

National Conference
BUSINESS PROCESS OUTSOURCING TRENDS AND INSIGHTS
ASSOCHAM

16 July 2003

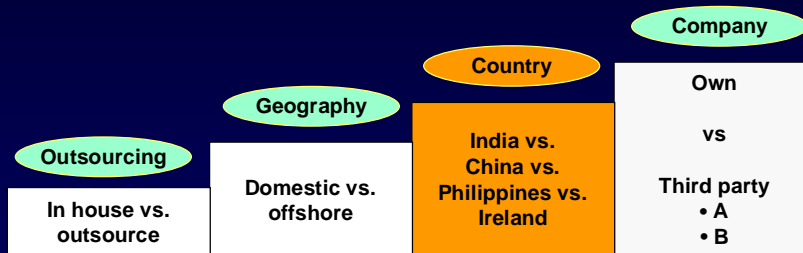
New Delhi, India

BPO – Advantage India

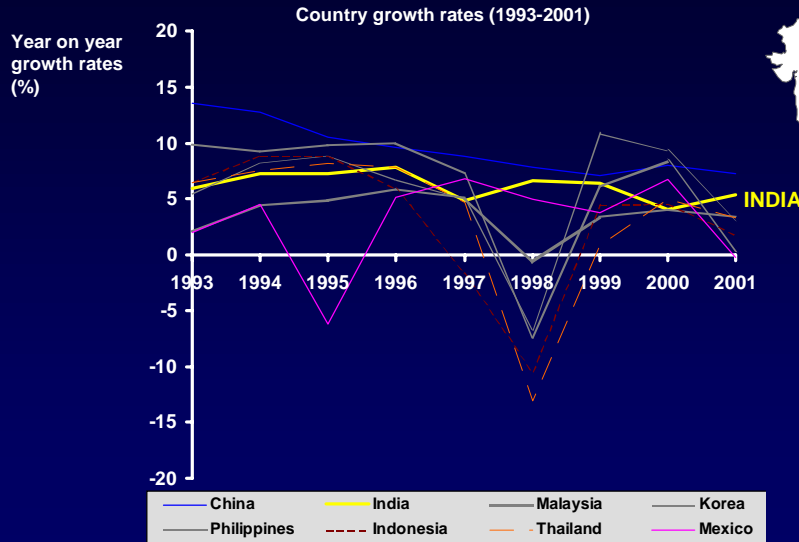
Alpesh Shah

THE BOSTON CONSULTING GROUP

TYPICAL SEQUENCE OF STEPS IN OUTSOURCING DECISION



INDIA: FASTEST, MOST STABLE GDP GROWTH AMONG WORLD'S DEMOCRACIES



(1) 1999 figures, at 1996 prices
Source: EIU; World Bank; CSO India, BCG Analysis

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RISKS DUE TO GEO-POLITICAL SITUATION LIMITED AND MANAGEABLE

Well functioning democracy with established systems and policies

50 yr old democracy with well developed and independent judicial system

Forward looking economic environment

Well developed capital markets

Limited inflation environment

Consistent growth policies across different political regimes

Limited risk even in worst-case situation – Past examples

Internal strife: Gujarat riots – 2002

- Conflict restricted to Gujarat; business as usual elsewhere

Natural calamity: Coastal floods – 2001

- Only Orissa affected; business as usual elsewhere

External conflict: Kargil war – 1999

- Activity restricted to border areas only

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BENEFITS OF OUTSOURCING TO INDIA EXTEND BEYOND COST SAVINGS

Lower cost	Net savings of 30-40% for most services
Better performance	Productivity increases of 30% <ul style="list-style-type: none"> • Access to better talent, higher employee satisfaction
Better quality	Reduced error rates of 60% in accounting
Faster turnaround	~ 30% reduction in time for clinical trial (pharmaceuticals) Backlog reduction of 50% in transaction processing
Revenue enhancement	Collections uplift of 10-15% in billing <ul style="list-style-type: none"> • Better follow up

“ WE CAME IN FOR COST... STAYED ON FOR QUALITY”
- American Express

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INDIA VALUE PROPOSITION EXTENDS BEYOND CALL CENTRES AND INFORMATION TECHNOLOGY !

