

'European software cos look at offshoring'

Indian BPOs can capitalise on this move: Zinnov study

Our Bureau

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Faced with rising cost pressures in a slowing market, European software product companies are looking at offshoring their development work, which should augur well for Indian firms, says a study by Zinnov, a management consulting firm.

Indian companies are facing a sluggish growth from customers in the recession-hit US, where customers have held back their technology spends.

North America accounts for 42 per cent of the global R&D spend, followed by Europe with a contribution of 35 per cent and Asia at 22 per cent, the Zinnov study said.

"Companies are realigning their global strategies in the wake of the US meltdown and Europe continues to hold strong growth prospects for India and other countries in the region," said Mr Chandra-

Key Drivers

Talent pool, cost advantage, exchange rate
European labour laws, data security policies

mouli, Director of Advisory Services, Zinnov. In 2008, the European software firms outsourced work to the tune of €700 million to India, which is expected to grow at a compounded annual growth rate of 30 per cent to €4.2 billion by 2015, Mr Chandramouli said.

"The availability of talent pool, cost arbitrage, innovative capabilities of India and the current exchange rate besides the increase in domestic IT spend are some of the drivers helping increase offshoring to India," he said.

Software products and services constitute eight per cent of the European companies and account for €25.6 billion of rev-

enues. Traditionally, European companies have been very slow to adopt offshoring and about 60 per cent of the market is still untapped. Offshoring momentum picked up only in the last four years as the number of software product captives doubled in the period. About 18 of the top 100 European firms are operating some 23 captive centres in India, mainly in Bangalore, Chennai and Delhi.

The changes in ecosystem in Europe in terms of relaxed labour laws, introduction of stringent data security laws and willingness to consider offshore service providers to handle Government contracts by several countries is expected to help offshoring, Mr Chandramouli said.

Also, the availability of skilled talent pool capable of new product development and rising domestic IT spend in India is expected to attract European vendors to the country.