

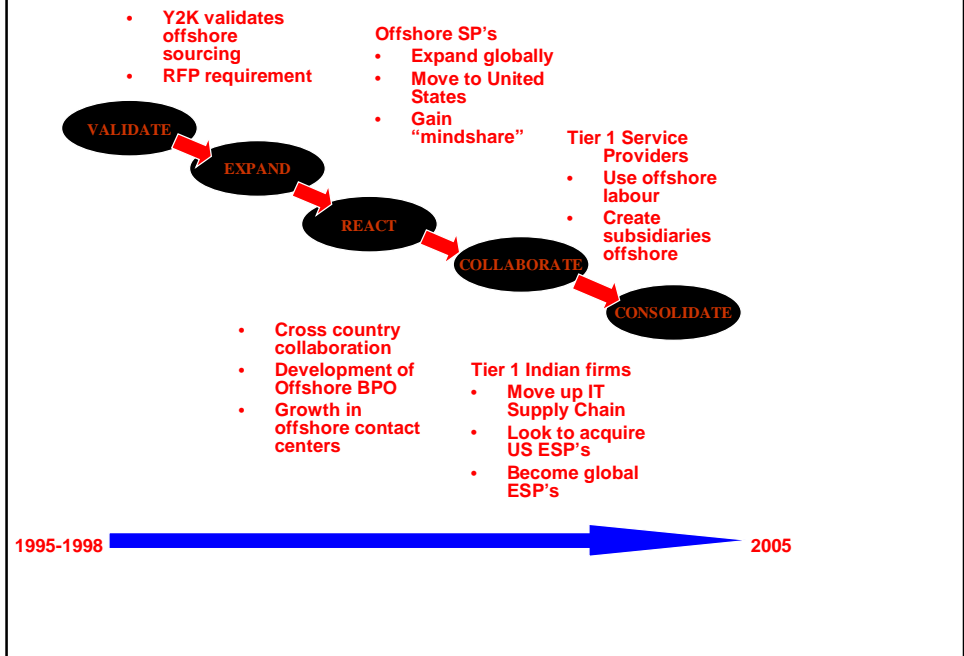
BPO HUB – WHO'S COMPETITIVE ADVANTAGE IS IT ANYWAY?

ASSOCHAM , 16th July, 2003
BPO:Trends & Insights
New Delhi

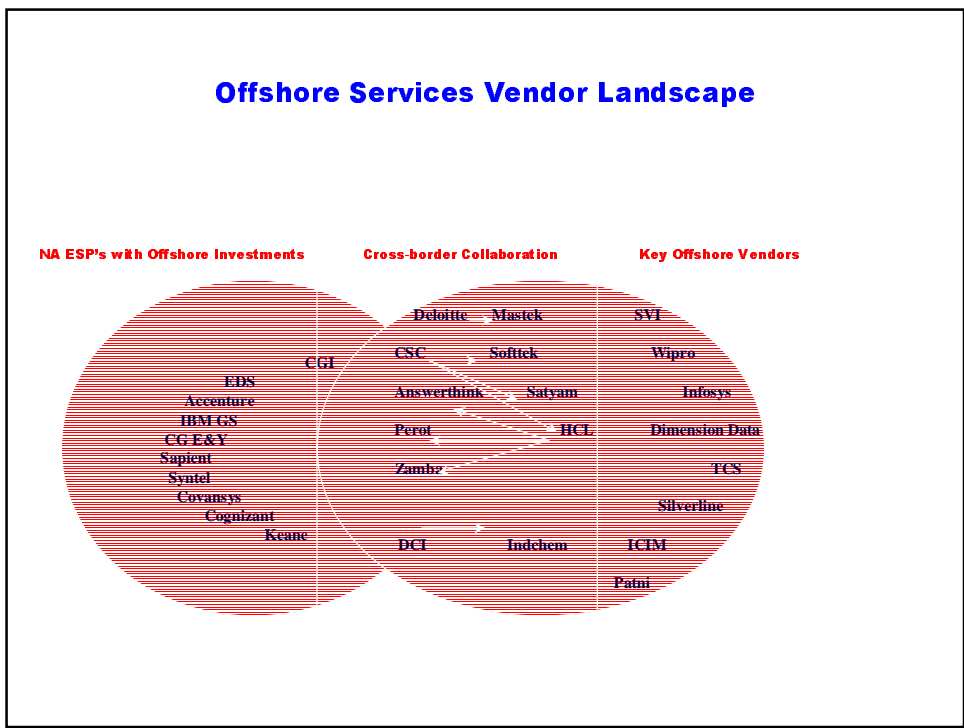
Key Issues So far..

