

# Avasant Background:

## Heritage & Highlights



## THE WALL STREET JOURNAL.

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**Avasant Ranks as the #1 Global BPO Advisor in Prestigious 2008 & 2009 Black Book Survey . . .**

2008

2009

1. **Avasant**

2. Hackett Group
3. Nelson Hall
4. Everest Group
5. Gartner
6. PricewaterhouseCoopers
7. TPI
8. PA Consulting
9. KPMG
10. McKinsey

1. **Avasant**

2. neoIT
3. TBI
4. Equaterra
5. TPI
6. NelsonHall
7. PA Consulting
8. PricewaterhouseCoopers
9. AT Kearney
10. Global Equations



# 2009

# World's Best

# Outsourcing Advisors

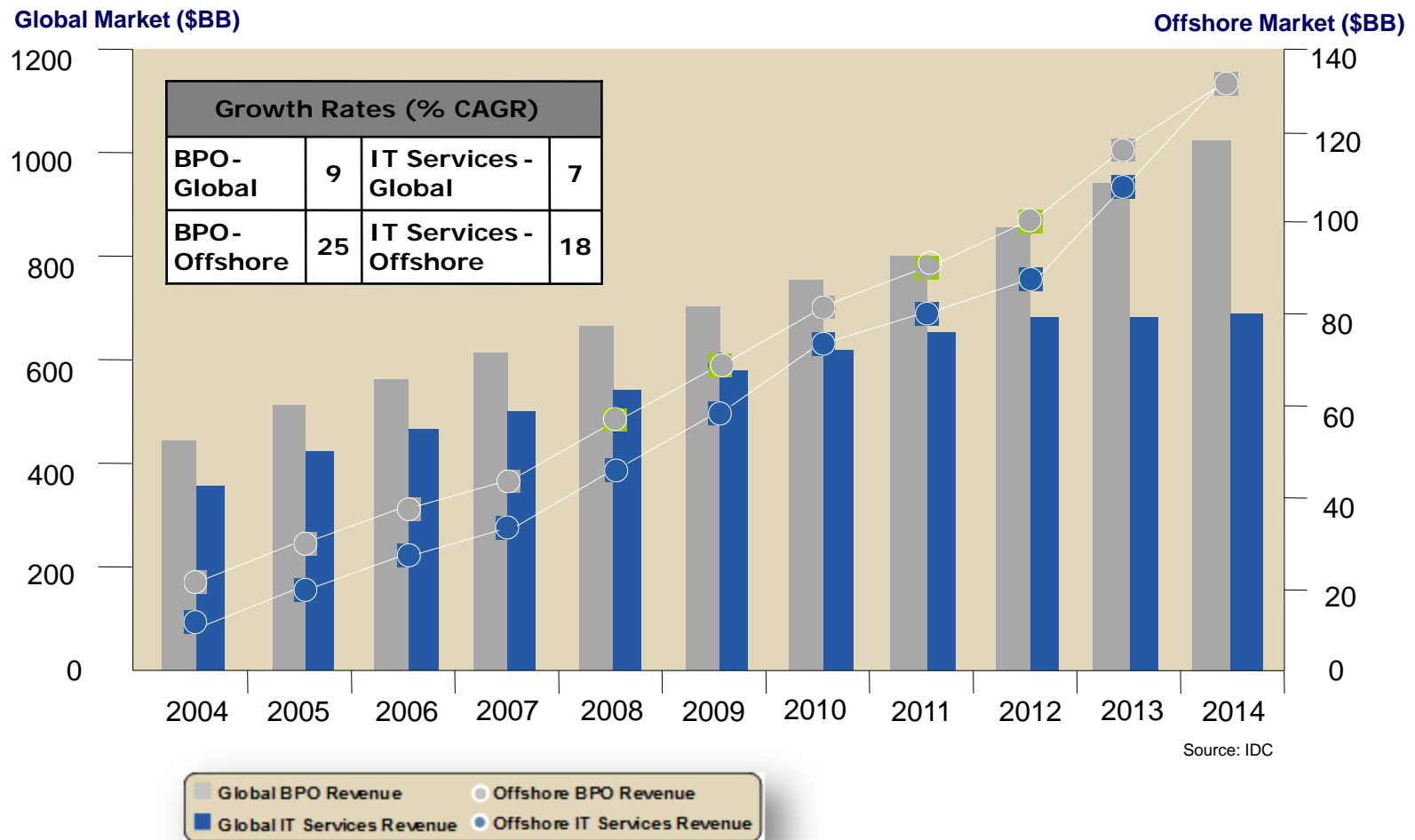


- Average team member experience of 15+ years in Sourcing with experience over 1,000 engagements
- Sourcing deals range from \$20 million to \$5 billion in Total Contract Value (TCV)
- Global expertise having lead engagements in over 40 countries
- Avasant has ranked amongst the top sourcing management consulting advisors from over 400+ nominated firms
- 2008 & 2009: Ranked Top Ten Full Service Sourcing (ITO, BPO & KPO)
- 2009: Ranked Top Ten Global Outsourcing Advisor by the IAOP

# BPO Trends & Globalization

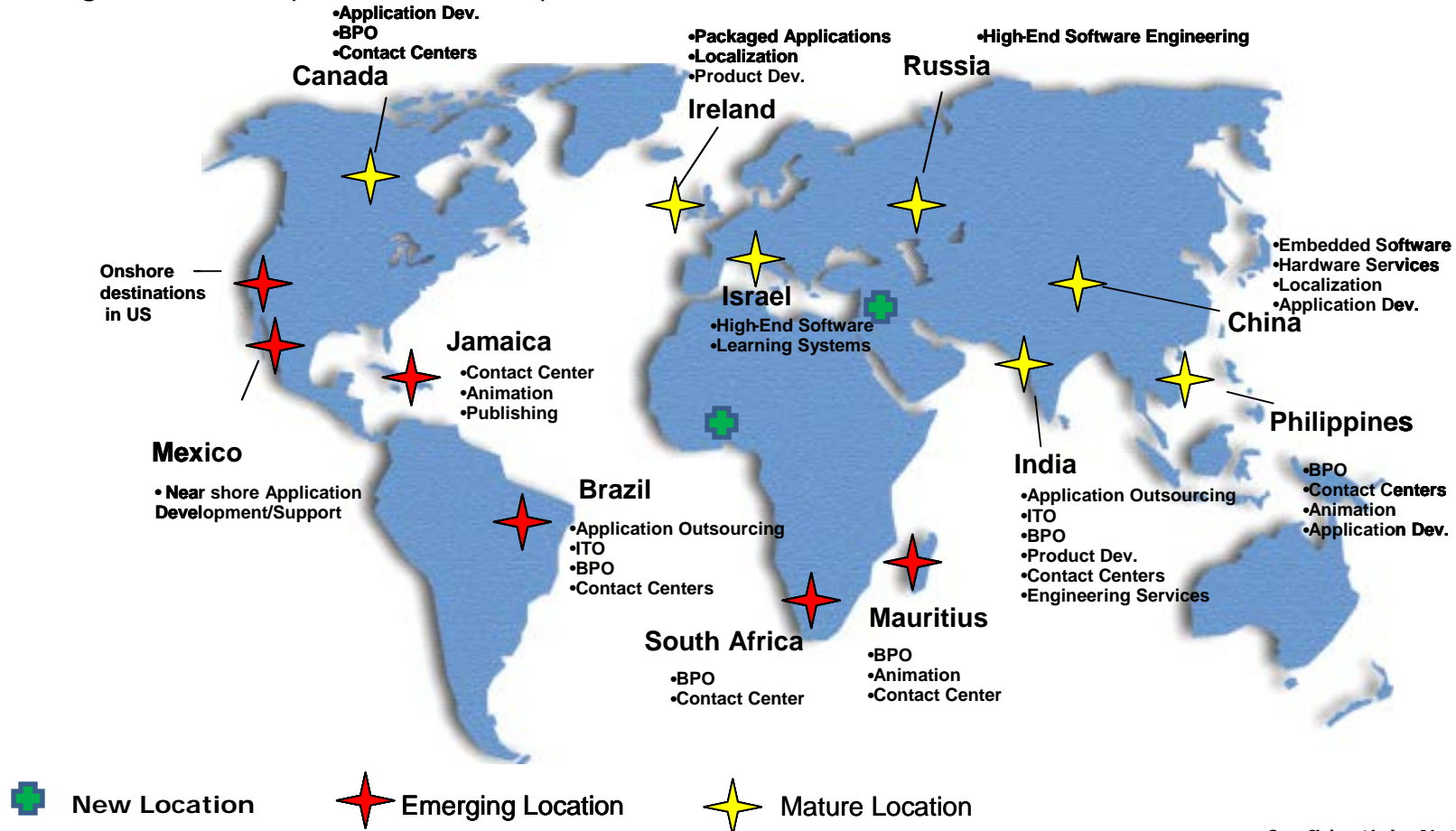


*The demand for Business Process Outsourcing (BPO) has outpaced IT Services in recent years as service offering maturities have increased.*



