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INDIAN OUTSOURCING REVIEW

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India leads 2016 outsourcing index: Study

A recent study conducted by a London based global management consulting firm A.T. Kearney ranks India as the biggest outsourcing hub regarding financial and business outsourcing services. The countries that made it to the top 10 list are India, China, Malaysia, Brazil, Indonesia, Thailand, Philippines, Mexico, Chile and Poland. A.T. Kearney's 2016 Global Services Location Index (GSLI) now, in its seventh edition, analysed 55 countries across 3 major categories:

- Financial costs had 40% weightage in the research including compensation costs, infrastructure costs and tax and regulatory costs.
- People skills and availability of experienced and skilled labour force, education and language skills accounted for 30% weightage.
- Business environment had the remaining 30% weightage in the research which included country risk (political and economical), cultural adaptations, infrastructure availability and security of intellectual property.

The companies in pursuit of new talent turned to Tier III locations. The biggest advantage of Tier III cities is the real estate facilities. The real estate is 25% to 30% cheaper as opposed to a Tier I city. The next important factor is the availability of man power and their availability at lower cost enabling companies to keep lower cost and lower attrition rates. These cities offer highly developed educational infrastructures in the country.

2016: Trends in Outsourcing till now

Outsourcing IT functions continue to be an irresistible value proposition for many corporates. The trends in 2016 have been both negative and positive. So far, 2016 has seen the requirement of efficiency from the outsourcing partner company on the rise. More and more companies are showing

visible inclination towards automating processes like aspects of marketing, finance and IT. Companies have shown interest in simplifying IT environment at the same time achieving economic efficiency. We are seeing more maturation and greater access to, innovative technologies and new software tools that can manage and control internal processes.

A large part of the corporate world now outsources their service support, helpdesk and applications support. This trend does not seem to change in 2016 and probably should remain the same for the rest of the year as it not only helps companies to continue to keep their headcount issues and cost efficiencies at desired levels but also enables them to engage the experts in the business to help resolve issues faster. The flexibility offered by the outsourcing is increasingly favouring the client's requirements. With the advent of new government campaigns such as **Digital India**, companies find increasingly favourable commercial and legal conditions to thrive.

On the other hand, as observed by KPMG the negative trends while few, still exist. The talent shortages and talent management still leaves the service providers to cover a lot of ground. The others are weak global and regional economies that constantly surround the service providers year after year. The weak consumer demand is also a negative trend that seems to make its way into 2016 too.

As we look to 2016-2017, the new business model is "as a Service" model. This year (2016) is likely to see increased collaboration between companies and service providers as the new concept "as a Service" gains momentum and popularity. Outsourcing leader Accenture believes large incumbents may be at risk if they do not innovate and aggressively pursue "as a Service" capabilities.

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