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2011-Top 11 Trends in Services Globalization

The first decade of the millennium can be reflected back as a decade of highs and lows. It started with the bursting of the IT bubble followed by a phase of tremendous growth making way for the worst financial crisis in the recent history. Now the economic outlook is bright and the services industry is geared up for a high growth phase driven by innovation and transformation. Years ahead we can see greater emphasis on optimizing service delivery platforms, refinement of business processes and cost optimization.

Tholons presents its
prediction for the first
year of the new
decade: 2011



The 5th edition of Tholons Top Ten Trends in Services captures the opportunities, prospects and challenges for 2011 that will have a significant impact on Global Outsourcing for buyers, investors, providers and on emerging centers of excellence:

1 Global Warming of Technology Spends!

Due to economic dynamics and apprehension in 2010, status quo continued in terms of technology spends last year. Growth projections were conservative and as a result of the economic slowdown the flow of investments and capital was highly restricted. Tholons expects the technology spends to grow in 2011 with enhanced emphasis on emerging markets like

Spain, Germany, China, Brazil, India etc. and new technologies like SaaS, cloud computing, virtualization and Green-IT. Business opportunity is seeing a shift to Asia and this will accelerate in 2011. Interest in India, China, Indonesia, South Korea will be high. We will witness a pricing and solutions led competition in this area as major global service providers vie for market share.

Avinash Vashistha, Chairman & CEO, Tholons Inc. says, “The first decade of the new millennium brought a lot of volatility in the market starting with the IT bubble and ending with the global economic slowdown. We expect a paradigm shift in the services outsourcing industry driven by innovation, expansion and a buoyant buyer market in the next 10 years.”

2 Locally Global!

Trend to keep work closer to home to enable tapping into talent pool which is culturally aligned compared to the offshore option will be witnessed in 2011. With maturity of the outsourcing processes, and discovery of low cost delivery models nearer to demand centers, delivery is

becoming more viable from destinations which are more culturally aligned. Along with the complexity of outsourcing, the domain requirements have also become more specialized/niche and requires specialized talent/skill sets which may not be available in traditional offshore regions.

Paul B. Santos, President - APAC, Tholons Inc. says, “India and Philippines have done exceptionally well during the last 10-15 years with their cost advantage. Cost has again become the primary driver for services outsourcing due to the present economic dynamics. Tholons however believes that while the traditional outsourcing destinations will continue to enhance their value proposition - the maturity of the industry which now requires more specialized services will enable other emerging destinations with niche specializations to cash in on the presently untapped market.”

3 Journey from Commoditization to Unique Selling Proposition

Value proposition for most outsourcing destinations will be further commoditized resulting in a requirement for identification of niche segments and differentiating factors for destinations. While the differentiation between established and emerging outsourcing locations will be broadened further. Direct competition between emerging cities and new aspiring cities will further complicate decision making for

investors. On the other hand, it will open up new opportunities for optimization. Clients will prefer to outsource work to locations that are potential markets for their product or services. The search for new locations will continue as existing centers start facing scale challenges. Increasingly however, clients will start factoring in the market development opportunity along with the cost and quality of delivery into their location choices.

4 “Innovestments”

Innovative technology and business models will see an increased interest from investors while vanilla IT/BPO businesses and models will cease to attract the same level of investment interest. Service provider will differentiate using innovation while focusing on value multiplication instead of value

addition. A significant mind-shift will be witnessed from the traditional services being provided at lower cost to differentiated solutions/services which impact clients’ processes/business. Focus on Innovation.

Dr. Harsh Muthal, President, Tholons Inc. says, “With confidence in the market re-instated, Investors are tipped to become bullish and move from their risk averse stance in 2010 towards innovative business models and service delivery solutions. It is imperative for the service providers and buyers to look at business solutions going beyond the “available” technology/services.”

