

BANKING

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Enabling a world of possibilities: a perspective on emergent offshoring trends and dynamics

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Changes are being driven by emerging client needs, including the requirement for best shore delivery, increasingly sophisticated business models and a pervasive demand for innovation.

The result is an industry that is now combining true diversity and complexity of offering with agility and fully customisable delivery. As it matures, the offshoring model continues to be underpinned by robust process and technological control, but what it enables is real dynamism and flexibility for forward thinking corporates.

Background

Offshoring has been around since the 1960s but it gained momentum within the services sector in the 1990s. Over the last few decades, the 'innovators' (mainly comprised of leading Banking & Financial Services institutions), globalised and setup their own, large-scale captive operations in the East. It was a strategic move to build regional bases and diversify into emerging Asian markets. Eventually, with the proof of concept strongly established and realising the market potential, third party suppliers surfaced and India became a global hub serving multiple industries and regions.


Market Snapshot

- Market spend: est US\$90bn
- Growth rate: 25–30% year-on-year for the last decade (including 10-15% growth during the economic downturn)
- The US accounts for two thirds of offshoring spend
- Growth is projected to US\$220bn by 2012
- Non-voice work is projected to account for 90% of that growth
- Banking represents nearly 60% of the whole market (2009 Everest Consulting report)

A changing global picture

Today India continues to be the globally recognised leader in offshoring and can support increasingly complex services. But buyers of offshoring are now looking to other economies, notably the Philippines, parts of APAC and The Americas plus various pockets of Europe, for services differentiated by costing models, skill sets and cultural or geographical proximities. The dominant locations are listed below:

Type of Service	Region	Specialism/differentiation
Low Cost	Asia (Vietnam, Sri Lanka)	Good levels of education and language skills combined with low cost of labour shape an attractive cost-based proposition
Niche	Europe (Czech Republic, Hungary, Poland Latin America (Chile, Brazil, Argentina)	With favourable economic and political conditions, niche providers have emerged to support specific service types (e.g. financial/legal/telecoms) with the extra benefit of cultural alignment to the customer base or service user
Mid Cost/ high value	South Africa, Malaysia, Philippines, Australia	In well-developed economies with highly skilled labour markets, offshoring services requiring substantial value-add is now an option
Nearshore	UK (Scotland, Ireland, Wales) US (West Virginia, Arizona, Florida)	Where native language skills and close cultural alignment are required and where physical proximity is a benefit, nearshoring 'hot spots' develop



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As the number and type of delivery locations multiply, so too do the potential client benefits. Solutions need no longer be sourced from a single offshore location or be constrained by strict rules-based, process-driven criteria. Clients are able to expand the scope of services under consideration for outsourcing and reap the rewards of solutions that integrate service centres for seamless global engagement. The resulting service bundles can be heavily tailored, enhanced by the cross-pollination of talent and worldwide best practice sharing, as well as being able to 'follow the sun'.

For progressive clients who have embraced offshoring as a route to strategic competitive advantage, expectation runs high. Sophistication, innovation and added value are all requirements of their offshore provider and every facet of delivery, from operations and client servicing, technology and commercial models to talent and risk management will fall under scrutiny.

Features of today's offshoring market

- Services are being right-shored through the setup of integrated delivery models and centres of excellence, resulting in scalability and flexibility, improved coverage and mitigated risk of downtime within a hub and spoke model, where global queues allow load balancing between locations
- Vendors are able to offer holistic, multi-geography, end-to-end contracts driving economies of scale, consolidation of spend, synergies between processes, with a singular, much improved client engagement model
- Offshore economics and balance sheet pressures have led to those with captive offshore service centres looking to sell. In the 90s, captive operations were preferred due to the lack of credible alternatives, but today trends have changed. Many captives have gained the critical mass required to become third party service providers in their own right. In addition to the financial windfall associated with offloading a captive operation, clients can also expect cost reduction paired with wins in quality, as 3rd party ownership facilitates better focus, the leverage of expertise and the realisation of bigger economies of scale.

Keeping pace with offshoring trends

Williams Lea has been offering Banking solutions from offshore locations since 2001. As a result of responding to client needs, our offshore capabilities continue to move up the value chain and grow ever more sophisticated. In addition to sending work offshore, we have built a comprehensive on-site services option, providing services such as mail, reprographics, fleet within captive and local operations.

We are also globalising our own organisation, driving growth across our network of nearshore and offshore centres (in Wheeling USA, Norwich and Stirling in the UK, Chennai and Cochin in India) and identifying additional geographies for the development of future service provision.

Clearly, organisations are moving more complex work such as their innovation labs and R&D centres to lower cost regional or offshore locations. There is often a two-pronged approach to their thinking: 1) activities that are cost-prohibitive onshore can be performed offshore (e.g. highly qualified actuaries with Ph.D.'s in statistics performing fraud prevention on credit cards) and 2) activities that need a higher critical mass to make commercial sense can be outsourced or performed offshore (e.g. in a collections function, it may only make sense to chase a defaulter if the payment value is above a certain financial threshold - this threshold can be lower offshore or in a nearshore location where there are economies of scale).

The chart below represents the value chain of the current services provided from our offshore and nearshore operations. We are able to provide end-to-end Corporate Information Solutions through a proven global delivery model. We create value not only through direct labour arbitrage, but from our expertise in people, process and technology that enhance commercial value, flexibility and scalability, speed-to-market, compliance to standards, risk management and customer experience.

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Low	Offshore Services Value Chain			High
Description	<ul style="list-style-type: none"> Low cost delivery option 	<ul style="list-style-type: none"> Commercial value of 'substitution' realised both internally and with client 	<ul style="list-style-type: none"> Expertise delivering competitive value. Complementary processes preventing economic loss 	<ul style="list-style-type: none"> High end, value-added, integrated Centre of Excellence for CIS (enabling delivery of cost prohibitive activities)
Marketing Solutions	<ul style="list-style-type: none"> Knowledge library service 	<ul style="list-style-type: none"> RFP support 	<ul style="list-style-type: none"> Creative production Pre-Media Marketing communications 	<ul style="list-style-type: none"> Brand identity Creative design Digital Media
Transaction Processing	<ul style="list-style-type: none"> Data capture & indexing: application/data processing Customer database management 	<ul style="list-style-type: none"> Customer correspondence management: complaints & query handling Know your customer 	<ul style="list-style-type: none"> Account opening & maintenance Lockbox services LPO: mortgage insolvency & insurance claims processing 	<ul style="list-style-type: none"> F&A: AP, AR, reconciliation, expense/journal/cost center accounting, MIS & budgeting Credit underwriting: credit decisions, risk assessments, documentation
Document Solutions	<ul style="list-style-type: none"> Scanning & records management Hybrid mail 	<ul style="list-style-type: none"> Document Processing: Presentation services & Word Processing support 	<ul style="list-style-type: none"> Presentation template creation standardisation and training Conversion & composition 	<ul style="list-style-type: none"> Editorial service Business/market/financial/research & analysis

Our Global Banking Practice allows us to leverage our substantial collective experience for thought leadership and best practice in the Banking sector, supported by a single, global system and world-class operational processes.

Our clients experience the benefit of expert relationship management and the powerful combination of global strategic control, with local operational delivery and sensitivity to cultural nuances. Whilst on a strictly practical level, we are able to roll up all MI and benchmarking by location and territory to create a world-wide picture of solution performance.

Contact

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