# Country Destinations Development and Competition

- **REEMERGENCE OF ONSHORE:** Onshore locations in developed countries will reemerge due to political pressure and shrinking labor arbitrage compared with offshore rates in India and China
- **INCREASED COMPETITION:** Level of competitions between mature destinations will increase as providers are becoming more conservative in large spend in new locations due to stagnant market demand
- **DEVELOPING COUNTRY STIMULOUS:** With the support from the government, third world countries in Latin America, Africa and Caribbean Sea with niche capabilities will become strong competitors to China in attracting US and European clients and providers

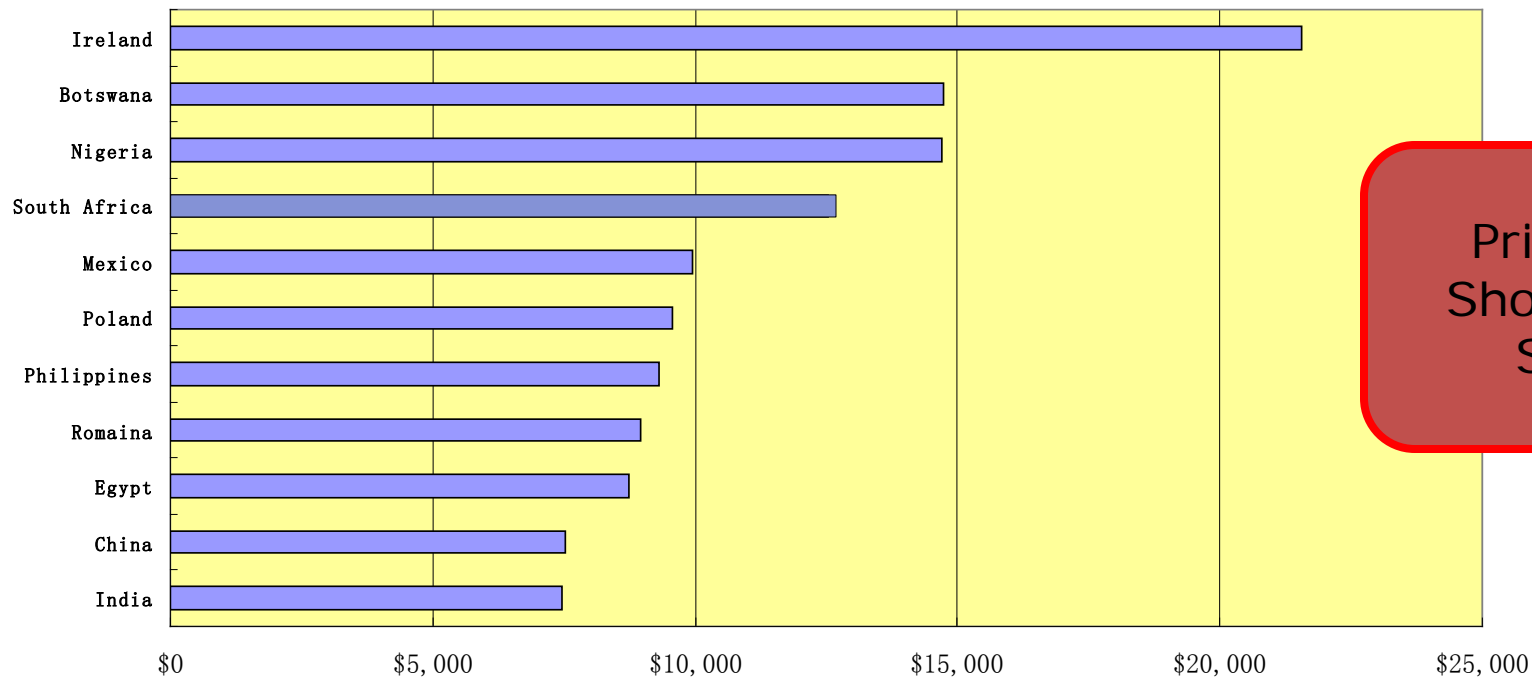


# Creating a Compelling and Long-Term Country Growth Strategy for Sustainable Growth



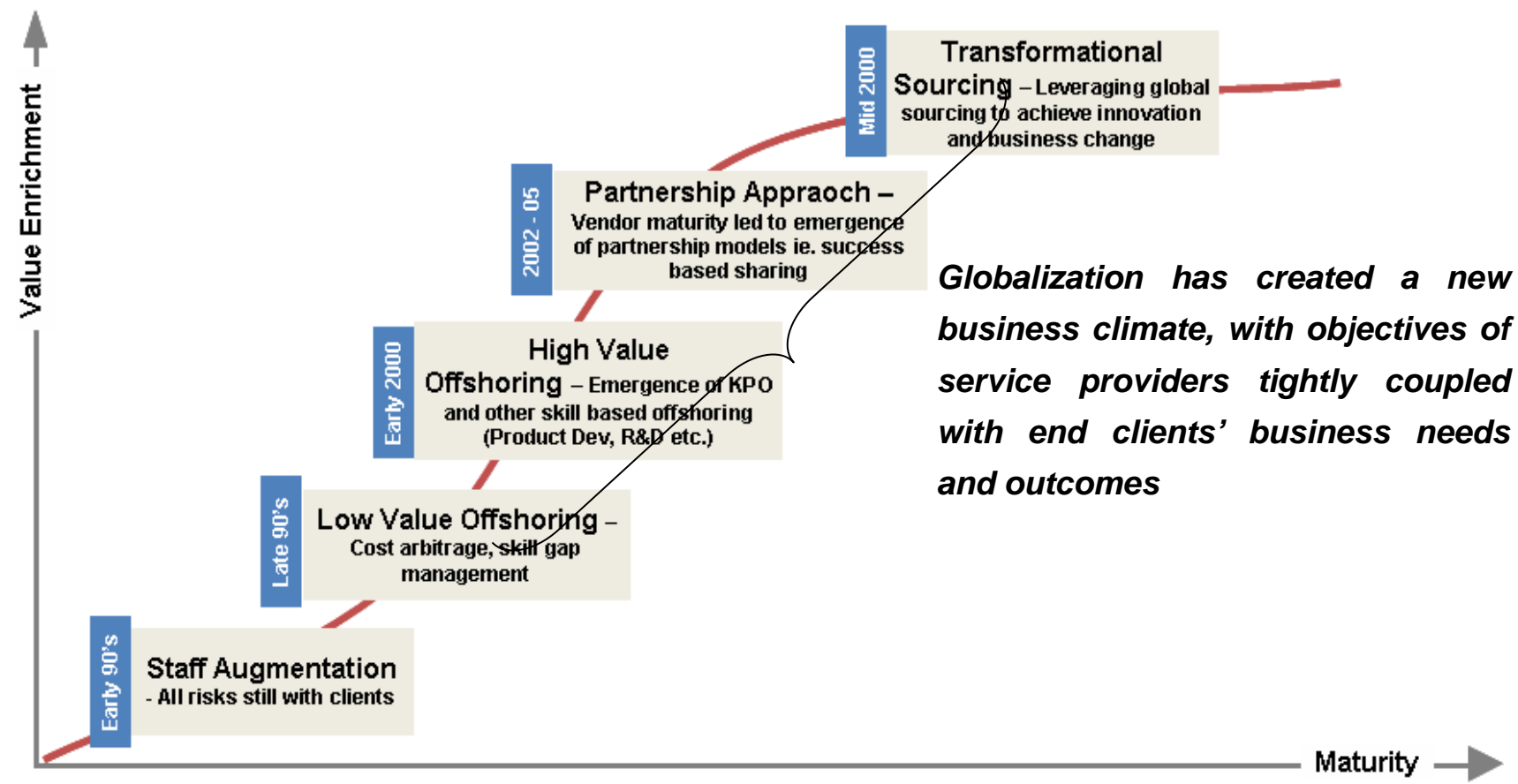
- 1. Identify Unique Value Proposition:** Focus on unique value proposition and niche market
- 2. Create Partnerships:** Partnership with leading sourcing destinations to build up maturity
- 3. Training:** Focus on talent Improvement to drive down the impact of wage inflation
- 4. Build Infrastructure:** Make focused investment in infrastructure to reduce telecom, electricity and other cost elements for operations
- 5. Invest in Process Improvement:** Leverage technological innovation and process improvement for higher efficiencies
- 6. Expand Delivery Set:** Move up the sourcing value chain in ITO/BPO and develop KPO

