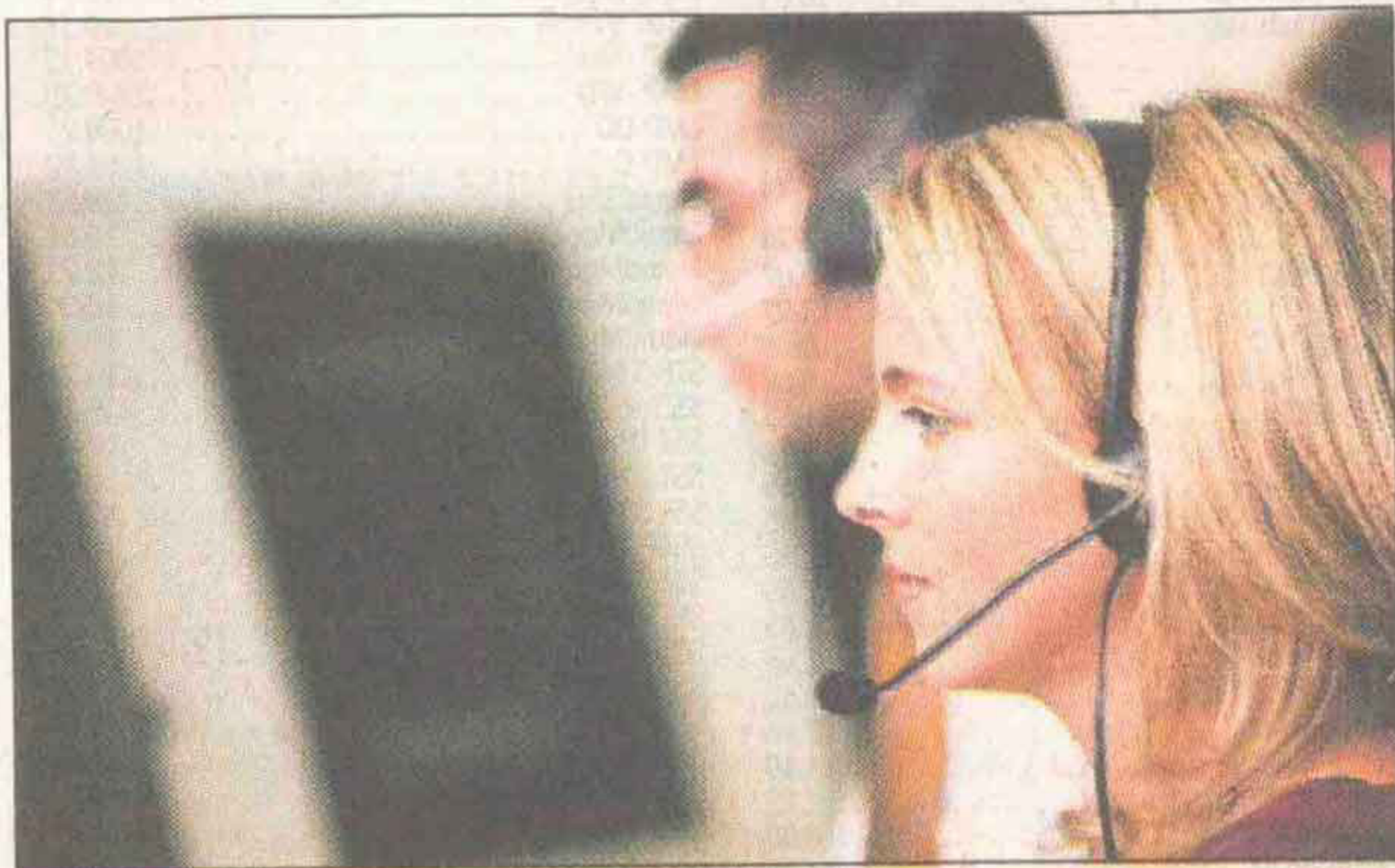


# IT firms look at Japan for offshoring deals

Shivani Mody | TNN

**Bangalore:** Indian IT companies depend overwhelmingly on the US and European markets. Between 80% and 90% of revenues is typically accounted for by just these two regions. With these markets slowing down dramatically, IT outsourcing firms are looking at new geographies for growth. One big focus is Japan, the world's second largest economy.

Japan will drive the next phase of growth for the Indian offshoring industry, says a report by Zinnov Management Consulting. The government and IT industry body Nasscom are developing trade relations with the country. "Japan was a closed economy to us," says



## TO REDUCE DEPENDENCE ON US AND EUROPE

Som Mittal, president of Nasscom. "But with the recent economic conditions they are looking to outsource work, in order to cut costs and remain competitive. They are already

partnering with China but are facing major intellectual property issues there."

Japanese companies could also potentially offshore a lot of R&D to India. Japan is

home to 191 of the top 1,000 global R&D spenders of which only 21 currently have an international R&D presence.

"Companies such as TCS, Infosys and Wipro already have a presence in Japan," says Praveen Bhadada, engagement manager in Zinnov. "But the focus on the region is a recent phenomenon."

The demand from Japanese companies for R&D offshoring is expected to be in key verticals such as electronic equipment (22%) and automotive (13%). "India is a R&D hub for 281 of the top 1,000 global companies, giving the country the necessary know-how and experience," says Bhadada. But working with Japanese companies poses challenges. Cultural issues, and especially the

language barrier, are big. Content needs to be highly localized. You would need Japanese language software, keyboard and processes.

Moreover companies will have to develop different business and operating models to work in the country. "One way for Indian companies to penetrate the Japanese market would be to partner with global IT giants that are already there," says Diptarup Chakraborti, principal research analyst in Gartner.

But India will have to move fast. The Chinese are already making big advances in the region. "There are 75,000 Chinese students studying in Japanese universities, but there are only 500 Indian students," says Mittal.