.
Syntel, Inc.
Tech Mahindra Ltd.
Unisys Corporation
Wipro Technologies
Top Speciality Product Engineering Vendors
Applabs
Bleum
Ciklum
Cybage
Exigen Services
Indecomm Global
Luxoft
MERA
Nagarro
SoftServe
Sonata
Tech Mahindra Ltd.
Virtusa Corporation
Top IM Vendors
CSC
CapGemini
CGI Group, Inc.

HCL Technologies Ltd.
HP
Infosys Technologies Ltd.
Tech Mahindra Ltd.
Unisys Corporation
Wipro Technologies
Emerging IM Vendors
Collabera Inc
Microland Ltd.
MindTree Ltd.
Sonata Software Ltd.
Top Contact Center and Customer Management Vendor
24/7 Customer Pvt. Ltd
Aditya Birla Minacs Worldwide Ltd.
Aegis Ltd.
Convergys Corporation
Firstsource Solutions Ltd
Hinduja Global Solutions Ltd.
Intelenet Global Services Pvt. Ltd
NCO Financial Systems, Inc.
Sitel
Stream Global Services
Sutherland Global Serives, Inc.
Tech Mahindra Ltd.
TELUS International
Top Product Engineering Vendors
EPAM Systems
GlobalLogic, Inc.
Globant
Infosys Technologies Ltd.
Lionbridge Technologies, Inc.
MindTree Ltd.
Ness Technologies
Persistent Systems Ltd
VanceInfo Technologies
Wipro Technologies

Top Enterprise Applications Vendors
CapGemini
CGI Group, Inc.
CSC
HCL Technologies Ltd.
HP
Infosys Technologies Ltd.
NEORIS
Ness Technologies
Wipro Technologies
Top Engineering Services Outsourcing Vendors
CSC
HCL Technologies Ltd.
Infosys Technologies Ltd.
KPIT Cummins Infosystems Ltd.
MindTree Ltd.
Neilsoft Ltd.
Quality Engineering and Software Technologies
Wipro Technologies
Top HRO Vendors
CGI
CapGemini
Convergys Corporation
Genpact
Hexaware Technologies Ltd.
Infosys Technologies Ltd.
Symphony BPO Solutions Sdn Bhd
Top Global Mid-Tier BPO Vendors
24/7 Customer Pvt. Ltd
Aditya Birla Minacs Worldwide Ltd.

2011 GS Category 100 List

Altisource Portfolio Solutions S.A
Capgemini S. A.
CGI Group, Inc.
ExlService Holdings, Inc. (EXL Service)
HCL Technologies Ltd.
Hinduja Global Solutions Ltd.
HOV Services Ltd.
Infosys Technologies Ltd.
Intelenet Global Services Pvt. Ltd
Lionbridge Technologies, Inc.
SPi Global
TELUS International
WNS Global Services
Top Global Mid-Tier ITO Vendors
Collabera Inc
EPAM Systems
Hexaware Technologies Ltd.
Hildebrando S.A. de C.V
iGATE Global Solutions Ltd.
Luxoft
MindTree Ltd.
NEORIS
Ness Technologies
Neusoft Corporation
Polaris Software Lab Ltd.
VanceInfo Technologies
Zensar Technologies
Top Industry-Specific BPO
Aditya Birla Minacs Worldwide Ltd.
CGI Group, Inc.
CSC
Genpact
HP
HTC Global Services, Inc.
Infosys Technologies Ltd.
Lionbridge Technologies, Inc.
NCO Financial Systems, Inc.
Syntel, Inc.
Unisys Corporation
WNS Global Services
Top Mid-Tier Industry-Specific BPO
Datamatics Global Services Ltd
HCL Technologies Ltd.
Hexaware Technologies Ltd.
Hildebrando S.A. de C.V
iGATE Global Solutions Ltd.
Insigma Technology Co., Ltd
InterGlobe Technologies
Scicom (MSC) Berhad
SPi Global
Top KPO Vendors
Affinity Express Inc.
eClerx Services Ltd
ExlService Holdings, Inc. (EXL Service)
Infosys Technologies Ltd.
Syntel, Inc.
Top Global Diversified Outsourcing Vendors
Capgemini S. A.
CGI Group, Inc.
Convergys Corporation
CSC
Genpact
HCL Technologies Ltd.
HP
Infosys Technologies Ltd.
NCO Financial Systems, Inc.
Unisys Corporation
Wipro Technologies

**The companies are in alphabetical order, not ranked.*

ITO/BPO

Segment Analysis

ADM OUTSOURCING

ADM Outsourcing: The Old Horse Facing Waves of Change

Applications development services accelerate the delivery of high quality business applications with fewer defects, less rework and lower cost. While this remains, better economics of software delivery, a well-maintained application lifecycle and software delivery process, and a better and more business-aligned recognition of the real value are the new mandates for ADM.

Sourabh Chandra Pushp

The ADM segment is still the mainstay of the IT outsourcing market. Led by US-based majors such as IBM, Accenture, H-P, Cognizant and others and India-based offshore vendors like TCS, Infosys, Wipro, and HCL, ADM activity still constitutes a large chunk of the overall IT outsourcing. Recent years have seen the entry of other mid-tier vendors like Neoris, Auriga, and Softtek who have broken ground with non-India offshore delivery. However, India continues to be the leading offshore location.

The ADM industry is going through a significant transformation in their licensing, delivery and support models.

Have the reasons for outsourcing ADM changed? Many companies are outsourcing application development or maintenance for reasons beyond cost, notably for improving service and freeing up IT staff for more strategic work. Organizations are receiving four key benefits from their third-party relationships: more time for their IT staff to focus on strategic work, lower costs, and improvements in version control, life-cycle management, and in documentation of procedures and best practices. In other words, applications development services accelerate the delivery of high quality business applications with fewer defects, less rework and lower cost.

Despite a trend towards increased ADM outsourcing to lower-wage economies, the cost of developing and maintaining applications can still consume more than half of the total IT budget. Hence, the potential of Lean IT to increase productivity makes ADM a primary target within the IT department. McKinsey & Company states that applying Lean IT principles can increase application development and maintenance productivity by as much as 40%, while improving the quality and speed of execution.

New scope still to recover

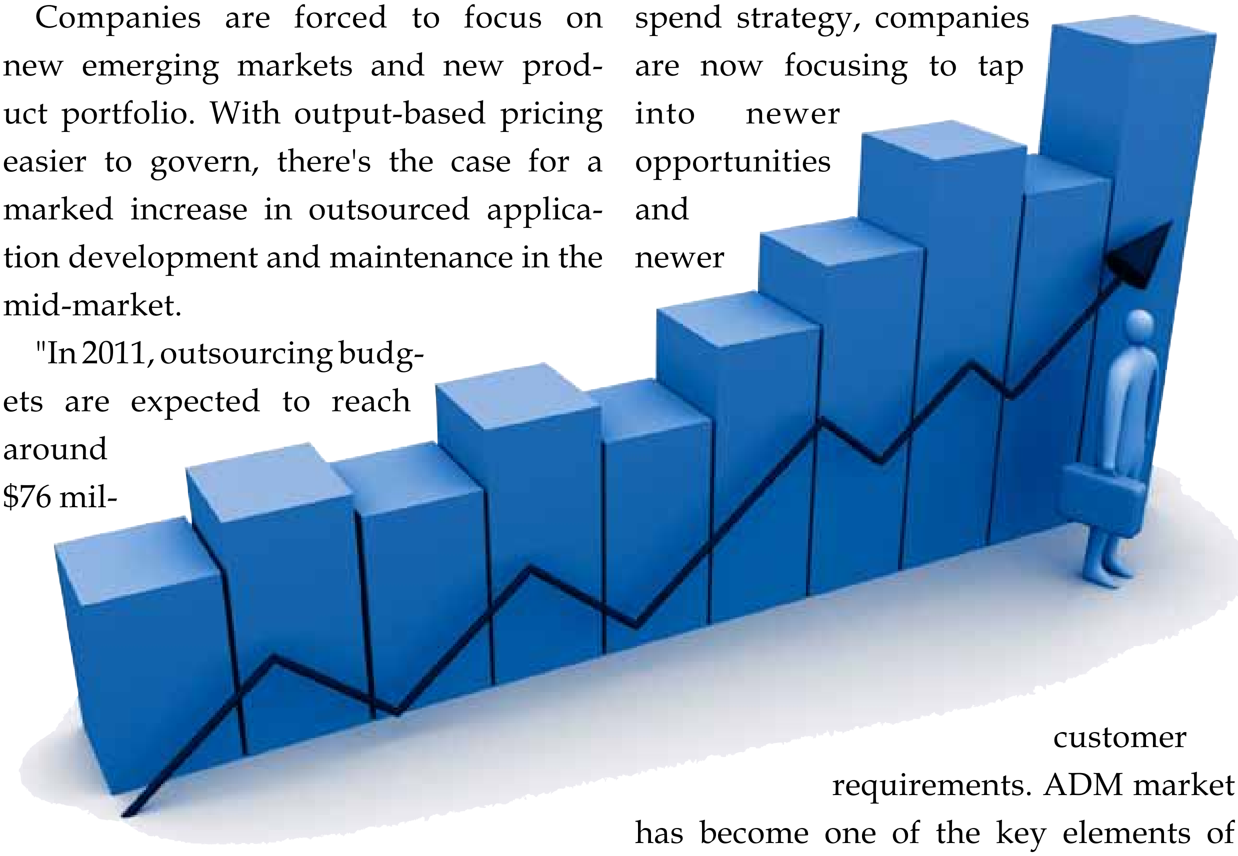
Research carried by Horses for Sources Research (State of Outsourcing 2011 Study) predicts 95% of buyers reporting positive outcomes. It also reveals that in-house delivery of IT application, maintenance and processes are still dominant in 2010-2011. ADM outsourcing saw 38% in-house activity together with 31% outsourced activity as sourcing model for managing the IT business. Companies are placing a renewed focus on aftermarket services, as well as maintenance, repair and overhaul services as a source for new revenue streams. Servicing existing products is taking on a greater importance.

However, new scope application development work is still under pressure. Says Srini Koushik, Worldwide Executive Application Development, H-P Enterprise Services, “Though discretionary ADM spend (including consulting) appears to have hit rock bottom, the muted probability of a sharp rise exists. Most customers will like to fence-sit during 2011, fearing a double-dip recession. Hence, ADM revenues will predominantly derive from maintenance.”

Application management would also continue. According to Sachdev Ramakrishna, Director - Marketing, Steria India,” The application management market is expected to grow from $51 billion in 2010 to approx $63 billion by 2014 at a rate of 5.7 %. By 2014, key geographies like

UK, France and Germany will account for approx 65 % of the W. Europe Market.”

Companies are forced to focus on new emerging markets and new product portfolio. With output-based pricing easier to govern, there's the case for a marked increase in outsourced application development and maintenance in the mid-market.



"In 2011, outsourcing budgets are expected to reach around $76 million and companies will increase their use-frequency." reported Michael Friedenberg, IDG Enterprise. He further added, "As demands of the organization shift from cost optimization to growth, ADM outsourcing now need to amend their solutions for deeper expertise for the concerned business process and customer engagement."

Research carried by Zinnov and E&Y, indicates 80% of total software application spend goes towards activities to support the products that are in maintenance mode. Not only IT organizations have outsourced application development work, some are now handing over the day-to-day application maintenance work to third parties. In keeping with their low spend strategy, companies are now focusing to tap into newer opportunities and newer customer requirements. ADM market has become one of the key elements of the global business, the size of the global software product market is in the range of USD 300 – 320 billion. ADM spend of companies in software product vertical is in the range of USD 45 – 48 billion.

Key Themes

The key themes that dominated the market in 2010 were cloud, agile, security, analytics, improved delivery through better collaboration and insight and a greater focus on enriching the experience and engagement of software users. Thus far, these themes have held sway as vendors and end-users alike look to take advantage of new delivery models, the

explosion digital content, more pervasive network connectivity and the continued proliferation of smart handheld devices. In 2010, all the leading players have enabled sections of their portfolios as cloud service offerings.

Web Services and service-oriented architecture (SOA) have been obscured by the attention lavished on cloud. Conceptually, SOA is still perceived to be important, it is just that organizations have been forced to look at the immediate implications of cloud. Whether SOA will come back in the same form and name is still a question. The opening of access to data and systems around the organization and the possibilities for new application innovation will increase the pressure on design and end user experience and engagement. In that sense, SOA may return in another garb. More interestingly the consumerization of IT and the focus on "experience" design is likely to gain momentum outside the usual incumbents of Microsoft, Adobe, Google and Apple.

Agile practices and processes will be strong themes and proof points for the rest of the year. Add to this a greater push on the economics of software delivery from the likes of IBM and others, and there may start to be a better and more business-aligned recognition of the real value and opportunities within a well maintained application lifecycle and software delivery process.

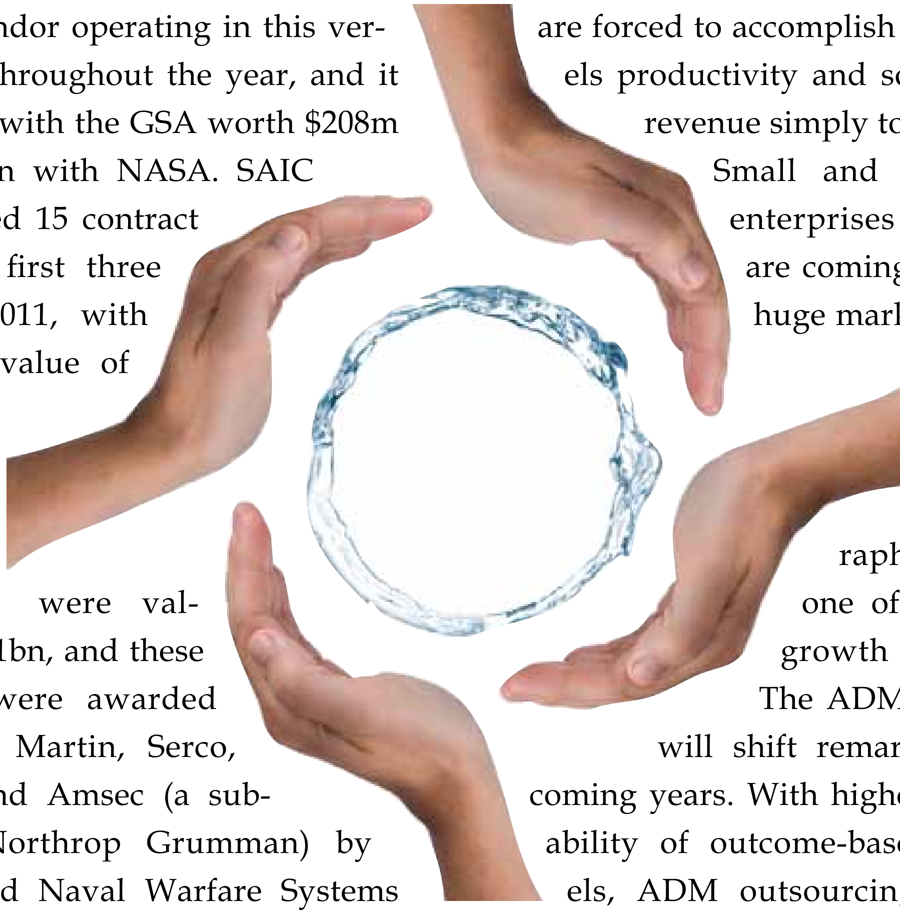
Deals

ADM deals witnessed huge shift, in terms of deal value and market adoption. Contract-signings that were delayed during the recession months are now in full-swing, service vendors are reporting healthy results. After a slow start to 2010, the number of deals announced in the ADM sector bounced back in Q2, with an increase of 14 per cent on Q1, according to Ovum. MNCs together with government organizations signed higher value, scope and duration deals compared to offshore suppliers. Large buyers preferred input based pricing with offshore suppliers and complex pricing with MNC suppliers.

