



CBI
Ministry of Foreign Affairs

The EU market for ITO services

Agenda

- What is IT outsourcing?
- How and when buyers and service providers meet
- The EU market for ITO services
- Market segment
- Trade channels



What is ITO?

- Software related services:
 - Candidates for outsourcing are: coding, testing, localisation, re-engineering, maintenance, (web) application development, web site development, etc. Any or all parts of the SDLC, key process/practice area (engineering, project management, quality assurance) or product component might be outsourced.
- IT infrastructure services:
 - Service candidates are: remote maintenance and monitoring, product support (hardware, software), IT security, network monitoring and management, etc.
- On the edge with BPO (services where software is ALSO created OR heavily used): animation, audio visuals (TV, cinema, web), video games = ITES



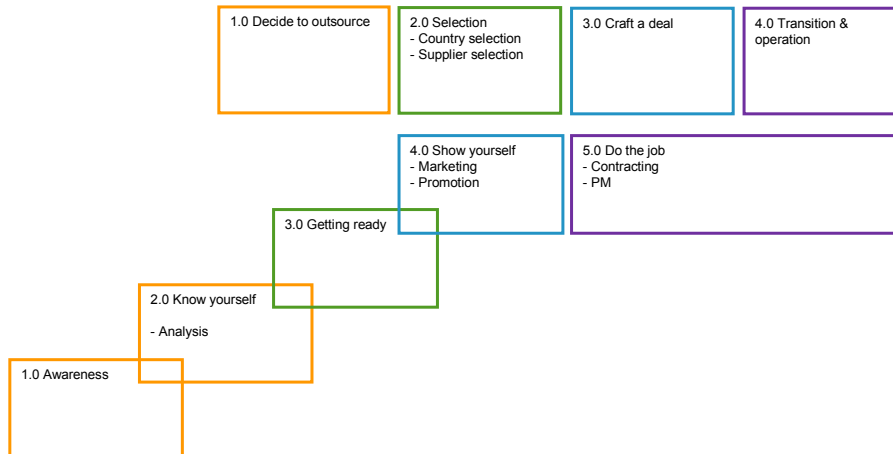
Segmentation I.

- Offshore outsourcing
- Nearshore outsourcing

What is the difference?



When Buyers & Suppliers meet



Ten questions you should ask

1. Do you have a clear reason why you want to offer your services/products in Europe?





Ten questions you should ask

2. Do you have the commitment and support of the senior management ?



Ten questions you should ask

3. Is your company big enough?

What does that mean?





Ten questions you should ask

4. Is it clear what you want to sell?



Ten questions you should ask

5. Do you know enough about Europe to make an early go/no-go decision?





Ten questions you should ask

6. Do you have capacity to supply European markets?



Ten questions you should ask

7. Do you have a sound (local) client base ?





Ten questions you should ask

8. Do you have (can you allocate) budget to sustain your market entry and marketing efforts?



Ten questions you should ask

9. Do you have adequate number of capable, experienced people speaking English (and/or other European languages) good enough?



Project managers, marketing staff and senior management



Ten questions you should ask

10. Are the key processes defined, documented and practiced?



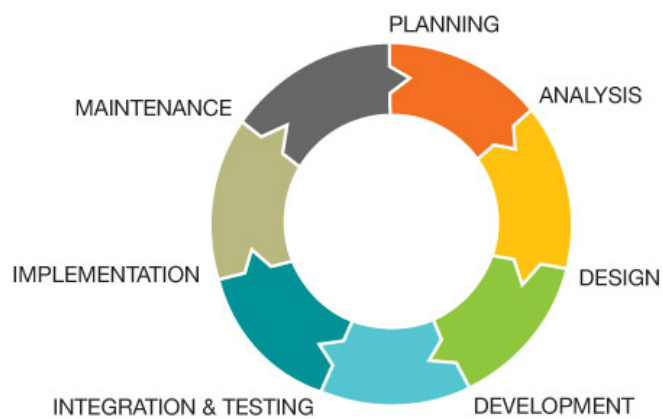
YES



WHAT CAN I SELL AFTER ALL?

