

# BPO is as large as you want it to be

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**H**ow large is the BPO (business process outsourcing) market really? The truth of the matter is: the BPO market is as big as you want it to be since it is a supplier created market.

It is not being driven by customers or events such as Y2K or the euro. But how different is it from software services outsourcing? This issue is still a struggle for many companies while developing their strategies for the transition from software services to BPO, or for expansion into BPO.

Although there are some basic similarities by virtue of the fact that both belong to the 'outsourcing' pedigree there are many differences. Do we use the same marketing professionals? Do we need the same traditional skills to acquire customers? Do we still need to set up offices overseas to woo customers in spite of not having to place professionals for prolonged periods at client sites? The fact is that most customers and to some extent marketing professionals are still grappling with the complex issues in the BPO space. The traditional software services outsourcing 'mould' needs to be broken. The BPO outsourcing market is young and offshore BPO is still in its infancy.

With regard to market size, there are hundreds of BPO reports and analyses in different marketable forms screaming out the size and potential of the market. It is estimated that the world outsourcing market was in the range of US\$40 bn in 1998 and that the US had the prized share of 40% with Europe claiming 30% and the rest of the world claiming the balance 30%. The geographical market shares seem likely to continue with the world market estimated to grow to around \$100 bn by 2005. But it is common knowledge that it may be relatively easy to forecast figures for future years because when the time arrives most of these reports may not get a second look. What is more important for Indian companies, is what the market holds for them in the coming months and 2004.

The good news about the software outsourcing and the BPO market is that it will continue to grow. There are enough indications and good evidence to back that. The India factor is strong in spite of recent happenings in Malaysia, Indonesia and The Netherlands, that have tended to undermine the seemingly unstoppable tide of our 'software super power status'. These are but inevitable hiccups that every success story must face, but not brush aside. For example, the BPO market in the UK is expected to grow to around £10 bn by the year 2005 and evidence

of this is clearly seen in the large outsourcing deals that are taking place. This has also propelled an offshore thrust since most 'outsourcing' is now linked with an offshore element. With this in mind, many Indian companies have eagerly spun off BPO units or attempted to associate with BPO in different forms.

There is much news about Indian software in the local software community and quite often offshoring is seen as an inevitable necessity in global dynamics of survival. However, one must exert some caution here as both the US and Europe are also The Economic Times Thursday 29 May 2003 considering near-shore pastures which apparently yield good commercial benefit. The US is increasingly considering Mexico and Canada among others and Europe has started to look more closely at its eastern neighbours such as Hungary, Poland and the Czech Republic.

There are abundant examples of this to be found all around. PriceWaterhouse Coopers has been delivering BPO services mainly in the areas of finance and accounting from its Krakow centre in Poland, Accenture has been delivering services from its specialised BPO centre in Prague in the Czech Republic and ACS apart from its interest in India has operations in Mexico and Guatemala. Or for that matter the recent establishment of the centre in Warsaw by Carlson Wagonlit for its client GE. In addition, competitive differentiators cannot be ignored when considering a strategy for Europe. Scottish call centres have developed expertise in 23 languages including French, German, Italian and Spanish. WNS are reported to be offering French speaking personnel from its operations in Mumbai. The list goes on.

We had not seen this surge of global development with software services outsourcing. One of the important factors about BPO competition is that there is very little onsite element involved. This creates a whole new business dynamic for supplier software companies involved with BPO. The whole gamut of mastering the traditional onsite/offshore-onsite is drowned to some extent in having 'process' and 'project management' experience. With BPO, you also have several foreign professionals spending months or years in India in setting up their captive units or helping their Indian partners in developing a sophisticated operation. It is almost the reverse when we had Indian project managers travelling overseas to client locations to set up project teams and get involved with account management. The manager was involved with getting the project off the ground overseas and once the critical onsite stage was

reached, to send the modules offshore for further development.

The local landscape is another platform to view the comparisons between the two forms of outsourcing. During the height of software services outsourcing many overseas companies such as Intel, Motorola, SAP, Logica, EDS among others had set up shop to take advantage of the offshore experience. Many started off as captive units catering purely to their own software needs. Some companies approached the market differently by also offering their services to the Indian market such as EDS (with their PLM solutions) and Logica. In the BPO space, we observe a somewhat similar trend. WNS started as a captive unit of British Airways, established mainly to cater to the 'processing' needs of BA. Though it still caters to BA it has several other overseas customers. We also have the likes of GE, HSBC, Standard Chartered among others which are captive units. On the other side of the spectrum we are increasingly seeing the emergence of companies such as Convergys, ACS and others catering to customer requirements around the world from India. They are unlikely at the moment to cater to any form of domestic need. That possibly would be a major differentiator for BPO. Companies doing 'processing', be it transaction based, niche or comprehensive will almost predominantly cater to overseas clients from their India base.

In some cases the lines between BPO and software services are blurring. Customers may view BPO as an extended service from their existing software supplier. In other cases, they may feel the need for specialist BPO suppliers or pure play BPO companies who possess the relevant 'business process' and 'infrastructural' experience. It isn't getting easy for customers. As suppliers struggle with strategies and new ways of market entry and penetration, customers are faced with a whole new range of offshore offerings, sometimes bewildering, which they are unaccustomed to. It is a challenge for both parties.

The experiences of companies with software services outsourcing provides a ready reckoner on many issues relating to the basic principles of outsourcing to India. But in the case of offshore BPO, the rules of this new game are being written all over the world, as deals are being struck with Indian companies and as captive units are born.

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