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EXCERPT

U.S. Customers Select IBM, HP-EDS, Unisys, Accenture, Infosys, ADP, and Fidelity as Top 5 Ranked BPO Vendors for Transformation, Integration, Innovation, and Cost Optimization-Excerpt from IDC#216191

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IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC Customer Needs and Strategies Report, U.*S. Customers Select IBM, HP-EDS, Unisys, Accenture, Infosys, ADP, and Fidelity as Top 5 Ranked BPO Vendors for Transformation, Integration, Innovation, and Cost Optimization*, by David Tapper (Doc#216191). All or part of the following sections are included in this excerpt: IDC Opinion, In This Study, Situation Overview, and Essential Guidance. Also included are Table 1 and Figures 1, 3, and 4-7.

IDC OPINION

In a recent demand-side study involving more than 400 U.S. respondents, IDC asked these end users (both buyers and nonbuyers) of their perceptions of business process outsourcing (BPO) providers across four value categories. These value categories include the ability of BPO vendors to strategically transform business processes, support integration of BPO and ITO effectively, enable innovation to new technology-based processes and delivery models (e.g., software as a service [SaaS], cloud computing), and enable cost savings. In tallying their views, end users selected IBM, HP-EDS, Unisys, Accenture, Infosys, ADP, and Fidelity among the overall top 5 ranked providers across these four value categories. Other key results as reflected by customer perceptions by these four value categories, across eight market segments, highlight the following:

- IBM clearly dominates all four value categories of transformation, integration, innovation, and cost optimization across all eight market segments ranked.
- HP-EDS, Unisys, Accenture, Infosys, ADP, and Fidelity exhibit strong leading positions across all or different combinations of these four value categories.
- Process-specific firms, including Convergys and 24/7 Customer, as ranked by customer care respondents; Ceridian and Hewitt, as ranked by HR respondents; and Cambridge Solutions, as ranked by procurement respondents, show top recognition in select key value categories and market segments.
- Technology-led firms appear to have competitive advantage over pure-play BPO providers or BPO-centric providers.

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- With cost the primary driver of BPO in today's market, cost optimization will be the near-term key focus requiring a portfolio of offerings including offshore, new technologies, and new delivery models (e.g., SaaS, cloud/utility computing).

- Customer ranking of innovation as key to selecting BPO providers will place providers with innovative brands and capabilities with long-term competitive advantage.

IN THIS STUDY

Using results from a recent demand-side study issued in late October and early November 2008, IDC took the pulse of 404 end users, nearly all line-of-business (LOB) professionals, which included both buyers and nonbuyers of BPO services, to attain their perceptions of BPO providers across four value proposition categories of transformation, integration, innovation, and cost optimization. The results of this study help provide BPO providers with a framework of competitive positioning based on customer perception across these categories as well as key characteristics of providers that enable competitive advantage. Further, this study will provide IDC insight into what are key areas of focus that BPO providers need to address, and how they should be positioned, to ensure both short-term and long-term success based on customer need and market directions.

BPO Demand-Side Survey

Methodology

IDC interviewed 404 U.S. respondents for this study. These respondents include a mix of both buyers and nonbuyers of BPO services. All surveys are stratified by company size and industry segment. All data was collected through a programmed questionnaire administered over the Web. This process allows for detailed question sets, complex skip patterns, and real-time calculations, which assist respondents in answering questions involving numbers and percentages. Respondents, who are interviewed as end users of BPO services, are screened and qualified based on IDC's criteria in addition to their decision-making authority within their organizations. A set of incentives was offered for participation.

Respondents

Respondents were contacted via the Web. To qualify, each had to have budget responsibility or influence in the decision-making process when outsourcing their business processes in the United States. Once the individual respondent was qualified, the company was then qualified in terms of its primary industry and company size, by number of employees. Quotas were set to get a distribution of respondents by four key horizontal BPO market segments including HR, customer care, finance and accounting (F&A), and procurement, and by company size, for which the survey allowed just companies of 1,000 and more employees to participate. An incentive was offered to entice respondents to participate.