2008 Average BPO Agent Salary Comparison



Price is a  
Short Term  
Story

Over 2 decades of globalization has driven firms' to move from mere cost arbitrage to achieving value from partnership, innovation and value enhancement.  
*Result: Significant change in the business climate*



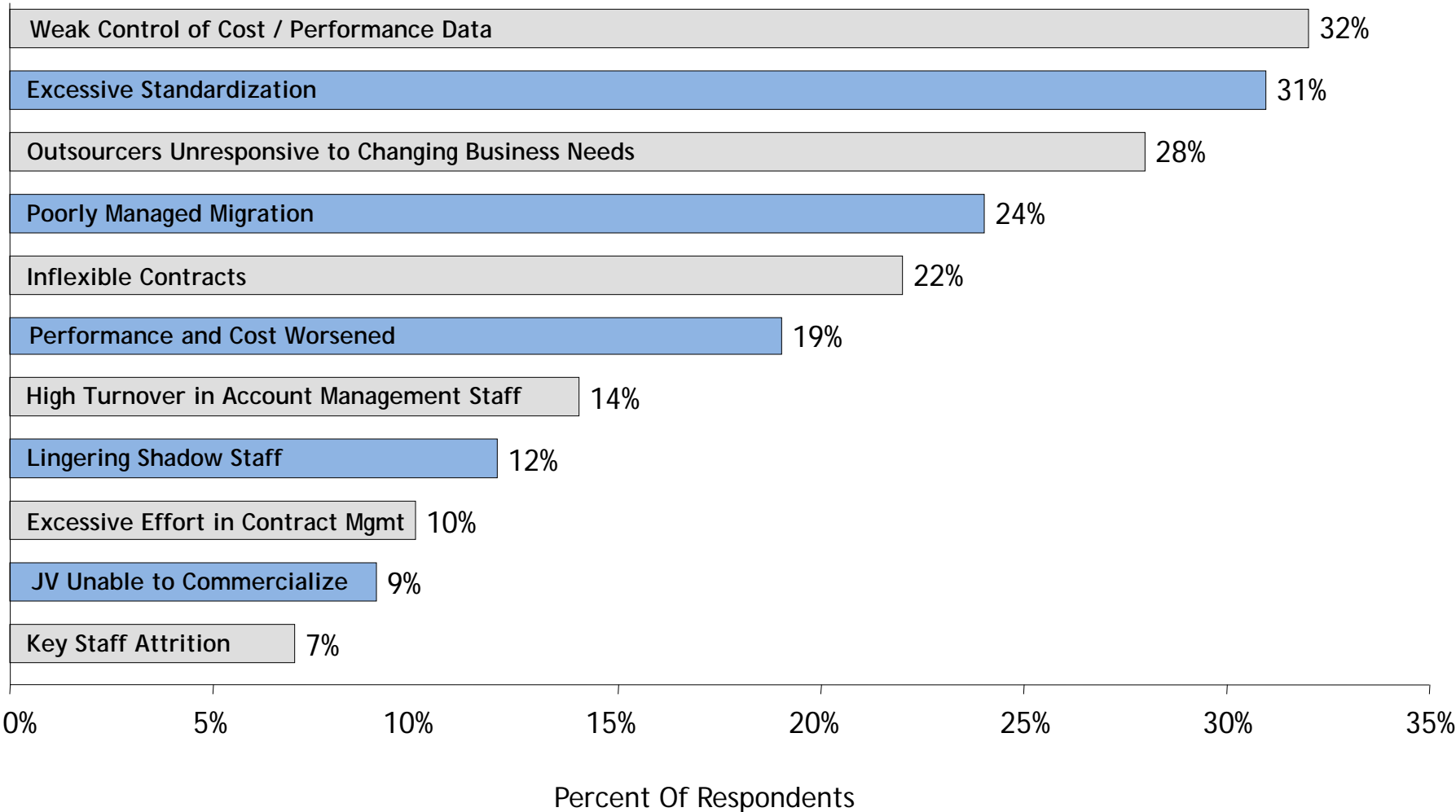
# Global Sourcing – Trends During Meltdown



- ✓ Temporary Demand Contraction.
- ✓ Pressure on IT Budgets – Discretionary budgets eliminated
- ✓ SMB clients ready to embrace outsourcing to remain competitive. Most are first-time to global outsourcing
- ✓ Mature clients looking to setup more captives to reduce risk of compliance and inadequate governance
- ✓ New Political landscape and Agenda in buyer countries
- ✓ New business and pricing models emerging. Move towards outcome based and “usage” based pricing
- ✓ Shakeout and consolidation in Service Provider market
- ✓ Emerging new sourcing destinations – nearshore and same time-zone
- ✓ Lack of Service Provider Governance, Terrorist & Military conflicts prompting better risk management strategies
- ✓ Development of New Technology like Cloud Computing changing delivery model



## Main Challenges with Outsourcing



Source: Booz Allen BPO Survey of 100 U.S. Companies



# **The Shifting Landscape of Digital Media: *Content Companies Best Friend AND Worst Nightmare***

**Edward Altman**

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**Global Solutions Head – Digital Media  
GlobalLogic, Inc.**

**IAOP**

**(International Association of Outsourcing Professionals)**

**Newport Beach, California**

**February 3, 2010**





# **The Shifting Landscape of Digital Media: *Content Companies Best Friend AND Worst Nightmare***

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- **GlobalLogic, Inc.**
  - \$100MM Revenue; based in Vienna, Virginia
  - Leader in R&D Services
  - Software Product Development
  - Centers in India, China, Argentina, Israel, and Ukraine
  - Strong track record & expertise in Digital Media
  - Opportunity in the Digital area of Media and Entertainment companies; not the CIO – I/T area (Front-office; not Back-office)
- **Ed Altman**
  - Worked at Fox, Paramount, and CIO @ MGM
  - Over (6) years Global Practice Head for Tata Consultancy Services (TCS) Media & Entertainment Practice (built Practice from scratch)
  - Leading GlobalLogic's Digital Media efforts



- **The Wide-Ranging Scope of Digital Media**
- **Content Companies**
- **The Current Business Environment**
- **Digital Media Critical Success Factors**
- **The Emerging Digital Media Landscape**
- **Transnational Borders and Sourcing Strategies**
- **What the Future Holds: Digital Media Landscape**



- **Digital Media**

- Content (Media & Entertainment) Companies: Video, Music, Information, Photo's, Games, Advertising, User Generated, .....
- Healthcare: X-RAYS, Lab Results, Patient Records
- Security: Audio, Video, Surveillance
- Manufacturing: Design, Integration
- Internal Corporate Uses (behind the firewall, not in front): Video Conferencing, Training, Marketing, Sales

- **Unique Characteristics**

- End Product can actually be digitized
- Owning the Product vs Licensing (Right to use) the Product
  - Format/distribution “Windows”
- Security/Copy Protection



- **The (8) Sub-segments**

- Hollywood: Disney, Warner Bros, Paramount, NBC Universal, Fox, MGM
- Music: Sony BMI, EMI, Warner Music, Universal, TicketMaster/LiveNation
- Publishers
  - Books
    - Trade: HarperCollins, Random House, Hachette
    - Education: McGraw Hill, Pearson
  - Newspapers: Wall Street Journal, New York Times, LA Times
  - Magazines: BusinessWeek, Time, Vogue
- Broadcast Networks: ABC, CBS, NBC, FOX
- Cable Networks: ESPN, CNN, HBO
- Information Service Providers: Lexis/Nexis, Thomson Reuters
- Gaming Companies (not gambling): Electronic Arts, THQ
- New Media: Google, Yahoo, MSN, AOL, FaceBook, Twitter

# The Current Business Environment – “*Best Friend AND Worst Nightmare*”

Connect. Collaborate. Innovate.



