

## **“Focused on Diversification”: A report based on detailed profiles of India’s 50 leading third party BPOs**

*ValueNotes Database, January 2005*

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*The ValueNotes Outsourcing Practice brings you the first-ever compilation of detailed profiles of the top 50 third-party business process outsourcing (BPO) vendors in India. These profiles not only give company information like contact information, key people, financial data, infrastructure details, recent news, expansion plans, management, but also an insight into their strategies, competitive positioning, future outlook and much more.*

In addition to the company profiles, we have analyzed these key players, by services, revenues, revenue per employee, etc. We have also analyzed interesting trends in M&A, differing strategies employed, location preferences, etc to provide our readers with additional insights.

Our analysis provides a clear direction as to the strategies (or lack of them) employed by leading Indian BPOs, and interestingly, highlights the confusion that many of them face – especially in choosing between focus and diversification. In fact, the emerging theme from this analysis could appropriately be titled “Focused on Diversification”.

Despite hype about new niches, more than three-fourths of the 50 leading players offer call center services. Financial services is the largest customer segment, with more than three-fourths of the BPOs covered in our sample offering solutions to the financial services industry.

As of FY2004, NASSCOM estimated that the ITES-BPO industry in India employed close to 250,000 people, of which 60% were employed by captives. In 2005, call centers alone are expected to add 100,000 people. Depending on whose estimates one chooses to believe, 1 to 1.5 million people will be employed by 2007.

Our sample of 50 companies represents roughly 80% of people employed by third-party BPOs in India.

Most BPO companies choose a multi-service approach, working across different domains and geographies. On the other hand, niche players are focused on a specific service/domain and work around the domain.

Multiple service providers earn higher revenues. Few of them clocked revenues of \$80 million and upwards in 2004. Players with higher revenues typically tend to have a larger scale of operations and wider service offering, but revenues per employee are lower. As a result of specialization and/or domain expertise, niche players earn higher revenues per employee.

ValueNotes feels that a number of small to medium players are currently on shaky grounds. Arun Jethmalani, CEO of ValueNotes says, *"There will be a few large BPOs with adequate capital and the ability to scale, who will survive and successfully position themselves as One-Stop Shops. The niche players on the other hand, need to position themselves as among the best in a specific area of expertise."* All the other small, undifferentiated BPOs, which fall somewhere in between the scale and the niche model need to quickly figure out a strategy to survive in the long term.

With BPOs slowly moving up the value chain, Knowledge Process Outsourcing emerges as the new sunrise sector. Neeraja Kandala, research analyst at ValueNotes says, *"We see an accelerating trend amongst companies moving towards knowledge process outsourcing. Not just niche players but also some of the larger BPO players are gravitating towards this segment."*

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### ***About ValueNotes***

ValueNotes Database is a leading provider of business intelligence and research, with expertise across selected domains and types of customer needs. Working with clients across the globe we have significant understanding of international markets.

### ***About ValueNotes Outsourcing Practice***

The ValueNotes Outsourcing Practice is one of the largest information providers on the outsourcing industry. Our Outsourcing Practice uses a comprehensive, analytical framework providing fresh insights into the fast emerging and yet, complex outsourcing space. We extensively track the outsourcing space in-depth through a regular analysis of news and events and continuous primary research and contact with the industry.

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