



CBI
Ministry of Foreign Affairs

Buyers of ITO services



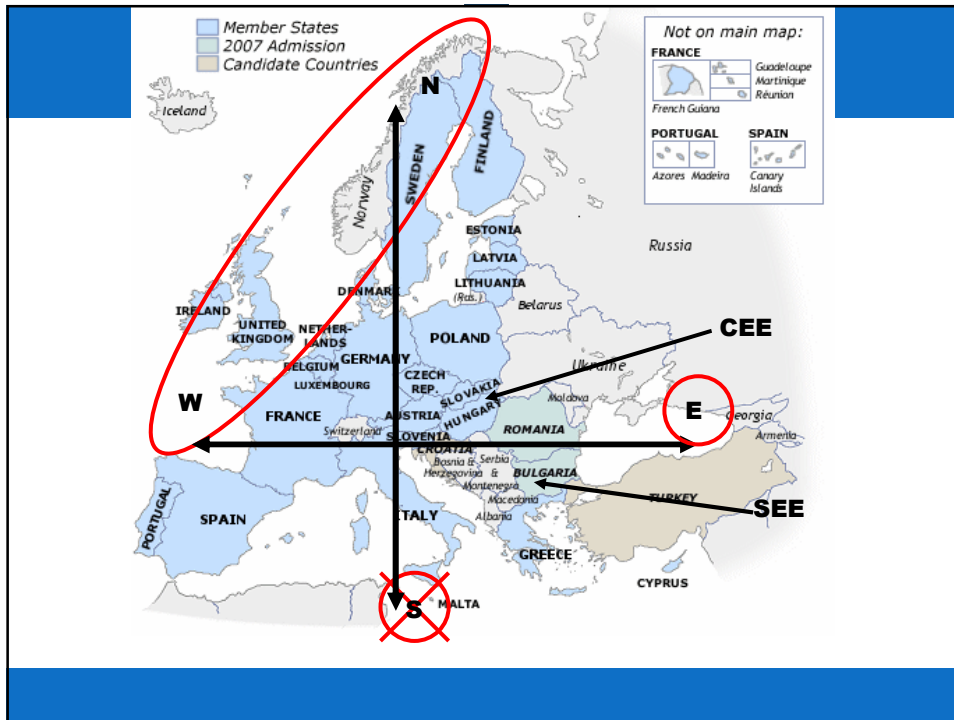
Agenda

- Where are your clients?
- How do clients in the EU think?
- Country selection
- Selecting service providers
- The world is flat



Recap

WHERE ARE YOUR CLIENTS?





HOW DO EU CLIENTS THINK?



Let's play

- How would you characterise the EU businesses you target – in general terms?
- What do you think European buyers think of you?



Key characteristics of your potential clients in the EU?



Why offshore ITO?

- Cost reduction and cost structure optimisation
- Focus on core competences
- Flexibility and scalability
- Immediate access to people (capacity, skills)
- Immediate access to technology
- Immediate access to business domain expertise
- Free internal resources for other purposes
- Resources are not available internally
- Speed up time-to-market cycle
- 24 hour work cycle
- Quality improvements and process maturity
- Share or optimise risks