- **What are the recent trends in offshore sourcing , and how will current events impact the market ? Despite economic woes and geopolitical uncertainties,offshore sourcing and global delivery will become an integral part of any enterprise's sourcing strategy**
- **What countries and vendors will become major offshore players? India will retain its lead, but serious contenders will emerge,generally carving niche roles for certain services**
- **What are the key evaluation and selection criteria for enterprise buyers to globally source IT services ? Going offshore , "Country before company" is our motto**

Offshore Turns to Global Outsourcing



Offshore Services Vendor Landscape



What are Clients buying?



Maturity of offering, end-user buyer “mainstream” acceptance, volume of business (H: High M: Medium L: Low)

Challenges for Vendors

How Will They Need To Change ?

- **Commoditization of Services** – One of the biggest challenges facing all of the Indian IT services firms is continuing to compete simply on price. The biggest danger is the commoditization of services
- **Global Delivery Model** – Customers all of the world demand a workforce that is all over the world. “Local” Face is becoming increasingly important with regard to specific services and as you enter the “Mainstream.”
- **Elasticity of cultural Fabric (The DNA of the Firm)**
 - “Techie” culture vs.a “consultative” or service culture
 - Homogeneous Indian-centric workforce vs. global workforce
- **Front End Capacity** – Process and business consulting and systems integration
- **Business Solutions** – Shift from horizontal to vertical offerings
- **Branding Issues** – The future will require “Definition” of the brands as well as a shift in the current “perceived” value proposition

Examples Of Real Savings

- 80 % of Companies have savings in range of 25% - 40% and even up to 60 % have been achieved by Fortune 1000 enterprises
- More than 75 FTEs used offshore
- Average onsite/offshore project team percentages ranges of 20% to 30% onsite and 70% to 80% offshore
- US\$ 11 -16 billion savings for US Companies in 2003-04

Today India is the Undisputed Leader, but...

<p>STRENGTHS</p> <ul style="list-style-type: none"> Solid history in software development English proficiency Government Support Cost advantage Strong tertiary education Process quality focus Skilled workforce Expertise in new technologies Entrepreneurship Reasonable technical innovations Reverse brain drain Existing long term relationships 	<p>Weaknesses (Challenges)</p> <ul style="list-style-type: none"> Positioning & Brand management Infrastructure Cultural differences Sales & marketing Leverage expertise for higher-value education Business process experience Distance from US Fear/Uncertainty from Pakistan Legal system Poor globalization skills
<p>Opportunities</p> <ul style="list-style-type: none"> Creation of global brands BPO & Call center offerings Expansion of existing relationships Chinese domestic & export market Leverage relationships in West to access APAC/Middle East markets Indian domestic-market growth 	<p>Threats/Risks</p> <ul style="list-style-type: none"> Internal competition for resources Overpromise/Underdeliver Regional geopolitical uncertainty Rising labour costs Competition from other countries Sometime blinding nationalism Government blocking reform/deals Corruption/piracy/trust Political & religious instability - war

Top Five Mistakes in BPO

- **Selecting a process to outsource because it is the easiest to cut**
- **Having expectations on cost savings before measuring your current operational performance**
- **Going ahead without executive buy-in**
- **Locking yourself into a long-term contract without an exit strategy**
- **Waiting to communicate with your employees until the deal is done**

Hitch Hikers Guide to today's VC's

- **High Quality, Low Cost, High Productivity & Global delivery**
- **Top Flight Managers**
- **Compelling Client List**
- **Overseas Presence (US, Europe)**
- **Operational Effectiveness**
- **Where Capital Meets Know-how**
- **It's not 'Tech' stupid ! It's about People**
- **CRM, Industry & domain knowledge**

VC what others do not!