Industry	Transaction processing	Design and analysis	Research and development
Information Tech	✓	✓	✓
Pharma / Healthcare	✓	✓	✓
Education Services	✓	✓	
Auto/ engineering		✓	✓
Chemicals		✓	✓
Financial Services	✓	✓	

FOR EXAMPLE : SEVERAL COMPANIES ARE INVOLVED IN A VARIETY OF R&D ACTIVITIES

Developmental research and product design

- Hewlett Packard**
 - Developing low cost easy to use scanners and printers
- Akzo Nobel**
 - Developing economical car paints
- GE Plastics**
 - Developing polycarbonate resins for GE's plastic products, washers that economizes on use of water
- Delphi**
 - Developing new age products for automobiles e.g., passive occupant detection system
- AVL**
 - Product research for the Japanese market

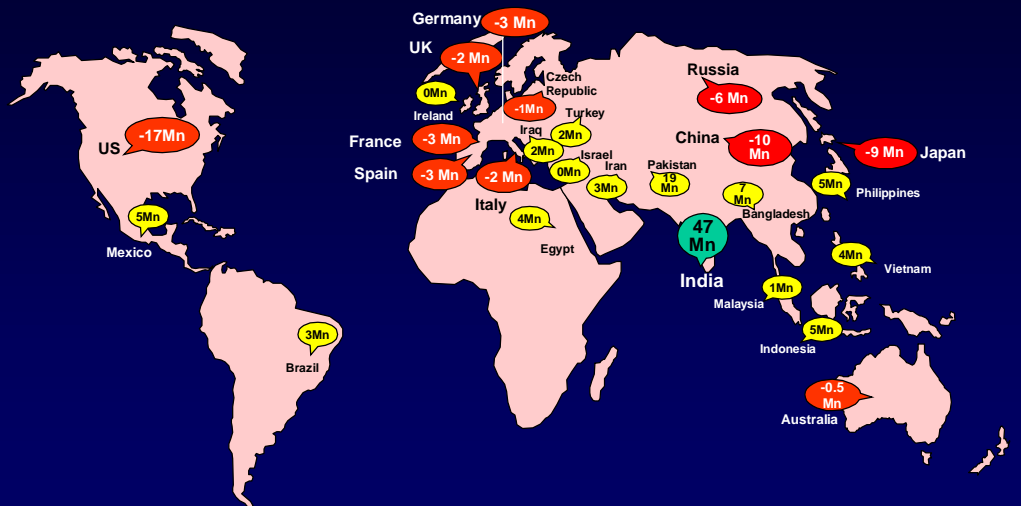
Fundamental research

- General Electric**
 - Nanotechnology, hydrogen energy, photonics, advanced propulsion
- Whirlpool**
 - Core research for global products in consumer durables
- Daimler Chrysler**
 - Avionics, simulation
- Texas Instruments**
 - Digital signal processors
- Monsanto**
 - Identification of drought and cold resistant genes
- Du Pont , Hekel Loctite**
 - Global R&D for chemicals

From Information Technology to Indian Talent !

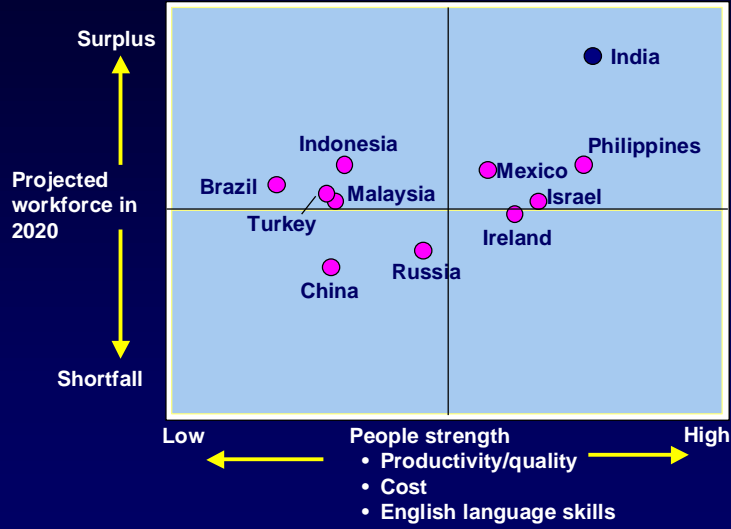
THE FUTURE DEMOGRAPHIC MAP Labour Shortages and Avenues of Supply

Potential surplus population in working age group (2020)



