

7 Hot Specialty BPO Services



About the Author

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Succeeding in an ultra-competitive and difficult marketplace often requires transformation. And to truly transform a business process, outsourcing remains the most viable route. For many organizations, it is almost inevitable.

In addition, outsourcing has moved quickly from back-office transaction processing to higher-end functionality. Providers in developing economies no longer compete on price alone. Today, they provide high-value consulting—domain-based expertise, rather than simple, voice-based services. These specialized services call for advanced analytical capabilities.

Consider the world's largest banking and financial services company, which recently wanted to categorize new keywords in its website to optimize bids, and to target campaigns to specific regions—the US, Canada, Singapore, Europe, and Middle East. By outsourcing the complex, non-core process, it made dramatic gains, including the grouping of 50,000 new keywords by the identified criteria. Additionally, impressions increased by 98 percent and leads by 68 percent in just a year.

The world's largest telecommunications company wished to offer its customers in 46 US states a bundle of high-speed Internet access and local and long-distance phone services. By outsourcing DSL tech support, the company achieved four clear and significant benefits: savings of 7 percent; improvements to first-call resolution (FCR); substantially improved customer satisfaction rates; and numerous process optimization opportunities.

These examples show how leading companies have transformed their business processes, and in turn, their effectiveness, through outsourcing. This paper describes how companies can bring optimum value from Specialty BPO in seven key areas not traditionally associated with outsourcing.

Seven Key Segments	Dominating Geographies
Animation	India, Philippines, China
Telecom	India, Philippines
Financial services	India, China
Geospatial	China, India
Engineering	India, China, Russia
HR	India, New Zealand
Life Sciences	India, Russia

Despite uncertainty in key markets, outsourcing continues to be in high demand. As it expands, much of the growth will be in these seven key Specialty BPO segments.

A recent survey by TechWeb, a global leader in business technology media, indicates that three of four companies say their organization's transformation of an outsourced business process has been a success. Two-thirds of those respondents qualify their success as "somewhat successful" rather than "very successful." However, with transformation – an exercise that includes risk – any success is welcome.

1. Animation

Animation is exploding in India, as global media and entertainment companies make a beeline to the Subcontinent. Recently, New Zealand-based Applied Gravity outsourced nearly 90 percent of its animation to an Indian provider. Some of the best-known creations from that partnership included an animatronics dog for Animal Planet (Discovery Channel) and animatronics models for New Zealand theme parks. At the same time, Hollywood is outsourcing animation to India, including projects for First Fear and Marvi Hammer. Moreover, the English movie Sea Wars featured sketches provided by conceptual artists that were modeled in 3D and then “textured” to provide a realistic look and feel.

There is certainly strong demand for animation. The National Association of Software and Service Companies (NASSCOM) estimates that the global market will grow from \$59 billion (in 2006) to \$80 billion by 2010. The market for animated content and related services is between \$25 and \$26 billion today, and should exceed \$34 billion by 2010. The Indian animation industry is expected to reach US\$869 million by the end of 2010 at an estimated CAGR of 52.2 percent.

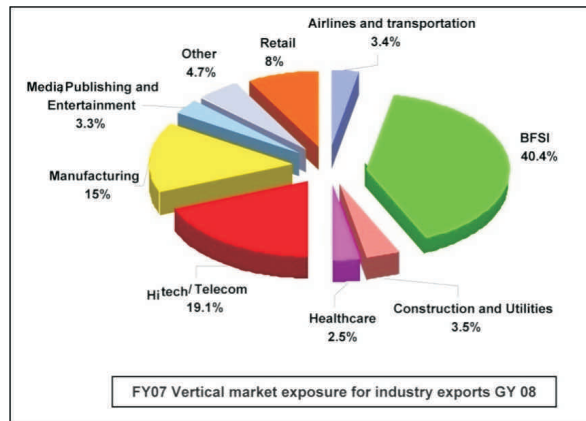
Why the demand?

Production of a 30-minute animated show in the US costs between \$200,000 and \$400,000. In India, it's \$70,000. That has led companies like Walt Disney Pictures, Time Warner's Cartoon Network, Sony Pictures, etc. to send the work overseas. However, cost is not the key factor in this trend. Quality is. Initially, outsourced animation was low-end, bulk work. Today, Indian providers now provide high-end animation, and do it better than anyone else.

