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**Business Process Outsourcing (BPO)
Report: May 2011 – Preview Deck**

**Topic: India-to-India (I2I) General & Administrative
Outsourcing (GAO) Market: A Phenomenon in the
Making**

Background of the research

While India has traditionally been a prominent delivery location for BPO services, it is starting to emerge as a notable source geography as well. A rapidly growing economy, increased competition, and rising consumer expectations have led many Indian companies to adopt outsourcing as a viable means to gain operational efficiency and manage growth. Though the I2I domestic BPO market is still dominated by voice-related services, in recent years General & Administrative Outsourcing (GAO) services such as Finance & Accounting Outsourcing (FAO), Human Resource Outsourcing (HRO), and Procurement Outsourcing (PO) have also gained notable traction. Recognizing the current growth and significant future potential, many leading global service providers are now creating targeted strategies to capture this untapped segment.

In this study, we analyze the trends in domestic GAO market. We focus on:

- Market growth and key drivers to outsource
- Buyer adoption trends and contract characteristics
- Service provider landscape
- Current challenges and future outlook

The scope and methodology of this report includes:

- Third-party outsourcing contracts; it **does not include** shared services or captives
- Contracts signed up to 2010 with **geographic scope** (both buyer location served and service provider delivery location) **as India**, and minimum contract duration of one year
- Buyers include **both Indian companies and Indian entities of multinationals**
- Process scope includes **non-voice services in General & Administrative Outsourcing (GAO)** segments, i.e., FAO, PO, and HRO services

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Overview and abbreviated summary of key messages

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This report will assist key stakeholders (buyers, service providers, technology providers) understand the trends in General & Administrative processes Outsourcing (GAO) within the overall India-to-India (I2I) domestic outsourcing market. Though the I2I domestic BPO market is still dominated by voice-related services, in recent years General & Administrative Outsourcing (GAO) services such as Finance & Accounting Outsourcing (FAO), Human Resource Outsourcing (HRO), and Procurement Outsourcing (PO) have also gained notable traction. In this backdrop, this report provides comprehensive coverage of the I2I GAO services market including detailed analysis on market growth and value proposition, buyer adoption trends and contract characteristics, service provider landscape, and current challenges and future outlook.

Some of the findings in this report, among others, are:

Market growth and key business drivers

- The Indian domestic outsourcing market is starting to exhibit strong growth. GAO is a small segment of the domestic outsourcing market but has become increasingly important in recent years
- The I2I GAO market is still at a nascent stage, compared to the global market for GAO services. However, the I2I GAO market witnessed a significant rise in contract activity in the last few years
- The market grew rapidly in recent years to reach a size of ~US\$130 million in 2010, but at current penetration level the I2I GAO market represents a huge untapped potential
- While cost saving is a driver, the value proposition is driven more by the Indian companies' need to stay competitive and manage rapid growth in the current fast growing economy

Overview and abbreviated summary of key messages

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Buyer adoption trends and contract characteristics

- Among the I2I GAO market segments, demand for FAO services has been the highest followed by PO and HRO
- Manufacturing, hi-tech & telecom, and financial services are the key industries driving adoption of I2I GAO services, both overall and in individual segments. Recent years have seen notable traction with other verticals as well, including travel & logistics, healthcare, and CPG & retail
- Both domestic Indian companies and Indian entities of multinationals drive the demand for I2I GAO services, with most belonging to small or mid-market segment
- While most of the I2I GAO contracts are long-term in nature, individual segments of the market reflect some variation. PO has the maximum number of short-term contracts (one to two years). Most of these are sourcing-focused engagements with an annual renewal structure
- FTE-based pricing is the most commonly observed model, however, other structures such as managed service fee, and transaction-based pricing appear dominant in some segments

Service provider landscape

- The service provider landscape in the I2I GAO segment comprises both global players and India-centric providers. While many global service providers have historically kept India at the heart of their delivery strategy, in recent years, most of them have also tapped India as a source market
- Among the global players, many providers have penetrated multiple segments in the GAO market. In contrast, most India-focused players are centered around specific GAO segments
- In the I2I FAO segment, IBM, Genpact, Intelenet, and Sutherland are the significant global players, while Osource is a notable India-focused provider
- Accenture has a strong presence in the I2I PO market, primarily attributed to the acquisition of Ariba's sourcing services and BPO business
- In the HRO segment, AON-Hewitt, Accenture, and Wipro are the notable global players, while Peoplestrong and Talentpro are considerable names among India-focused providers
- Service providers, particularly global players, are deploying a variety of means to stay profitable in a market where arbitrage is not a key value driver
- Service providers have also expanded their delivery network beyond Tier-1 locations to sustain the requirements of the I2I BPO operational model