The biggest IT services deals have been dominated by US federal government and defense agencies. US and UK together with federal government and defense agencies were responsible for around 60-70% of the major deals in ADM. Ovum reveals that the second quarter of 2010 was the best for 12 months for the sector in terms of the number of deals announced. Public sector demand remained steady, particularly in the US, which accounted for more than 90 per cent of the market's quarterly total contract value (TCV). This was good news for vendors with a major focus on the US government sector, notably General Dynamics, Lockheed Martin and SAIC.

Half of the top ten deals involved either federal or state and local agencies, including the mega-deals awarded by NASA and the Department of Homeland Security. Science Applications International Corporation (SAIC) has been the most successful vendor operating in this vertical market throughout the year, and it added a deal with the GSA worth $208m to its big win with NASA. SAIC has announced 15 contract wins in the first three months of 2011, with a combined value of $5.1bn.

Some of the biggest ADM deals announced were valued at over $1bn, and these mega-deals were awarded to Lockheed Martin, Serco, VT Group and Amsec (a subsidiary of Northrop Grumman) by the Space and Naval Warfare Systems Command (SPAWAR), US Navy. The energy and utilities industry bagged few important outsourcing deals, Oil and gas giant Royal Dutch Shell chose Logica to support its Commercial Fleet in Europe and Asia whereas, Logica, underwent partnership with FleetCor Technologies, will provide the technology platform and underlying business processes to run Shell's fuel card portfolio. The Nuclear Regulatory Commission underwent a 6-year, $252 million contract with Dell's Perot Systems, to provide a full scope of IT application services.



Outlook

ADM outsourcing is in a state of profound change, where businesses are forced to accomplish new levels productivity and sources of revenue simply to survive. Small and Medium enterprises (SMEs) are coming up as a huge market in the emerging geographies and one of the key growth drivers. The ADM outlook will shift remarkably in coming years. With higher adaptability of outcome-based models, ADM outsourcing is not alone about moving application development out of the country – the core issues are about trust and demonstrating real business value and competency.

Study reveals huge untapped potential for future ADM outsourcing right across both IT development and business functions. According to the survey, 58% of corporates already outsourcing and likely to increase in coming couple of years. Around 10% of the companies will look to start outsourcing for the first time over next year.

Beni Lopez, chief globalization officer, Softtek, said " Companies are focusing themselves and developing regional strategy, but to make it succeed they need to address the specifics of what's driving their corporate sourcing strategy."

With the rise of mobile device usage, companies are now more focused on software application development for devices such as the iPhone, Android and iPad. 2011 will experience mobile application development surpassing application development on traditional IT platforms. With increasing demand for access to services and wireless internet connections on the move will push for the development of new solutions to meet this growing demand.

"Future growth for the industry is contingent upon developing new business strategies and models to pursue new markets and using technology to enable this shift. There is a growing demand for applications in mobile and cloud areas, and rich multimedia delivery and storage solutions. The users started considering moving from conventional business models to modern risk-reward approaches, or to combining agile flexibility with fixed price safety," says Andrei Pronin, General Manager-Auriga.

In 2011, the market will see an increased push for more comprehensive global IT strategies. Flexibility that Agile software development has provided to smaller enterprises will now be embraced by large corporations to continually transform and thrive in a dynamic environment. In coming year, companies will look for an outsource service provider with the capacity to take over the entire product or application development process, and in some cases, manage the entire business function.

PRODUCT DEVELOPMENT

OPD Goes Mainstream, Ties In Closer to Business Value

New product development, product refresh cycles, new geographies, and the mid-market drives the pace of the OPD market

Sruthi Ramakrishnan

Some effects of the 2008 recession are still lingering. With the playing field left more difficult for providers through an empty deal pipeline, increased expectations, clients' reluctance for fresh investments and their 'no compromise on quality' mantra, there is much the industry needs to do before it can get back on its feet.

In such a scenario, the formula for recovery is old-fashioned- hold on tight to your existing customers, over-deliver on your value proposition, and be open to looking at new engagement models.

Market Sweet-spots

With most big companies on a spending lockdown and several small companies (worth less than $100 million) shrinking and even going under during the recession, OPDs (Outsourced Product Developers) are looking to the midsized market ($25-500 million range) for business. "The midsized market is extremely compelling to us because this is where some of the most exciting and current technology development (e.g., unified communications) is occurring. So we intend to continue taking advantage of opportunities with larger ISVs while expanding our footprint to include the mid- market." Jim Walsh, Chief Technology Officer, GlobalLogic had told Global Services (Tracking the OPD Recovery, Global Services Media, December 22, 2010).

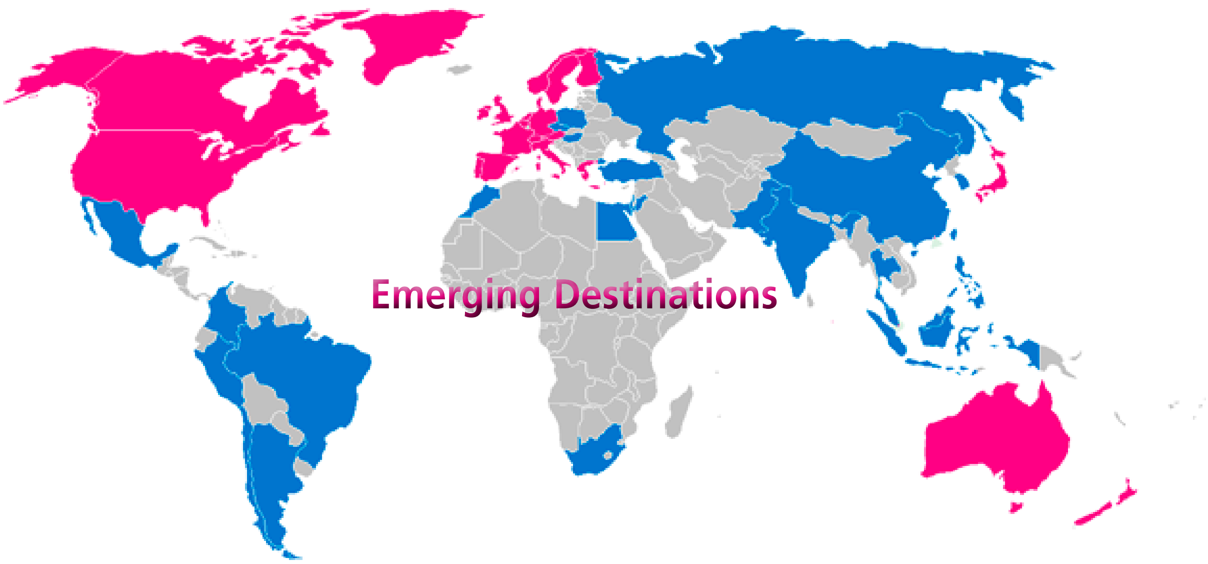
Large ISVs (Independent Software Vendors) also present an opportunity. "Large ISVs still represent excellent growth opportunities as they are driving innovation across a number of areas, such as Cloud enablement, SaaS (Software as a Service), Product Lifecycle Management, etc." Walsh said. Software companies moving to cloud computing and SaaS will have significantly larger opportunities, Karthik Ananth, Director-Market Expansion, Zinnov Management Consulting had said (Tracking the OPD Recovery, Global Services Media, December 22, 2010).

Besides, OPDs are looking to exploit the opportunities provided by companies wanting to refresh their product lines. "Companies wanting to grow in newer markets want to revitalize their product lines so that they can be rapidly deployed and configured at a lower price point in the newer areas. Companies are looking at revenue generation activities, revitalizing their product lines and broadening their markets by leveraging new technologies."

The new pricing models (outcome based pricing, revenue share pricing and risk reward pricing) offered by vendors and a higher propensity to leverage them as an antidote to the recession have added to the attractiveness of partnerships. Companies are now looking to leverage the risk-reward partnership model, where the vendors are willing to absorb a certain amount of business model risk, across the lifecycle of products.

New Geographies

Besides Asia, Europe is one of the geographies OPDs are looking to expand in. In this context, IT Sourcing Europe, a UK-based nearshore IT outsourcing (ITO) research and consultancy company, has surveyed the 157 Austrian companies in the frames of its Pan-European ITO



research 2010 to explore the year's key trends and challenges of Austrian software development outsourcing.

According to the research findings, the top three challenges of today's software development outsourcing in Austria are: poor client-vendor communication (16 percent of respondents), delayed project delivery and missed milestones (15 percent of respondents) and cultural difference (14 percent of participants).

In order to respond to the current challenges, most of the Austrian companies take the following actions: 31 percent increase face-to-face communication with their vendor's project management and project teams, 20 percent dedicate more managerial resources to control the vendor, 17 percent revise and update vendor management processes by opting to switch to a different software development methodology, relocating own project managers to work temporarily on vendor's site etc, 12 percent of companies extend deadlines, 10 percent claim to bring in outside assistance to improve their vendor relationships, 6 percent consider partnering with a different vendor able to offer engagement via an innovative and more transparent business model and only 4 percent of the Austrian outsourcers terminate their ITO contracts and back-source software development back to house.

The European IT Outsourcing Intelligence Report 2010 by the Nearshore IT Outsourcing Market Research & Consultancy found that while IT outsourcing was considered as the strategy most frequently adopted by large companies in the pre-crisis times, today's ITO practices find more and more supporters among the mid-sized and small companies, for whom cost efficiency is as important as an opportunity to have access to skills and services that can generally improve their online presence and business performance.

The study also found that to select an outsourcing destination, 23 percent of the Western European companies pay attention to low costs of software development and IT resources, another 23 percent to available IT talent pool, 16 percent to positive references from the fellow companies/local business community, another 16 percent to geographical and cultural proximity, 7 percent to strong research and development (R&D) legacy, 6 percent to political and economic stability, another 6 percent to Intellectual Property (IP) security and 3 percent to proficient English language skills.

Currently, Dutch companies outsource mostly offshore, but there's a strong tendency for moving outsourced operations closer to the home country. Most of today's non-outsourcers would consider outsourcing nearshore, if there will be such a need in the future.

Outsourcing to Third-party Vendors

With software product companies today facing the twin challenges of freeing up resources to work on new products and maintaining margins for legacy products, low end R&D work like QA/testing related to mature products is being offshored, either to captive centers or third party vendors.

Challenges faced by companies, especially small and medium sized ones, including higher total cost of ownership, high set up cost and lower productivity are also leading them to work directly with third-party providers. "The future of product development will be working with a lot of partners to innovate and build cutting edge products very quickly," said Jacob Hsu, CEO, Symbio at a webinar conducted by Global Services Media. ('Globalization Opportunities in Software Development for Enterprises and ISVs').

Be Agile to Win

Gartner, in their study Predicts 2010: Agile and Cloud Impact Application Development Directions, say that as organizations seek to improve productivity and reduce application operating and maintenance costs, there will continue to be an evolution of software development tools, platforms and practices. To take advantage of this, organizations must shift structures and practices while embracing new technologies.

The study says that by 2012 "agile development methods will be utilized in 80% of all software development projects". Although Scrum will continue gaining in popularity over the coming years, organizations will not be successful in their transition unless they move toward a team-focused culture. Very few organizations use a pure-Scrum approach and most rely on a hybrid approach (waterfall and Agile).

> **"Development organizations have been making a shift toward agile methods, but this is still slow to move beyond development."**

The report says that organizations struggle to implement true collaboration in the context of globally distributed teams. A situation that has amplified in recent years with outsourcing and offshoring of software development projects.

On the other hand, teams who have successfully moved to Agile see productivity improvements especially in "the flexibility of the development team to respond to shifting requirements". This is especially true for web-based application developments where rapid responses to a changing environment are critical.

Development organizations have been making a shift toward agile methods, but this is still slow to move beyond development, and often is a mixture of waterfall practices utilizing an agile or iterative project cycle". Organizations that do not make use of key agile practices and do not invest in training and supportive tools' infrastructure will find that a shift to pseudoagile, while potentially delivering a short-term productivity bump, will end in long-term declines in quality and productivity.

Booming Testing Segment, Skill Shortages Coming Up

The 2010 Ross Report found that a shortage of testers could lead to significant delays in the development of software and systems. The report found that there will likely be an increase in demand for an extra 1500 to 2000 software testers in the next two years.

While earlier software testing had usually been carried out by organizations "as an afterthought in development — if it gets carried out at all", more businesses are seeing the value of testing earlier in the development cycle, which is a positive both for us and for developers, the report says.

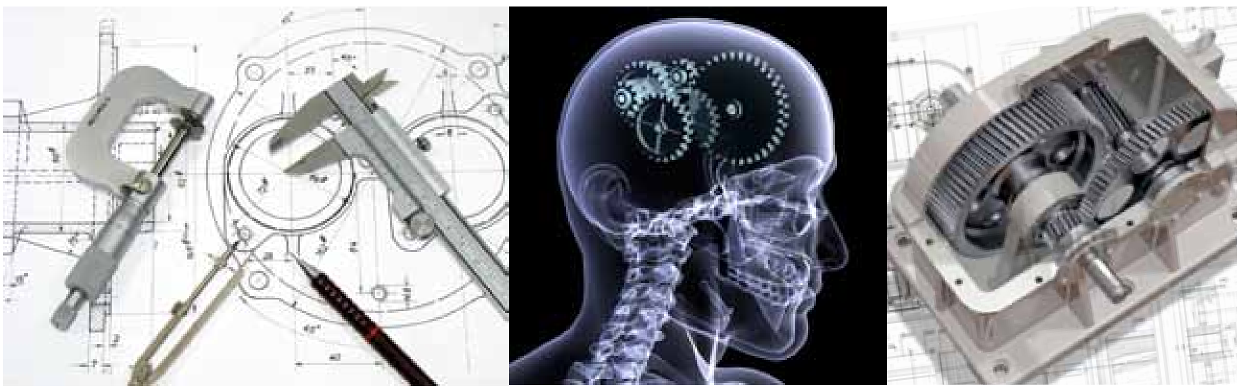
"The flipside to this testing boom, however, is that testers are set to become a more scarce human resource in Australia, which I'm concerned may result in corners being cut," says KJ Ross & Associates director, Dr Kelvin Ross.

ENGINEERING SERVICES

Engineering Services Outsourcing: Growing Demand, Untapped Potential

Technology-led innovations, global expertise and broad vertical capabilities will be high priority areas in the clients' demand list this year.

Smita Vasudevan



An increasing number of companies worldwide are looking at Engineering Service Outsourcing (ESO) options to cope up with the changing market demands comprising faster time-to-market for products, lower design engineering costs, higher product quality.

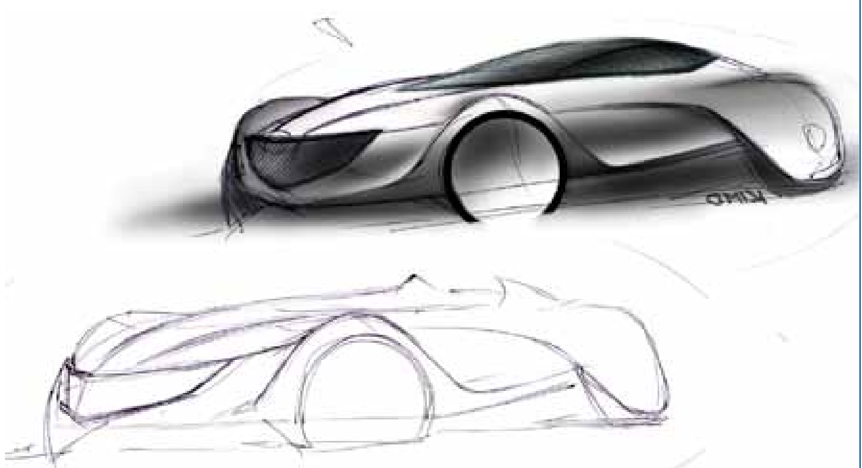
The recovery in the ESO market has been rather slow post recession, though the last two quarters have seen the market gaining some momentum. And this is very likely to continue as product engineering services are expected to be a major growth driver for service providers this year. The report 'Globalization of Engineering Services' by National Association of Software and Services Companies (Nasscom) and Booz Allen Hamilton reflects that by 2020 the worldwide outsourcing expenditure is expected to reach $200B.