- **No quick exit options – the ‘10X Model’**
- **Co – Found, not “Confound”**
- **“More skin in the game” for managers & entrepreneurs**
- **Investment as ‘debt’ to be paid out of revenues, no IPO**
- **Active role in management**
- **Build a brand and business**
- **18 month break even; US\$ 10 million revenues, perhaps even US\$ 3 million**
- **Stay ahead of the curve, put your money where your ‘third eye’ is**

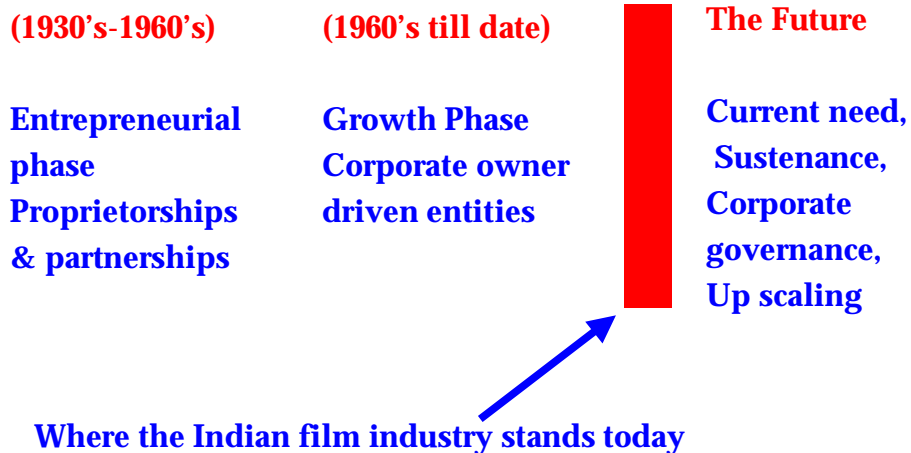
A word on Media BPO

- **Filmed Entertainment**
- **Animation and Gaming**
- **Digitization**
- **Content Collation, Syndication & Management for cross media assets**
- **Facilities Management**
- **CRM & Database / Subs management**
- **Subscriber Management Services**
- **Data Mining & Analysis**

Why are Hollywood films outsourced?

- An average Hollywood production costs about \$90 million to make
- Producers have sought to cut costs wherever they can
- One of the preferred techniques has been to do what many US manufacturers and large Corporates are doing: *Move production and processes overseas to countries that have lower labour costs (at one-eighth of the cost) and looser union regulations*
- *Matrix* was shot in Australia
- *Shanghai Knights* was shot in the Czech Republic
- Quentin Tarantino has shot much of his new film *Kill Bill* in Beijing
- Miramax is shooting a World War II film in a deserted Shanghai back-lot
- *Forging cross-border alliances helps in the due diligence of projects and de-risking the business*
- Allows for the ideation and creation of products like *Monsoon Wedding* and *Bandit Queen* by the talent working outside the immediate constraints and insularity of local market conditions