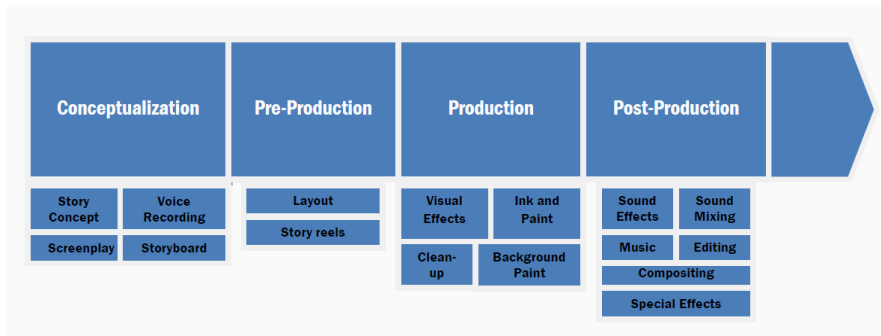


Software development

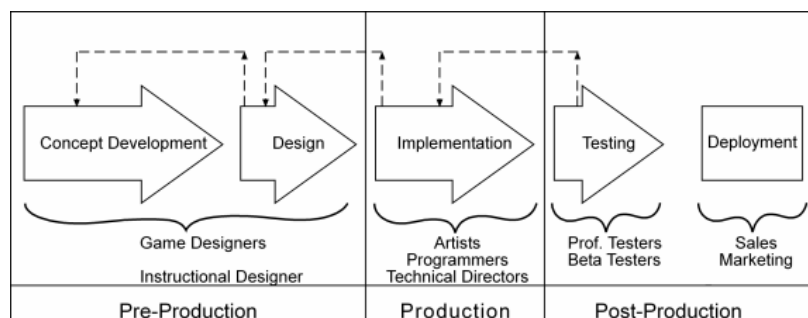




Animation workflow (2D)

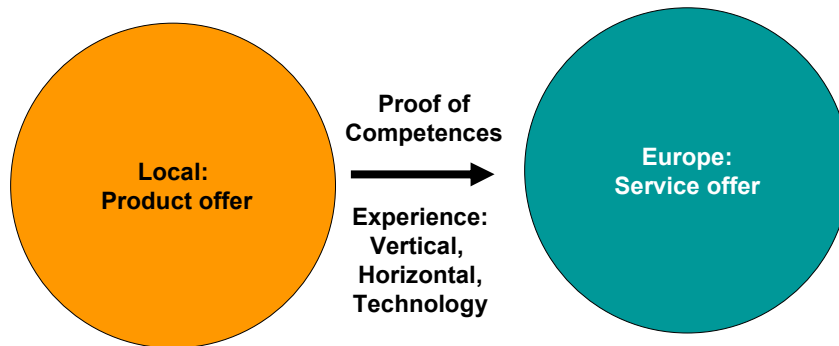


Game development





Products versus Services



Products versus Services

Marketing products if:

- The product competes its leaders in its category AND
- has international references AND
- the target is a niche market AND/OR
- Unique (e.g. innovation) in its category



Where are my buyers? Where is my market?

THE EU MARKET



Questions you should be able to answer

Are you a generalist or a specialist?





Questions you should be able to answer

What is your vertical market experience?



Questions you should be able to answer

What is your horizontal market experience?





Questions you should be able to answer

What is your technology portfolio?



Questions you should be able to answer

What are the features of your ideal client?





Questions you should be able to answer

What geography should you target?



Market segmentation - Summary

- Geography
- Vertical market
- Horizontal market
- Company size
- Technology



- Offshore ITO is a very diversified market



Why is it important?