- **Legacy (Analog/Physical) Businesses and quite dissimilar**
    - Hollywood: Motion Pictures, TV Shows, DVD's
    - Music: CD's, Ticket Sales, Artist Promotion
    - Newspapers: Newsprint
    - Books: hard cover, soft cover
    - .....Issues/Challenges: B2B (not B2C), “product” vs “owner”, eating your own children
  - **Digital Businesses all on (3) screens (TV, Desktop/Laptop, Mobile) and quite similar**
    - Music: iTunes (Music Video)
    - Broadcast Networks: online (News Stories)
    - Cable TV: TV Anywhere (Disintermediation)
    - Newspapers: online (Video & Audio)
    - .....an Immersive Consumer Experience
- (declining) legacy profit dollars vs (growing) digital profit pennies**



- **Consumer Experience ... the requirement to have any content, on any device, any where, at any time**
  - Media Type
  - Device Dependencies
  - Social Media Influences
- **The Brand, the Brand, the Brand (not the platform, not brick and mortar vs online)**
  - ESPN (remember Sports Illustrated?)
  - Amazon vs Wal-Mart
  - Google (Search) vs the Traditional World of Advertising
  - Apple vs Sony Electronics, Nokia, Motorola
- **The Data, the Data, the Data**
  - Capture all Data possible about the consumer and the consumer's digital media experience
  - Use it, Value it, and Monetize it





- **Content Companies (Professionally Produced Stories)**
  - Boxed in: The Brand of “The Content” vs The Brand of “The Producer”
- **Communications Companies (Bandwidth Providers)**
  - Telecommunications
  - Cable TV
- **Consumer Electronics Companies (glitz & fun & (?) profits)**
  - TV’s, Cell Phones, Music Devices ....
- **The Aggregators (the winners ?)**
  - Music (iTunes)
  - Video (Hulu, You Tube, online Broadcasters, online Cable (TV Anywhere)
  - Books & Magazines
- **The New Media Companies**
  - Google vs the rest
  - New Ones (Google), Old Ones (Microsoft, AOL), & Transformed Ones (Apple)



- **Transnational Borders**

- Telecommunications & Government Policies: Impact on Consumer Behavior
- Emerging Economies: Skip Technological Generations (land line to wireless)
- Physical Borders vs Online Borders

- **Sourcing Strategies**

- Building Content (Strategic (front-end) vs Commodity (back-end))
- Distributing Content (Brand owns the customer, and hence gets THE DATA)
- Technology

# What the Future Holds: Digital Media Landscape

Connect. Collaborate. Innovate.



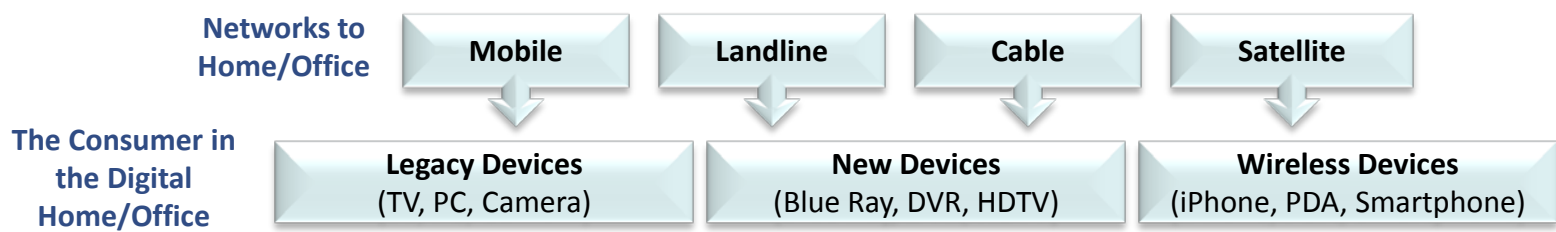
## Content



## Industry



## Consumers



# GETTING CHINA AND INDIA RIGHT

## Leveraging the World's Fastest Growing Economies



**DR. ANIL K. GUPTA**

The INSEAD Chaired Professor of Strategy

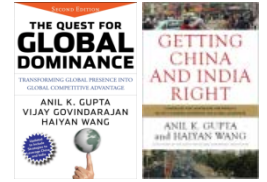
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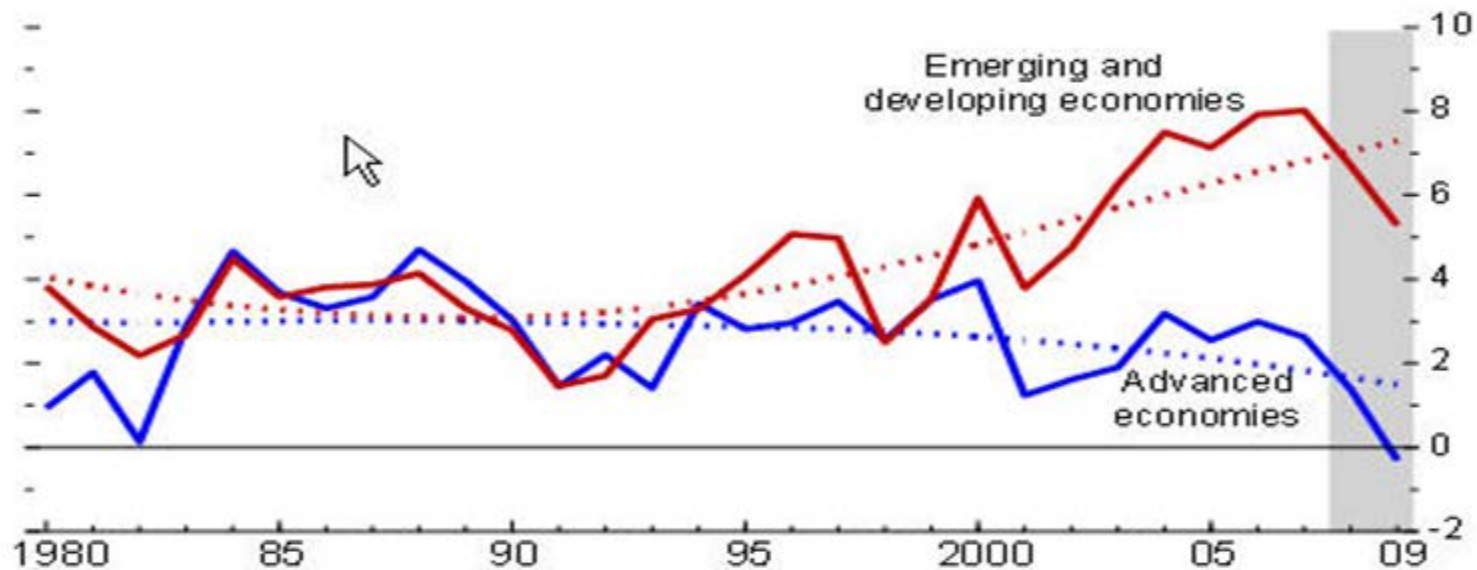
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# China and India: Four Stories Rolled Into One