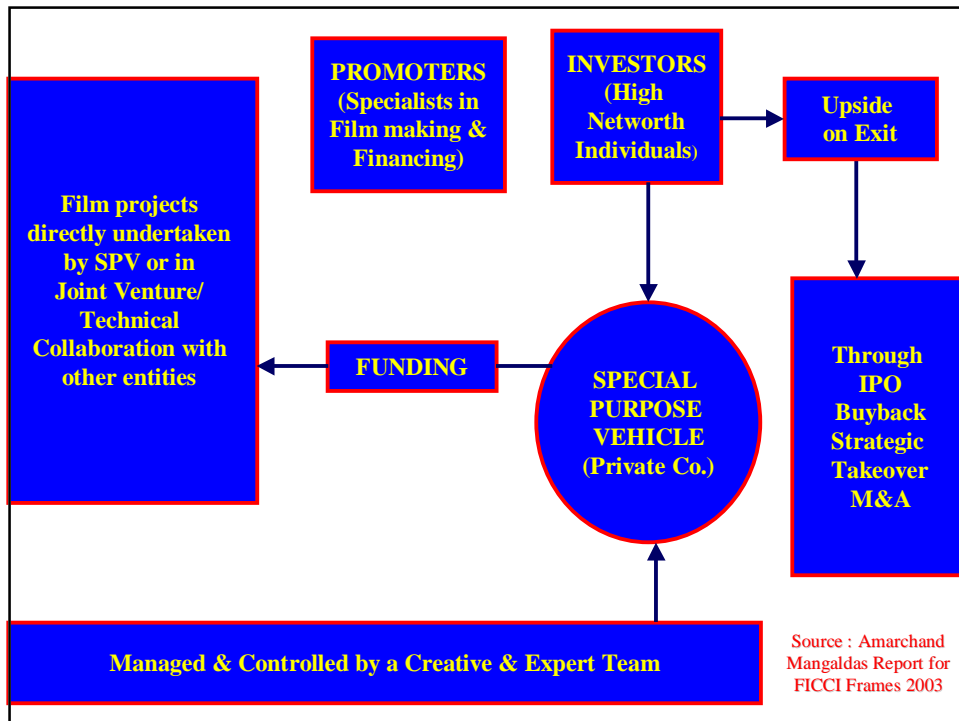
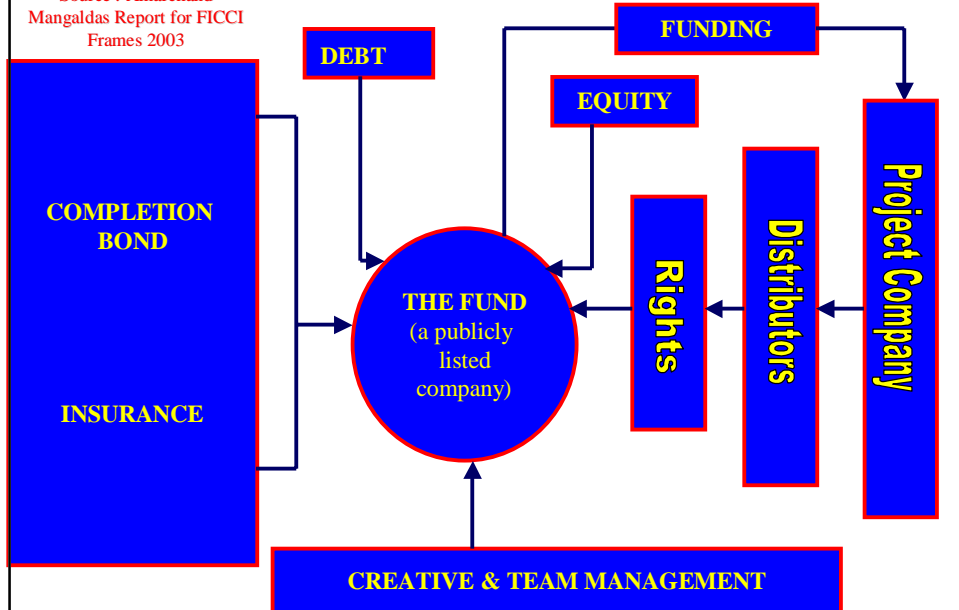
NEED FOR CORPORATIZATION



