

IT Outsourcing to India - Analysis of Cities



Partha Iyengar

Notes accompany this presentation. Please select Notes Page view.
These materials can be reproduced only with Gartner's official approval.
Such approvals may be requested via e-mail — quote.requests@gartner.com.

Gartner

Isn't all of India like Bangalore?

- 10,000 population
- Major religions: Hinduism, Islam, Christianity, Sikhism
- 28 State languages
- 6 National languages
- 6 National religions
- Tremendous diversity in people, behavior, & culture



1 billion
10% world
Christianity,
major
Parties,
nationalist,
, culture,
&

Client Issues

- What are the regions/cities in India where work can be done (outsourced or captive)?
- What are the factors of evaluation?
- How are the cities rated?

Client Issues

- What are the regions/cities in India where work can be done (outsourced or captive)?
- What are the factors of evaluation?
- How are the cities rated?

City Categories - Description

■ Tier 1

- The cities that are ‘top of mind’ as having overall attractiveness from a skills availability, infrastructure, access, life style etc. perspective
- Examples: Bangalore, Mumbai (Bombay)

■ Tier 1-1

- Cities that have most, if not all, of the capabilities of the Tier 1’s, but, for various reasons, have not achieved the same level of mind-share and visibility. These cities are the most likely to take on the mantle of Tier 1 in the near future, either in addition to or replacement of the current Tier 1’s.
- Examples: Hyderabad, Chennai, Pune

City categories - Description

■ Tier 2

- Emerging cities that have reasonably good value propositions, coupled with a strong local political will and associated activity to attract IT investments. In some cases these are being set up as ‘spill-over’ cities to release some of the pressures on Tier 1 cities in that State.
- Examples: Kolkata (Calcutta), Mangalore

■ Tier 3

- Cities that have a stated vision of focusing on IT as a key growth industry, and are ‘on the map’, but have done little else by way of realizing that vision. Sometimes characterized by STPI presence here.
- Examples: Thiruvananthapuram, Ahmedabad

Cities by Category - Current Landscape

City, State (Region)

■ Tier 1

- Bangalore, Karnataka (**South**)
- Mumbai (Bombay), Maharashtra (**West**)
- New Delhi, Union Territory (**North**)

■ Tier 1-1

- Chennai (Madras), Tamil Nadu (**South**)
- Hyderabad, Andhra Pradesh (**South**)
- Pune, Maharashtra (**West**)
- NOIDA, Uttar Pradesh (**North**)
- Gurgaon, Haryana (**North**)
- Navi Mumbai (New Bombay), Maharashtra (**West**)

Cities by Category - Current Landscape

City, State (Region)

- Tier 2
 - Calcutta, West Bengal (**East**)
 - Mangalore, Karnataka (**South**)
 - Mohali/Chandigarh, Punjab (**North**)
 - Bhopal, Madhya Pradesh (**North**)
- Tier 3
 - Coimbatore
 - Mysore
 - Nasik
 - Koji (Cochin)

Cities by Category - Current Landscape

City, State (Region)

■ Tier 3 (Contd.)

- Nagpur
- Indore
- Raipur
- Kanpur
- Guwahati
- Bhubaneswar
- Patna
- Srinagar
- Jaipur
- Shimla
- Lucknow
- Panaji
- More everyday

Cities -- Drivers & Inhibitors

Inhibitors



Drivers

Client Issues

- What are the regions/cities in India where work can be done (outsourced or captive)?
- **What are the factors of evaluation?**
- How are the cities rated?

Factors of evaluation - current

- Infrastructure
 - Power
 - Water
 - Telecom
 - Roads
 - Airport
 - Real Estate
- Skills Availability
 - Entry Level
 - Lateral Recruits
 - Global MNC Experienced
 - Language

Factors of evaluation - current

- Skills Retention
 - Track Record of Retention Trends
 - Maturity & Stability of Work-force
 - Resource mix
- Access
 - International Connectivity
 - Domestic Connectivity
 - Hotels Availability
- Cost of Living

Factors of evaluation - current

- Political Support
 - Central
 - State
 - Local
 - STPI (Software Technology Parks of India)
- Overall Quality of Life

Potential factors of evaluation - future

- Expatriate “Index”
 - Other global MNC companies
 - ‘Ease of life’
 - International Schools
 - “Golf” Availability
- Global Footprint of Service Provider
 - BCP / DR
 - Broader Cost Arbitrage Opportunities
 - Richer skill-base availability
- Service Line Capabilities

The increasing importance of the 'expatriate index'

- Increasing importance of work sent offshore results in increased travel to offshore location by clients, and longer stints
- Increasing propensity towards captive centers will expand expatriate assignments
- Service Providers will increasingly use expatriates themselves, for whom the same factors apply

Client Issues

- What are the regions/cities in India where work can be done (outsourced or captive)?
- What are the factors of evaluation?
- How are the cities rated?

Cities Rating

Legend: P-Poor F-Fair G-Good VG-Very Good E-Excellent

▼ - Worsening

➡ - No Change

▲ - Improving

Cities	Infra.	Skills Avail.	Skills Reten.	Access	Cost of Living	Political Support	Quality of Life
Tier 1							
Bangalore	G ▼	E ▲	G ▼	VG ▲	F ▼	E ▼	E ▼
Mumbai	VG ➡	E ➡	VG ➡	E ➡	P ▼	VG ➡	F ▼
New Delhi	VG ➡	VG ➡	G ▼	E ➡	G ▼	VG ➡	G ➡
Tier 1-1							
Chennai	G ▲	E ▲	VG ▲	E ➡	VG ▲	VG ▲	VG ▲
Hyderabad	VG ▲	VG ▲	VG ▲	VG ➡	VG ▲	VG ➡	VG ▲
Pune	F ▲	E ▲	E ▲	G ➡	VG ▲	G ➡	VG ▲
Navi Mumbai	G ▲	VG ▲	VG ▲	VG ➡	VG ▲	G ➡	G ➡
Tier 2							
Kolkata	G	G	VG	E	VG	G	G
Mangalore	VG	F	VG	G	F	G	G
Mohali	G	G	G	F	G	VG	G
Bhopal	G	G	G	G	VG	G	G

Recommendations

- Bangalore is no longer the default location
- Take time to understand the strengths and weaknesses of various cities
- What you're planning to outsource or in-source could very well determine the location, in the future
- Assess and factor in Expatriate attractiveness of the location - could be an emerging 'swing' factor
- Personal biases will be hard to overcome in a location selection