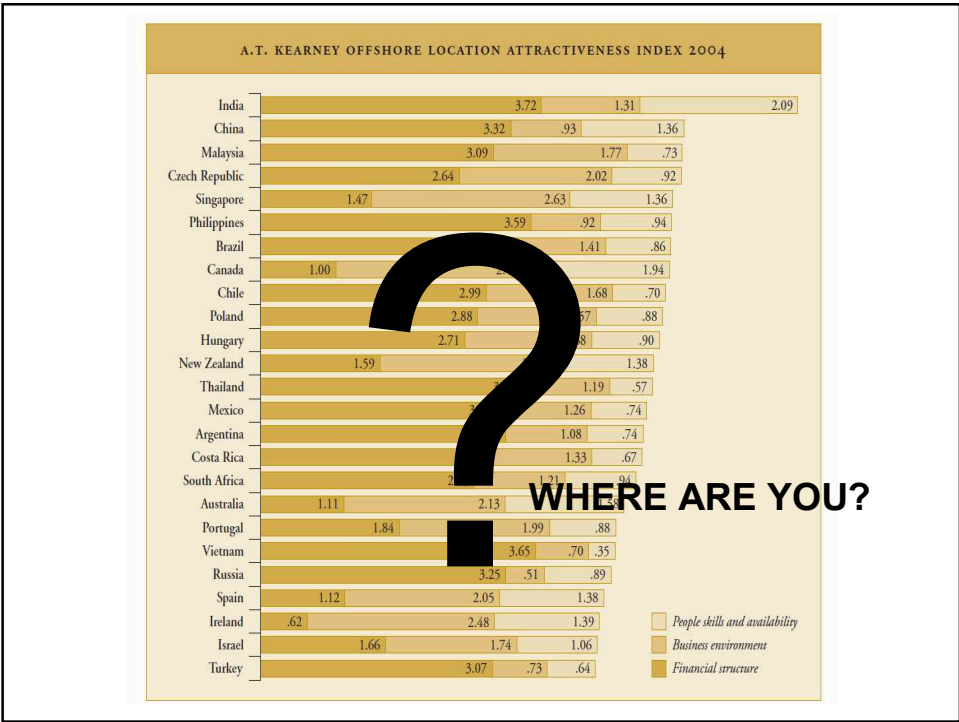


Why not offshore IT outsourcing?

- Communication and language
- Distant project & team management
- Impossible to separate processes
- Cultural issues
- Time zone difference
- IP, security and privacy issues
- Staff turnover
- Real costs vs.. promise
- Labour market/political issues
- Slow innovation
- Geopolitical risks



STEP 1: COUNTRY SELECTION



A.T. Kearney Global Services Location Index 2005

Rank	Country	Financial structure	People and skills availability	Business environment	Total score
1	India	3.47	2.14	1.26	6.87
2	China	3.21	1.76	1.17	6.14
3	Malaysia	2.95	1.12	2.00	6.07
4	Philippines	3.58	1.16	1.05	5.78
5	Singapore	1.62	1.44	2.67	5.73
6	Thailand	3.27	0.94	1.51	5.72
7	Czech Republic	2.57	1.12	1.90	5.58
8	Chile	2.73	0.97	1.87	5.58
9	Canada	1.10	2.03	2.40	5.52
10	Brazil	2.91	1.36	1.23	5.50
11	United States	0.54	2.74	2.22	5.49
12	Egypt	3.55	0.95	0.98	5.47
13	Indonesia	3.51	1.06	0.89	5.47
14	Jordan	3.02	0.91	1.43	5.35
15	Bulgaria	3.29	0.86	1.11	5.27
16	Slovakia	2.72	0.96	1.55	5.24
17	Mexico	2.87	1.16	1.19	5.22
18	Poland	2.67	1.06	1.44	5.16
19	Hungary	2.61	0.88	1.63	5.13
20	United Arab Emirates	2.66	0.61	1.85	5.12

A.T. Kearney Global Services Location Index, 2007

Rank	Country	Financial attractiveness	People and skills availability	Business environment	Total score
1	India	3.22	2.34	1.44	7.00
2	China	2.93	2.25	1.38	6.56
3	Malaysia	2.84	1.26	2.02	6.12
4	Thailand	3.19	1.21	1.62	6.02
5	Brazil	2.64	1.78	1.47	5.89
6	Indonesia	3.29	1.47	1.06	5.82
7	Chile	2.65	1.18	1.93	5.76
8	Philippines	3.26	1.23	1.26	5.75
9	Bulgaria	3.16	1.04	1.56	5.75
10	Mexico	2.63	1.49	1.61	5.73
11	Singapore	1.65	1.51	2.53	5.68
12	Slovakia	2.79	1.04	1.79	5.62
13	Egypt	3.22	1.14	1.25	5.61
14	Jordan	3.09	0.98	1.54	5.60
15	Estonia	2.44	0.96	2.20	5.60
16	Czech Republic	2.43	1.10	2.05	5.57
17	Latvia	2.64	0.91	2.00	5.56
18	Poland	2.59	1.17	1.79	5.54
19	Vietnam	3.33	0.99	1.22	5.54
20	United Arab Emirates	2.73	0.86	1.92	5.51
21	United States (tier two)	0.48	2.74	2.29	5.51
22	Uruguay	2.95	0.98	1.54	5.47
23	Argentina	2.91	1.30	1.26	5.47
24	Hungary	2.54	0.95	1.98	5.47
25	Mauritius	2.84	1.04	1.56	5.44
26	Tunisia	3.03	0.90	1.50	5.43
27	Ghana	3.27	0.90	1.25	5.42
28	Lithuania	2.66	0.88	1.88	5.42