Service providers believe that the changes in the ESO market are fairly visible and would be seen throughout the year. "Following the global financial crisis, companies last year were investing in outsourcing services, yet were doing so on a modest-level. Today, companies are operating with more confidence, and as a result, the way in which they seek outsourcing support has evolved as well. Previously, outsourcing was used as affordable labor; however, today, the paradigm has shifted. More and more, we are talking to companies interested in longer, more strategic relationships." says Michael Minkevich, Vice President, Technology Services, Luxoft.

Current Scenario

Companies worldwide are targeting new growth avenues and one way of doing this is expanding their offerings to international locations. As a result, clients are showing more preference for engineering service providers with a global footprint. The focus is especially high on emerging markets and in order to capitalize on the opportunity, service providers are also developing strategies and products that are in line with the specific customer needs of these locations. India is the most preferred destination for engineering services outsourcing, followed by US and China. Other emerging destinations include Taiwan, Ireland and Poland.

In an earlier Global Services article, Alok Sinha, Sr V-P, Engineering Design Services, Symphony Services wrote, "There was a time when BMW would ship to India. Today it has a design center here. It's the same with GM, Mercedes, Volvo, GE, Bombardier, Boeing and many more. This is a great market to be in, and also to begin building a pipeline for cheap engineering design. But it may be interesting to note that it's not just about the transfer of wealth or knowledge. India is also a recognized hot bed of innovation. Leaders like GE, GM, Honeywell, have already taken the initiative to push a considerable amount of their development to



Indian shores, leveraging the talent pool and the cost advantages available."

According to a recent survey conducted by ValueNotes Sourcing Practice, drafting & 3D modeling is considered to be the most popular area for outsourcing. Aerospace engineering is a big opportunity area as the outsourcing of machine parts is currently on a high.

There is also a change in the nature of deals that are being companies are getting into. Engineering companies are now taking their outsourcing agreements beyond the traditional core areas. The nature of work currently undertaken by service providers calls for a substantial portion of the actual design activity. This is more on the back of buyers' realizing the fact that to fully utilize the outsourcing value and have a competitive edge they need to think beyond just the cost saving factor. At the same time, service providers are also coming up with technology innovations and building their expertise across different areas that now enables them to offer a full package of engineering services. The global engineering services partnership between Tata Consultancy Services and Rolls-Royce is a recent example of this. As a part of the deal, TCS will be offering various engineering services to the company across the entire product life cycle.

ESO requires years of knowledge and skill-building to acquire scale. Growth through acquisitions is therefore a faster route to establishing market presence in ESO. Symphony has acquired Proteans for its expertise in PLM and its client base captive. The company was earlier focused on the software product development market and has now forayed into PLM for automotive and aerospace markets with the Proteans acquisition. Service providers are acquiring MNC R&D centers in India to obtain exclusive access to product knowledge or professional services business. MindTree's acquisition of Kyocera Wireless India center and Cognizant's acquisition of Invensys captive in Hyderabad are steps in this direction.

Scope of ESO Services

Product Design (Mechanical & Electronic)	**Plant Automation Services**
Engineering analysis and design Electronics and embedded software Knowledge based engineering PLM solutions	Control System Integration Production Optimization Manufacturing Execution System
Plant Design / Process Engineering	**Enterprise Asset Management**
Detailed design Construction and commissioning support	TPM solutions Product implementation OEM solutions

Source: Nasscom

Engineering Services
An Outsourcing Evolution

An increasingly competitive market for engineering services has made outsourcing indispensable to the industry, more so following the downturn.

Runa Mookerjee , Analyst , ValueNotes Sourcing Practice

Engineering services outsourcing is likely to skyrocket from $15B in 2010 to around $200b by 2020. In a recent ValueNotes survey1 we found that traditional design and manufacturing services make up the largest portion of outsourced engineering services. An increasingly competitive market for engineering services has made outsourcing indispensable to the industry, more so following the recent global economic downturn. An increase demand for engineering services is leading to a corresponding increase for outsourced services. Current spending on engineering services of $750B is expected to increase to $1.1T by 2020.Industry sources expect India to play a large part in the outsourced engineering services sector.

Growth Drivers Include

Changing demographics among western countries - as a 'dominant engineering service employed' baby boomer generation reaches retirement, the availability of skilled engineering workforce is on the decline in the west.

Outsourcing helps clients concentrate on core services – the availability of specialised talent that can deliver regular processes helps the firm to focus on its core competencies or development of newer technologies.

During the 2008-2009 global financial recession, several engineering manufacturing companies had to cut back on their costs and downsize in terms of operations, processes and employees. This benefited the outsourcing industry as more was outsourced, and the trend is expected to continue through 2020.

Certain regions which are also among the favoured outsourcing destinations are more popular for engineering service buyers. Besides, led by rapid industrial growth some of these Asian countries form the client base as well as provide outsourcing services.

Going Beyond Traditional Outsourcing

Our survey findings indicated that outsourced engineering services are popular in aerospace manufacturing, industrial and automotive domains. A decade ago, the nature of engineering work being outsourced involved lower end services like creating digital models and drawings and sending these back to the buyer who then incorporated these in his designs. However, engineering work currently undertaken involves a substantial portion of the actual design activity. This has come as a result of buyers realising that to have a competitive edge, they need to realise the full value of outsourcing rather than just cost savings. Subsequently, service providers have evolved into providers of specialised services with a better understanding of their customer product lines. They have also had to build new competencies, such as knowledge based engineering, life cycle management, technical publication - to adapt to changing customer needs that allow them to support complete product development.

Some companies are successfully turning to technology to further their engineering services needs, effectively using Web 2.0 technologies to an outsourcing advantage. These companies take the help of means such as 'open innovation' and crowd sourcing - i.e. outsourcing of tasks which are traditionally performed by an employee or contractor to a large (undefined) group, community (a crowd), through an 'open and usually interactive platform'. The tasks outsourced could be as simple as generating competitive or cost cutting ideas or as complex as the designing of an entire product range or a completely new product. In a multi polar global space the knowledge process outsourcing industry has grown beyond conventional outsourcing. Apart from using third party services for regular engineering services, increasingly, engineering service providers are turning to outsourced innovation to contribute to the 'product design' itself.

Let us take a look at some examples that showcase just this –

Toyota: Outsourced Innovation

The Japanese auto maker's 'value innovation' strategy involves its suppliers beyond cost cuts and lower prices for supplies – engaging them in the design process for its high selling Prius model. Toyota's is a case where open innovation and crowd sourcing merge- adopting a best practice method that invites all the best minds (albeit at large!) to participate in its collective effort to cut back costs and come up with a better design for its product.

Boeing: Testing the Model

Boeing also made optimal use of open innovation technologies to stress test the hydraulics of the 787 Dreamliner, combining the inputs of companies in the US, UK, Japan, China. Boeing allowed over a 1,00,000 entries in its World Design Team, an Internet based global forum encouraging participation and feedback from various stakeholder groups during final states of development. Their ideas and inputs were then collected through online surveys, in turn providing updates as the design of the plane's exterior and interior evolved. This novel innovation method allowed Boeing to build a prototype using inputs from several thousand engineers and run tests as the design emerged.

Though the use of open source technologies is a debatable issue, its use in generating ideas for products is more of a win-win situation for engineering firms. Even if the design comes out eventually flawed, the firm then has a prototype which is a test of 'what can go wrong'. On broader level, it is clear that outsourcing engineering services is here to stay and go even further in the coming years.

**This article is being republished; it was originally published online by Global Services on January 18, 2011.*

INFRASTRUCTURE MANAGEMENT SERVICES

Not Cloud Alone, There Are Other Tailwinds for Infrastructure Management

Market momentum created by the rising profile of offshore suppliers, maturing global delivery, productization of services and consulting offerings, and industry consolidation is rapidly shaping the growth for IMS.

Sourabh Chandra Pushp

The infrastructure management services market is holding strong. Even during the recession, the IMS market underwent a reinvention of sorts with the adoption of remote management and asset-light models. Many new service providers laid out offerings in the IMS area leveraging heavily on the global delivery model. Infrastructure management really took off in the 'offshore' sense in the last three years. The infrastructure management market is expected to touch $180 billion by 2013. This is accompanied by the forecast that global IT purchases will rise 7.1 percent in 2011 to $1.7 trillion and the growth is likely to be sustained, according to new forecast data from Forrester Research.

Combined with advances in virtualization, utility-based computing, standards-based infrastructure, data center transformation, and cloud computing, the outlook for IMS continues to be dynamic and exciting.

Industry Drivers

Leaders in IMS help buyers in transforming their IT from being a business support tool to one that adds business value. In terms of economics, IMS helps to variabilize their IT costs.

Main drivers for this market include companies´ focus in reducing operational costs and improving operational systems, the increasing confidence in medium/ long term outsourcing deals after economy recovery and cloud computing concept, including virtualization technologies," says Marcelo Kawanami, Frost & Sullivan ICT Industry Manager.

The market for IT infrastructure management services is evolving rapidly as enterprises are aiming at cutting down spends on buying and maintaining infrastructure resources internally. This coupled with the ease of global delivery offered by infrastructure service providers is resulting in a surge of demand for outsourcing.

In the recent years, a major development has been the convergence of the Remote Infrastructure Management Outsourcing (RIMO) and traditional Infrastructure Outsourcing (IO) models. The RIMO model is gaining a wider acceptance with buyers, resulting in a larger number of high-value offshore infrastructure management outsourcing deals, including new engagements signed by traditional infrastructure suppliers.

Many mid-market companies are considering outsourcing IM using one of the emerging models. Outsourcing to a third party increases complexity and prompts the need for a stronger governance structure– which infrastructure operations to outsource; how to develop SLR (Service Level Requirements); how to do the transition; etc.

A growing number of companies are looking at outsourcing infrastructure based upon ITIL v3-Based Outsourcing Framework. ITIL v3 provide a set of best practices and recommendations that can be applied to the outsourcing lifecycle.

The market in developed economies is fairly matured while emerging economies are witnessing new business models and new providers. According to Rolf Jester , Analyst, Gartner , "In the developed economies of Asia Pacific (APAC)—Australia, New Zealand, Singapore and Hong Kong—the market is relatively mature, with modest but long-term, sustainable growth and a relatively small group of providers currently dominating the market." He adds, "Most multinational providers are investing in this growth region now, and even developing new service models, and non-traditional providers are entering the market, introducing disruptive emerging business models based on utility as-a-service or cloud offerings."

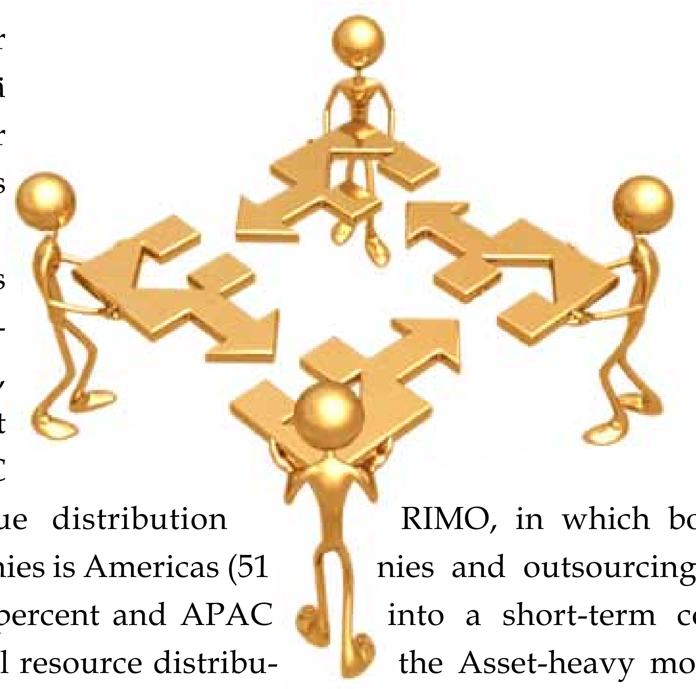
Newer offshoring locations are coming up. The McKinsey Quarterly report states that unlike India, whose talent pool for mainframes is limited (though growing rapidly), Brazil has strong capabilities in this area, and a number of global vendors run mainframe centers of excellence there. Pan- European companies that require French- or German-speaking support staff have their sourcing options in Africa and Eastern Europe, which may have deeper pools of talent to meet these specialized needs.

Tech Mahindra has 21 global delivery centers across nine countries covering all the continents. These include India (Hyderabad, Pune, Bangalore, Mumbai, Chennai, Vishakhapatnam, Bhubaneswar, Noida, and Chandigarh), China (Shanghai, Nanjing), Malaysia (Kuala Lumpur), Singapore, Australia (Melbourne, Sydney), Egypt (Cairo), Germany (Hamburg), Brazil (Sao Paulo) and USA (Cleveland, Omaha, and Laguna Hills).

Major Deals

Most of the big deals witnessed in the infrastructure management space, over the last few months, have come from diverse industry verticals. M&A activity saw a renewal in 2010. Large deals continue to skew the average deal size. Year 2010 has already seen bigger names like Thomson Reuters, Singapore Exchange, Merck Sharp and Dohme (MSD) outsourcing their infrastructure installation and management in multi-million dollar deals.

In some other major deals, HP signed five-year Infrastructure outsourcing services agreement valued in excess of $400 million with BP. In it's another deal HP underwent agreement with SHI International for providing infrastructure services for its cloud center. In December 2010, HCL signed remote multi year end-to-end IT Infrastructure Management engagement with pharmaceutical company Purdue Pharma L.P., in the same month Wipro secured 5 year IT infrastructure services contract from with Electricity North West Limited. Capgemini UK plc, part of Capgemini Group signed five-year, multi-million pound outsourcing contract with Anglian Water, UK's leading



providers of water services. Wärtsilä Signed a three-year outsourcing services agreement with HP.

Tech Mahindra has 175 active customers across Americas, Europe, Middle East & Africa and APAC regions. The revenue distribution between the geographies is Americas (51 percent), EMEA (26 percent and APAC (23 percent). The total resource distribution across the regions is Americas (10 percent), EMEA (8 percent), and APAC (82 percent). It has signed deals across different verticals; TechM being primarily focused on Telecom service providers, most of the deals signed by TechM are in the Telecom vertical. Mahindra Satyam has customers in the enterprise space with BFSI, Energy, Automobile and Manufacturing being major contributors to revenue.

New Delivery Models

Infrastructure service offerings that are being offered today are mainly of four types, based on the deal characteristics. These are: Infrastructure Outsourcing (IO), application hosting, Infrastructure Managed Services (IMS) and RIMO. IMS and RIMO trends are close in nature with the major difference today in the scope, extent of labor arbitrage and the way the suppliers view and position it.

Innovation in new remote management tools and technologies has led to the emergence of the asset-light RIMO, in which both the companies and outsourcing vendors enter into a short-term contract. Unlike the Asset-heavy model, Asset-light model does not entail transfer of asset ownership and IT personnel to the vendor. The asset-light model is being used proactively by providers to reduce cost and time frame of implementation. Due to the lower capital investment involved, it has created opportunities for low-cost offshore providers to enter the RIMO market.

At times value added services like financial leasing, vendor-managed inventory, etc. are also offered by service providers.

Manoj Nair, practice and solutions head, IMS, Tech Mahindra stated the different models employed by Tech Mahindra:

The following explain some of the more successful methods through which Tech Mahindra has been able to showcase their leadership in the global delivery model.

- The infrastructure managed services engagements are structured in such a way so as to maximize remote delivery of managed services. All managed services activities/processes are classified into onsite and remote based on various factors. In order to maximize the cost benefit to our customers, the remote services are largely delivered from low cost offshore delivery centers.
- For consulting, design and implementation services, we offer a unique delivery methodology by leveraging offshore resources for executing specific tasks such as assessment, analysis, reporting, design, POC, testing and other remotely executable tasks, thus optimizing the number of customer facing consultants required to execute the engagement.