Services range from sophisticated animation using VFX-CGI to basic collateral design. Sophisticated services fall under “entertainment industry” for long-term film, TV, games, visualization, etc. projects. Computer graphics for advertisements, creation of storyboards based on concept fall under “creative solutions for business.”

2. Telecom Services

The telecommunications industry (along with high-tech) accounts for about 19 percent of today's outsourcing market, trailing only Banking, Financial Services and Insurance. Indian firms manage most outsourcing engagements from US and European telecoms. Because providers are exceptionally knowledgeable, the work is often quite strategic. For example, one Indian organization is providing a host of high-value services for the world's largest voice, data and IP communications company.



European and US telecom industries that face stiff competition, tighter margins, excess capacity, and ever-changing technology can benefit by allowing experts to manage critical, non-core processes. Many telecom executives agree, and are turning to offshoring to gain competitive advantage.

It is leveraging its knowledge of industry tariffs and regulations to create tariff models in accordance with roaming agreements (between roaming partners), and leveraging client-specific tools and procedures. It is also supporting movement of "implemented tariff models" to the production environment, and providing tariff-related alarm handling and error analysis. Further, it is contacting clients and other data clearinghouses and resolving disputes with DCHs/operators.

Another leading telecom company has outsourced its support system. This too, includes a comprehensive list of high-end services, such as:

- Provision of post-sale pricing and promotion information
- Billing inquiries, credits, or adjustments for business and consumer DSL/dial-up service
- Changes to billing and product packages
- Up-selling and addition of broadband extras and essential products
- Vacation suspension requests
- Offers to eligible customers and provision of "warm" sales leads to a fiber sales center

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3. Finance and Accounting Services

The finance and accounting (F&A) outsourcing market has undergone massive change recently. In the past, 81 percent of F&A engagements included accounts payable; 65 percent included accounts receivable. Today, more than 40 percent of deals include the complete F&A function—tax payroll, internal audit, fixed-asset budgeting, general accounting, treasury and risk management, budgeting and forecasting, and management reporting and analysis.

NASSCOM claims that more than 80 percent of F&A outsourcing contracts feature an offshore component. Today's buyers face less risk thanks to emerging standards, best practices and rapidly increasing adoption. Providers, however, have difficulty differentiating themselves in a crowded market. Still, Indian providers will bill between \$20 billion and \$25 billion for F&A services by 2012. Two-thirds of this opportunity will come from the banking, capital markets, insurance and manufacturing industries. North America (\$14 to \$16 billion) and the UK (\$5.7 billion) are the key regions with respect to the market.

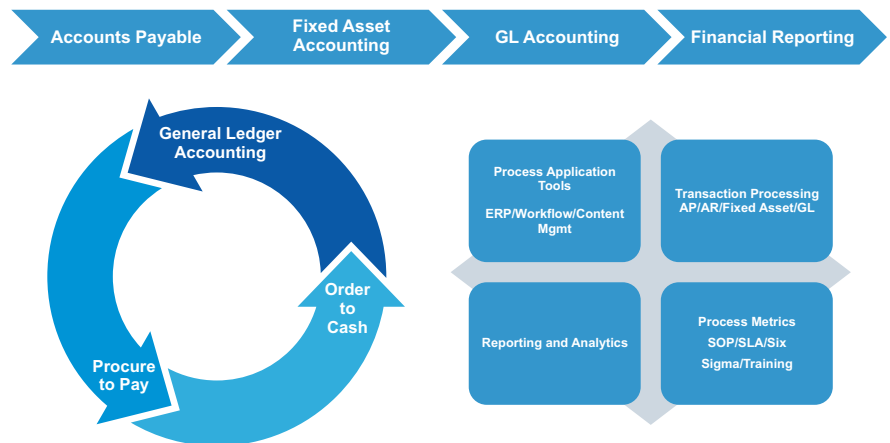
Even when providers differentiate themselves, competitors catch up quickly by copying the innovation or countering it. For example, turnaround time of less than 72 hours was once a differentiator, as was deep knowledge of a client's legacy systems. Today, these are table stakes.