# The Emergence of Emerging Economies – A Recent Phenomenon

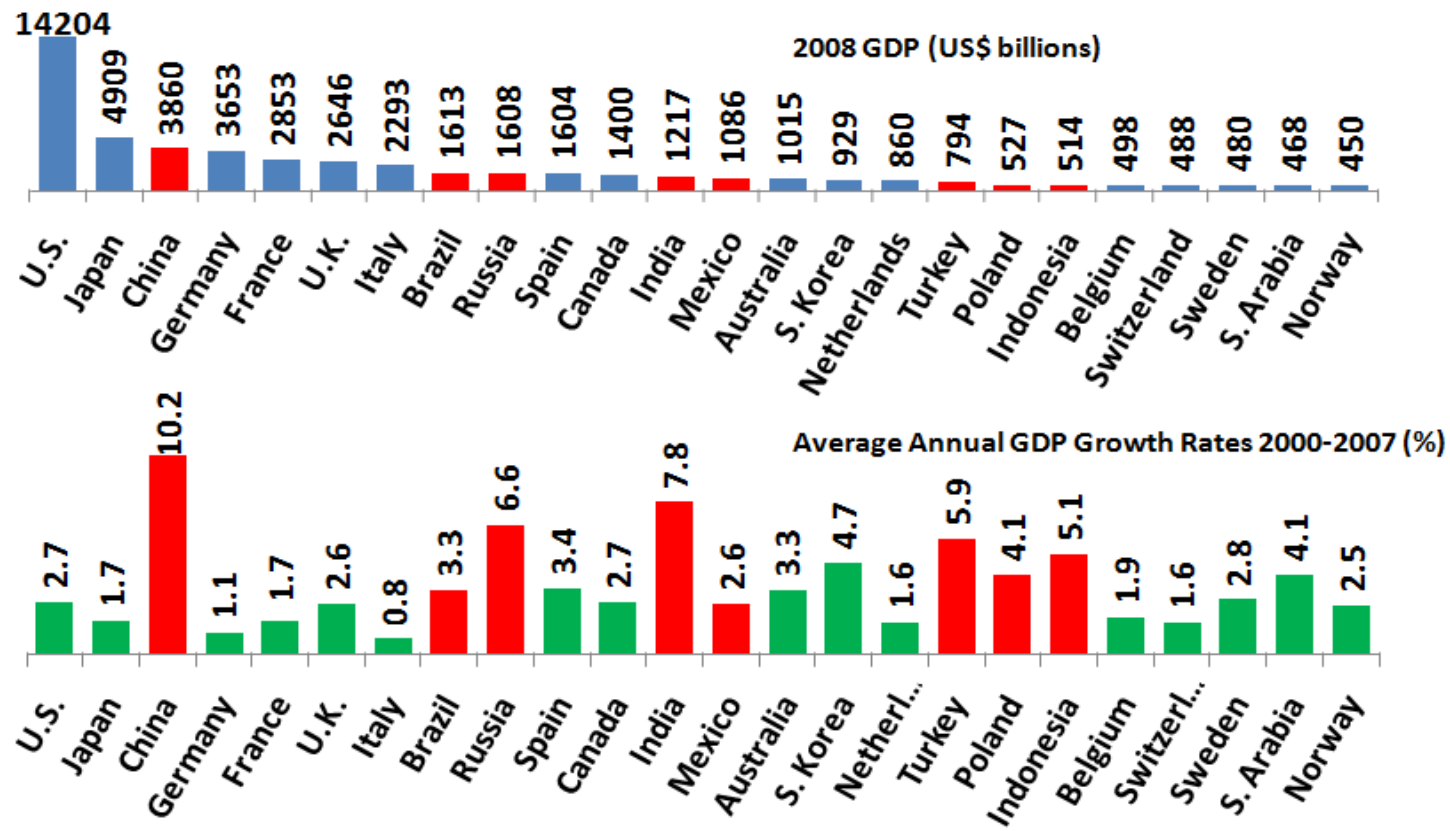
## Trends in Real GDP Growth Rates (%)



Source: IMF staff estimates.

# Emerging Economies Gather Bulk

World's 24 Largest Economies = 84% of World GDP





# Impact of Global Economic Crisis

## Growth in Real GDP (%)

	2007	2008	2009e	2010p
<b>World</b>	<b>3.9</b>	<b>1.7</b>	<b>-2.2</b>	<b>2.7</b>
<b>USA</b>	<b>2.1</b>	<b>0.4</b>	<b>-2.5</b>	<b>2.5</b>
<b>Euro Area</b>	<b>2.7</b>	<b>0.5</b>	<b>-3.9</b>	<b>1.0</b>
<b>Japan</b>	<b>2.3</b>	<b>-1.2</b>	<b>-5.4</b>	<b>1.3</b>
<b>China</b>	<b>13.0</b>	<b>9.0</b>	<b>8.4</b>	<b>9.0</b>
<b>India</b>	<b>9.1</b>	<b>6.1</b>	<b>6.0</b>	<b>7.5</b>
<b>Brazil</b>	<b>5.7</b>	<b>5.1</b>	<b>0.1</b>	<b>3.6</b>
<b>Russia</b>	<b>8.1</b>	<b>5.6</b>	<b>-8.7</b>	<b>3.2</b>
<b>Mexico</b>	<b>3.3</b>	<b>1.4</b>	<b>-7.1</b>	<b>3.5</b>
<b>Turkey</b>	<b>4.7</b>	<b>0.9</b>	<b>-5.8</b>	<b>3.3</b>
<b>Poland</b>	<b>6.7</b>	<b>4.9</b>	<b>1.6</b>	<b>2.2</b>
<b>Indonesia</b>	<b>6.3</b>	<b>6.1</b>	<b>4.5</b>	<b>5.6</b>

Source: World Economic Prospects 2010, The World Bank, January 2010.

## China and India: Four Stories Rolled Into One

### 1. Mega-markets, mega-growth, but micro-customers

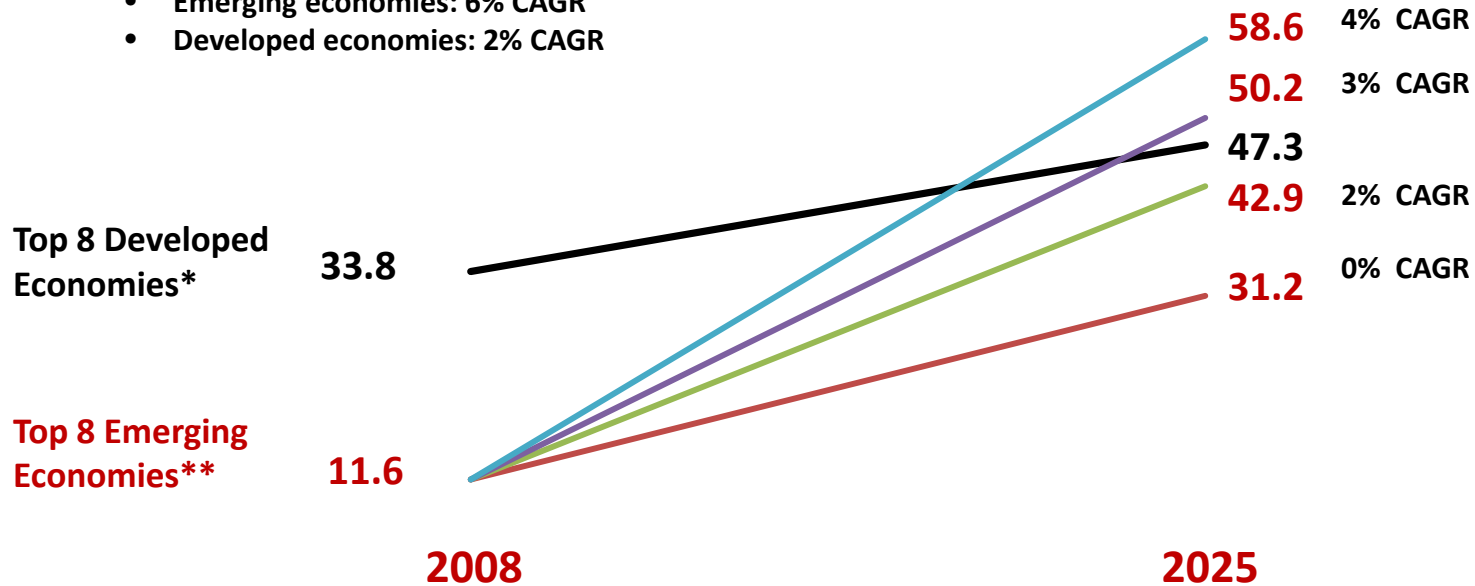
# The Future?

(All data in 2008 US\$ trillions)

Assumptions re GDP growth:

- Emerging economies: 6% CAGR
- Developed economies: 2% CAGR

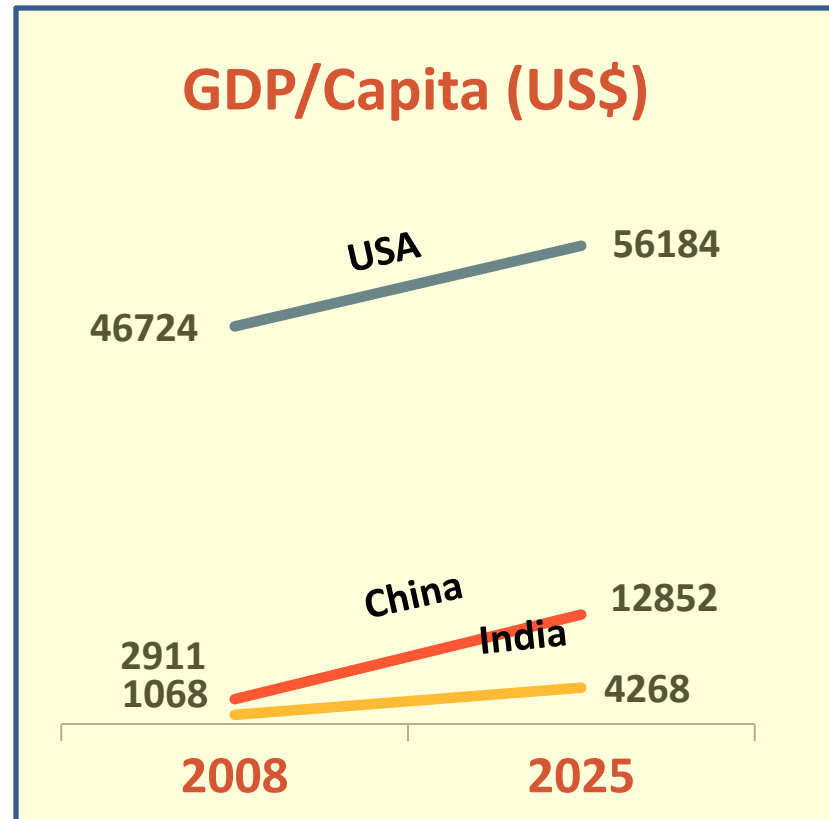
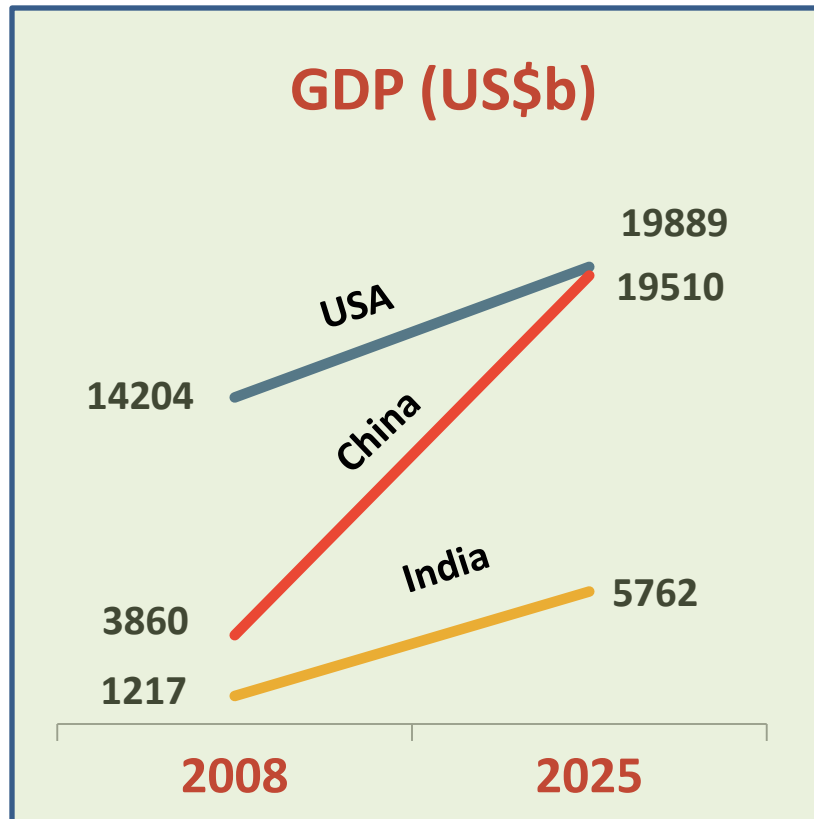
Assumptions regarding currency appreciation



\*US, Japan, Germany, France, UK, Italy, Spain, Canada

\*\*China, Brazil, Russia, India, Mexico, Turkey, Poland, Indonesia

## Simultaneously Rich-and-Poor



Note: 2025 projections not adjusted for inflation.

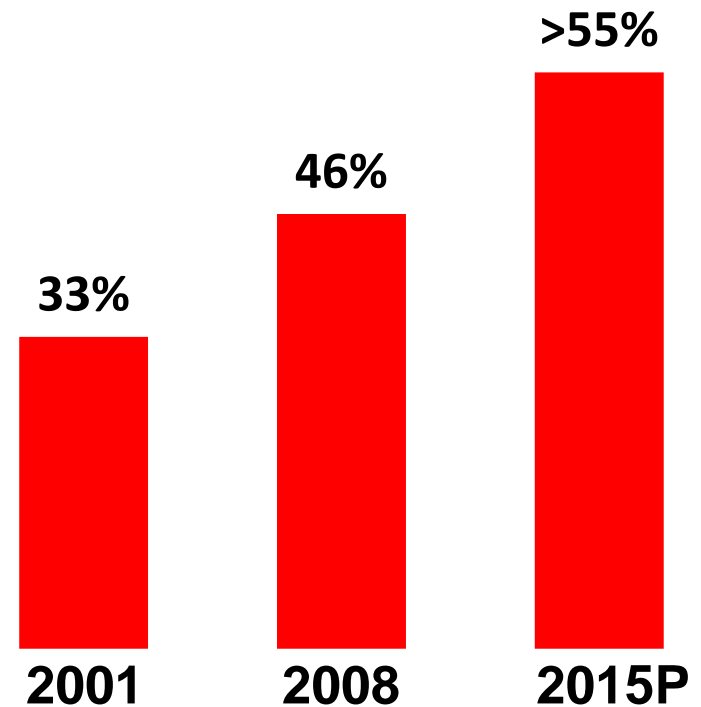
# The Global Auto Industry

## World's Top 12 Auto Producers in 2008

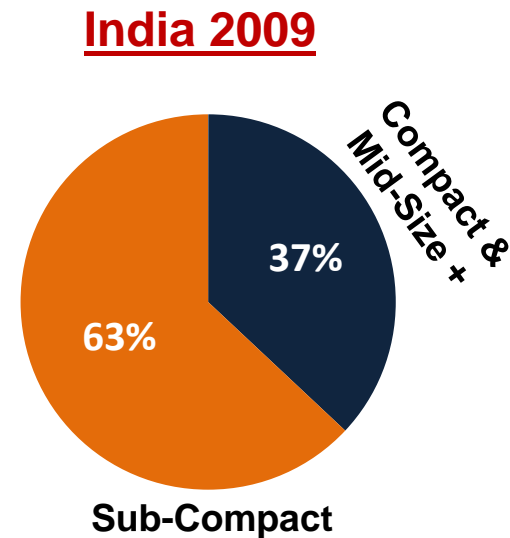
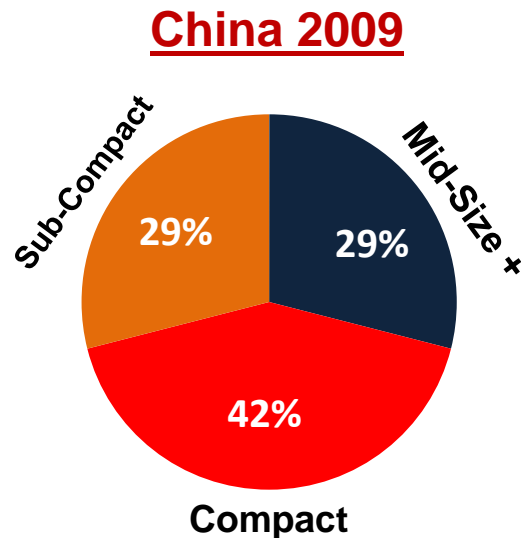
(m units)	2001	2008	% CAGR
Japan	9.8	11.6	+ 2.4%
China	2.3	9.3	+ 22.1%
USA	11.4	8.7	- 3.8%
Germany	5.7	6.0	+ 0.7%
S. Korea	2.9	3.8	+ 3.9%
Brazil	1.8	3.2	+ 8.6%
France	3.6	2.6	- 4.5%
Spain	2.8	2.5	- 1.6%
India	0.8	2.3	+ 14.3%
Mexico	1.8	2.2	+ 2.9%
Canada	2.5	2.1	- 2.5%
Russia	1.3	1.8	+ 4.8%
<b>Top 12 Total</b>	<b>46.7</b>	<b>56.1</b>	<b>+ 2.7%</b>
<b>World Total</b>	<b>56.3</b>	<b>70.5</b>	<b>+ 3.3%</b>

Source: International Organization of Motor Vehicle Manufacturers

## Asia Production As % of World Total



# Mega-Markets and Micro-Customers: Structure of the Auto Markets in China and India



- China's auto market grew by 44% during 2009. India's grew by 20%.
- In 2009, China became the world's #1 auto market by units.
- By 2015, China's car market could be 1.5-2x that of the U.S.

## China and India: Four Stories Rolled Into One

1. Mega-markets, mega-growth, but micro-customers
2. Platforms for global cost efficiencies



## Platforms for Cost Reduction

### Blue Collar Wages in Tier 1 Manufacturing Locations:

- China: < \$2.50/hr
- India: < \$1.50/hr

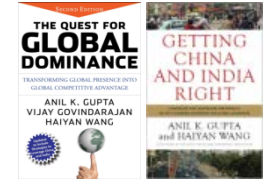
### National Average for Total Cost of Software Engineer:

- China: ≈ \$20K
- India: ≈ \$15K



A one-billion dollar question?