5 Cloud - An Ancillary Driver to Outsourcing

As awareness of the Cloud as a business platform increases and as the operational viability of the Cloud is validated through increased adoption by Enterprises – the Cloud will serve as an ancillary driver for further growth in the outsourcing space. Data center hosting, application development and maintenance (ADM) are just a few the otherwise ‘traditional’ outsourced processes that could be impacted by greater adoption of businesses into the

Cloud. Further, and as price points for entering the Cloud become more attractive, we should witness Service Providers increase Cloud based offerings – expanding existing delivery platforms.

6 Outcome based models

Tholons has witnessed outcome based models becoming a reality in 2010 and expects a client driven trend to implement outcome based pricing and operational delivery models. The relationship

between the service provider and buyer as a result has become more objective / solution based instead of being driven by costs and headcounts alone.

Nishant Verma, Managing Director, Tholons Inc. believes, “Traditional cost saving models will continue to prevail however Tholons expects the best-of-breed service providers to be able to make significant impact to their client’s bottom lines by providing complete solutions and also their top lines by providing innovative outcome based business models.”

7 Increased emphasis on IP-based services

Tholons has witnessed a significant trend in terms of the service providers’ willingness to develop verticals/client specific IP which enables them to provide “solutions” to their client. However, the cost of developing the IP is

absorbed by the service provider which is re-usable for other clients. This would enable a win-win for the service provider and buyer and enable improved delivery and value.

8 Training Institutes – in the money option!

Tholons has witnessed that most locations have faced scalability challenges due to low employability of talent pool. In 2011, Tholons expects a significant movement towards

specialized/shorter training and skills development programs, driving more investments into training and skills development in emerging markets.

9 Partnership/Relationship becoming stronger

While the initial trend in outsourcing concentrated on cost reduction, it evolved towards multi-sourcing due to the need to mitigate risk. The future trend is predicted towards transformational deals and vendor consolidation. There is a strong movement

towards relationship/partnership based Buyer-Supplier dynamics, wherein the supplier not only provides the required solution but also process improvements resulting in greater value for the buyers.

Kishore Kumar, Managing Director, Tholons Inc. states, “Services outsourcing has been fairly averse to industry relationships and lobbying while it has always had an impact in the business dynamics. Due to the maturity of relationships and improved service delivery capabilities, Tholons believes that 2011 will witness the service providers gaining more stake in their client’s business



by offering solutions rather than just services. This will result in a partnership approach which will create win-win for both the parties and a stronger barrier to entry for new players in the market.”

10 Healthcare, BFSI, Retail, Pharma, Telecom, and Manufacturing will be high growth sectors for Global Sourcing in 2011 registering growth over 25%.

Dr. Garima Vashistha, President – Health sciences, Tholons Inc. believes, “These sectors are under tremendous competitive pressure with demand still high. To compete and grow, these sectors will look to leverage Globalization for skills, insights and cost optimization.”

11 Philippines has emerged as the BPO Capital of the World with Manila NCR and Cebu among the Top 10 Cities of the Tholons Top 100 Global Emerging Cities Annual Report. BPO in Philippines saw significant growth last year and we are currently seeing clients making a beeline to Philippines for both customer service and back office. 2011 will see BPO growth in Philippines to be 28% vs India’s BPO growth rate of 19%.

Manuel Ravago, Research Director, Tholons Inc. believes that, “The Philippines has matured to become the best destination for English voice-BPO globally. Process maturity has however been hindered by the inability of technical talent pool to attract higher value IT/KPO processes. While the country matures into the second string cities which have again performed very well as voice centers, it would be very interesting to witness the progression/evolution into other services like animation, game development and IT services in the future.”

About Tholons

Tholons is a Services Globalization and Investment Advisory firm that combines "Best of Breed" consulting experience with deep execution expertise and investment insights to deliver truly effective services to its clients. Tholons offers a detailed understanding of business processes and combines it with practical hands-on expertise in executing the strategy. Tholons draws upon the considerable experience of a hand-picked team, which has successfully formulated and executed globalization strategies to unlock value for Global Fortune 1000 companies. Service providers leverage Tholons expertise to optimize their global delivery model. Tholons advisors engage with government bodies to build compelling strategies for making countries attractive destination for outsourcing.

For more details about Tholons' Services Globalization and Investment Advisory capabilities, please visit our website at: www.tholons.com

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