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'Avoid falling into a commodity trap'

PETER SCHUMACHER is the founder, President & CEO of the Value Leadership Group, a management consultancy headquartered at Frankfurt with offices in India, Europe and the US. He has been involved with offshore strategy and operational issues since 1999. Schumacher spoke to Niranjan Menon about the burgeoning offshoring phenomenon in India.

Despite major offshoring of voice and customer facing processes to India, don't Indian accents and cultural issues act as barriers?

Today, voice-based call centre services account for only about 15 per cent of the Indian offshore BPO market. Offshoring of voice-based services to India is difficult precisely for the language and cultural reasons. Now that the initial rush is over, companies in India and from around the world have begun to realise the inherent challenges in offshoring voice-based services. As widely known, several US and UK companies even pulled out voice-based services from India. While these involved only a small number of workers, the signalling effect was huge. It is clear that even US companies find that not all their voice-based services can be handled well from India.

But is offshoring restricted to voice-based BPO services only?

It is becoming clear that non-voice BPO services offer a more compelling bundle of benefits for overseas customers. Higher-end non-voice BPO services leverage effectively the strong analytical capabilities and work ethic of the Indian workforce. Indian firms that understand this can develop differentiated propositions and unique business solutions that are difficult for firms outside India to imitate. This is a powerful advantage. In the US and Europe, it is difficult to get people with a strong IT-enabled analytical skills. In the future, more companies will be looking for solutions that provide business value beyond cost arbitrage.

What should Indian companies do in order to entrench themselves in the offshoring spectrum?

Indian companies operating voice-based services need to



Peter Schumacher
CEO, Value Leadership Group

avoid falling into the commodity trap. They must strike a healthy balance of voice and non-voice offerings. At the moment it looks like the successful models have a voice-based share of around 20-40 per cent of total company revenue. Higher value voice-based services usually involve a blend of technical competency with voice-based services.

Have publishing companies started viewing India as a hub?

In the scientific, technical and medical (STM) publishing sector, Springer Science + Business Media, is shifting to an India-centric operating model. The Springer is the world's second-largest specialist publishing group in the STM sector. Springer's 2005 revenues were about \$1.1 billion and the company employs a work force of about 5,000. Today, it employs about 1,200 people in Chennai. Their intention is to expand their work force in India to about 2,700.

Other publishing sectors are starting to look offshore too. One of the largest US dailies has shifted its display and production to a vendor in India. It was looking for a step change reduction in costs and the opportunity to develop a radically better value proposition for its commercial advertising clients. Both objectives were achieved.

niranjan.menon
@hindustantimes.com