The battle to stand out has driven Indian companies to create models that exceed cost-arbitrage. Flexible cost models, for instance, leverage a company's expertise and efficiencies to achieve compliance goals and reduce costs. Risk mitigation models ensure that corporate policies and statutory requirements are met.

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The FAO chain



Typical F&A Outsourcing Projects

Company	Service Used	Tasks undertaken by outsourcing firm
Leading provider of products and solutions to US mortgage and real estate industry	Mortgage Settlement Services	<ol style="list-style-type: none"> 1. Produce title and property reports for US residential real estate market 2. Verbalized its cost structure <ul style="list-style-type: none"> • Provided upfront cost savings of 37% • Improved productivity by 15% • Improved turnaround time via 16 x 5 operations • Developed additional revenue stream for client
US-based mortgage company	Mortgage Underwriting	<ol style="list-style-type: none"> 1. Mortgage loan underwriting 2. Raising underwriting conditions (verification of borrower's financial information, such as credit history) running AUS reports and updating LOS 3. Provided overall savings of over 40% and reduced TAT by more than 50%
Tier I investment bank	Primary Research Services and Data Analysis – BSP Solution	<ol style="list-style-type: none"> 1. Enabled client to develop new research products without building the operations platform to produce them – thereby giving them a tremendous competitive advantage with respect to speed to market and cost 2. Joint partnership to develop a quarterly strategic report on US small cap firms <ul style="list-style-type: none"> - Involves interviewing CFOs/controllers of 1,400 US companies 3. Joint partnership to develop a monthly semiconductor sentiment index <ul style="list-style-type: none"> - Involves interviewing the CFOs/controllers of top 30 global semiconductor companies

A leading Fortune 500 company with 60,000 employees, 7,000 contractors and 250 suppliers, lacked visibility into global contingent labor spending. After a SWOT analysis, the organization came up with a strategy: Outsource a P2P project to an Indian service provider.

4. Procure-to-pay services

More and more companies leverage Procure-to-Pay (P2P) outsourcing to achieve savings and address financial supply chain issues like high manual intervention costs. P2P is a buyer's stepping-stone toward full-service or source-to-pay (S2P) outsourcing—a more complex transition.

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The company used the following services:

- Category and Settlement Management
 - Service Coordinators to facilitate candidate lifecycle management
 - Supplier sourcing, contracting and management
 - Consolidated invoicing processing and management
- On-Demand Enterprise Procurement Platform® for Contingent Labor
 - Self-service online requisitioning and approval
 - Timesheet and Expenses
 - Automated invoicing with Evaluated Receipt Settlement
 - Integration with Oracle iProcurement and Financials

Benefits

As a result of the outsourcing program, the company gained full visibility into contingent labor spending; reduced rates through supplier rationalization and strategic sourcing; and realized early payment discounts using ERS.

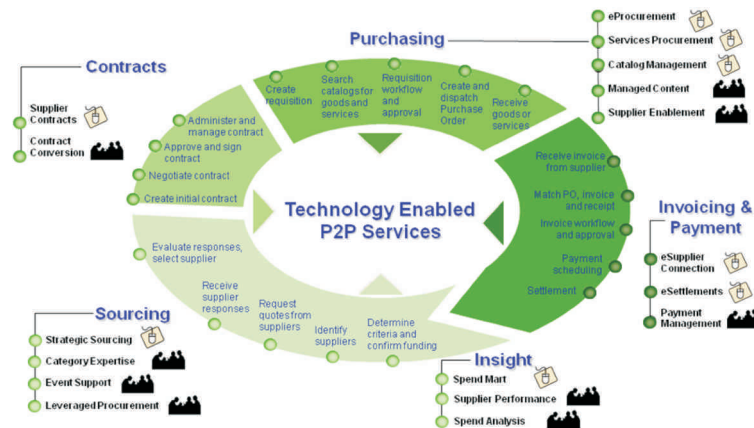
Similarly, a US-based global hardware manufacturer wanted to rationalize spending across 2,784 vendors in 36 countries. Its primary objectives were to analyze global spending data; identify and categorize expenditures of less than \$250,000; and determine saving potential. An outsourcing program identified opportunities for economies of scale and rationalized vendors in several important categories.