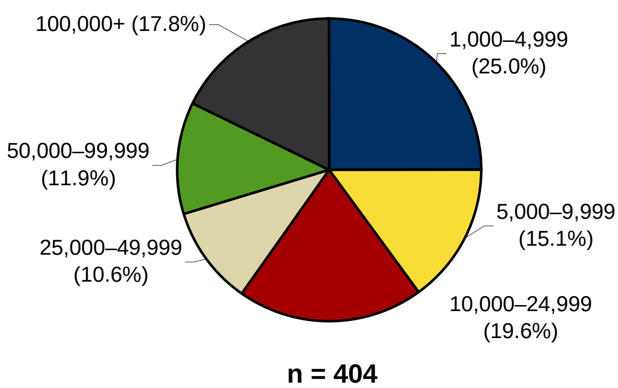
Respondent Profile

Company Size

Figure 1 shows the breakdown of respondents by company size (number of employees), and Figure 3 shows the breakdown of respondents by vertical sector.

FIGURE 1

Respondents by Company Size

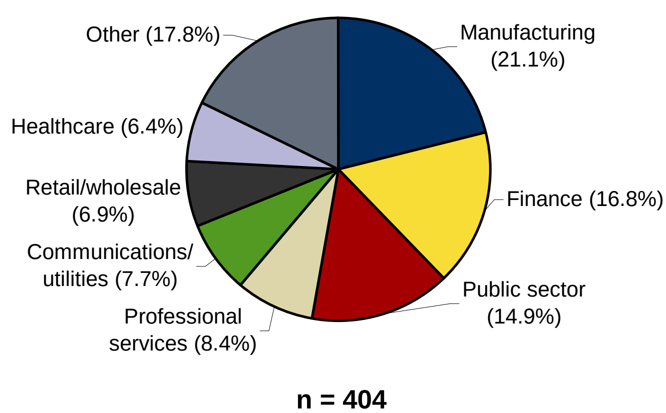


Note: Company size is shown by number of employees.

Source: IDC's *U.S. Key Horizontal BPO Services Survey 2008*

FIGURE 3

Respondents by Industry



Source: IDC's *U.S. Key Horizontal BPO Services Survey 2008*

SITUATION OVERVIEW

Summary View of Leading BPO Providers

As part of this demand-side study, end users were asked to select the top 3 vendors across four key value categories that include the following:

- **Transformation.** End users were asked to select the top 3 vendors that they view as having the ability to strategically transform a company's business process(es).
- **Cost optimization.** End users were asked to select the top 3 vendors that they view as providers whose primary value for service delivery is around providing cost savings and is cost driven.
- **Integration.** End users were asked to select the top 3 vendors that they believe can provide both IT outsourcing (e.g., datacenters, applications, and systems/storage) and BPO most effectively.
- **Innovation.** End users were asked to select the top 3 vendors that they believe can provide a company with innovation that helps transform their processes and the underlying technologies to either new technology-based processes or new service models.

Among the top 5 vendors ranked across the eight market segments based on the four value propositions of transformation, integration, innovation, and cost optimization were a total of 12 BPO providers. Following are end-user selections of top 5 ranked BPO providers by key market segments.