The 2009 A.T. Kearney Global Services Location Index™

Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3.13	2.48	1.30	6.91
2	China	2.59	2.33	1.37	6.29
3	Malaysia	2.76	1.24	1.97	5.98
4	Thailand	3.05	1.30	1.41	5.77
5	Indonesia	3.23	1.47	0.99	5.69
6	Egypt	3.07	1.20	1.37	5.64
7	Philippines	3.19	1.17	1.24	5.60
8	Chile	2.41	1.20	1.89	5.50
9	Jordan	2.99	0.91	1.59	5.49
10	Vietnam	3.21	1.02	1.24	5.47
11	Mexico	2.48	1.50	1.45	5.43
12	Brazil	2.18	1.83	1.37	5.39
13	Bulgaria	2.83	0.89	1.62	5.34
14	United States	0.47	2.71	2.15	5.33
15	Ghana	3.26	0.70	1.36	5.32
16	Sri Lanka	3.13	0.95	1.17	5.25
17	Tunisia	2.86	0.91	1.45	5.22
18	Estonia	2.06	0.93	2.20	5.19
19	Romania	2.63	0.91	1.58	5.12
20	Pakistan	3.12	1.08	0.91	5.11
21	Lithuania	2.31	0.81	1.99	5.11
22	Latvia	2.28	0.86	1.96	5.10
23	Costa Rica	2.67	0.89	1.50	5.07
24	Jamaica	2.77	0.79	1.49	5.06
25	Mauritius	2.32	0.95	1.77	5.04
26	Senegal	3.06	0.88	1.08	5.03
27	Argentina	2.47	1.34	1.21	5.02

The A.T. Kearney Global Services Location Index™, 2011

Rank	Country	Financial attractiveness	People skills and availability	Business environment	Total score
1	India	3.11	2.76	1.14	7.01
2	China	2.62	2.55	1.31	6.49
3	Malaysia	2.78	1.38	1.83	5.99
4	Egypt	3.10	1.36	1.35	5.81
5	Indonesia	3.24	1.53	1.01	5.78
6	Mexico	2.68	1.60	1.44	5.72
7	Thailand	3.05	1.38	1.29	5.72
8	Vietnam	3.27	1.19	1.24	5.69
9	Philippines	3.18	1.31	1.16	5.65
10	Chile	2.44	1.27	1.82	5.52
11	Estonia	2.31	0.95	2.24	5.51
12	Brazil	2.02	2.07	1.38	5.48
13	Latvia	2.56	0.93	1.96	5.46
14	Lithuania	2.48	0.93	2.02	5.43
15	United Arab Emirates	2.41	0.94	2.05	5.41
16	United Kingdom	0.91	2.26	2.23	5.41
17	Bulgaria	2.82	0.88	1.67	5.37
18	United States	0.45	2.88	2.01	5.35
19	Costa Rica	2.84	0.94	1.56	5.34
20	Russia	2.48	1.79	1.07	5.34
21	Sri Lanka	3.20	0.95	1.11	5.26
22	Jordan	2.97	0.77	1.49	5.23
23	Tunisia	3.05	0.81	1.37	5.23
24	Poland	2.14	1.27	1.81	5.23
25	Romania	2.54	1.03	1.65	5.21
26	Germany	0.76	2.17	2.27	5.20
27	Ghana	3.21	0.69	1.28	5.18



What is your county's value proposition?