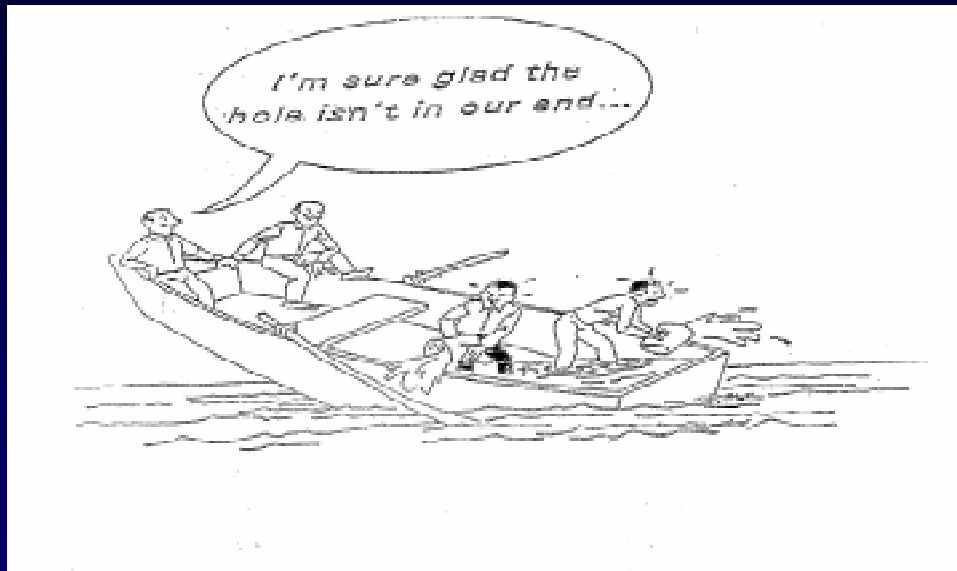
Note: Potential surplus is calculated keeping the ratio of working population (age group 15 – 59) to total population constant;
Source: U.S. Census Bureau; BCG Analysis

INDIA'S PEOPLE WILL BE ITS ASSETS IN CAPTURING THE BPO OPPORTUNITY
Quantity And Quality

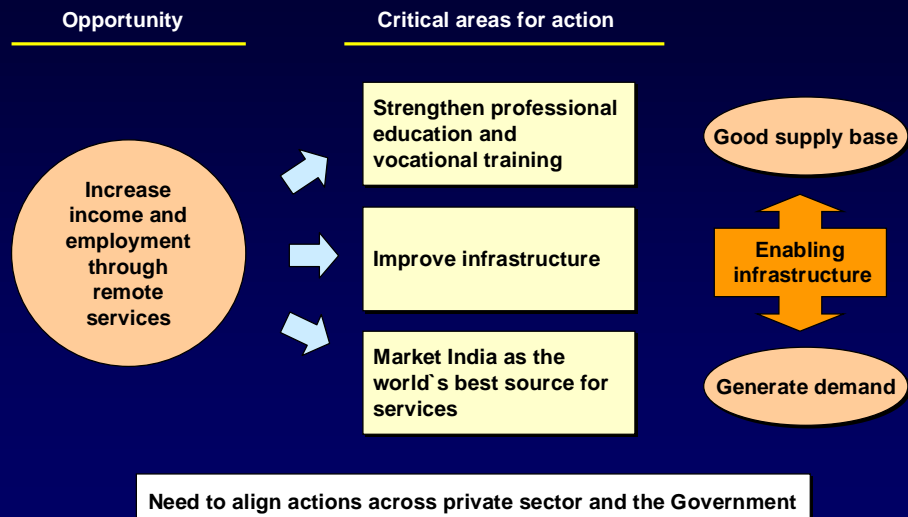


Source: World Competitiveness Yearbook 2001, Britannica yearbook, Literature search; BCG analysis

A COUNTRY ISSUE AND NOT A COMPANY SPECIFIC ISSUE !



ACTION REQUIRED BY INDIA INC ON THREE FRONTS



MARKET INDIA AS THE WORLD'S BEST SOURCE OF SERVICES

- 1 Demonstrate that our value proposition extends beyond cost savings
- 2 Extend our image beyond "call centres" and "Information Technology"
- 3 Shift attention from short term job losses to long term demographic trends
- 4 Focus on the large member of US companies outsourcing, but not offshoring – estimates indicate offshore to be <2% of BPO
- 5 Ensure external sources portray a positive image about India

Position India as the "Service Capital of the World"

PORTRAY A POSITIVE IMAGE ABOUT INDIA

Educate and engage with local markets continuously – US, UK

Work closely with policy makers and political leaderships – meetings with the senators

Use successful local case studies to spread the word on benefits – eg, Citi, GE, ...

Partner with US associations (Information Technology Association of America, US Chamber of Commerce, ...)

Increase communication on what is being done and why ; with the key message –
“Outsourcing is an economic Issue, not a political or US-India issue”

- Outsourcing a business necessity for US companies
- Outsourcing to India makes US companies more competitive...
- ... resulting in significant wealth creation for US companies and individuals
- Job cuts could have been greater without BPO

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“Let’s make this happen”

THANK YOU

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