TABLE 1

Customer Perceptions of Top 5 Ranked BPO Vendors by Transformation, Cost Optimization, Integration, and Innovation

Respondent Segments	Rankings	Transformation	Cost Optimization	Integration	Innovation
Overall rankings	1	IBM	IBM	IBM	IBM
	2	Accenture	Accenture	HP-EDS	HP-EDS
	3	HP-EDS	HP-EDS, ADP	Unisys	Accenture
	4	Unisys	Unisys	Accenture, Infosys	Infosys
	5	ADP	Fidelity	ADP	Unisys

TABLE 1

Customer Perceptions of Top 5 Ranked BPO Vendors by Transformation, Cost Optimization, Integration, and Innovation

Respondent Segments	Rankings	Transformation	Cost Optimization	Integration	Innovation
F&A	1	IBM	IBM	IBM	IBM
	2	Accenture	Accenture	HP-EDS	Accenture
	3	ADP	ADP	Accenture, Unisys	HP-EDS
	4	Fidelity, Infosys	Fidelity	Infosys	Infosys
	5	Unisys	Unisys	Hewitt	ADP
Customer Care	1	IBM	IBM	IBM	IBM
	2	HP-EDS	24/7	24/7 Customer. Unisys	Unisys
	3	Unisys	HP-EDS	24/7 Customer. Unisys	Unisys
	4	24/7 Customer, Accenture	Unisys	Infosys	Infosys
	5	Convergys	Accenture	Fidelity	24/7 Customer, Accenture
HR	1	IBM	IBM	IBM	IBM
	2	Accenture, ADP	ADP	ADP	Ceridian
	3	Ceridian	Ceridian	Infosys	Accenture, ADP, Hewitt
	4	Hewitt, Fidelity	Accenture	Ceridian, HP- EDS	Infosys
	5	HP-EDS	Hewitt, HP-EDS	Accenture, Hewitt	HP-EDS, Unisys
Procurement	1	IBM	IBM	IBM	IBM
	2	Accenture	Unisys	HP-EDS	HP-EDS
	3	Unisys	Accenture	Unisys	Accenture, Unisys
	4	Infosys	HP-EDS	Accenture	Infosys
	5	HP-EDS	Infosys	Infosys	Cambridge Solutions

TABLE 1

Customer Perceptions of Top 5 Ranked BPO Vendors by Transformation, Cost Optimization, Integration, and Innovation

Respondent Segments	Rankings	Transformation	Cost Optimization	Integration	Innovation
10,000 and more employees	1	IBM	IBM	IBM	IBM
	2	Accenture	HP-EDS	HP-EDS	HP-EDS
	3	HP-EDS	Accenture	Unisys	Accenture
	4	Unisys	Unisys	Accenture	Unisys
	5	Fidelity, Infosys	ADP	Infosys	Infosys
5,000–9,999 employees	1	IBM	IBM	IBM	IBM
	2	Accenture	Accenture, Unisys, ADP	HP-EDS	Accenture
	3	Unisys	Ceridian	Accenture	Unisys
	4	HP-EDS, ADP	Infosys	Unisys	HP-EDS
	5	Ceridian	HP-EDS, 24/7 Customer	Infosys	ADP, Ceridian
1,000–4,999 employees	1	IBM	IBM	IBM	IBM
	2	Accenture, HP-EDS, ADP	Ceridian	HP-EDS	HP-EDS
	3	Infosys	ADP	Infosys	Infosys
	4	Ceridian	Accenture	Accenture, Unisys	ADP
	5	Fidelity	Fidelity	Ceridian	Ceridian

Source: IDC's *U.S. Key Horizontal BPO Services Survey 2008*

Business Process Transformation

This section highlights the ranking of BPO providers as related to respondent feedback to the following statement: Please select the top 3 vendors that you view as having the ability to strategically transform your business process(es).

When it comes to company size selections, IBM, Accenture, and HP-EDS ranked among the top 5 across all three customer size segments. For the customer segment of 10,000 and more employees, Unisys, Fidelity, and Infosys are additionally included, with the customer segment of 5,000–9,999 employees expanding to include ADP, Unisys, and Ceridian. At the lower end of customer size, 1,000–4,999 employees, the mix of top 5 ranked BPO providers extends to ADP, Ceridian, Fidelity, and Infosys. As Figure 4 shows, the top 5 overall ranked providers selected are IBM, Accenture, HP-EDS, Unisys, and ADP.