**WHY DO YOU RISE ON THE
MAP OF ITO?**



How country selection is made

- Geographical and geopolitical considerations
- ITO/BPO services export growth rate
- Global offshore visibility and related trends
- IT penetration
- Infrastructure (communication, internet, etc.)
- Legal structure and legislation (corporate, financial, taxation, import and export, foreign ownership, profit relocation, etc.)
- Government support and incentives. Possible impact of government and regulatory changes to the outsourcing venture.
- Intellectual property protection
- Political stability
- Business climate and environment
- Social structure
- IT sector organisations and technology parks
- Cultural fit and adaptability (corporate, social, etc.)
- Employment law
- Availability of necessary skills
- Education output and structures
- Language skills
- Compensation costs
- Other overhead costs
- Attrition rates
- Business domain experience
- Data, systems and general security
- Quality certifications
- Corruption



Characteristics of success

- **The present leaders capitalise on:**
 - Labour cost arbitrage
 - Scalability and flexibility
 - Business support organisations and strong industry association
 - Language capabilities
 - Available (and improving) infrastructure and low communication costs
 - Supportive business and legal environment
 - Historic ties to various geographies
 - Global visibility
 - Political stability and political support
 - Country level strategy, which includes offshore outsourcing
 - High concentration of businesses
 - Strong, dedicated and focused companies (specialists)
 - Support for quality and process improvements





Weaknesses of present leaders

- Buyers look for alternatives in order to geographically diversify their offshoring operations (minimise risks).
- Increasing salaries and other costs
- Labour shortage
- Security and privacy issues (IPP, security and data protection issues)
- High attrition rates
- Overstretched support infrastructure
- Single market focus - SMEs do not have European strategies and market information
- Lack of language skills
- Distance
- Cultural differences



THE EU ITO BUYERS



The EU buyers

- Cautious decision making
- It is not all about price
- Business continuity and service level control
- Risks vs. gains
- Social/political issues and pressure
- Europe: multi market, multi national, multi-lingual, multi cultural
- Strong competition
- Largest outsourcing market in the world
- Non-tariff market entry barriers (employment, visa, legal, etc.)
- Laws and regulations for data security and privacy
- Near-shore is preferred



Why can't you sell your services?

- **Lack of:**
 - Place-branding
 - Market knowledge
 - Marketing
 - Process and PM discipline
 - Resources, industry representation and strategy
 - Commitment, initiatives, investment and risk taking
 - Appropriate size, resources and maturity
 - Awareness of cultural issues
 - Language capabilities





SETP 2: SELECTING A SERVICE PROVIDER



Who are the competitors and what do they have that you do not?

- EU members / CEE
- Language capabilities
- Near-shore
- Market visibility

What do you have that they do not?



What makes you successful?

- Reputation, customer base and references
- Management capabilities
- Solid value proposition
- Sustained marketing
- Long term liability and commitment
- Flexibility, scalability, reliability
- Domain expertise and specialization
- HRM and talent management
- Skills: technical, soft, language, (project)management
- Communication and language capabilities
- Technology, know-how, infrastructure
- Quality management, processes and standards
- (Project) Management capabilities
- Security: IP, data, physical, infrastructure, etc.
- Mutuality on business interest and “fit”



IT IS A HARD WORLD



Volume 1.

- **Many (would be) IT service providers;**
 - Have first class internal resources, capabilities and local references
 - Have limited capacity for ITO
 - Have limited EU market knowledge
 - Have no viable value proposition
 - Have no resources to take risks or invest in market entry
 - Have no offshore strategy
 - Are passive



Volume 2.

- Successful service providers are **pro-actively** seeking opportunities
- **Marketing:** no one can do it for you without you. One action will not make it fly.
- Without risk there is **no business**
- Business does not start with **signing a contract**
- Information is commodity