“The Offshore Analytics Landscape is Strengthened by an Entire Ecosystem”

Excerpts of an interview with Reetika Joshi, Senior Research Analyst at ValueNotes Sourcing Practice and co-author of the HFS analytics report titled ‘Where offshore analytics is heading in 2011.’

by Smriti Sharma

GS: What are the key catalysts for AO?

RJ: The case for global delivery of analytics is gaining momentum. There are two primary reasons for this: enhanced efficiency and relatively lower costs. However, business value plays a far greater role in analytics delivery than pure cost arbitrage and efficiency. Thus, a third emerging aspect is the strengthening of an entire ecosystem of offshored business intelligence, market research, IT and BPO services in tandem with analytics.

For many less complex offshoring activities, the cost of labor is the most compelling driver for offshore outsourcing. In more specialized areas such as analytics offshoring, cost is a driver, though it is not the most important one. The availability of highly qualified professionals, contextual domain expertise, operational risk, the reliability of critical infrastructure and market integrity are instead pivotal.

● Leveraging IT and BPO offshoring experience and ecosystem Companies with existing outsourcing relationships are looking to leverage their IT-BPO offshoring experience to source analytics solutions, preferably from the same service provider. In most cases, the third-party service providers developed analytics solutions in a bid to move up the value chain.

● Availability of cross-functional, multi-skilled talent As the scale and scope of analytics expanded to accommodate several core functions, the delivery of analytics called for maintaining highly specialized manpower across more diverse domain areas. This manpower often remained under-utilized. Given their high cost, companies increasingly started looking at third-party service providers to help. Increasing demand for analytics also led to the emergence of pure play analytics service providers. These providers have teams with deep domain knowledge, technology and statistical expertise.

● Cost arbitrage for low-end analytics. According to HfS Research, for a typical analytics project, talent costs constitute approximately 60% to 70% of the total costs. With other costs (infrastructure, etc.) significantly lower than in onshore locations, cost arbitrage can range up to 50% for offshore locations.

● Reduced time to market With increasing competition and the urgency to obtain first mover advantages, it has become imperative for firms globally to access talent to provide pertinent data supported by thorough analysis at a faster and more efficient pace. Offshore delivery centers are attractive as they come with faster time to market and also provide accompanying support services on a 24x7 basis.

GS What exactly does the offshore analytics area cover in terms of scope?

RJ: With greater usage of analytics and increasing complexity, there is a tendency to break analytics projects
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into distinctly executable parts and outsource to different specialized teams. Accordingly, there are four levels in the analytics services mix, in ascending order of complexity:

1. **Data entry/de-duplication**: This includes everything from cleaning to maintenance and actual. It is a low-end service and offers low revenues to service providers. A large chunk of KPO-centric analytics work (almost half) is dedicated to data preparation.

2. **Intuitive analytics**: This entails running the models and generating new insights on a continuous basis. The outputs for these services may be in the form of dashboards, reports (of different frequencies), alerts, etc.

3. **Model building**: This is an advanced level of analytics, where models are designed to predict various business outcomes. Statisticians and econometricians build models focusing on business problems/opportunities at hand. In terms of offshoring, modeling is done by captives as well as third-party vendors depending on the maturity of the clients’ in-house teams.

4. **Solutions**: Solutions generally entail “bundled” analytics components, delivered to clients to address their needs. Providers take a consultative approach and leverage technology to deliver value. The aim is to render the client self-sustaining and create a unified analytics delivery mechanism. This may be done by deploying an analytics platform or other tools.

These constitute the main standalone analytics offerings prevalent today. Beyond this, there are a variety of embedded or value-enhancing analytics components that are offered by IT/BPO providers. These include analytics to improve the efficiency of processes, identify problem areas or sub-processes with cost-saving potential, and provide reporting and MIS for existing processes. These services often are embedded as part of the solution to the client (as value-adds) without additional cost.

GS: **Who are the key service providers and how are they evolving?**

RJ: The offshore analytics landscape has changed over the last decade from one dominated by captives of large companies, primarily in India. Today, the industry features a large number of vendors offering end-to-end specialized analytics solutions to specific verticals. High-value third-party analytics solution providers are focused on providing value beyond cost arbitrage by leveraging a combination of onshore-offshore delivery models and the use of technology.

Third-party offshore analytics service providers can be broadly classified into four categories. The grouping is primarily based on company origin, affecting the strategic intent and objectives behind offering analytics services.

The strategic intent of service providers in various groups differs, depending on their overall business focus and aspiration. A strong desire to move up the value chain in order to improve profitability and boost the top line is common across all service providers.

GS: **Expand on the issue of data security in AO.**

RJ: There are workarounds for companies that are hesitant about outsourcing analytics due to data security issues. Several vendors offer onsite delivery teams (at client premises, client country, etc.) when data cannot reach offshore. Companies also may want to look at creating captive centers offshore that specialize in analytics, to maintain better control of company or customer data.

GS: **What are the new areas and adjacencies for AO?**

RJ: The opportunities for service providers may be looked at in terms of horizontals and verticals. Vertically, retail and CPG, banking and financial services, healthcare insurance and telecom look to be the strongest. Horizontal opportunities include sales and marketing analytics, followed by supply chain management, logistics, operations and web analytics.