The market

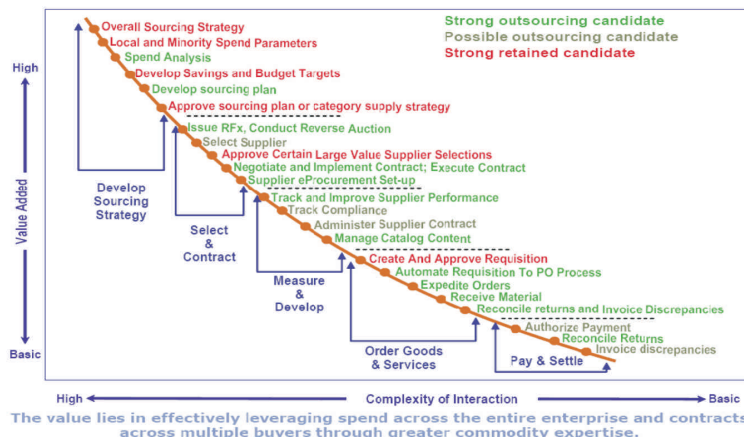
The Everest Research Institute revealed a strong link between successful accounts payable (AP) outsourcing and the move toward P2P outsourcing. Almost half of the respondents to a recent executive survey indicated interest in exploring how to expand their current AP outsourcing initiatives to include a broader P2P scope within the next year to three years.

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P2P Service Offerings



Procurement opportunities in sourcing lifecycle



5. Engineering Services

Since the early 1970s, US companies have set up production facilities in Central America and Asia to offset high production costs at home—it is one of the first examples of captive offshoring. Over time, manufacturers—especially in automotive industry—outsourced component manufacturing, largely to compete with low-priced Japanese and Korean carmakers. Now, component outsourcing is commonplace in the aerospace industry; 70 percent of the components of a Boeing or an Airbus aircraft are outsourced.

The increase in engineering outsourcing is fairly recent, and probably influenced by the success of other outsourcing IT and business processes. Research and development, design conceptualization and detailing, documentation and production planning and simulation are some of the areas manufacturers have outsourced recently past. Companies such as General Motors and General Electric have created captive centers to outsource services core to their business (like R&D and data analytics), and engaged service providers to manage non-core services.

Outsourcing engineering to India is certainly cheaper, and the quality of work is as good or better than anyplace on earth. Indian providers are technically proficient and pay painstaking attention to detail, ensuring that service levels remain as good or far superior to those in countries like the US.

Support Areas	Global Manufacturer Challenges	Value Proposition
Production Engineering	<ul style="list-style-type: none"> Managing - Rapidly changing demand Delivering - Faster Design to Market Coordinating and training – Large-scale plant resources Enhancing - Quality product delivery with less support cost 	<ul style="list-style-type: none"> Quick and accurate translation of engineering changes to manufacturing instructions Improved work-order accuracy Enhanced manufacturing Schedule and production plan performance
Industrial Engineering	<ul style="list-style-type: none"> Managing - Rapidly changing demand Delivering - Faster design to market Enhancing - Quality product delivery with less support cost 	<ul style="list-style-type: none"> Accurate work standard for assembly operations Solutions to achieve line balance and optimal loading Solutions to discover and realize “optimal” capacity
Quality Engineering	<ul style="list-style-type: none"> Collaborating – With a diverse global supplier base Enhancing – Quality product delivery for less support cost Enabling – Integrity of systems, through accurate documentation and data management Accelerating – Continuous improvement and product transformation 	<ul style="list-style-type: none"> Improved quality of production and quality documentation Analytics and intelligence inputs to product development/supply planning and after-sales support teams Quality input to continuous improvement processes
Engineering Analysis	<ul style="list-style-type: none"> Effective cost management in new product introduction programs Standardization of parts and components use based on design and functionality Enhancing collaboration across the value chain from design to launch Enhancing quality product delivery with less support cost 	<ul style="list-style-type: none"> Identify overruns in new product introduction programs Evaluate effect of design changes on dollar spend Consolidated input to purchasing for effective supplier negotiations Achieve parts standardization Build collaboration between engineering, manufacturing, planning and purchasing