Future Directions

An open technology and business environment, enabled by cloud computing and new outsourcing models, is creating a radically new approach to the present infrastructure market. Most of the global infrastructure services outsourcing providers have a strong vision and strategy for cloud-based services for future offerings.

According to the latest report by technology analyst firm Ovum, the global infrastructure market will grow 4.4 per cent by 2015. Ovum's Infrastructure

market trends research suggests that it will reach £463 billion by 2015 and will hit a 4.5 per cent growth rate by 2013.

Although 2011 growth is still not back to pre-recessionary levels, the market will return to healthy growth of over 4.5 per cent in 2013.

Nair added, "Infrastructure management service providers will need to gear up to monitor and manage Private, Public and Hybrid cloud platforms which will become an integral part of enterprise architecture and IT landscape. Cloud platforms demand a high level of automation in provisioning and billing and monitoring. With the help of best-of- breed tools in this platform, we would be able to effectively

> "Cloud-based infrastructure services will continue to overshadow other services."

manage private and public cloud based services by performing service monitoring and taking automated actions in response to incidents, threats, abnormal behavior or capacity thresholds."

Cloud-based infrastructure services will continue to overshadow other services. It continues to be the most talked about service. Although most providers want to make the most of the cloud fever only a few are offering real public cloud solutions with high flexibility of changing baselines and pay-what-you-use pricing models. Some are offering infrastructure managed services including public cloud solutions of third parties like Amazon or Google. IT infrastructure management and cloud solutions are converging rapidly. Gartner's Gartner estimates that over the course of the next five years, enterprises will be spending $112 B cumulatively on SaaS (Software as a Service), PaaS (Platform as a Service) and IaaS. United States, Western Europe and Japan will be holding a major share of the global cloud market.

The winds of industry consolidation are blowing again across different elements of the delivery supply chain with Atos Origin's intention to purchase Siemens (SIS), iGate's acquisition of Patni, as well as rampant acquisition at the level of cloud suppliers like Terremark and NaviSite.

Nair added "Businesses in general have inclination towards"

- Data centre transformation
- Data centre consolidation
- Cloud computing solutions
- Green Data centre
- DC Asset Monetization & re-badge resources
- Delivering offshore based remote Data Centre operations management to provide significant cost benefit
- Migrating customers to Asset Light model thru DC Consolidation, Virtualization, Asset Monetization and Cloud

In summary, several forces are slowly transforming the stable but growing market for infrastructure services, including the rising profile of offshore suppliers, maturing global delivery, productization of service and consulting offerings, and industry consolidation.

ENTERPRISE APPLICATIONS

Old World ERP Takes on a New Avatar

Utility-based offering will be on rise as cloud and SaaS take roots in the ERP market. Vendor consolidation, industry specialization, and the introduction of newer technologies that improve business process flexibility will further change the vendor landscape for implementation services.

Sourabh Chandra Pushp

Economic woes had a major impact on how companies chose to implement application solutions during the recession. Companies were forced to cut ERP implementation budgets and duration periods, they nonetheless realized significantly more business benefits from their ERP software than they did in 2009.

Gartner predicts, by 2013, 5% of enterprise applications (EA) programs will use leading indicators of business performance to demonstrate EA value. Further Gartner opines, 22% of EA programs will be led from outside the IT organization by the end of 2014. While 20% of organizations will adopt alternative names for the EA discipline, another 20% of organizations will apply an "explore/exploit" style to EA that delivers demonstrable business value. There are strong indications that 90% of organizations will use anchor models as the primary means of communicating enterprise change to business leaders in coming few years.

EA Trends

The 2011 witnessed some interesting trends that began last year and continue into this year. The accelerating adoption of SaaS and the increased focus on business case and benefits realization are both trends that aren't too surprising in this economic environment.

While it is good that companies are not spending as much on ERP implementations as they have in years past, the bad news is that many companies are cutting corners in their attempts to do more with less. Even though implementation costs and durations decreased, more companies beginning their projects with unrealistic expectations and are blowing away their budgeted time and resources at an alarming rate.

Most companies (over the years) maximized the benefits of offshoring. However, today the client demands more. They wish to innovate and use automation to not just do the work faster, but eliminate some of the steps in the SAP implementation cycle. It is evident that leading system integrators will automate the implementation of SAP in days to come. What is equally encouraging is that there is renewed interest of clients in SAP investments and a decrease in the usage of hybrid environment. Clients are willing to try SAP's HCM and supply chain management tools, where traditionally PeopleSoft were the favorites.

Gartner has released a forecast that predicts a 16.2 percent increase in SaaS revenue in the enterprise application market from 2010. The SaaS revenue in the enterprise application software market in 2009 was $7.9 Billion and, according to the analyst firm, it is forecasted to increase to $9.2 Billion in 2010, a solid 15.7 percent increase from 2009, considering the kind of resistance SaaS has been seeing in the enterprises due to concerns over security and integration issues.

According to Gartner Research, the initial concerns have considerably diminished as SaaS model matured and saw widespread adoption and SaaS is heading towards a large-scale enterprise adoption in the coming years.

There is an increasing involvement of executives in the purchasing decisions and an increased participation by IT in the process with higher requirement for downstream integration.

An increasing number of enterprises are using a variety of SaaS applications from multiple vendors that were procured and deployed without participation from IT, creating management issues and challenges. Social media and social software are becoming increasingly integrated with SaaS solutions, as social platforms such as Facebook and Twitter are leveraging customer service, sales and marketing initiatives. Content, communications and collaboration (CCC) continues to lead the enterprise SaaS market with worldwide CCC revenue on pace to reach $2.9 billion in 2010, followed by customer relationship management (CRM) revenue of $2.6 billion. For CCC technologies, SaaS use varies across the market segments.

Gartner estimates that 75 percent of the current SaaS delivery revenue could be considered as a cloud service, and that could exceed 90 percent by 2014 as the SaaS model matures and converges with cloud services models.

Because SaaS and cloud are hot concepts in the market, many suppliers are rebranding their hosting or application management or application outsourcing capabilities as SaaS or are claiming their solutions are available 'in the cloud.' Much relabeling of more-traditional application outsourcing approaches is occurring.

Mobile Enterprise Applications

Analysts forecast that the Mobile Enterprise Application Market will reach

$11.5 billion in 2014. One of the key factors contributing to this market growth is the high adoption of smartphones across enterprises. The Mobile Enterprise Application Market has also been witnessing high growth in customized

2011 ERP Report- Key Findings

- The average ERP implementation cost dropped from \$6.2 million to \$5.48 million.
- The average project duration dropped from 18.4 months to 14.3 months.
- The percentage of companies who realized between 51- and 100-percent of anticipated business benefits increased from 33-percent to 42-percent.
- The percentage of companies who realized 50-percent or less of anticipated business benefits decreased from 67-percent to 48-percent.
- The percentage of companies who realized 30-percent or less of anticipated business benefits decreased from 55-percent to 21-percent.
- The percentage of companies reporting project overruns (61.1-percent) and budget overruns (74.1-percent) increased significantly from 2009 (35.5-percent and 51.4-percent, respectively).
- In 2010, the percentage of companies who chose not to customize their solution at all (15-percent) was nearly half what it was in 2009 (28.3-percent).
- The percentage of companies who developed a business case as part of their implementation process rose from 85-percent in 2009 to 97-percent in 2010.

Source: Panorama Consulting Solutions

mobile enterprise applications. However, security issues with Mobile Enterprise Applications could be a challenge to the growth of this market.

Key vendors dominating this market space include Salesforce Inc., Research In Motion, Microsoft Corp, Sybase and IBM Corp.

Mid Size Market Adoption

The implementation of ERP systems has helped mid sized corporations, significantly improve their business metrics by process optimization, improving the entire supply chain process and integration across functionality.

Until some time back, most of the mid sized organizations were living with homegrown applications which are non-integrated and on disparate architectures resulting in redundant technology and non- availability of critical information at the right time. The key drivers of introducing an ERP solution in a midsized company are introduction of industry standard processes which are already embedded in the application, adopting integration across business functions leading to transparency, access to real time information etc.

The need for an ERP system can be viewed with respect to the organization objectives, key drivers and finally the choice of solution. The key considerations evaluation and selection of an ERP are scalability, vendor management and reliable service and support.

ERP solutions are designed to grow with the company. Unlike some standalone applications, they do not succumb to volume and change pressures, leaving you to start over from scratch. Managing a plethora of vendors for customer service is not easy. The ability to access affordable service and support is critical. It is easier to support an integrated ERP environment than a mixture of different applications.

Outlook

The ERP market recovered fairly well in 2010 from the midrecession activity levels of 2009; the market will continue to grow in 2011, but will gradually shift from a licensed to a subscription model over the next five years. Vendor consolidation, industry specialization, and the introduction of newer technologies that improve business process flexibility will further change the vendor landscape.

License revenue will start to fall by 2015 and maintenance revenue will be on the rise. Utility-based offering will be on rise as cloud and SaaS will be major players in ERP implementation. Subscription revenue will pick up as SaaS ERP revenue.

SAP is planning to launch SAP app store like Apple's iTunes store. Nonetheless, SAP's Business ByDesign SaaS solution is again getting a lot of visibility. SAP Business ByDesign is a complete, fully integrated business management solution delivered on demand. SAP will also use the Business ByDesign platform to build its line-of-business, on-demand applications for large companies, and use the App Store model to develop and sell add-ons for customers.

That said, while SaaS ERP systems are still years away from capturing a significant portion of the ERP market among midsize to large organizations, CIOs will continue to look at other cloud computing options. Hosted ERP solutions and outsourced IT infrastructures will likely be on the minds of many CIOs. In addition, although larger companies may not yet be in a position to adopt enterprise-wide SaaS models, they will continue to evaluate targeted SaaS solutions, such as Document Management Systems (DMS), Human Resource Systems (HRM/HCM), Product Lifecycle Management (PLM), and Customer Relationship Management (CRM).

CONTACT CENTER :

Web-Based Customer Interactions Unfold New Opportunities for Contact Centers

After going through a relatively sluggish phase in 2009 and 2010, the customer care outsourcing industry is getting back on track.

Smita Vasudevan

The Changing Market Scenario

The reviving market and burgeoning customer expectations are resulting in some transformational changes in the area of contact center outsourcing. Channels of communication are growing, customers are interacting more than ever and technology innovations by service providers are on the rise. Nancy Pryor, Senior Vice President, Customer Management, Convergys says, "The whole customer experience now matters and the complexity of the customer experience ecosystem will mushroom."

> "The whole customer experience now matters and the complexity of the customer experience ecosystem will mushroom."

Enterprises are realizing the fact that their customers are interacting in more than one way and are hence looking for service providers that are able to offer services on multiple channels. Sitel also holds a similar opinion and expects web engagement to be a major trend in 2011."Established rules of communicating with customers have already changed, largely driven by a shift in demographics and how customers are using digital technologies. Emails and voice calls are being replaced by Facebook, Twitter and other online communities. Customers are taking matters into their hands, and participating in social media forums, blogs, and communities to find the answers they need. Here is the reality all companies must face, social media interactions are going to happen with or without you" says Amit Shankardass, Chief Corporate Strategist, Global Operations, Sitel.

Enterprises that are able to make customer interactions simple, serve customers on multiple channels, implement better technology and bring flexibility in their offerings will definitely have an edge over others. It is increasingly important for companies to be able to offer customized packages according to specific customer requirements. T. Scott Gross states in a white paper sponsored by Sitel, 'My way, Right Away, Why Pay?', "You really cannot serve great customer service from a script. It is a one-of-a-kind product. Gen Y does not like to be treated as a number and want their purchases to be just as customized."

Growth Across Geographies and Verticals

The economic slowdown has made cost efficiency an even bigger concern for companies. This is driving outsourcing contracts to lower cost regions. India, Malaysia, Mexico, Colombia, China and Philippines continue to be major hubs for contact centers across the world.

Latin America will remain an important destination for contact center outsourcing. "Overall, increasing pressure on profit margins and the global economic climate have boosted the demand for customer care cost savings, giving a leg up to the contact center outsourcing services market in Colombia and Peru," says Juan Gonzalez, Industry Manager, Frost & Sullivan. "Their ability to provide a fully integrated suite of end-to-end services has further reinforced their status as outsourcing hubs in Latin America" he adds.

On the other side of the world, Asia Pacific region continues to be a favored location. It has witnessed a significant growth in outsourcing in 2010, with an 8.5 per cent growth in agent seats. According to Krishna Baidya, Industry Manager, ICT, Frost & Sullivan "Agent seats are expected to grow at 9.5 per cent CAGR through the period till 2017."

Adoption levels for contact center outsourcing are picking up across various verticals too. Apart from the traditional areas like financial, travel and telecommunication sectors, there is now strong demand from other areas like healthcare, insurance and transportation. Across the APAC region, retail, hospitality, utilities, entertainment and manufacturing are booming with outsourcing opportunities.

Sitel believes that the U.S. market will see a major part of its demand coming from financial services, travel, retail, and media and communication sectors.

Digital Transformation is the Way to Go

The market is seeing transformation everywhere-in terms of technology, modes of communication, customer preferences and so on. Traditionally, customer care was considered equal to a call center, while this is not the case any more. Today, there is a huge difference in the way customers are interacting and their interactions are not just limited to phone calls. They have access to information and are much more aware about what services are available. In such a scenario, how can companies retain customers and maintain their competitive advantage. Animesh jain, Chief Delivery Officer, India, 24/7 Customer, says, "The only way to do this is through building customer engagement models and customer loyalty." Engaging customers once they are on the web either through self service or assistance service is very essential for customer retention. This type of a digital transformation is expected to the biggest trend this year and companies that are able to foresee and prepare for this change are most likely to gain. As web interactions are gaining preference, web retention and web conversions are going to be two big opportunity areas. When customers go online intending to buy something, service providers can increase

the chances of converting it into a sale by offering some live support.

Sitel foresees humanization of technology to be an important change and is already moving in this direction. This involves a delicate balance of automation technology and the customer experience. The idea behind the change is to discover ways to reduce expenses through technology without sacrificing the human touch.

How Are Service Providers Making a Difference?

Enterprises are eying at using social media platforms as an effective and relatively low-cost medium for understanding customer behavior and preferences. Data analytics is another area that is increasingly gaining more prominence. According to a Frost & Sullivan report 'Redefining Contact Center Analytics, 2011,' there is an increase in the portion of companies that are actively using analytics in their contact centers.

Preparing themselves for technology changes will be essential for companies across different sectors. "Customers are increasingly looking to interact using new channels. As social networks continue to expand, the quantity of new tools and solutions available is overwhelming. Publishers must look at ways to enhance their services through texting, social media, cell phone applications, and whatever emerges next or risk losing their subscribers" says Jeff Gossman, Senior Director of Technology Solutions, Convergys, in its recent press release, about the strategies required in publishing companies.

How are service providers preparing for the big change ? Web-based customer services seem to be becoming a common focus area for most players. 24/7 Customer is offering online predictive customer experience solution that is a combination of three things-software platform solutions, web-based analytics and contact center services. The company identifies web-based

Sitel

"Sitel is helping to drive self-service and agent-assisted interactions across company websites, social networking sites (such as Twitter and Facebook) and mobile applications (for the iPad or iPhone)."

24/7 Customer

"We offer online predictive customer experience solution that is a combination of three things-software platform solutions, web-based analytics and contact center services."

WNS

"Offering multilingual contact center services via onshore, nearshore and offshore delivery models is our core strategy."

interactions as a major trend this year and finds its strategies to be a step taken in this direction.

According to Shankardass "Sitel is helping to drive self-service and agent-assisted interactions across company websites, social networking sites (such as Twitter and Facebook) and mobile applications (for the iPad or iPhone)."

WNS finds offering multilingual contact center services via onshore, nearshore and offshore delivery models to be its core strategy. It also looks at building in-depth capabilities in end-to-end customer lifecycle support, by leveraging existing experience within diverse client base.