Source: KPMG and FICCI Report - Indian Entertainment Sector in the Spotlight

FILM FUNDING

Source : Amarchand
Mangaldas Report for FICCI
Frames 2003



Source : Amarchand
Mangaldas Report for
FICCI Frames 2003

THE CROSSOVER FACTOR

Source: KPMG and FICCI Report - Indian Entertainment Sector in the Spotlight

All figures in \$ Million

NAME	COST	UK	US	OTHERS	TOTAL REVENUE
MONSOON WEDDING	1.5	3.2	13.90	12.90	30.00
BEND IT LIKE BECKHAM	5.6	3.2	-	23.80	27.00
EAST IS EAST	4.5	-	4.10	21.70	25.80
THE GURU	6.00	9.80	-	1.4	11.20
ANITA & ME	4.00	2.80	-	-	2.80
AMERICAN DESI	0.75	0.46	0.90	0.01	0.90
MY SON THE FANATIC	3.00	0.21	0.41	0.02	0.60
MYSTIC MASSEUR	2.50	0.06	0.40	-	0.46
THE WARRIOR	3.20	0.21	-	-	0.21
BANDIT QUEEN	0.75	0.44	0.29	0.15	0.88
TOTAL	31.80	20.38	20	59.98	99.84

CO - PRODUCTION

Chalte Chalte Dreamz Unlimited & UTV

Company Varma Corporation & Narsimha enterprises

Bhoot Varma Corporation & Dream Merchants

Varma Corporation has four films under production with K Sera Sera productions

The Co-Producer List Adoor Gopalkrishnan's *Shadow Kill* or *Nizhalkkuthu*
 Artcam International, Paris
 Several French government ministries & agencies
 Hubert Bals Fund (International Films Festival), Rotterdam
 The Montecinemaverita Foundation
 The Swiss Agency for Development & Cooperation
 Swiss federal department for Foreign Affairs

Hazaaroon Khwaishein Mein An Indo-French co-production

Anita and Me An Indo-British co-production

One Dollar Curry Zee Network's international venture with France TV & Silhouette Films

