

Headed for the UK? Find a partner first

SUNIT JILLA

The outsourcing market in relation to 'business processes' is an old one that has its roots in business and transaction processing. However, in terms of its extent, scope and potential, this is a recent innovation.

The UK BPO market is expected to be worth around £10 bn by the year 2005.

This presents a sizeable opportunity for companies wishing to tap into this market.

According to industry pundits and analysts this will be the fastest growing sector in the software services area expected to represent around 34% of the total software and IT services market.

However, for Indian companies to exploit this potential into offshore work requires a full appreciation of the local context.

The UK BPO market is dominated largely by UK based companies, unlike the services sector that has a high proportion of US-based companies.

Contrary to the situation in India where software service companies such as Wipro, Infosys and others have started off by investing in or starting their own BPO outfits, suppliers in the UK are increasingly forming strategic partnerships with end users to form exclusive BPO ventures.

EDS, for example, has formed a joint venture with Abbey National to form EDS Credit Services.

The business models adopted by British/European firms are quite different from those adopted in India, making it even more imperative for prospecting companies to study market reports published by analysts from the offshore angle and devise their strategies accordingly.

Within the last year, Indian software services companies have increasingly been seen to associate closely with BPO shops to develop a market offering of their own.

The advantage with this arrangement is that the service company has the marketing muscle and experience of the whole range of issues such as handling customers, cultural issues, market place dynamics etc – complemented with the Indian BPO associate's delivery mechanism and skill set across horizontal sectors such as HR, Admin and Finance among others.

The larger Indian firms can use their existing marketing set-ups abroad to bring in the business for their BPO units or counterparts.

This arrangement works, as often these customers are either currently working with them or have already worked successfully with them and view BPO as an extended offering.

Most of them are then quite often willing to leverage the additional value offered. This may not be applicable to the smaller suppliers whose customers may not be as BPO sensitive and for whom outsourcing software itself has been a great step forward.

Some of the Indian companies also do not have qualified marketing personnel who can create value propositions, so essential for educating prospective customers and increasingly demonstrating management of risk. Marketing of software services and BPO services are different strands albeit of the same thread.

In addition, there are hardly any pure BPO companies with marketing operations in the UK, with the possible exception of Daksh which opened its offices recently.

However, HCL Technologies has made a strategic acquisition of an existing call centre set-up offering multilingual capability in Belfast in Northern Ireland.

BPO business for India is beset with the same problems that companies have encountered in the past whilst marketing their software services overseas.

It is often proven difficult to sell BPO services from India without the cultural back-up of a local UK outfit to educate, develop and nurture a prospective customer on the advantages of offshoring business processes.

The support of marketing personnel specifically trained on the whole range of BPO issues is also deemed essential.

If work has to flow to India, a quantum transition has to be made and this requires both geographical proximity and a deeper understanding of the prospect's business concerns.

Additionally, BPO is a supplier driven market and as far UK/India business is concerned, it is in its nascent stages. Alert companies will have first mover advantage and associated benefits.

It is also expected that as the market grows familiar with offshore BPO, there will be a gradual plateau effect in about five years' time.

It is essential therefore to develop prompt entry level strategies and implement the same without much ado. Due to the overall economic slowdown, cost cutting has become an essential activity in every company's boardroom discussion and this is the imperative that will drive companies to look to India as an option.

On the Indian front, much is being invested by companies in setting up the infrastructure, communications, resources etc for taking on BPO work in India, but the efforts on the marketing front overseas are often lacking. Even Nasscom with its phenomenal success and strong Indian brand overseas, has recently decided to hire the services of a PR firm to engage the world at large.

We cannot take marketing and PR for granted and in the new BPO world order, companies will have to make strenuous marketing efforts and investment to engage British and European companies.

If the predictions put forth by McKinsey, IDC, Gartner and others are to be achieved, then we really have a long way to go and seriously need to rethink our investments in India/abroad or it will be the proverbial case of putting the cart before the horse.

On the UK BPO scene, there are predictions that the market will expand phenomenally in the coming years and offshore providers, mainly from India, will play a key role in this arena.

As yet, the private sector has not warmed to BPO as much as the government, but as credibility and demonstrable business benefits are obtained, this may well spread across other sectors and industries. HCL, TCS, Wipro, Infosys and Satyam among others are all becoming recognisable brands in the software community in the UK.

Business and computing magazines frequently carry articles on their success stories and remarkable rise on the western horizon. However, what is needed apart from these, are SME success stories to create a foundation with a larger bandwidth to cater to companies of all sizes.

The author is London-based and can be reached at sunit@bfinetnet.com