Taking a broader look across geographies, the high growth markets like India, China and Philippines are focusing more on workforce optimization and self service applications. While mature markets like Australia and Singapore are seeing huge investments into analytics and social media integration.

Outcome-Based Pricing & Technology-Based Acquisitions

Models are mostly going to be outcome based. This implies that service providers will earn in line with what they are able to sell on behalf of their customers. According to Baidya,"Service providers are trying to transform their relationship and position themselves as strategic partners. Strategic partners are likely to deliver in truly flexible pay-per-use models, leveraging IT and PO synergies from best-in-class technology and processes bundled together. Soon in the partnership they are likely to offer business analytics and insights and offer proactive service leading to revenue generation. Outcome based pricing instead of headcount is then likely to be a common aspect of such partnership."

Presenting a similar opinion, Pryor says, "The biggest change Convergys sees is that more companies are driving towards some form of outcome-based business model and a related pricing arrangement.

Service providers are looking to scale up in terms of their service capabilities and geographical reach. As buyers look for providers with a global footprint, establishing a global delivery program is going to be a key area for providers. And this trend is going to drive the merger and acquisition decisions significantly. Talking about the recent merger and acquisition deals in contact center industry, Baidya commented "As customers demand more services from a single vendor at multiple geographies with multi-language capability, such consolidations are likely to be common." As complexities grow and level of sophistication goes up, service providers will also be aiming more at technology acquisitions.

What Lies Ahead?

Experts are of the opinion that these transformations can have a double-sided impact on the market-challenges plus opportunities. For instance, companies that service customers over the web through methods other than voice, can overcome limitations relating to dialect or language. Hence difference in the geographical locations or languages will not be a hurdle. But to grab a share of the outsourcing pie, providers need to establish their presence on multiple channels and be able to interact in ways that are preferred by customers. Multiple channel capabilities and expertise in specific verticals is going to be important in luring customers when products and services are otherwise similar to a large extent. "Social media will be central to companies' strategies towards customer engagement and what companies can offer in this direction is going to be very important" says Jain. The mid market is another big opportunity area and service providers are already coming up with specialized offerings to attract this market segment.

But is the declining call volumes in contact centers going to affect growth in the long run? As a trend call volumes have been declining, but service providers believe that this is not going to curtail growth opportunities as calls will be replaced by other methods of interaction. With growing preference for self service, service providers will, in fact, have the opportunity to offer more services with the same number of agents. Opportunities are thus huge and challenges are big, but being proactive is going to make all the difference. Commenting on the future prospects, Pryor says, "Convergys sees a healthy BPO customer care market growing at five to six per cent over the next three to five years".

The market is seeing a lot of activity in terms of fresh deals and demand is coming from various verticals and geographies. Companies are moving to double digit growth numbers and complexities are also growing. Experts believe that on the whole, 2011 is going to be an exciting year full of challenges and opportunities.

> **"Sitel identifies web-based interactions as the biggest trend in 2011 and finds its strategies to be a step in this direction."**

FINANCE & ACCOUNTING

FAO Market Is On A Roll

The traditional FAO market is rapidly maturing in many ways even as new demand geographies are emerging.

Smriti Sharma

The FAO market continues to be vibrant and dynamic. According to reports, the United States accounted for over half of total FAO spending in 2010 while Asia-Pacific witnessed the fastest growth. Large buyers accounted for 55 percent of contracts signed in 2010. Mid-market companies that have revenues of $1-5B annually, revived adoption of FAO last year.

According to Everest Group, the FAO market is expected to grow 15-20 percent and top $4B in annual contract value in 2011.

According to the same report, in 2010, ACV grew almost 15 percent in comparison to about 10 percent growth during 2009, and total contract values (TCV) of new engagements reached $5 B. The FAO market reached $3.5 B in ACV in 2010, representing about $28.5B in total FAO spending.

As per HfS research, the average contract size for an F&A BPO engagement has declined from $30M in TCV in 2004 to less than $20M in 2010. This size decrease is caused by increased competitiveness, falling price-points and increased number of engagements being signed with organizations in the $750M to $3B revenue category.

More than half the market engagements are with Accenture, IBM and Genpact, the report says.

Approximately 48 percent of 2010's engagements involve gainshare incentive. This space is witnessing a growing demand for more transactional and outcome-based pricing models.

The FAO Leaders

Accenture and IBM dominate the global F&A BPO market. Accenture, IBM, Genpact, Capgemini, Infosys BPO and HP have been recognized as the major players by advisories. In Everest Group's Performance/ Experience/ Ability/ Knowledge (PEAK) matrix, leading service providers named were Accenture, IBM, Genpact, Capgemini, Infosys BPO and HP.

Recent years, have witnessed these players bag multiple engagements in the $50M+ range and thus they are able to dominate this space. Interestingly, market leader Accenture and IBM adhere to different approaches as per HfS Research on FAO: Accenture has consolidated its commanding presence with large-scale enterprise customers, but IBM has determinedly gone after the mid-market to take a commanding position in that sector.

Capgemini and Genpact are the major contenders for large scale engagements. Multi-billion dollar offshore-centric providers Infosys, TCS and Wipro, and BPO pure-play specialists EXL Service and WNS, are also very active in the market for large engagements. ACS has merged with Xerox, they have commercialized their end to end Source to Pay capabilities.

ACS has also formulized three key alliances in the Source-to-Pay area. These alliances bring additional technology enablement and capabilities with certain spend categories. They continue to invest

in F&A enabling technologies that will help drive benefits beyond labor arbitrages ACS is aggressively integrating new Xerox technologies into their FAO solutions.

Tony Chambliss, global offering lead for F&A BPO services at Accenture articulated, "The ability to undertake analytics on transactions, understand the insights and then identify opportunities to improve and add value is what our clients expect from BPO. For F&A BPO clients we process their invoices, collate the spend, map that back to their strategic sourcing agreements and identify rogue spending outside that agreement – that is money sifting through their hands. We're focused on finding it and 'giving it back' to help drive savings. We're also seeing more emphasis on deep industry expertise. More and more, clients are looking for providers that have a deep understanding of the industry environment in which they operate."

FAO space will further consolidate as providers draft acquisition strategies to increase their presence. EXL Service recently announced the acquisition of OPI Global, a pure play FAO vendor.

Genpact's strategy for addressing the market in 2011 is not different from their 2010 plan. That is, client acquisitions will continue to be very aggressive in terms of both new logos as well as expanding their footprints with their existing logos.

Recently, Serco signed an agreement to acquire Intelenet, an India-based BPO provider. Highlighting on how this acquisition will benefit Serco, Chris Hyman, chief executive of Serco, commented, "The acquisition of Intelenet supports our ambitions. The international BPO market is growing quickly as companies seek out new ways to improve their service and reduce costs. Intelenet's high value capabilities and customer base, together with its economies of scale, means we can access new markets and strengthen our existing propositions."

Second tier vendors are eying the mid-market and are distinguishing themselves by creating differentiated offerings. Their focus areas will be innovative value propositions such as industry-specific solutions, end-to-end processes solutions, specialized process offerings etc, strategic alliances between pure-play FAO service providers and technology providers to offer platform/SaaS-based offerings and increasing presence and foray into emerging destinations such as Africa, Latin America.

Steria, one of Europe's providers of outsourced Finance and Accounting (F&A), embraced a number of landmark contracts. Steria manages and controls over approximately $80.56B payments per year, $20B collections and over 3.5M payroll transactions.

Sachdev Ramakrishna, director marketing, Steria India said, "We understand that regulations, systems and processes are not static. Our finance specialists actively look at the future of finance and leading best practice. We design and run excellent finance operations and platforms that ensure a reliable, controlled and flexible service that can deliver change. This enables our public and private sector clients to dramatically improve control, cost and service."

The Models

In recent years, phased approach of scope migration has replaced the big-bang approach. Buyers are increasingly focusing on cost and value proposition in terms of optimizing process. To maximize value creation from FAO contracts, buyers are starting to follow end-to-end process-driven approach to FAO as opposed to a traditional functional and piecemeal approach.

Chambliss spoke about how many companies are moving from just a transactional basis of BPO toward outsourcing higher value added functions in their decision making and F&PM areas. He opined, "Access to better information to communicate to their line of business owners seem to be driving more value add for the F&A organizations and making the opportunities to grow analytics and improvements in the bottom line for companies. Value propositions are centered around improvements to cash performance."

There are several models of implementing centralized finance operations. Saurabh Gupta, vice president Everest Group, stated:

- Building captive finance shared service operations
- Build-Operate-Transfer (BOT) model – Buyer engages a third-party service provider to build dedicated F&A operations offshore. Service provider then operates the F&A operations for buyer in steady state. Once steady state operations and required

scale are achieved, service provider transfers operations to the buyer organization that can then run it as a captive

- Third-party outsourcing – Buyer outsources part of F&A operations completely to a third-party service provider, the classical FAO engagement model.

Organizations often leverage hybrid or mixed approach leveraging more than one model described above.

WNS has adopted several models of implementations such as- lift and shift, shift and fix, and a combination of fix whilst lifting and shifting. Tasneem Lakdawalla, business unit leader, Finance and Accounting shared, "WNS delivers a full range of FAO processes to support all functions in the CFO's office. We perform over 650 processes ranging from simple transactions to complex analytical processes including industry-specific processes such as royalty and passenger revenue accounting. Specifically, we deliver end-to-end services across the full spectrum of finance and accounting functions, including procure-to-pay, order-to-cash and record-to-report."

Technology Matters

Strategic technology investment enables both process optimization and long-term value in FAO outsourcing arrangements. The role of technology has evolved from the basic "tie-and-run" model to an "augmentation" model. In 2010, technology augmentation emerged as the new "normal" – nearly 50 percent of the new contracts included add-on tools such as workflows, interfaces, document management, business process management, business intelligence and user portals/ dashboards.

Ramakrishna added, "Historically, F&A outsourcing has not been a technology intensive service. The focus has been more on adhering to processes, backed by a strong manual work component. This is starting to change and for the first time, a growing number of F&A suppliers are offering standardized IT platforms with their F&A services. While there are challenges to overcome regarding data security, ERP architecture & integration, these options will continue to evolve, particularly in the near term for mid-market buyers who typically are more inclined to buy in standard solutions."

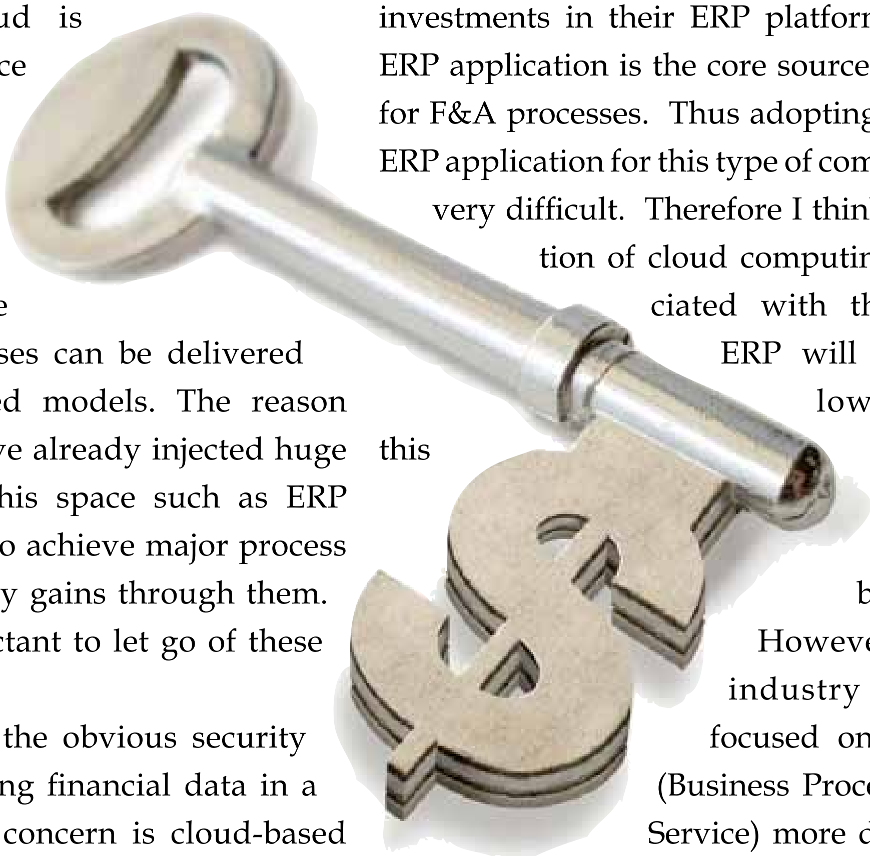
> **"The ability to undertake analytics on transactions, understand the insights and then identify opportunities to improve and add value is what our clients expect."**

Although cloud is making its presence felt across various industry verticals, this industry still needs to mature before its processes can be delivered in cloud- enabled models. The reason being, buyers have already injected huge investments in this space such as ERP and they expect to achieve major process and cost-efficiency gains through them. So, they are reluctant to let go of these investments.

In addition to the obvious security concerns of placing financial data in a cloud, the other concern is cloud-based FAO solutions need transaction-based pricing as opposed to FTE-based pricing in traditional FAO. However, transaction-based pricing is not yet a well established pricing model in FAO

Having said the above, still there is no escaping the cloud. They could either consider approaching a third-party in a 'cloud F&A BPO model' or move completely into entirely cloud-enabled platforms.

Kevin Lightfoot, vice president,external communications,ACS articulates, "The majority (over 70 percent) of the FAO contracts signed with the major FAO providers are with Global 2000 companies (company revenue in excess of $2B). Thus most of these companies have complex ERP requirements and have made significant investments in their ERP platforms. The ERP application is the core source system for F&A processes. Thus adopting a SaaS ERP application for this type of company is very difficult. Therefore I think adoption of cloud computing associated with the core ERP will remain low for this type of buyer.



However, the industry has focused on BPaaS (Business Process as a Service) more discretely on a functional basis (e.g., Procure to Pay, Order to Cash) and or on an industry vertical basis (e.g., claims processing)."

Lightfoot added, "In this case, providers offer technology enablement and BPO services bundled and the work environment for the clients as well as the pricing is either subscription based, or usage based. Adopting a SaaS ERP solution or a BPaaS model with the underlaying ERP and functional tools along is more likely with the mid-market where CFO's are more willing to balance ERP requirements for a tradeoff in ownership and costs. ACS can offer F&A BPaaS services on a cloud based SAP platform. Currently our focus for this service is the European mid-market."

Gupta stated technology strategies that are being deployed across all FAO:

- Tie-and-run: Limited role of technology where service provider plugs into the buyer's existing systems to deliver pure-play BPO services
- Technology augmentation: Service provider implements tools that serve as "add-ons" around the periphery of the existing buyer systems to address specific gaps
- Core F&A technology replacement/implementation: IT infrastructure and/or core F&A application implementation bundled with FAO services. Technology ownership resides with buyer
- Platform-based FAO: Pre-integrated applications and pre-built processes, owned by service provider, with pricing built into the FAO contract

In 2010, technology augmentation emerged as the most prevalent model. While most FAO buyers prefer a technology augmentation approach, there exist situations where buyers are amenable to platform-based FAO as well. However, such instances are few given the hurdles described in the answer to the question on cloud computing adoption.

Clients and Delivery Locations

The largest client-base in this sector is based in the US. In 2010, the top three verticals adopting FAO were manufacturing & retail, financial services, and travel & logistics. Industries that have adopted FAO in recent years include healthcare, media, real estate, and hospitality.

In 2010, nearly 95 percent of FAO contracts had an offshore component with maximum offshore growth occurring in Indian tier-2 locations, Central and South America as well as Southeast Asia. Several new locations entered the FAO delivery location map including South Africa and Morocco.

Providers are looking for a stronger presence in destinations – China, Central Europe and Latin America- where they can serve regional clients with multilingual staff and higher-touch processes.