## China and India: Four Stories Rolled Into One

1. Mega-markets, mega-growth, but micro-customers
2. Platforms for global cost efficiencies
3. Platforms for global innovation

## New Innovation Hubs

### Output of Bachelor's Degrees in Engineering, Computer Science, and Information Technology

(000)	2001	2002	2003	2004	2005
US	114	121	134	137	134
China*	220	252	352	442	517
India	82	109	129	139	170

\*China figures include "short cycle" degrees typically completed in 2-3 years.

Source: Pratt School of Engineering, Duke University



### Patents Granted by USPTO

Country Origin	2004	2007	CAGR
Germany	11367	10012	-4.1%
UK	3905	4031	+1.1%
France	3686	3720	+0.3%
Italy	1946	1836	-1.9%
China	597	1235	+27.1%
India	376	578	+15.2%

Source: U.S. Patent and Trademark Office

## New Talent Hubs

### Goodyear China:

- “The US will probably graduate 3 PhDs this year in tyre technologies. In China, we know of at least 50.”

### GE’s John F. Welch Technology Center, Bangalore:

- “It’s virtually impossible to find expertise in computational fluid dynamics in the US. In India, we can find dozens of specialists in this field.”

### AstraZeneca:

- “China and India produce about 4 times the number of chemists annually as the US. And, their annual compensation costs are only about 25-30 percent of the US figures at most.”

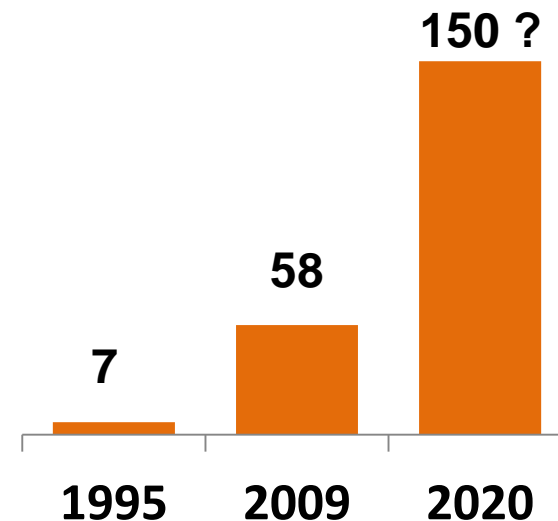
## China and India: Four Stories Rolled Into One

1. Mega-markets, mega-growth, but micro-customers
2. Platforms for global cost efficiencies
3. Platforms for global innovation
4. Springboards for the rise of new global competitors

## New Global Competitors

# of Fortune “Global 500”		
	1995	2009
USA	151	140
Japan	149	68
Germany	44	39
S. Korea	8	14
China	4	37
India	1	7
Brazil	2	6
Russia	0	8

# of Global 500 Companies with HQ in BRIC Countries



**Note:** A majority of the BRIC companies are family or state-controlled and thus can afford to take a longer-term view.

## New Global Contenders?

Industry	Incumbents	Credible Challengers
Steel	ArcelorMittal, Nippon Steel	Tata Steel, Baosteel
PCs	Dell, HP	Lenovo, Acer
IT Services	IBM, Accenture	Tata Consulting, Infosys, Wipro
Mobile Telecom	Vodafone, T-Mobile	Bharti Airtel, China Mobile
Internet Services	Google, Yahoo, EBay	Alibaba
Automotive	GM, Toyota, Ford	Tata Motor, Chery, BYD, Geely
Pharmaceuticals	Novartis, Pfizer	Dr. Reddy's, Cipla
Wind Turbines	Vestas, Siemens	Suzlon, Goldwind
Home Appliances	Whirlpool, GE	Haier
Telecom Equip.	Cisco, Nokia-Siemens	Huawei
Construc. Machi.	Caterpillar	Larsen & Toubro
Comm. Aircraft	Boeing, Airbus	China Commercial Aircraft Corp.
Power Tools	Black & Decker, Bosch	TTI





## Tata Nano (India)

- Launched April 2009
- Base price \$2500
- 67 mpg, top speed 65 mph
- Optimized for 95<sup>th</sup> percentile of American men
- “Enjoyable to drive. Feels reassuringly stable.”  
– *The Economist*
- Expected to sell European & U.S. versions for about \$8000 by 2011-12

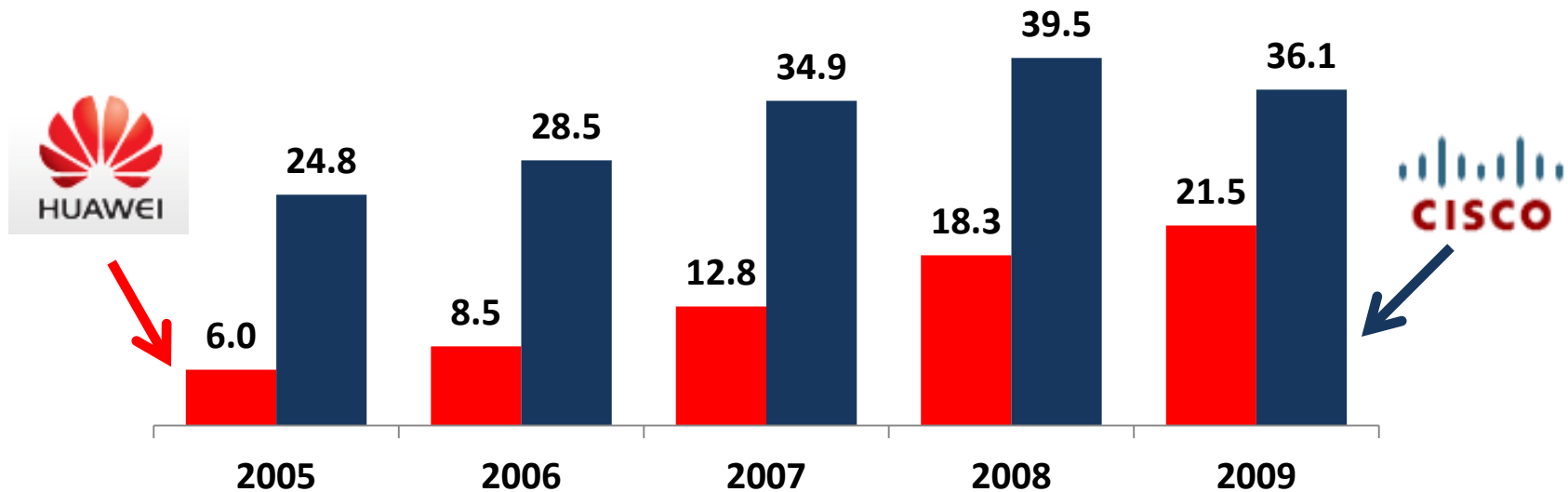
## BYD F3DM (China)

- World’s first plug-in hybrid
- Expected to launch the world’s first all-electric car
- Warren Buffet owns 9.9% of parent company

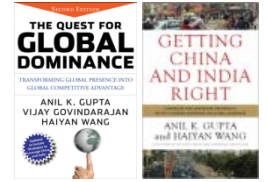


# Huawei vs. Cisco

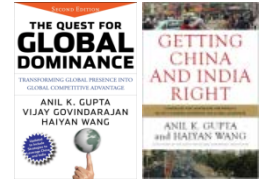
(Revenues in US\$ billions)



- Huawei: HQ, Shenzhen, China; 70% of revenues are from exports
- Each company spends about 10% of revenues on R&D
- However, Huawei claims that over 40% of its staff of 90,000 is devoted to R&D
- Cost of a Huawei engineer = 25% of his/her Cisco counterpart



# Strategic Implications for Multinational Companies



## Strategic Implications for MNCs

1. **Become hard-core about every one of the big emerging markets (“E8”) – now, not five years from now**
2. **Leverage scale and complementarities across emerging markets**
3. **Push for deeper penetration** (target “value segments”)
4. **Build a multi-track strategy** (esp. for China and India):
  - a. Go for market penetration
  - b. Leverage for global cost efficiency
  - c. Leverage for global innovation
  - d. Take on the emerging global competitors
5. **Act with speed** (emerging markets are evolving at 3-4x the pace of developed markets)
6. **Maintain dominance in developed markets** → critical for enabling a long-term perspective re emerging markets