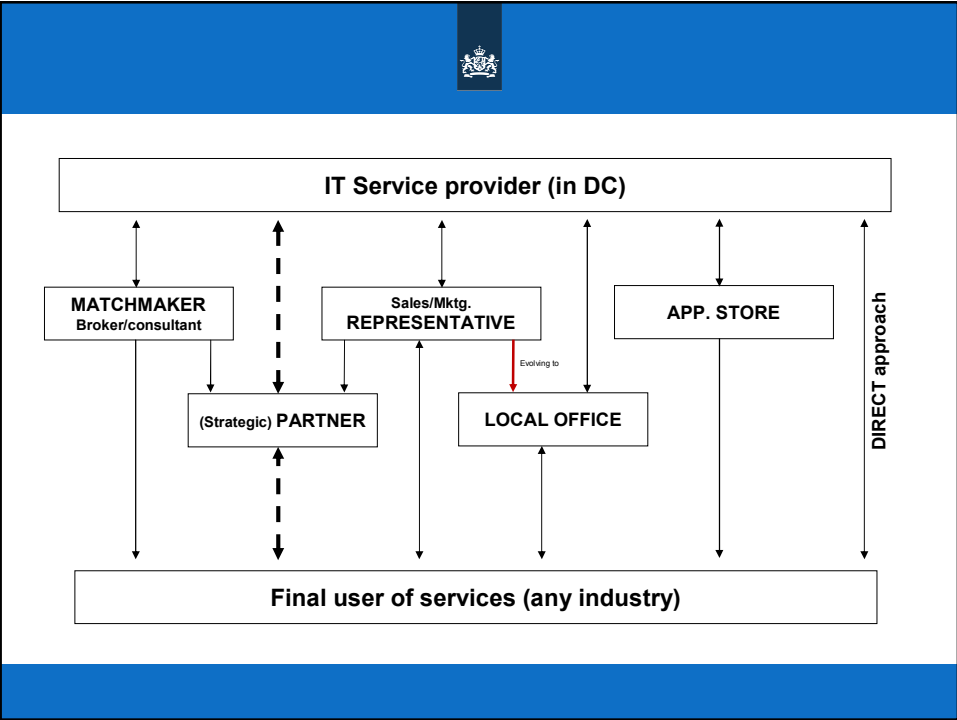
ITO TRADE CHANNELS



Two types of offshore IT outsourcing

- Tactical outsourcing
 - Project – by – project basis
 - Many projects and leads are needed to fill the pipeline
 - Marketing and promotion
 - Own
 - Matchmakers,
 - Sales representatives
- Strategic outsourcing
 - Long term commitments
 - Strategic partner
 - Local office





Strategic partner

- Usually an ISV in the target country
- Trust is needed
- Interdependence
- Structured relationship:
 - Functions and tasks
 - Communication
 - Procedures
- Limited marketing visibility and market access opportunities
- No IP rights or the loss of IP rights
- Work orders:
 - On a when and if necessary basis
 - Limited amount of work v.s guaranteed minimum work orders





Matchmaker / Broker / Consultant

- Intermediary
- Relationships:
 - Multiple clients
- Retainer + success fee
- Measuring performance. Clear expectations and objectives
- You need a door opener
- Can be expensive
- Makes the contact and you make the sales



Sales representative

- Loyalty
- Price structure
- Relationships:
 - Multiple clients?
 - Exclusive?
- Can be expensive
- Makes the contact + makes the sales + manages projects
- Retainer + success fee or fixed monthly fee





Local office

- Functions: marketing, sales, PM, delivery, support
- More value added services are possible
- Offshore – nearshore combination
- Most expensive
- Controll:
 - Processes
 - Lessons learned are brought to next project
 - Staffing
 - Budget
 - Marketing and reputation
- Language and culture
- Minimum risks for clients
- Sometimes compulsory



IMPORTANT TO REMEMBER?