6. HR Outsourcing

What are the key trends in global HR BPO? A recent Gartner report said “There are several external forces that will help shape the HR sourcing strategies in the future that will inevitably impact HR BPO. For example, we are rapidly moving toward a global economy, in which widespread connectivity is acting as the 'great equalizer.' Former barriers, such as geographic location, are disappearing — enabling organizations to sell and compete globally. Economic boom and bust is accelerating the trend. A truly global economy means boundless new opportunity for organizations, but it also creates heightened competition (in terms of business efficiency and the hunt for the best talent). As a result, price competition and the need to move work to the best sources of labor will remain.”

Gartner also reported on the increasing hype concerning “RPO” (the outsourcing of hiring and recruiting), as well as talent management outsourcing. Today, talent management, in the context of HR BPO, is being driven more by SaaS platforms than by truly outsourced talent management strategies. Most providers use significant eHR platforms to cobble together pieces of talent management. This is a sound, well-defined concept from a software technology standpoint (see sample vendor list), but less valuable from an HR BPO standpoint.

Lately, buyers have moved to centralize or consolidate regional recruitment (rather than pursue a distributed recruitment strategy). This approach helps buyers manage HR costs.

Function	Services
Recruitment	Resume management, candidate screening, candidate scheduling, offer release, background verification, recruitment metrics analytics, vendor management, joining formalities and induction
Compensation	Survey results analysis, periodic compensation revision administration, statutory compliances, associate communication
Payroll administration	Pay sheet generation, T&E management, banking and internal record filing, checks and deposit advice
Employee Data Maintenance	New joiner update, transfers, exit process management and employee data change management
Immigration & Expatriation	Filing of visa applications, orientation, facilitating travel, travel expense management,
Learning & Development	Enrolment, vendor management and expense tracking
Performance Management	Administration of appraisals, performance improvement plan administration, mentoring program administration and associate communication
Organization Development	Survey administration, results analysis, report preparation
HR Analytics	Recruitment, compensation, attrition analytics

7. Life Sciences

Heavy regulations and mandatory controls affect the types of operations life sciences organizations can outsource. They cannot outsource legal responsibility for regulatory compliance, for example. Additionally, due to fierce competition and the need for constant innovation, the industry is in constant flux—to succeed, life sciences companies must adapt quickly and often in relation to sensitive business processes.

India's entry into the product patent regime in 2005 has boosted the confidence of buyers who increasingly purchase bioinformatics services. However, ambiguity of data security laws could hinder growth.

For example, one of the world's largest pharmaceutical companies wanted to consolidate operations, improve productivity and gain cost and process efficiencies. Essentially, it wanted to outsource three distinct services:

- Full assessment of non-serious adverse event (AE) reports
- Serious and non-serious litigation adverse event processing
- Data entry

Its wish to continue its regulatory compliance while increasing its product pipeline was another factor in its decision to outsource.

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The company partnered with a provider that processed about 400 cases every month. Within eight weeks, it had also produced innovative plans and executable process that could transform the pharmaceutical company's business. First, it established a customized offshore delivery platform. Very quickly, its product litigation case processing went live, which exceeded agreed-upon volumes. Later, full assessment and data entry operations were put in the pipeline.

Service Offerings

R&D	Manufacturing	Sales & Marketing
<ul style="list-style-type: none"> • CDM • Clinical trial site setup • Safety narrative writing • Medical writing • AE management • Regulatory filings • Litigation case processing 	<ul style="list-style-type: none"> • Material management • Manufacturing ops Support • Engineering services • Supply chain management • Packaging services • Distribution • Logistics 	<ul style="list-style-type: none"> • Promotional artwork • 2D and 3D animation • Visualization • Medical affairs support • Sales force support • Content and portal management • eLearning

Conclusion

Specialty BPO Services will only grow as organizations understand the value of allowing higher- and higher-value services to be managed by partners, even if they are half a world away. Companies everywhere face huge obstacles—credit troubles, recession, circumspect customers. However, if companies in Europe and the US want to remain competitive, they will need to invest in specialty services. They will have to outsource core business processes to overseas providers that help them cut costs while enabling innovation and business transformation.