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Demand for ITO + BPO Services Gears Up

Customers are increasingly beginning to choose a single service provider for both IT and business process outsourcing services. But will this trend become commonplace? How soon? And who will lead the race?

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The union of IT and Business Process Outsourcing (BPO) services is on a roll. Customers are beginning to choose a single service provider for both IT and BPO services, adding another term, 'integration' into the outsourcing lexicon.

A recent IT and BPO integrated outsourcing deal has been signed between UKvisas and CSC. As a part of the contract, CSC will be responsible for UKvisas' IT infrastructure and BPO. Another one is U.K. 's Sandwell Metropolitan Borough Council's \$588 million seven-year deal with Liberta. Liberta will provide IT consulting, network management and BPO services.

Another large integrated deal (though with a bias toward finance and accounting BPO over IT application development) is the U.K. 's NHS deal with Xansa. 'NHS' savings from this outsourcing amount to the cost of hiring 12,000 nurses and 4,000 doctors,' says Yvonne Spalding, COO, Xansa.

This is a long way from early 2000 when such deals were virtually unheard of. In 2002 TPI was involved in only three IT and BPO integrated deals, and in 2003 with only four. Industry wide, between 2001-2003, 46 integrated deals were signed - of these 14 were bagged by EDS, six by IBM, five by Accenture, five by ACS and one by HP.

SOME INTEGRATED IT AND BPO DEALS (2005-07)

Customer	Provider	Engagement	Value(\$ mn)
NISource	IBM Global Services	U.S. IT Infrastructure, BPO, Application Development	1,600 10
Department for Work and Pension	Atos Origin	U.K. IT Infrastructure, Helpdesk, BPO	1,600 12
Visanet	EDS	Brazil IT Infrastructure, BPO	209 10
Swindon Borough Council	Capita Group	U.K. IT Infrastructure, BPO	478 15
UKvisas	CSC	U.K. IT Infrastructure, BPO	275 7
B.C. Hydro	Accenture	- IT, CRM and Human Resources	1,000 10
Sandwell Metropolitan Borough Council	Liberta	U.K. BPO, Network Management, Network Consulting	588 7
Banco Santander	TCS	- IT, BPO	20 -
Transantiago	TCS	Brazil IT, BPO	- -

SOURCE: GLOBAL SERVICES

Recently, service providers other than the big six mentioned above have entered the race, and are using integration to build differentiations in their services offerings. Tata Consultancy Services (TCS), for instance, is one such player. Its recent integrated wins have been in Latin America , where it has signed two contracts - a \$10 million contract with Banco Santander and a \$20 million contract with Transantiago.

Smaller service provider companies, too, are entering the race. One example is that of NIIT Technologies, an India-based IT and BPO service provider. 'There are many companies that are offering

IT services and many are offering BPO services. The idea of offering both services together is something truly unique, and we count it amongst our strategy sets,? says Arun Thakur, CEO, NIIT Technologies.

Yet, this is just the beginning of a trend. Will it become commonplace? When? And who will lead the race? These questions are yet to be answered.

Source:<http://www.globalservicesmedia.com/Content/general200706292281.asp>