# How IBM Does It

## 1. Leveraging for Cost Efficiency

### India:

- 2004: 9,000 people
- 2009: 100,000 people

### China:

- Sources over 30% of hardware from China
- 2006: Relocated Chief Procurement Officer to Shenzhen, China



# How IBM Does It

## 2. Leveraging for Innovation

### IBM Research Labs:

- US
- Japan
- Switzerland
- Israel
- China
- India

### Center of Competence for:

- Future embedded systems & devices
- Resilient and pervasive infrastructure
- User interaction

### Center of Competence for:

- Mobile web technologies
- Telecom software development
- AIX

## How IBM Does It

### 3. Gunning for the Market

- Clear market leader in IT services in both India and China
- Ahead of Indian IT majors on their home turf
- Open to business model innovation (e.g., partnership with Bharti Airtel)
- Currently working on new ultra-low-cost solutions e.g., for homeland security, intelligent electric grids, e-Government (+ other)
- Looks at globalization as a two-way street (bring solutions from India & China back to the US)

## How IBM Does It

### 4. Taking on the Indian Tigers

- Built a capability base in India to rival TCS, Infosys, and Wipro
- + Bigger scope (services + software + hardware)
- + Much larger geographic footprint
- + Much deeper domain knowledge and consulting relationships across industries
- + Stronger balance sheet and deeper pockets
- + Higher brand equity



# Eliminating the Distance Between “Opportunity” and “Decision-Making Power”?



Cisco West -  
San Jose

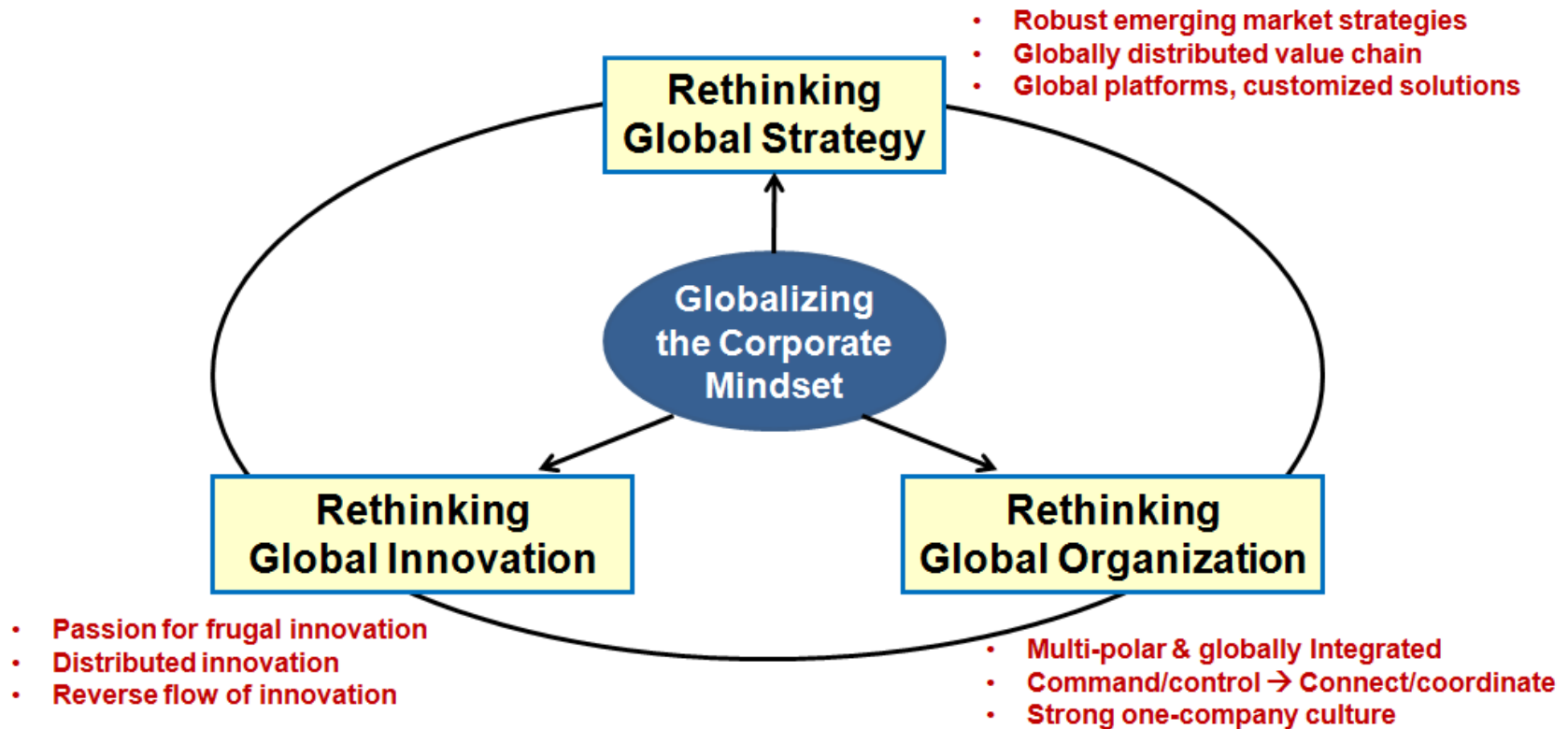


Cisco East -  
Bangalore

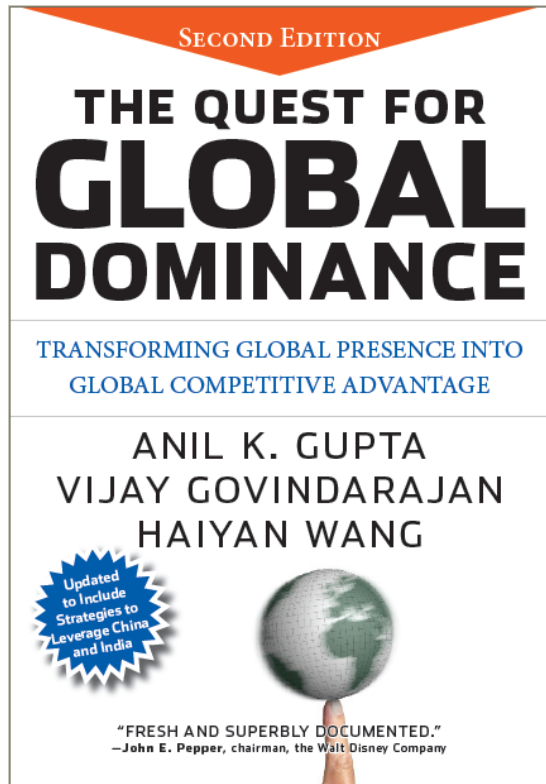
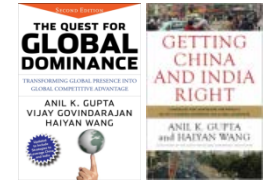
“How can you think out of the box while sitting in the box?”

Wim Elfrink  
EVP-Cisco Services & Chief  
Globalization Officer  
Location – **Bangalore**

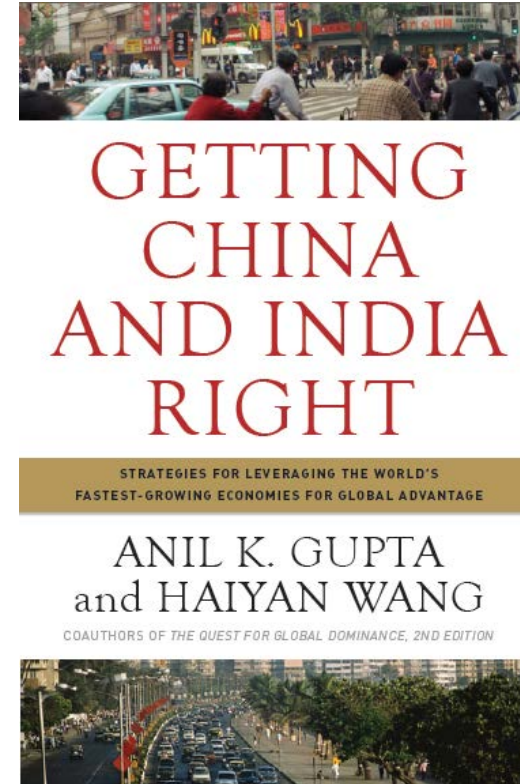
# Tomorrow's Winning Organization



# Thank you!



Jossey-Bass/Wiley, March 2008



Jossey-Bass/Wiley, Feb 2009