More than 55 percent of FAO contracts offshore F&A services to India. Of more than 20 leading FAO service providers tracked by Everest, 18 have delivery presence in India with close to 80 delivery centers when taken together. In recent years, India has also emerged as a buyer geography for FAO.

Outlook

Demand in the emerging markets- whether it is India or Asia Pacific or Latin America- for FAO services is expected to increase this year.

Shantanu Ghosh, senior vice president and global head of practices, solutions and transitions, Genpact opined, "The reason being a lot of multinationals - which are US and continental Europe based- have done their first wave of FAO, where they obviously focused on high impact geographies like US or UK or continental Europe are now focusing on their second or third wave outsourcing through the new market. These economies are creating companies that are growing from small to medium to big and they are expanding outside their home territories. They are also looking not only from the prospects of labor arbitrage but also from the prospect of creating growth platforms along with delivering process excellence through use of process management expertise."

FAO will continue to increase in the developed markets, which is the source destination for demand. Demand will continue to come from late adopters. Ghosh shared, "These are the people who have not jumped on the FAO bandwagon earlier, but now have seen the model get proven and have got enough confidence that this works and they are therefore now coming in the market. Many of them are large but that also includes the medium business segments that are now beginning to show interest in now getting into the FAO market."

For people who have experienced their first wave of FAO, they can be clearly seen going up the value chain. Lots of the business with existing customers that was in the initial pieces of transactional and little beyond transactional like ledger FAO has now moved on to closing reporting, financial planning, tax support etc. FAO is on its second generation of what can be done. FAO has moved beyond just Accounts Payable, Accounts Receivable and General Ledger.

An end-to-end process-driven approach to FAO is also emerging as opposed to a traditional functional and piecemeal approach.

Gupta added, "Competitive intensity among FAO service providers is at an all time high and the need to achieve differentiation is paramount. This is visible in terms of expanding delivery network to newer locations, launching process maturity models, investing in technology solutions, building new process offerings etc. The market has recently seen some consolidation as well (iGATE acquiring Patni and EXL acquiring OPI)".

In terms of contract scope, the trend towards end-to-end solutions will continue to gain momentum as opposed to a traditional piecemeal solution.

There is an increasing trend of "verticalization" in FAO, moving away from the traditional assumption that FAO is a horizontal function.

ANALYTICS

Analytics Outsourcing: Gaining Ground

The offshore analytics space has evolved from being dominated by captives of large companies to embracing large vendors offering end-to-end specialized analytics solutions to specific verticals.

Smriti Sharma

A recent study of Chief Information Officers (CIOs) by IBM reveals that the top strategic technology investment over the next five years at outperforming midsize organizations is business analytics.

The study reflects that within the broader category of analytics, 64 percent of midmarket CIOs said they are using data warehousing platforms and visual dashboards. Another 63 percent are using MDM (master data management). Master data refers to information entities, such as specific product or supplier names that are supposed to be consistent across a number of systems and applications within a company.

The heightened need for business analytics has begun to drive the demand for

Data security concerns make certain companies hesitant about analytics outsourcing. Vendors are targeting such buyers by offering onsite delivery teams – at client premises, client country- so data is not required to reach offshore.

Analytics service providers includes: BPOs, KPOs, BPO/KPO arm or department of large IT-BPO Company, specialist market research (MR) firms, and other boutique Research and Analytics (R&A) firms.

The approach adopted by large IT companies, BPOs and KPOs differs significantly. WNS and Cognizant are expanding by employing the acquisition route. Others such as Wipro have built in-house capabilities. For KPOs, analytics was an obvious lucrative step up to expand their portfolios.

outsourced analytic services, which hitherto has been driven by the need to offshore knowledge-based processes to take advantage of labor arbitrage and availability of specialist professional skills in countries like India. We see that the area called Knowledge Process Outsourcing (KPO) is slowly giving way to Analytics Outsourcing (AO).

Over the last decade, the offshore analytics space has evolved from being dominated by captives of large companies to embracing large vendors offering end-to-end specialized analytics solutions to specific verticals. Service providers such as PharmaARC and Fractal Analytics are some of the early entrants and they have established themselves as end-to-end analytics consulting companies.

Last five years have witnessed a significant increase in the percentage of service providers offering analytics services from offshore destinations.

Client Profile

US, UK and to some degree, the rest of Europe are major markets served by analytics service provider. Since these mature markets embrace experience in offshoring business processes they are now moving up the value chain and are willing to outsource knowledge services. Some providers are also focusing on Australia and Japan.

Fortune 500 companies are the big-league clients for this knowledge service.

Carnation Auto and GE Money are some of Genpact's clients. Pankaj Kulshreshtha, senior vice president, Genpact's analytics and research department articulated, “Genpact has a large concentration in America and a large portion of their current revenue comes from this region. It has footprints in Europe, China, India and Australia. In the coming years, it is expecting to grow significantly in Europe and Asia-Pacific Region.”

Most of WNS clients are based in the United States and European Union region. It is also expanding its client base in the Asia-Pacific region. Most of their clients are spread across several industry verticals, including financial services and insurance, retail, CPG, healthcare, professional services, travel and leisure.

Some of Accenture's clients are BP and Verizon. Capgemini's clients include Mazda and Baycorp. Connectiva serves service providers in telecom, media and entertainment. Their customers include some of the world's largest providers with 200+M subscribers as well as greenfield operators and mid-sized companies. Their customers include Bharti, T-Mobile, Telefonica, Alcatel Lucent, YTL, IDEA amongst others.

Top Delivery Locations

India, China and Eastern Europe are the most prominent destinations on the analytics outsourcing map. Others include nearshore countries to the US such as Mexico and Costa Rica, and offshore destinations such as Singapore and Sri Lanka.

Eastern Europe and nearshore destinations to the US have time zone advantages. For buyers whose service requirements call for real-time and frequent client interactions, these destinations fit the bill perfectly.

Corine Van Erkom Schurink, analytics team lead at Prescient Business Technologies (PBT), a South African service provider said, “Unfortunately, advanced analytics has not had the impact it should in the local market due to various reasons, the most pertinent being that it is not understood and therefore not implemented correctly.”

> “India, China and Eastern Europe are the most prominent destinations on the analytics outsourcing map. Others include nearshore countries to the US such as Mexico and Costa Rica.”

Continued Van Erkom Schurink, "With this in mind, it is important for businesses to get the process of advanced analytics right for the technology to effectively benefit the business. Too often local businesses and CIOs have been let down by this concept due to the fact that they do not fully understand what it is and how it should be implemented. This needs to change and PBT is becoming a strong advocate in this regard."

PBT suggested that getting this right involves a top-to-bottom approach:

* Advanced analytics should not be looked at as an IT function solely, but rather should be driven by the business as a whole, to allow for the correct platforms to be developed, based on the identified business model and what the business needs to achieve from having access to such data.

* The business should have a solid BI process in place whereby the data warehouse is fully up and running, and offers a central representation of data that can be understood on all levels of the business.

Demand Drivers

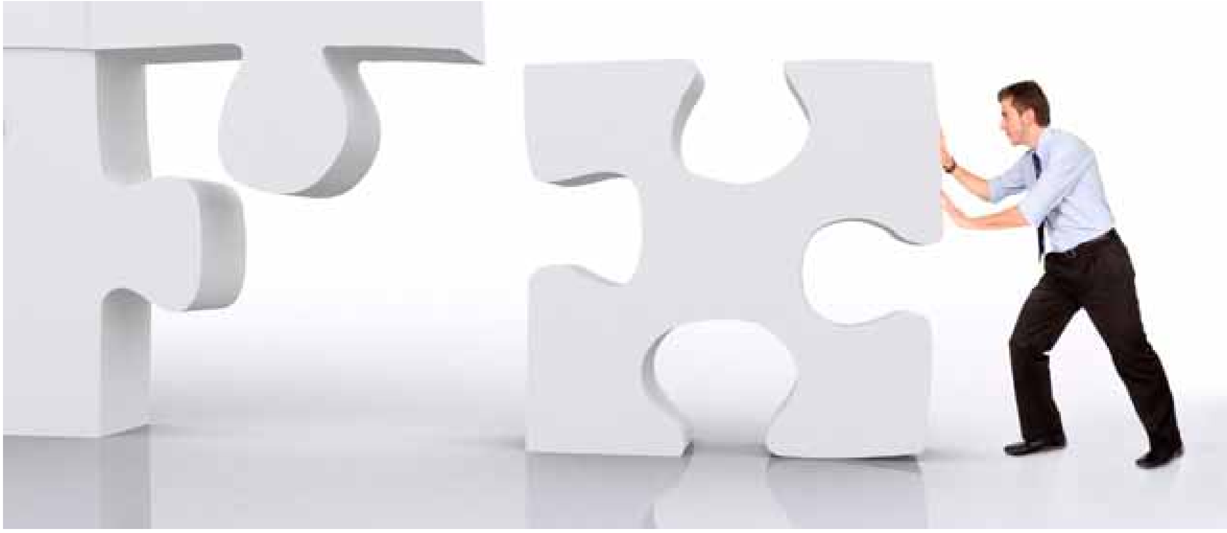
With ever growing competition and globalization, analytics has become critical for all businesses to support tactical and strategic decision making. Today, companies can choose from a host of platforms and services based tools that can be deployed to make intelligent use of information enabling business decisions that impact both top line and bottom line.

Arun Kharbanda, business unit head, Research & Analytics, WNS Global Services stated why analytics is used by their clients, "To enable our clients in their Top line growth by using analytics to create a ' 'One view of the Customer', improving customer life time value through better acquisition, retention strategies, increasing share of customer wallet through active cross-sell and up-sell plans, driving better sales force effectiveness, framing product-market strategies with accurate or targeted research on competition, markets, and consumers, improving marketing return on investment."

He added, "To enable cost reduction/ optimization of price, inventory and shipment to reduce demand-supply mismatches, Improving sourcing to reduce cost of procurement, quantifying probability of adverse outcomes to reduce risk, improving compliance adherence and provide strategies to minimize risk; Improving predictability of and minimize variations in planning."

The HfS report on analytics outsourcing highlighted the following drivers:

Leveraging IT and BPO offshoring experience and ecosystem Companies with existing outsourcing relationships are looking to leverage their IT-BPO offshoring experience to source analytics solutions, preferably from the same service provider. In most cases, the third-party service providers developed analytics solutions in a bid to move up the value chain.



Availability of cross-functional, multi-skilled talent As the scale and scope of analytics expanded to accommodate several core functions, the delivery of analytics called for maintaining highly specialized manpower across more diverse domain areas. This manpower often remained under-utilized. Given their high cost, companies increasingly started looking at third-party service providers to help. Increasing demand for analytics also led to the emergence of pure play analytics service providers. These providers have teams with deep domain knowledge, technology and statistical expertise.

Cost arbitrage for low-end analytics. According to HfS Research, for a typical analytics project, talent costs constitute approximately 60% to 70% of the total costs. With other costs (infrastructure, etc.) significantly lower than in onshore locations, cost arbitrage can range up to 50% for offshore locations.

Reduced time to market With increasing competition and the urgency to obtain first mover advantages, it has become imperative for firms globally to access talent to provide pertinent data supported by thorough analysis at a faster and more efficient pace. Offshore delivery centers are attractive as they come with faster time to market and provide accompanying support services on a 24x7 basis.

Outlook

The next 10 years of the analytics landscape will be drastically different from the last one. "With structural shifts in demographics that will reflect more prominently in the international trade and economics, where outsourcing will no longer be a choice. The KPO industry in India has gone through a "concept selling" phase in the last few years for a majority of clients who have so far utilized BPO services. At the same time, some clients have been able to create a competitive advantage for themselves through establishing Analytics Centers of Excellence programs that have resulted in improved decision making across multiple business groups, markets and geographies," opined Kharbanda.

Industry verticals such as shipping and logistics, manufacturing and supply chain were initially not very active in this space and now they offer good opportunities. From an offering standpoint, web and web related services are very much in demand from the market, as are packaged solutions that combine consulting services with delivery.

> "Next will come a time when companies in India will start services where they will own data and provide consulting/ analytics based on the owned data as well as customer data."

Ramachandran K, executive director & head healthcare, Activecubes stated, "Analytics Outsourcing started with financial and marketing functions. Some of the first companies to take advantage of this were the MNC's when they set up captives in India. Initially the heavy lifting in terms of data analysis was being outsourced. Then came the higher end statistical modeling. Nowadays, high end business consulting (based on the data) is also being outsourced. Next will come a time when companies in India will start services where they will own data and provide consulting/ analytics based on the owned data as well as customer data."

Viral Thakker, executive director, performance and technology services KPMG pointed out some of the emerging/growth areas in analytics:

- Customer analytics for the energy and utilities sector
- Fraud analytics in retail banking
- Cyber-analytics to detect cyber crime and terrorism
- Learning analytics to assess academic performance

Other trends that could emerge are:

- Cloud-based BI tools could see proliferation

- 'Big data analytics'— Big dta refers to the tools, processes and procedures allowing an organization to create, manipulate, and manage very large data sets and storage facilities.

INDUSTRY–SPECIFIC

Industry-specific BPO Will Continue to Evolve

BPO driven by industry-specific knowledge helps achieve measurable business outcomes

Sruthi Ramakrishnan

Vertical-specific BPO services present a larger and more diverse market opportunity as compared to horizontal BPO services. The US Healthcare Reform bill has been the biggest newsmaker in this regard, with many already terming it the "biggest bonanza yet" for the industry. Service providers with expertise in the healthcare area, both from industry leaders like India, Philippines and nearshore locations like Canada, Mexico are queuing up to grab a share of the approximately $2.5 trillion US healthcare pie.

Experts say that opportunities will be widespread in those industry domains where BPO and IT services can be bundled together under a single vendor's provision. This will help to generate more efficient business outcomes and to secure future IT work with existing clients. So the providers who can bring in industry domain expertise are set to emerge as significant players in the coming year.

A trend that is indicative of this growth potential is that newer vendor entrants are entering the BPO industry through the industry-specific (vertical) process

domains. Most of the strong IT services vendors have also been developing BPO niches in specific verticals where they have developed some strong process acumen and client credibility.

According to a survey by Horses for Sources, one-in-ten financial services firms, and one-in-five from life sciences, are looking to move into some form of domain-specific BPO this year for the first time. These are typically areas where there is some immediate labor arbitrage opportunity, like trade settlement transactions and mortgage processing in financial services, and data storage and management processes in life sciences.

Evolution

At the outset, process outsourcing had been primarily a cost-control strategy driven mainly by labor arbitrage. Cost-control is still relevant. But in today's environment, especially keeping the slow economic recovery in view, organizations are searching for value--for ways to do things better, faster, and cheaper--and for the ability to truly transform their businesses. To do that, they need BPO that is based on industry-specific knowledge and that is driven to achieve measurable business outcomes.

On the buyer side, several industries- financial services, life sciences, healthcare, retail, manufacturing, media, etc. - are undergoing fundamental changes, right from their infrastructure to business model to customer expectations. In such a situation, outsourcing processes is no longer seen as abhorrent or unusual.

Another reason is the success of existing domain-specific BPO engagements. Over half of all the financial services and life sciences firms recently surveyed by Horses for Sources are looking to expand existing BPO engagements this year, and very few intend to pull work back onshore. However, this doesn't necessarily entail massive increased spending overnight, but more a gradual incremental increase in engagement scope.