While the definition of transformation is broad, IDC believes that customer feedback, as provided in this end-user survey, highlights the following as key aspects of capabilities that BPO providers need to have in supporting transformation of customer business processes.

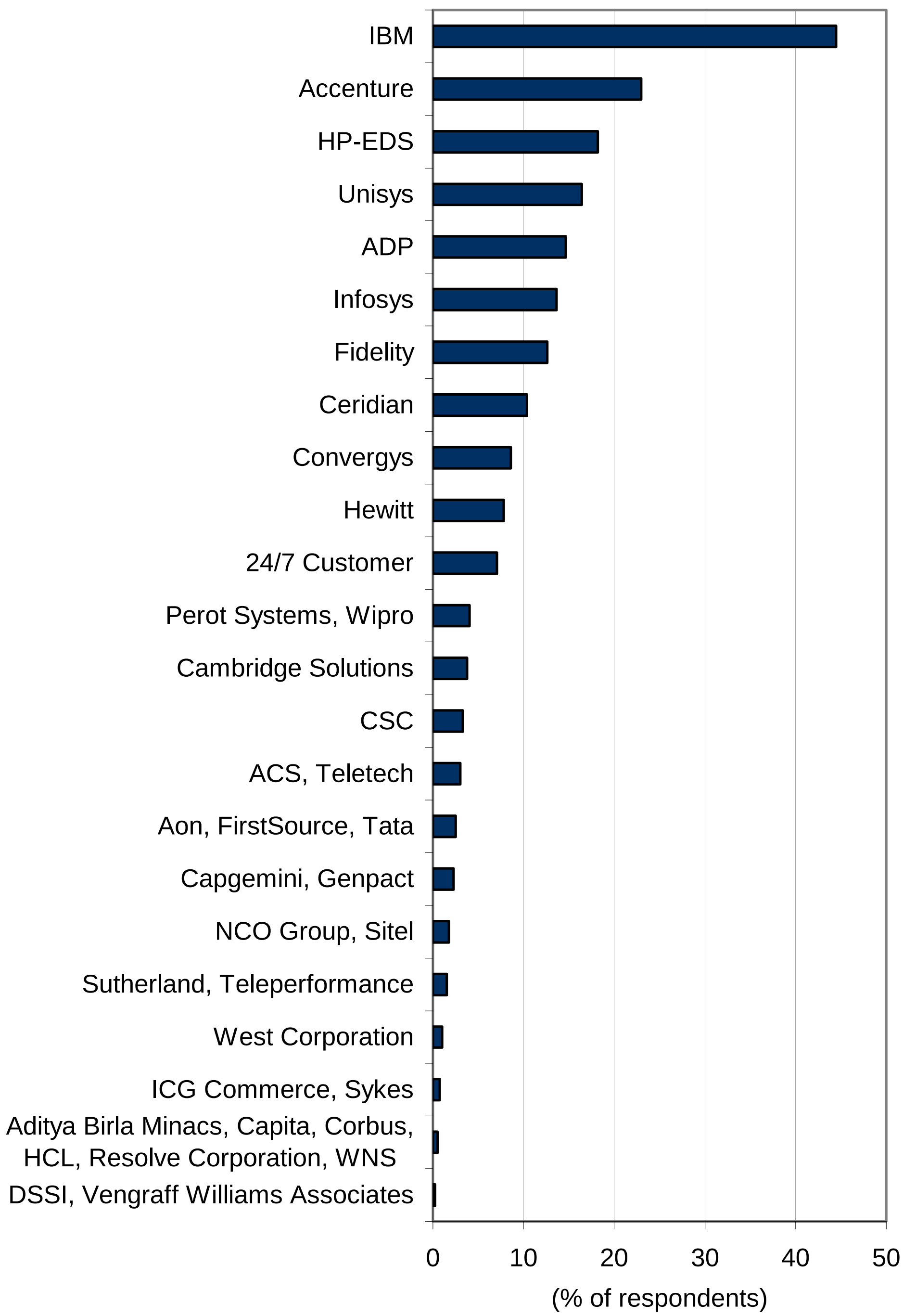
- Enable shift to new technologies (e.g., virtualization, SOA) and new delivery models (e.g., SaaS, platform-based BPO, cloud computing)
- Deliver professional services (consulting, integration) as part of a BPO engagement, with top end-user preference of providing these services throughout the life of the engagement
- Have strong partnerships with technology firms
- Drive down costs, which IDC believes can take the form of more than just labor and involve improved processes, newer technologies, and newer delivery models
- Support customer need to standardize on a global basis
- Use of business analytics to help optimize business processes for cost savings, operational excellence, and enhanced business flexibility