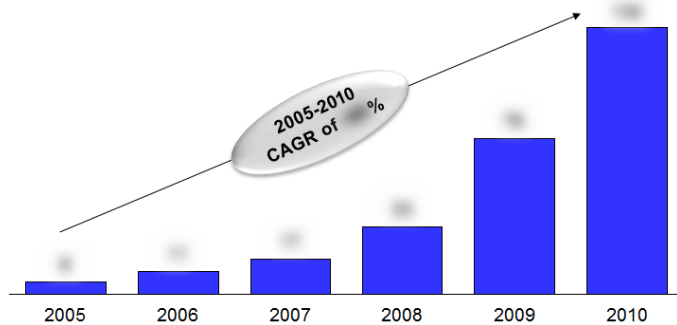
This study offers three distinct chapters providing a deep dive into the I2I GAO market segment; below are four charts to illustrate depth of the report



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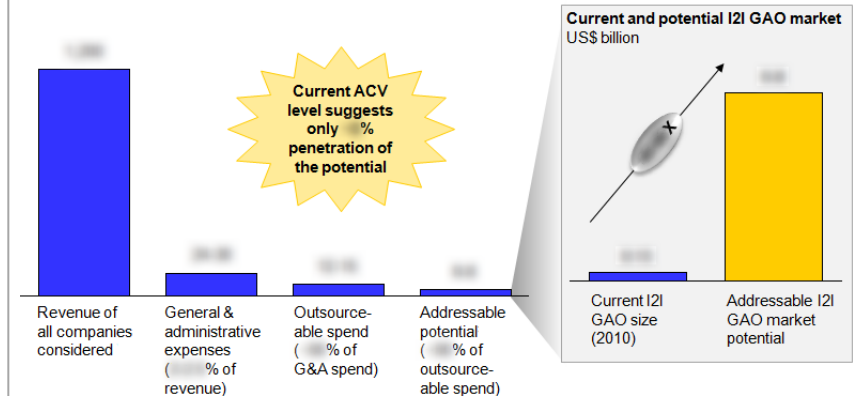
Market growth in I2I GAO segment

Active ACV over time in US\$ million



I2I GAO market potential

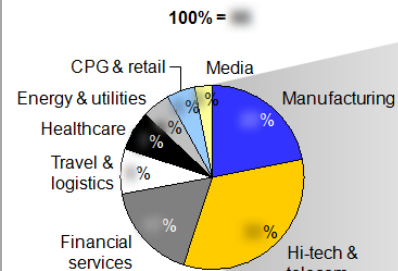
Current penetration and future potential



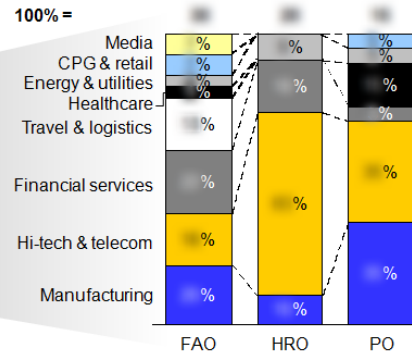
Buyer adoption trends by industry

Number of contracts

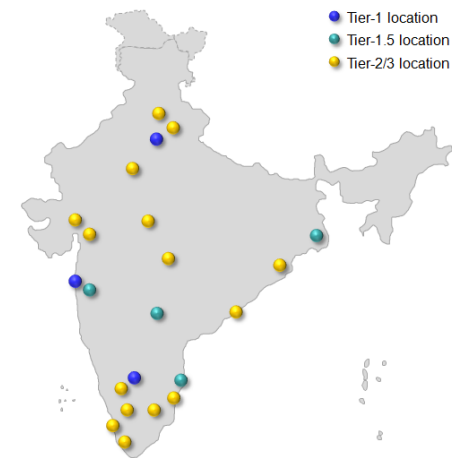
Adoption by buyer industry
Number of contracts



Buyer industry adoption across GAO segments
Number of contracts



Service provider delivery location landscape



Source: Everest Research Institute (2010)

Appendix: Additional BPO research references



The following documents are recommended for additional insight on the topic covered in this Research Report. The recommended documents either provide additional details on the topic or complementary content that may be of interest.

- 1. FAO Annual Report** (ERI-2011-1-R-0516); 2011. This research includes comprehensive coverage of the FAO market activity in 2010 including market size and trends, buyer adoption, transaction mechanics, service provider capabilities and position, and comparison of FAO with other BPOs
- 2. PO Annual Report** (ERI-2011-1-R-0517a); 2011. This research includes comprehensive coverage of the PO market activity in 2010 including market size and trends, buyer adoption, transaction mechanics, service provider capabilities and position, and comparison of PO with other BPOs
- 3. HRO Annual Report** (ERI-2011-3-R-0518); 2011. This research includes comprehensive coverage of the HRO market activity in 2010 including market size and trends, buyer adoption, transaction mechanics, service provider capabilities and position, and comparison of HRO with other BPOs

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