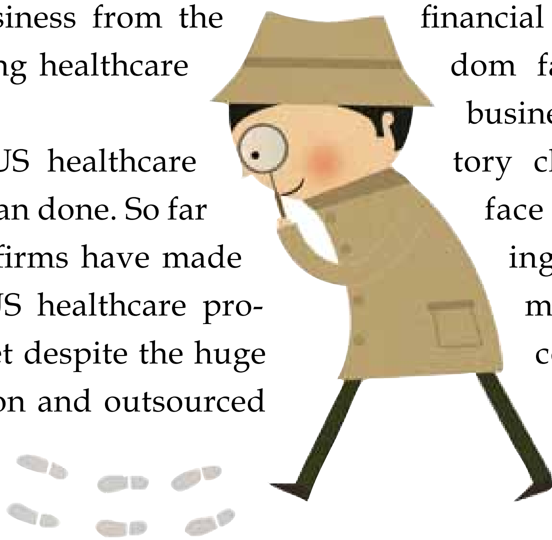
Suppliers also find the marketplace increasingly crowded, and industry-centric capabilities enable competitive differentiation. Moreover, the move to greater domain-specificity is intrinsically tied to the business utility model of the future, where there are signs of the convergence of SaaS, Cloud and BPO/ITO models within an engagement structure. The need for clients and vendors to define, develop and implement holistic end-to-end process solutions is slowly coming to the forefront.

All these reasons have led an increasing number of industry verticals to explore new and radical means to improve productivity, source new revenue opportunities and drive-out cost. Other benefits sought from providers include enhanced customer service, greater competitive agility, and measurable long-term business value, to name a few.

Industry-specific Processes

Healthcare outsourcing– The Healthcare Reform bill has the outsourcing industry abuzz with anticipation. Many BPO firms, including several Indian ones, recently increased or are in the process of increasing their onshore presence in the US or seeking possible mergers and acquisitions with other companies so as to broaden their expertise and so gain more business from the on-the-brink-of-booming healthcare industry there.

But capturing the US healthcare market is easier said than done. So far only few IT and BPO firms have made a headway into the US healthcare provider and payer market despite the huge potential for automation and outsourced services in areas such as revenue cycle management and claims processing. Industry players and experts cite issues like lesser willingness to outsource as compared to the financial services players, regulatory and privacy concerns related to patient records, compliance to specific Acts such as HIPAA (Health Insurance Portability), knowledge of medical procedures and codes, and variations between states which make this market more challenging.



But with 32 million Americans slated to join the ranks of the newly-insured, many providers will soon be seeking assistance in the processing of not just the new enrollees, but their existing clients as well. Insurance providers who were previously hesitant about outsourcing services will also now be forced to rethink, especially as competition will be tougher than ever in their industry. Of course with that, competition to gain profit from healthcare services will be tougher in the outsourcing industry as well.

Financial sector outsourcing- The financial services sector has seldom faced a tougher set of business, market, and regulatory challenges. Many firms face threats from ongoing consolidations, more mature non-traditional competitors, and proliferating compliance demands. To meet these challenges, BPO is increasingly being seen as a logical and proven tool for banks, card issuers, mortgage, insurance and other financial services firms. Banks and other organizations are using BPO to manage risk, to reduce costs, and to comply with increasingly rigorous regulatory demands.

Mortgage Process Outsourcing- The major challenge which service providers face while offering mortgage services is the integration of services like loan origination, vendor management, post-closing processing services, third party services until underwriting, modification services, technology services etc.

TCS (Tata Consultancy Services) shared with Global Services (New Demands in Mortgage Processing BPO, September 28, 2009) that as mortgage rates dropped to under 5% early last year, re-finance activity increased creating a spike in demand for origination and loan closing related services. This demand cooled as rates edged up. For default related services including MODs and real estate owned (REO) there were early demand spikes as servicers began to deal with the mortgage crisis. An uncertain regulatory environment and political pressures for moratoria on foreclosures late in 2008 contributed to a slowing in default outsourcing. As moratoria expire and MOD programs become better defined, service providers are facing a need to rapidly add scale. Cycle time has shortened dramatically. For service providers this translates into a need for excellence in manpower management, recruiting, and training. An additional critical element is deep domain expertise – the ability to work with the client to optimize processes, find ways to automate more fully and expand the scope of potentially outsourced business processes.

Life sciences outsourcing- The industry-wide drive for pharmaceutical and biotechnology companies to lower costs, access specialized services and increase flexibility through outsourcing work to Contract Service Providers (CSPs) was highlighted by BioCrossroads' latest report on Industry Developments in U.S. Biopharmaceutical Contract Services. The new report acknowledges that while 2009 was slow for many CSPs, the underlying reasons for pharmaceutical and biotechnology companies to outsource selected activities will continue for the foreseeable future. CSPs should continue to grow as the pharmaceutical industry moves towards a more flexible business model. Biomarker services and the need for larger clinical trials will provide opportunities for additional growth in future years.

Besides, with the consolidation of the pharmaceutical industry and the continued trend of strategic partnerships between CSPs and their clients, many companies in the sector will be drawn to find new revenue sources.

Besides India and Japan, China is emerging as a potential industry leader in this vertical. According to a 2008 report 'The Changing Dynamics of Pharma Outsourcing in Asia: Are You Readjusting Your Sights?' by PriceWaterhouseCoopers, big pharmaceutical companies rated China as the best location for outsourcing in Asia. The country's large population represents enormous market potential for Western firms whose domestic profits are coming to a standstill. Pharma companies are also drawn by China's low production costs. The Wall Street Journal estimates that the total cost of a scientist in China is $30,000, compared to $250,000 in the U.S. Worldwide pharmaceutical firms looking to expand sales into emerging markets are contributing resources to China.

Supply Management Outsourcing- The market surpassed a billion dollars in expenditure for the first time last year, with a 30% hike in expenditure on new multi-scope BPO contracts, as reported by the AMR Research Supplier Management BPO services report of 2009. The main reason for this uptake is the increased availability of low-cost offshore services for procure-to-pay and strategic sourcing support, with 72 percent of services being delivered from India for largely North American and European organizations. But experts say that this market will not sustain its growth trajectory unless customers think beyond short-term labor arbitrage, and service providers introduce significant process and technology enhancements to the early adopters to help them optimize their delivery.

Publishing outsourcing- The pressures that publishers faced in the wake of economic recession stimulated the e-book market. In the US alone, trade wholesale electronic book sales amounted to $167 million according to the International Digital Publishing Forum (IDPF). The e-book segment is growing and has witnessed serious attempts by publishers to make it a strong revenue source.

Outsourcing is being looked upon, besides to tackle cost pressures, to deal with the challenges of adapting to new technology, lack of in-house capability and addressing new geographies.

According to a 2010 ValueNotes survey of publishing service buyers, India was followed by the US in popular publishing outsourcing destinations, while the Philippines was the second most preferred offshore destination after India. ValueNotes estimates the Indian publishing outsourcing industry to grow to a $1.2 billion annual market by 2012 from $660 million in 2008. This growth is expected to come from the rise in the number of publishing firms that will outsource their work.

Indian players are shifting focus from the matured academic segment to the more lucrative segments in the publishing market- educational, magazines, corporate, B2B, trade and e-books will be attractive segments over the next three-four years, and Indian service providers can extend their current capabilities to service these upcoming opportunities.

The industry still suffers from a serious piracy problem, caused largely by the high price of books, especially foreign books published under license, where currency exchange rates push up the prices. Besides, diversifying into new areas of business and providing value-addition within current offerings are areas where outsourcing is yet to be viewed as a complete solution, the ValueNotes survey revealed.

Media outsourcing- The global media and entertainment industry revenue is likely to increase by leaps and bounds due to the proliferation of content in multiple formats across media platforms. The media process outsourcing opportunity is huge since most of the existing contents worldwide are in the analogue form and need to be digitized for new platforms.

As advertising declines, the pace of onshore and offshore outsourcing in the media industry appears to be picking up. The Everest Group reported an increase in media-related outsourcing deals in the last year. Mergers among media companies are driving some of those deals, but most of the push to outsourcing is due to pressures in the ad market. Publishers see labor arbitrage and offshoring as one of the easiest things they can do to cut costs.

Many companies today understand the importance of maintaining a good profile on the internet. Hence, they seek social media services like SMO (SM optimization) for their websites from third party vendors to boost their online business marketing while they focus full time on their core business development.

Other Verticals

Industry specific variations of horizontals continue to remain unaddressed though a few areas such as Revenue Accounting (Travel) or Revenue Assurance (Telecom) are drawing interest. Travel (airlines) is a sector where industry specific services such as Pricing/ Fare filing or Yield Management or Load Management have seen demand though "revenue accounting" has been leading in the sector.

Insurance is a sector which has been waiting for a good platform solution for a few years now.

Firms looking at supply chain functions, such as management of environmental compliance, distribution management, sourcing etc. are also choosing to outsource them.

Other emerging verticals include technology, telecom and transportation.

Opportunities and Risks

The 2009 Everest report 'Industry-Centric BPO Solutions- Opportunity to Attain Distinctive Market Positioning' says that while "verticalization" of services implies numerous opportunities for value creation, there are also potential risks, and suppliers need to identify and adopt mitigation strategies for these risks.

Among opportunities, the report mentions that while the overall BPO market is highly competitive, the market by industry is concentrated. Also, the industry specificity of services sets the stage for the introduction of higher-value pricing models. On the other hand, strategic investments for capability building in vertical services will carry larger risks.

Experts also warn that while industry-specificity will clearly be a major driver in outsourcing, the financial pressures on vendors to maintain their profit margins may override its development. The capability to deliver genuine domain-specific process acumen to clients is quickly becoming a major differentiator in the market. However, investing in the talent to truly scale these capabilities is expensive, and the margins aren't as appealing as those currently being displayed by several vendors delivering the easy, operational work. As a result, sector-specific skill shortages (specialized skill categories for vertical-specific processes such as actuaries for Insurance BPO) are likely to emerge, according to the Nasscom-Everest India BPO Study (2008).

While some vendors are clearly content with a thin veneer of vertical capability, others are picking verticals where they feel they can gain an edge over the competition. But it's a gradual development, and experts say that it will take patience

and attitude on the vendors' side to invest in the depth of talent they need, and less concern about short-term profits and demands.

Many of the GS100 companies offer industry-specific BPO solutions. The table below gives examples of work done by these companies across various industry sectors.

TABLE
INDUSTRY-SPECIFIC BPO
Oil & Gas End-to-end accounting services for O&G exploration and production companies, including work pay, division order management, and O&G specific AR/AP/GL accounting. Oil & Gas Trust: End-to-end Oil and Gas Trust accounting services for banks and large trusts. There are service providers that offer end-to-end BPO services for the entire range of trust accounting, division orders, and land management.
Healthcare Financial Consulting, Evaluation and development of provider reimbursement systems. Inpatient, outpatient, professional and allied health services, CMS compliance, Medicare Advantage risk adjustment data and HCC audits, Fraud Consulting, CAS 5.0 fraud, waste and abuse technology solutions for medical and pharmacy claims, Clinical audits (professional and institutional) Compliance with State anti-fraud regulations. Pharmacy Consulting and Software, Medicare Part D compliance, Pharmacy claims analysis, Retail & PBM reviews, Medicare Part D compliance. Healthcare Insurance: Policy management lifecycle, Claims Administration, Collections, Disease & Case Management, Referrals & Authorizations Management, Provider Credentialing, Provider Contracts Management, Member & Provider Contact center services, Fraud Analytics, Actuarial Support, Clinical Content Analysis, Patient base analytics.
Pharmaceutical Clinical Data Management, Pharmacovigilance, Statistical Analysis and Reporting. Claims adjudication, patient demographics entry, medical coding, charge entry, refunds, credits, payment posting, denial management, provider matching, claim re-pricing, case management, disease management, workers compensation, claims processing. Managing entire revenue cycle including: consulting, scheduling, pre-registration, registration, eligibility, transcription, coding, billing, self pay & insurance follow-up, e-payments, collections, legal services, and vendor management tools. Clinical data management, drug safety support, records management, medical writing, sales and brand analytics. Insurance: policy issuance, endorsements, renewals, cancellations & reinstatements, agency management, payment processing, claims reserve allocation, claims re-pricing, analytics/fraud detection, retirement plan setup & administration.
Document Management In-bound Mail Management (includes scanning and indexing), Print and Mail Services Conversion, Postal Tracking, Explanations of Benefits, Householding.
Retail & CPG Master Data Management, Trade promotions Management, Store solutions, Supply chain solutions, Reporting & analytics. Retail Offerings include Merchandizing, Store keeping, Supply Chain, MDM Services, Advertising/Promotions, Collaterals, Direct Marketing, Catalogue Management, eCom/Web, Social Media.

Energy, Utilities & Services

Master Data Management, Flex-staffing, Supplier Performance Management & Analytics, Engineering Documentation, Advanced Metering Infrastructure Support, data validation, new product/ feature support and Meter Data Analytics. **Utility Services-** Utility Services has developed and implemented creative and innovative solutions to increase cash flow, reduce recovery costs, free capacity, and increase customer retention. Early stage outbound credit calls , Inbound call center support , Back office support, Early stage third-party collections, Regular collections, Portfolio purchasing, Attorney network collections, Outbound customer service calls (power outages, new service notification calls). Merchandizing, Store keeping, Supply Chain, MDM Services, Advertising/Promotions, Collaterals, Direct Marketing, Catalogue Management, eCom/Web, Social Media.

Government

Service providers in this area offer performance-based Contract Administration, Complete contract administration for all performance-based standards, from start-up to daily operations for some or all tasks required under HUD ACC. Acknowledged Owner/Agent Satisfaction, collaborative HUD relationship, Timely resolution of tenant inquiries. Consulting services are offered to complement the BPO government offering: Performance Based Contract Administration - Full training program with certification, technical assistance to meet ACC requirements, development and implementation of performance and production reporting. Provide on-site assessments, specialized training, tracking and forecasting tools to help public housing authorities. Custom Training Seminars, Training Materials and Operations Manuals. **Government Services** collections programs, experience in delivering results by partnering with government clients to provide customized services to meet unique needs.

Content Services

Digitization, Scanning, Indexing & Abstracting, Data Entry, Data Conversion, Claims Processing, Mail Management.

Manufacturing: Account planning and partner support, Lead and Quote generation, Material Planning & Sourcing, Master Data Management (Material, part catalog and customer), Forward and Reverse Supply Chain & Logistics Support , After-sales service and support, Website content Management. Dealer, Retail, Franchise and Channel Support Mystery Shopping Services, Pre-owned Vehicles (for automotive) and pre-approved owners loyalty programs, Warranty management (dealers, end users), Leasing & financing transaction program, Technical Assistance (dealers, end users), Repurchase Lemon Law (end-to-end management), Back office / Support documentation, Promotional Marketing (dealers, channels), Service Marketing (automotive), Loyalty Marketing, Marketing Enablement Services, Service Contract Marketing

Software localization and Language Services

The bulk of the language services consist of ongoing business process transactions in which web sites, backend database information, documentation, marketing materials, multimedia, training and eLearning content is maintained in hundreds of languages and locales. These outsourced processes serve number of specific industries including Automotive, Consumer, Educational, Financial, Governmental, Healthcare, Life Sciences, Manufacturing, Technology, and Telco / Mobile.

Communication Services

Fulfillment - Order Management, Order fall-out management, Exception management, Provision, Modify & Cease orders, Service upgrades, Sales Support - Bid Management, Sales Reporting, Pricing, Voice of Customer analytics , Churn analytics. * Assurance - Technical help desk, Incident Management, Fault Diagnostics/ Validation/ Repair, Engineer Appointments, routing assistance, Cable protection Management * Billing - Customer query Management/ Billing Dispute Resolution, Billing & Commissions, Credit Referrals, Fraud Settlements, Roaming Settlement, Interconnect Billing, Revenue Assurance, Network access cost Management, Circuit inventory Management.

Media & Entertainment

Digitization, Digital restoration, Digital Asset Management (Transcoding, Encoding, Metadata), Rights Management, Newspaper Advertising & Circulation Accounting, Advertising Operations (Creative), Web Search Marketing, Shared Service Platform for newspapers, Web monetization Platform, Online campaign implementation and optimization, Content Creation services (Creative Design, Content re-writing, review, moderation), Content aggregation /syndication services, DTP (Enhancing presentations, web publishing). Customer and revenue acquisition, Revenue assurance, protection, and churn mitigation services, and billing care and support services, Contract review services, Technical triage and diagnostics, Product testing and development services, Filed & retail service management, Channel and ISP management services, Hardware, Software, and order management services

Insurance

Claims Administration: The Claims Administration process outsourcing encompasses transactions like First Notice Of Loss, Loss Adjustment, Reserving Appraisal, Statutory and Bureau Reporting, Claims Payment, Salvage and Subrogation Reporting and Management Reporting. **Policy Owner Services:** This includes the outsourcing of processes related to policy owners like policy enquiry, policy change, policy renewal , billing, cancellation and reinstatement. **New Business:** This includes outsourcing services in quotation, application, underwriting, requirements, underwriting, policy issue and policy printing processes. **Analytics:** Analytics includes outsourcing of processes like Underwriting, Portfolio Analytics, Reporting, Acquisition Analytics, Customer Profiling and Fraud Analytics.