It appears that the top players highlighted in this section, as selected by end users, are perceived as leaders that can strategically enable transformation of business processes using all or a combination of the aforementioned characteristics. IDC believes that while in the short term, the next 12–36 months, cost savings capabilities will be paramount, winning and retaining clients will require providing capabilities such as those just mentioned that can transform business processes, though with a focus on operational excellence and in clearly defined areas in which customers can see quick, short-term results, even as part of long-term deals.

FIGURE 4

BPO Vendors as Enablers of Business Process Transformation

Q. Please select the top 3 vendors that you view as having the ability to strategically transform your business process(es).



n = 396

Note: Other = 5.3%; none of the above = 15.2%

Source: IDC's *U.S. Key Horizontal BPO Services Survey 2008*

Cost Optimization

This section highlights the ranking of BPO providers as related to respondent feedback to the following statement: Please select the top 3 vendors that you view as providers whose primary value for service delivery is around providing cost savings and is cost driven. As Figure 5 shows, the overall top 5 ranked providers selected are IBM, Accenture, ADP and HP-EDS (tied), Unisys, and Fidelity.

With cost savings the number 1 driver for outsourcing of business processes, as indicated by end users, IDC believes that success in achieving these savings must go well beyond the use of lower-cost labor. Providers need to include a full portfolio of cost savings vehicles including the following:

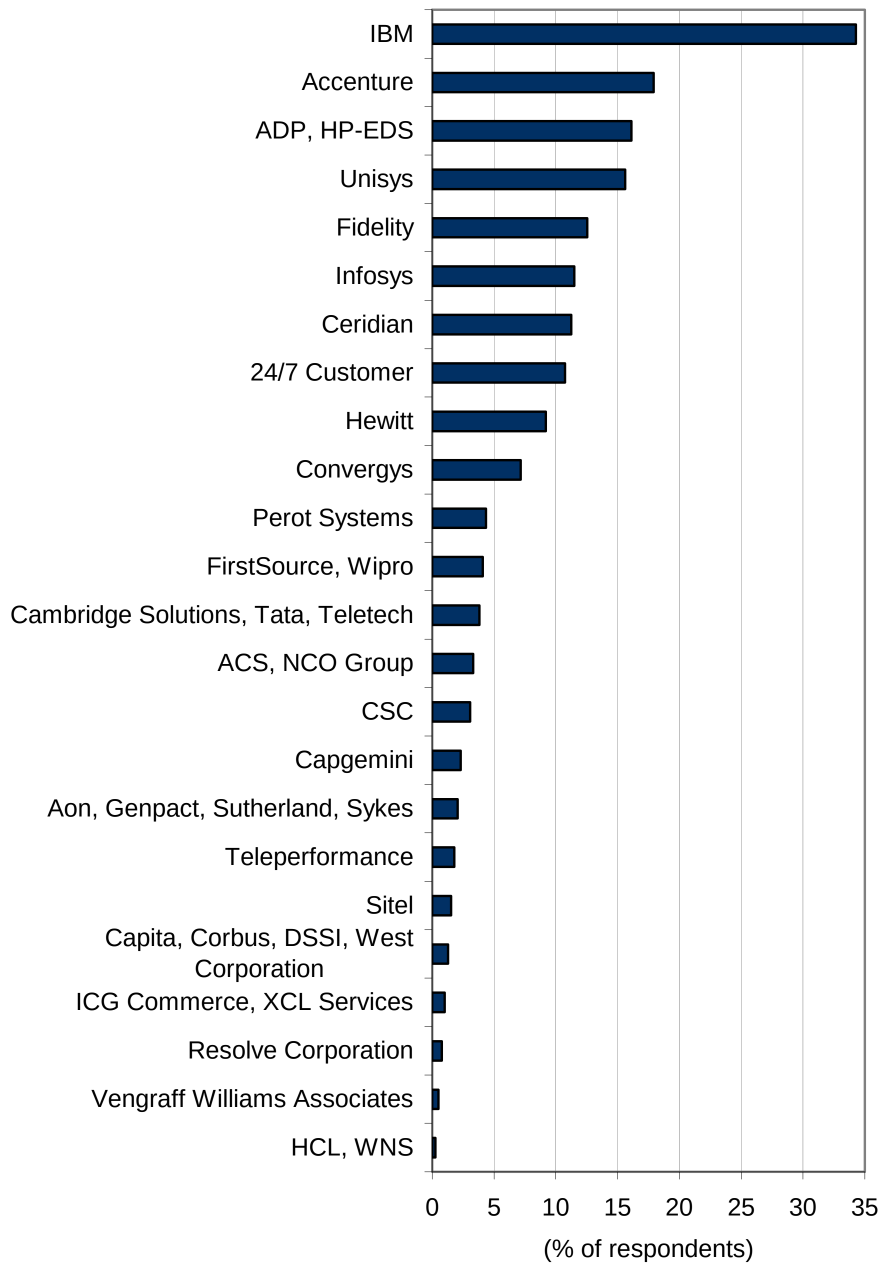
- Providing access to low-cost resources globally
- Offering a portfolio of technologies that can enable cost reductions, such as virtualization, Web services, open source, wireless, and convergence
- Delivering services using new delivery models such as cloud/utility computing, SaaS, and platform/BPO

For BPO providers, the short term (next 12–36 months) will require a tremendous focus on cost savings, though success in the longer term will require ensuring these savings while aligning with the shift to more utility-based service delivery. (See *Are Market Size and Vendor Revenue the Right Way to Measure the Success of Utility-Based Services?* IDC #214243, September 2008.)

FIGURE 5

BPO Vendors as Cost Optimizers

Q. Please select the top 3 vendors that you view as providers whose primary value for service delivery is around providing cost savings and is cost driven.



