

Beyond BRIC

Thursday, April 09, 2009

Last week the London School Of Economics released their report entitled, 'Beyond BRIC - Offshoring in non-BRIC countries: Egypt - a new growth market'. sourcingfocus.com was excited by the prospect of a study that looked beyond BRIC, there has been much speculation that India is losing its iron grip on the outsourcing industry so it's poignant that this report has been released.

Martyn Hart, Chairman of the National Outsourcing Association, commented on India's situation, "India has long been the nation of choice for British and American organisations to offshore their IT and business process service provision. Tax breaks, a cost effective workforce and excellent currency exchange rates meant that in terms of cost cutting India was second to none."

Mr Hart goes on to outline the reasons why India may be experiencing a drop in demand and why other destinations appear to be capitalising on a turbulent economy, "In recent years it hasn't been such smooth sailing for India. 2008 saw the combination of inflation and currency appreciation have an impact on the Indian market, with the Rupee almost reaching a ten year high against the dollar. Soaring demand for services also meant that there was a significant increase in local salaries. This saw the cost of offshoring to India rise, making other low cost destinations just as desirable to end-users."

It would also be fair to assume that recent events, such as the Satyam debacle, have dented India's reputation and in turn end user confidence. So what does this mean for rising stars in the outsourcing industry?


Nicholas Nesbitt, CEO of the largest Kenyan call centre, Kencall, commented that it is not just for financial reasons that customers are considering other destinations, "India's top workers are no longer looking for work with outsourcing suppliers, they are looking to be employed directly with the likes of Google and so on. Kenya has a fantastic skills base which suppliers can still readily access. This means that we can cherry pick the very best graduates to offer our clients."

Protectionist attitudes are also acting as a catalyst for end users to look closer to home for service providers, or at least to vendors with cultural similarities. The Beyond BRIC study identifies nearshoring as a strong trend, pointing out that reduced time zone differences and fewer travel costs appeal to potential outsourcers. Mr Nesbitt believes that cultural similarities are a real driving force behind his business "All of our staff speak English 24 hrs a day. They are educated in a British style system and are very much in tune with Western culture, from sports personalities to current affairs." Any company concerned with alienating their customers by engaging with a far flung supplier would surely be enticed by these cultural touch-points.

ITIDA, the Egyptian development agency, will certainly be happy with the report's findings. Indeed Egypt has been powering ahead in the outsourcing industry, picking up 'Outsourcing Destination of the Year' award at last years National Outsourcing Association's industry awards. However we see the Egyptian outsourcing market being rooted in ITO for the time being. Yes, Egypt has a large skill base, good language capabilities and low costs. However the cultural touch-points, which are becoming so synonymous with companies looking to new destinations, are simply not as good as competing destinations.

In conclusion this latest report, although heavily geared towards promoting Egypt, does effectively give an idea of why new destinations are starting to gain momentum in a changing market. The BRIC countries will need to be wary of the shift in business strategy, as companies look to take advantages of offshoring whilst avoiding long distance offshoring deals. We may find that this rise in competition will push all involved in the industry to up their service as well as create innovative solutions that not only win new business, but retain existing clients. Outsourcing is now a truly global industry.

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