



Market Research

KPMG selects 'locations to watch' for next outsourcing boom



Market Study by KPMG

Exploring Global Frontiers: The New Emerging Destinations

Date: February 12, 2009

The credit crisis seems set to prompt a new rush for outsourcing services across the I.T. sector, with a number of new locations worldwide emerging as viable Business Process Outsourcing (BPO) hubs, according to KPMG's Advisory practice.

Launching their *Exploring Global Frontiers* report at this week's NASSCOM outsourcing event in India, KPMG claims to have identified 31 cities which are rapidly emerging as leading pretenders to the BPO crown held by the traditional powerhouses such as Bangalore, Chennai or Shanghai.

As those locations rapidly approach saturation point, there is a sizable opportunity for these new and emerging locations to swallow up a large proportion of the new outsourcing work which the credit crisis is apparently creating.

The 31 locations are an eclectic mix, ranging from well-known cities in developed



countries to lesser-known places in the emerging markets, well off the tourist track. Winnipeg, Belfast and Brisbane all feature for example, alongside Queretaro, Davao City and **Cluj-Napoca**.

On the KPMG list, Buenos Aires, with its population of nearly 13 million, thus features alongside tiny Port Louis (population 130,000) in Mauritius. Despite the difference in size, both are emerging as important future outsourcing centers, with the latter rapidly developing an international reputation as a disaster recovery center.

Speaking at the report's launch, Edge Zarrella, Global Head of IT Advisory at KPMG and a partner in the Hong Kong firm, said: *"Traditional sourcing locations, which have been at the forefront of the outsourcing boom, were always going to reach saturation point. Corporates now need to know which locations to consider next for their outsourcing activities. There are many locations around the world which are able to supply a credible outsourcing capability. However, there are subtle nuances in terms of labor skills, niche specialisms and government incentives which have led us to highlight these 31 locations as stars of the future."*

"The need to develop new, cost effective, viable outsourcing locations has been highlighted by the economic events of the past few months. Companies are focused on reducing their cost base, both for short-term and long-term gain. As a result, more organizations are considering savings obtained through outsourcing parts of their operations. Most importantly, they should be convinced that by doing so, they are not sacrificing performance for the sake of cutting costs. Our location study aims to highlight the benefits brought by the different city choices available to them."

The full list of highlighted destinations includes 10 locations in the Americas (Buenos Aires, Campinas, Curitiba, Calgary, Winnipeg, Santiago, Guadalajara, Queretaro, Boise, Indianapolis); 10 in Asia-Pacific (Brisbane, Changsha, Hangzhou, Ahmedabad, Jaipur, Nagpur, Penang, Davao City, Iloilo City, Ho Chi Minh City); and 11 in Europe, the Middle East and Africa (Sofia, Zagreb, Cairo, Port Louis, Belfast, Gdansk, **Cluj-Napoca**, Rostov-on-Don, Belgrade, Tunis and Lviv).

The reasons for these locations making it on to the final KPMG list are varied but cities in the Americas should typically benefit from large labor pools, scalability, a more mature service offering, proximity to the major client base and multiple language skills. AsPac benefits from lower costs, younger populations, plenty of government incentives and the lessons learned from the numerous outsourcing centers which already dot the region. The Europe, Middle East and Africa region offers great diversity, excellent infrastructure and numerous niche specialisms.





Zarella concluded: *"These are fascinating times to be choosing a new outsourcing provider or location as there is simply so much choice. New cities are emerging as outsourcing contenders all the time, each boasting a different set of characteristics. Just within our 31 for example, there are specific specialisms on offer — such as accounting, R&D or even animation — driven by an apparent skills bias within the pool of locally available graduates. As a word of warning though, these locations are still 'emerging' and, as such, can still carry a degree of risk; an element of venturing into the unknown. This is why all outsourcing location decisions should be carefully thought through on a case-by-case basis; there is no 'one size fits all' approach to outsourcing."*

To download the full market study, please visit our website at:

www.smallfootprint.com