Capital Markets
Trade processing, reconciliation factory model, NAV calculation, post-trade compliance monitoring, fund data acquisition.

Customer Relations Management
CRM divisions support a diverse menu of inbound and outbound programs, and have the capabilities to interact with customers over the telephone, through e-mail and text messaging, or through Web chat. Flexible contact center solutions. Some of the CRM services are listed below. Customer Acquisition, Customer Retention, Customer Winback, Up-selling and Cross-selling, Customer care Technical support, IVR Solutions, Text Messaging Services, Email Management, Web Chat, Analytic Services, Multi-lingual Services, Social Networking.

Service provider delivers end-to-end solutions that support an integrated, multichannel communications service for the client's Customer Interaction Service. Every contact with the customer is focused on building the customer brand and further developing the customer relationship. The service includes the identification and implementation of service improvement opportunities on an ongoing basis. During service initiation, customer interaction processes are customized specifically to client needs, then formed into a structured process that provides seamless, predictable service. Representatives are trained to address the varied needs of geographically disparate communities.

Travel
Contact Centre Services and Transaction Processing. Contact center services are Customer Service, Reservations, Telesales, Email and Web based Helpdesk, Support, Queue Management, Fares Desk, Mishandled Baggage Desk , Frequent Flier / Loyalty Program Management. Transaction Processing / Back-office services : Queue Management, Teletype Reject Processing, Dupes Processing, Fares Filing, Flight Rebooking , Satellite Ticketing, File Finishing, Tables Maintenance, Debit Memo Research, ARC Reconciliation.

Location Services
Service provider offers diverse outsourcing services to **Digital map providers** and other companies delivered from different offshore centers. Some of the specific GIS-functions include geo-coding, image geo-rectification, creation and maintenance of geospatial database, map digitization, parcel mapping, satellite imagery interpretation and other sophisticated services.

PROCUREMENT OUTSOURCING

Procurement Outsourcing: On the Rise, Flush with Deals

Procurement outsourcing is proving its value as a strategic piece of services. The procurement function would entail more complex categories of products and is focused on creating long term, sustainable relationships with global suppliers.

Sourabh Chandra Pushp

Procurement spends have a direct impact on profit and at times like these, anything that moves the lever on profits is good strategy. The merits of procurement outsourcing (PO) as the means to unlock value from the procurement function is being tested as never before. PO is making the most of its newly gained importance in the corporate board room. In 2011, the shift towards transforming procurement from a mere functional role to a more strategic one is expected to continue.

Market & Engagements

PO has made big advances across the board in the last few years. PO enjoyed a good year in 2010 - with the value of contracts hitting $1.3 billion. PO market experienced a record year for new contract signings and extensions. 2010 saw actual contract value (ACV) grow 13 percent to reach US$1.3 billion. Cumulative total contract value (TCV) for existing and new engagements reached US$9 billion, an increase of 15 percent from 2009.

"Procurement has started to acquire the perception that procurement is rapidly becoming a power player, well able to augment the fortunes of business just as finance, manufacturing, sales and marketing are seen to do," says global consultant Accenture. The market has adapted to client objectives by providing a wide variety of outsourcing solutions by spend category, process, or geography.

transactional services to ensure compliance and sustainability" said Saurabh Gupta, vice president, Everest Research.

Traditionally, the UK and USA have been at the lead of the PO market, followed by the likes of European powerhouses France and Germany. According to Everest research, the PO market star performers were Accenture, IBM and ICG Commerce, which together accounted for

> **"Now the next wave of innovation — cloud computing— is redefining the concept of outsourcing by offering "as-a-service" capabilities ranging from infrastructure to platform to applications."**

The number of small-sized contracts increased; nearly 70 percent of contracts signed last year have a TCV less than US$15 million. While manufacturing companies led adoption, the consumer packaged goods and retail sectors together accounted for 35 percent of market share in terms of TCV. The United States led PO adoption, accounting for 45 percent of contracts signed, followed by Europe with 43 percent.

"Following the economic recession, we saw market recovery begin in 2010 as evidenced by a large number of new and renewed contracts and a significant rebound in mid-market adoption, We continue to see an increase in sourcing-focused contracts expanding into

nearly 75 percent of the overall market by ACV and 50 percent of new contracts signed in 2010. These service providers demonstrated the strongest movement forward across the following two dimensions: market success in 2010 based on ACV growth, number of contract signings and value of contract signings last year. Other prominent players in PO market were Global eProcure, Xchanging, CapGemini, Corbus and Genpact.

"Buying patterns are changing," says Stan Lepeak, Global Research Team-KPMG. Now the next wave of innovation – cloud computing– is redefining the concept of outsourcing by offering "as-a-service" capabilities ranging from infrastructure to platform to applications.

Most companies have dabbled with centralized and decentralized procurement over the last decade and are now settling into a hybrid structure determined by the profile of category. Companies now focus on managing spend at the level that maximizes efficiency and effectiveness.

Capgemini and ICG Commerce both led the way for PO deals with bagging three deals each, Capgemini sourced multi-year agreement with Kraft Foods to provide procurement services for its North American operations. Under its second deal Capgemini will manage Novozymes procurement services including Procure-to-Pay (P2P) on demand services and applications. Capgemini bagged its third deal with Hilti Corporation in a five-year contract. Capgemini will provide strategic sourcing and spend management for a wide range of corporate services.

ICG Commerce bagged three deals with Brinker International, a multi-year agreement with DICE to provide sourcing management services and agreement with Elizabeth Arden to provide strategic sourcing and category management.

Xchanging bagged three-year agreement with SELEX Galileo to manage an annual spend of £17 million on behalf of SELEX Galileo's UK business. In its second deal Xchanging underwent five-year agreement with CHEP to manage £75 million of spend and integrate and standardize procurement processes for its business across UK, France, Germany, and Spain.

Thames Water and Efficio Deal was hailed as a landmark deal, witnessing the start of a new paradigm for PO. Thames Water's £2.5bn PO deal with Efficio isn't just significant for its size – it's also notable for the boldness with which the company has embraced the concept.

Top Drivers

With the increased focus on cost and compliance, the procurement function has been elevated to a strategic component of value creation and a rich source of competitive advantage. Not surprisingly whatever the strategic imperatives, cost is still king and hence cost reduction is still the over-riding priority for organizations. The reduction of working capital was seen as the major requirement for procurement at the current time. Apart from the above mentioned drivers for PO, managing instability in commodity prices and ensuring

supply chain stability are also worth mentioning.

IT service providers are leading the way when it comes to the supplier space. Majority are currently outsourcing their procurement to IT service providers, which once again illustrates how reliant organizations are on outside expertise in the technology marketplace. Of those companies already engaged in some PO activity, eProcurement systems management turned out to be the most commonly outsourced procurement function. When it comes to selecting an outsourcing partner, proven capability ranked highest in terms of importance and spend category expertise was the second-most important criterion that companies pay attention to as they evaluate suppliers.

Realizing the Strategic Importance

Procurement's strategic importance within an organization continues to rise and along with the higher profile comes greatly elevated performance expectations.

Procurement is involved in critical decisions that pertain to a greater portion of third-party spend, and as a result there is an innovation agenda that goes well beyond cost and working capital. Organizations typically employ a competitive RFI process to identify service providers who meet their criteria to provider PO services. Once in a PO relationship service providers typically undertake strategic sourcing initiatives by launching

competitive RFIs across various vendors in order to identify the best suited vendor for the organization. Procurement department's strategic importance is rising within an organization and this is because a typical organization spends between 40% to 50% of its revenue on procured goods and services. This means any reduction in that 40% to 50% of spend is a direct impact on companies bottom-line.

Bob Booth, Head, Capgemini Procurement Services says, "Procurement is a continuous change-management activity and unless you understand your stakeholders motivations and their likely objections, you will struggle to convince them to support the change you desire and to build a consensus for change."

As technology continues to shrink the world, PO market will gain more traction. Unlike other BPO areas the value proposition for PO is not based on labor arbitrage. In fact, in many cases the higher skilled service provider resources may be more expensive than the existing procurement team within the organization.

What Future Holds ?

In terms of the number of service providers in the market as well as the number of procurement subject matter experts at each provider, capacity in the market has expanded, with continued new entrants and increased competition.

For 2011, it is estimated that the end-of-term activity will be significant as 45 percent of PO contracts, valued at nearly US$3 billion, are up for renewal within the next three years. PO will see higher adoption and impact influenced by new platform-based offerings that include cloud services as a delivery model. Research firms such as Gartner and Everest, predict that 2011 will be a stronger year compared to 2010 for PO. PO market is set to grow at 15-20% YoY to reach a market size of US$1.5 billion for multi-process PO, representing managed spend of around US$190 billion. Beyond just new contracts, over US$3 billion worth of existing contracts are coming up for renewal in the next three years. The SMB segment will see higher adoption levels, influenced by new platform-based offerings.

With eProcurement on the rise, not only did e-procurement solutions seem to offer a new way of improving purchasing processes through the automation of requisitions and purchase orders for both goods and services. E-procurement provides real-time business intelligence to the vendor as to the status of a customer's needs. The greatest advantage of e-procurement is 'reducing invoice processing delays and errors'. PO is becoming especially attractive to mid-market companies, who have found it challenging to invest in development of indirect sourcing talent as well as eSourcing and eProcurement tools.

The focus will move to considering global suppliers for more complex categories and creating long term, sustainable relationships with them. PO is at an inflection point and will be a prominent strategy in 2011.

HUMAN RESOURCE

Small, Shorter Term Deals Setting New Trends in HRO

HRO providers are not seeing too many opportunities for multi process deals, but there lies a clear opportunity in transforming small, short-term deals into longer strategic outsourcing relationships.

Smita Vasudevan

As the economy is reviving, the HRO market is regaining its lost momentum. The number of deals has gone up over the last few quarters and adoption rates are improving. According to Krishna Baidya, Industry Manager, Frost & Sullivan, "The HRO market has received a great boost as increased number of multi-process outsourcing deals, involving HR services such payroll, recruitment, training and development etc have started pouring in."

A major chunk of the demand is coming from public sectors across regions, as pressures to cut costs are mounting. Sectors like financial services, pharmaceutical and manufacturing are some areas that are currently high on HRO adoption.

Everest Group's 'Human Resources Outsourcing Annual Report 2011' points out few noticeable trends for this year. Demand for global expertise by buyers, integrated HR services, technology innovations and preference for single service contracts will be major factors driving the HRO market in 2011. Increased buyer preference for offshore service providers as a low cost HRO partner will most likely be an important trend to look forward this year. GIA's 'Human Resource Outsourcing: A Global Strategic Business Report (2011)' expects United States and Europe to continue dominating the global HRO market.

Going Strong

"In 2010, the Multi Process HRO (MPHRO) market grew by six per cent to reach an ACV of $ 3.07 B. More than 40 new deals were signed during this time and there were also significant number of extensions to the existing ones," says Rajesh Ranjan, Research Director, Everest Group. This coupled with reduction in the number of contract terminations indicate improved buyer satisfaction. As enterprises are becoming more careful in their outsourcing strategies and are reevaluating partnerships, there are some notable changes in the types of HRO contracts being signed. The visible trend is that the size of contracts is reducing and the contract period is going down. Enterprises are also including lesser number of processes in the MPHRO deals. The idea behind this is to start slowly and later move to bigger deals if the deal appears to be paying off. "Such change in customers' mentality is keeping vendors on their toes in the increasingly competitive market. Through such outsourcing, buyers are seeking to scale up quickly or gain access to contingent workforce with the required skills, gain cost advantage at various geographical presences they may have and deliver consistent experience," says Baidya.

Payroll has traditionally been the most outsourced function in HRO, considering its complexity and specialized knowledge required in the domain. Typically, enterprises are initially starting with outsourcing transaction intensive functions like payroll and over time, they move to other areas like learning and recruitment. The opportunity service providers have here is to transform short term agreements into long-term strategic relationships by offering competitive services combined with innovative technologies that suit specific enterprise needs.

RPO is Hot

Recruitment Process Outsourcing (RPO) is relatively new as compared to most other areas in HRO, but it has matured fast. The segment is growing, though certain areas are still not developed fully. In terms of global RPO, there hasn't been much of development as there are not many service providers capable of delivering a comprehensive global offering. This apparently is the reason why buyers have been depending on multiple service providers for their global RPO needs. Employment branding is an RPO area that is increasingly gaining focus. Enterprises are looking for service providers for their employment marketing and communication initiatives as they find it cost effective to outsource these rather than doing it in house. Technology

for recruitment processes are evolving and enterprises are looking for providers who are able to offer sophisticated technology solutions. These technologies include mobile platforms, and employment marketing and recruitment CRMs. Integrated technology offerings is most likely to be one of the major service provider innovations to be witnessed in 2011. In terms of the geographical demand, North America accounts for more than 50 per cent of the global RPO deals.

Service Provider Strategies

The Everest Report had classified ADP, Aon Hewitt, Northgate Arinso (Convergys), IBM and Accenture as the leaders, while Genpact, Xchanging and Neeyamo are categorized as the emerging players.

Service provider strategies are also changing in line with the changing demands of the industry. Many providers are trying to strengthen their offshore presence and add single process offerings to their line of services. Growth is most likely to be achieved by way of inorganic routes like mergers and acquisitions. The recent spate of M&A deals amongst HRO service providers clearly highlights this. Northgate Arinso is of the opinion that need for higher employee engagement, continuing globalization, openness to process standardization, automation of transactions, and focus on core strategy as the most important elements of a successful HRO strategy.

Emerging Models

Typically, the pricing models are based on headcount utilization by enterprises. This is usually the same for both single-process and multi-process HRO. But as cloud-based and SaaS offerings are becoming more popular, utility based pricing models are likely to be seen more. Mid-market enterprises will be more open to such kind of a model as it offers them access to technology applications without having to pay a high initial cost for deployment.

The Power of the Mid Market

The mid market segment is expanding the growth opportunities for global HRO service providers. Today a large chunk of the business is coming from these enterprises and providers are developing specialized strategies to tap this exploding potential. A research paper by Katrina Menzigian, VP, Research Relations, Everest Institute 'How Mid-market HRO is Emerging as a True Growth Platform, 2011' states that the mid-market companies have increased their adoption of integrated MPHRO and this segment is becoming the growth platform for many of the leading HRO service providers. Of all the MPHRO deals signed in 2010, 61 per cent came from the mid market. Cost saving objectives, access to advanced HR technology and improvements in overall business efficiency are the major factors driving these companies towards outsourcing.

Commenting on their mid-market strategies, Ann Vezina, executive vice president and group president of HR Services, ACS, says, "Services need to be scalable for any size employer with the ability to grow as mid-market organizations grow and their needs expand. We are prepared to meet their needs in all service lines and grow with them as the economy recovers."

Drivers

"Cost reduction remains a top driver of MPHRO. Other important drivers include managing compliance risk, greater alignment between HR and business strategy and access to better technology," says Ranjan. Enterprises are depending a lot on service providers in areas other than cost saving and are looking for partnerships that bring a little extra in the form of innovation and guidance. Experts believe that providers have a big opportunity here. They may not be seeing too many opportunities for multi process deals but there lies a clear opportunity in transforming small, short-term deals into longer strategic outsourcing relationships. Enterprises are targeting improvements in different areas, and providers that are able to offer this will have a visible advantage in the end.