ADVANTAGES OF CO PRODUCTION

Merge resources

Merge creative & talented people regardless of culture

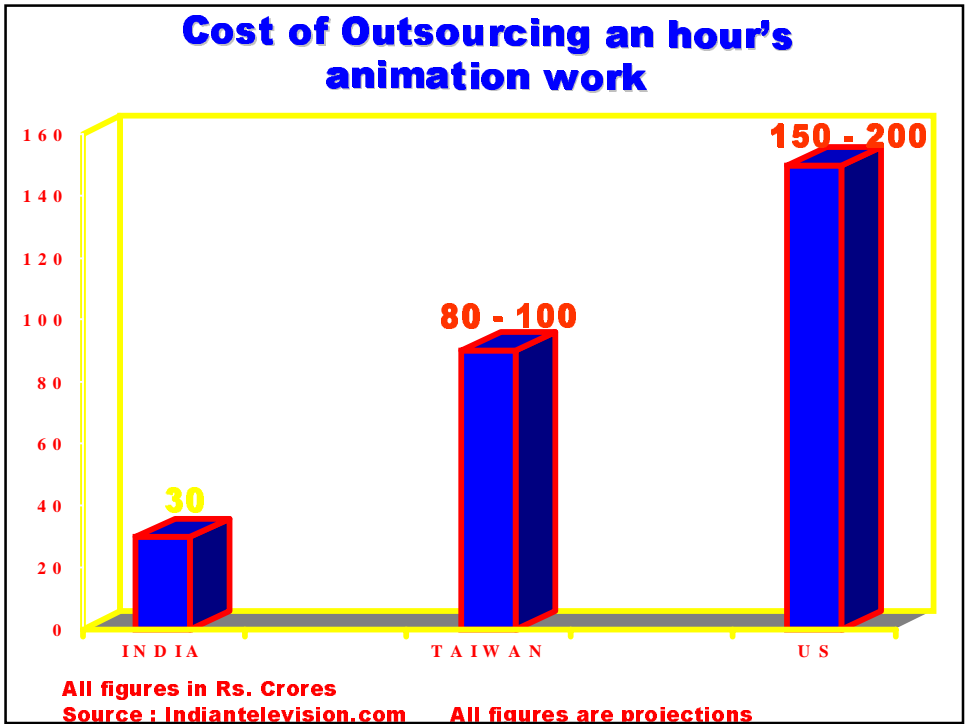
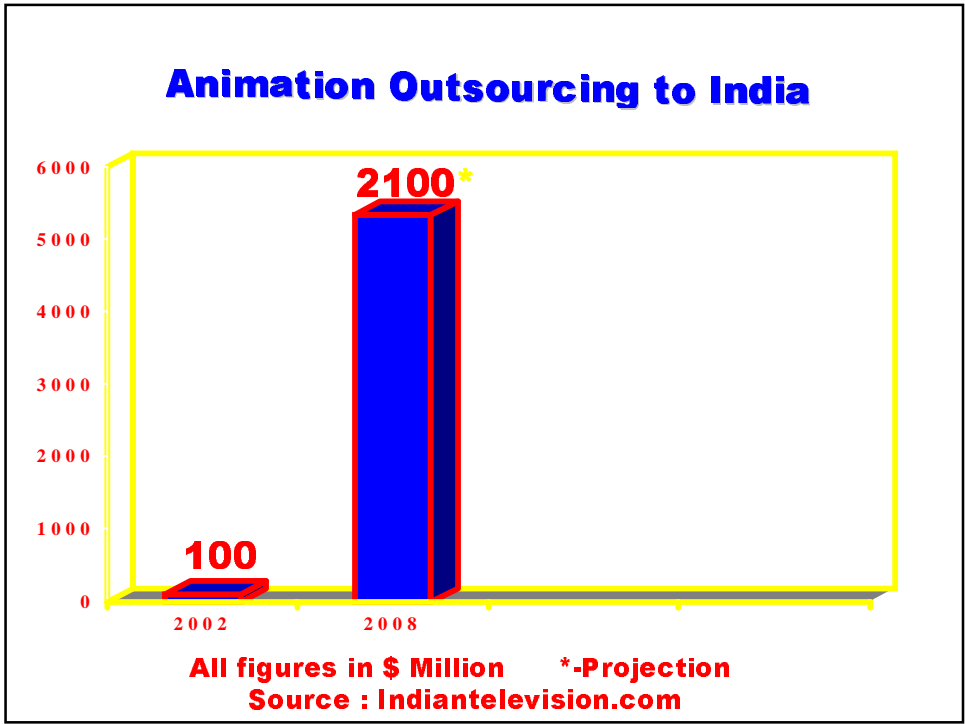
Joint fund raising

Risk sharing

Tax benefits in countries if international co-productions

Bigger & more elaborate productions

Numerous projects on the floor at the same time



The Companies

The 26-episode animation serial, 'King,' a co-production of Canadian animation firms Decode and Fun bags, has been commissioned to the largest animation studio in the north, Faridabad-based Escotoonz, the animation wing of Escosoft Technologies of the Escorts Group.

