

KPO Growth Trends Mirror IT's Move Toward Vendors

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As firms continue to wrestle with potential implementation models in the unique Indian knowledge services space, Evalueserve presents its views in the new white paper titled 'The Future of KPO – Make vs Buy'.

"Evalueserve has been living and breathing KPO for over six years now, and we have observed several very significant and measurable trends that have been confirmed by independent consulting firms, industry experts and even strategy planning departments of large corporates," says Marc Vollenweider – CEO, Evalueserve. "First, while unique in many ways, KPO is closely mirroring the evolution of the IT services industry, but with a 10-year shift. Much like the IT offshore industry after the year 2000, we expect the vendor model ('Buy') to surpass the captive model ('Make') in KPO by 2010 because the average value proposition is better in terms of cost, time and quality. Additionally, our analysis reveals that much of KPO's growth will come from Small and Medium-sized Enterprises (SMEs) who can now also leverage KPO, provided from India and other offshore locations. This tended to be a prerogative of only large corporations before the emergence of a mature vendor base", added Mr. Vollenweider.

Just as IT services in India have migrated almost exclusively to vendor solution providers over a period of time, Evalueserve sees the same trend developing in KPO. Evalueserve's detailed research and analysis shows that the third-party vendor solution provides a much faster implementation in 4-6 weeks as opposed to 6-12 months in case of captives, offering up to 30% lower up-front and operating costs, higher degree of flexibility and control, and lower medium-term staff attrition. Recently, KPO vendors have started setting up operations centres in different continents, such as Latin America and China, servicing their clients in local time zones in multiple languages, which captive set-ups in India cannot provide. Moreover, vendors have started creating specialised services and have their own know-how, for example, in Intellectual Property Asset Management, thereby adding value over and above offshoring. These advantages are likely to drive SMEs and those large companies without pre-existing captives to choose the 'Buy' approach. Even large companies with existing captives will increase the amount of dual-sourcing, i.e., outsourcing work to their captive and external vendors in parallel. Evalueserve anticipates that vendor capacity will surpass captive headcount by 2010 and that the 'Buy' model will become the default model for 90% of the new centres to be set up in 2010 and onwards.

Evalueserve projects that the KPO industry in India will grow from 75,000 professionals, generating revenues of USD 3 billion in 2006, to 250,000-280,000 professionals, depending on the scenario and USD 11-12 billion in 2010. This will be driven by the widespread acceptance of the KPO model and by new SME demand, a market which was formerly not addressable. Consequently, because the average engagement size by SMEs is most often small, the total number of companies using captive and third-party KPO-services is forecasted to rise from about 900 to an estimated 5,000 over this same period. Evalueserve also expects that by 2010, vendors will add about 55% of new KPO capacity as opposed to 45% for captives. Also, more than 80% of all KPO set-ups will use the vendor model. Even beyond 2010, the market potential from SMEs is very large. Of an estimated 10 million SMEs in the US and Europe, 5-10 % or 500,000-1,000,000 could potentially benefit from KPO.

About Evalueserve

Evalueserve offers high-quality knowledge services in Investment Research, Business Research, Intellectual Property, Market Research, and Data and Financial Analytics to clients worldwide. Founded in 2000, it has operations centres in India, China and Chile, and a strong sales presence across all major global locations. Evalueserve won several awards in 2006, including the Red Herring Asia Top 100 Award, the NASSCOM IT Innovation Award for Business Model Innovation and the Deloitte Fast 500 APAC Award.

To learn more about Evalueserve, please visit www.Evalueserve.com

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