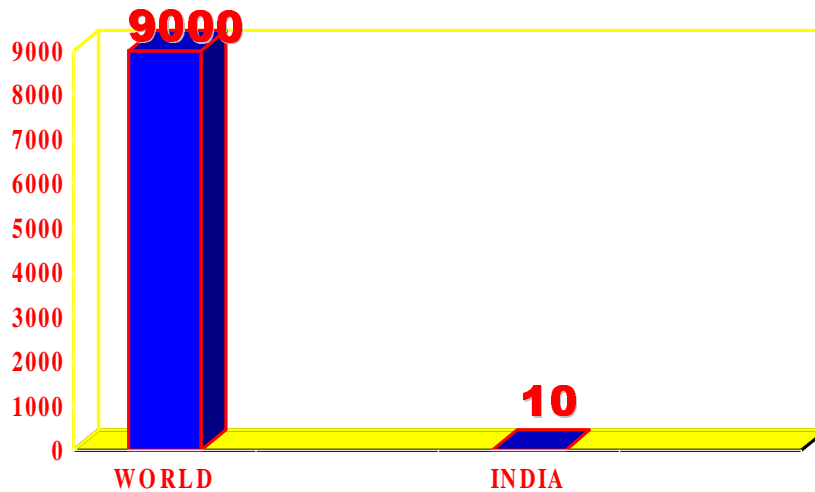
Escotoonz is in talks with some producers in Europe and Canada keen to outsource production to India

UTV Toons, Crest Communications, Toonz Animation India, Padmalaya Telefilms, Moving Pictures Company (India) Ltd, and Pentamedia Graphics are the big names in the Indian animation business. Most of the work is in 2D animation. The studios are scattered across Mumbai, Hyderabad, Thiruvananthapuram, Chennai and, more recently, New Delhi

In the last four years, UTV has delivered over 300 episodes of animation outsourcing work to companies abroad

Kerala-based Toonz Animation India has just clinched a co-production deal with the UK-based Treehouse Production for a fun, spook animation series. Besides, Toonz is also focusing on developing its own cartoon animation, skits, serials and full-length feature films for the export market. It will also undertake projects on behalf of studios abroad

THE GAMING INDUSTRY



All figures in \$million

Source : Indiatimes.com

GAMING WORLDWIDE

- **BBC Multimedia, the software publishing division of BBC Worldwide, has come out with the FightBox concept. This entertainment concept, brings together the Internet, TV and computer gaming in a way never seen before. FightBox fuses game and studio technology to bring a futuristic new gladiatorial sport to life**
- **In Los Angeles, a new programme *Gaming TV* gives advertisers a model to embed their brands in television programming. Through the show, gaming enthusiasts and gamblers will soon be able to see the top gaming sites, top casinos, casino cruises, purchase gaming related souvenirs and keep up-to-date on what's going on in the gaming industry**
- **The concept of 'computer entertainment games' is being extended to cable and satellite (C&S) homes either through telephone/telecom networks, cable TV networks or through webstores in public which house the 'Plug and Play' consoles (like the Sony Playstation)**

GAMING INDIA

- **Purple Drop, a newly formed global interactive media company with its corporate headquarters located in Silicon Valley, was launched in south Mumbai. Purple Drop's model combines expansive offerings in interactive entertainment technologies, R&D on demand, 2D/3D animation, CGI and SFX for the gaming, entertainment and commercial markets, according to a company press release**
- **Yahoo has started a game channel which includes broadband and narrowband**
- **Milestone Interactive Software Ltd (MISL), India's largest distributor and publisher of PC CD-ROM games and Sony's official partner for PlayStations in India, has initiated talks with several cable operators and MSOs to convince them to capitalise on the huge opportunity that exists in the area of computer entertainment software and interactive computer video games for Indian homes**

Some Broader Issues

- **Who are the beneficiaries ?**
- **BPO or Balance of Payments (BoP) ?**
- **Long term HR and Social impacts**
- **Dependency on few markets, verticals & services**
- **Value chain or volume growth**
- **In Sourcing Vs Out Sourcing**
- **Win Win = Lose Some !**

Emerging Trends?

- **New competition from APAC countries viz. Philippines, China, Pakistan & Sri Lanka, and Australia**
- **“Not in my backyard” (NIMBY). Domestic business worth US\$ 217 million, can push utilization up to 90 % Vs 60 percent now**
- **Consolidation, Specialization or “I will eat your lunch”**
- **Backlash ,new opportunities & threats**

THANK YOU

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