n = 391

Note: Other = 5.1%; none of the above = 17.1%

Source: IDC's U.S. Key Horizontal BPO Services Survey 2008

Integration

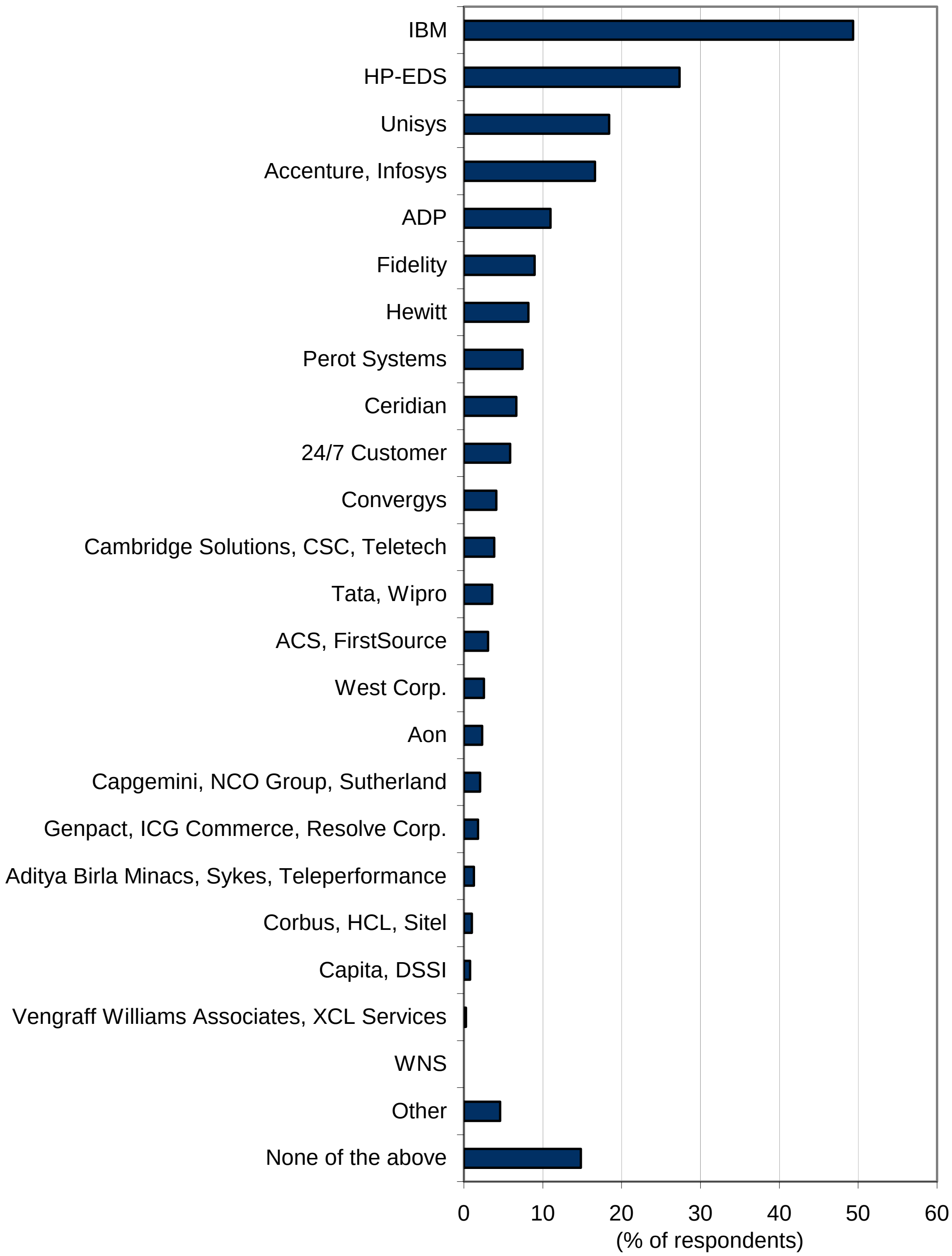
This section highlights the ranking of BPO providers as related to respondent feedback to the following statement: Please select the top 3 vendors that you believe can provide both IT outsourcing (e.g., datacenters, applications, and systems/storage) and BPO most effectively. As Figure 6 shows, the top 5 ranked overall providers selected are IBM, HP-EDS, Unisys, Accenture and Infosys (tied), and ADP. Interestingly, all of these players, with the exception of ADP, also ranked as the top 5 across all three customer size segments (1,000–4,999 employees, 5,000–9,999 employees, and 10,000 and more employees) as shown in Table 8, with the only addition of Ceridian in the smallest customer size segment.

With customer feedback that technology is a significant factor in selecting BPO providers, coupled with increased interest and use of platform-based process delivery, also referred to as SaaS, IDC believes that longer-term success will require an increasing need for BPO providers to have a strong portfolio of technology skills and capabilities. This portfolio will also have to include increased investments in asset-based (platform) service delivery.

FIGURE 6

BPO Vendor as ITO-BPO Integrators

Q. Please select the top 3 vendors that you believe can provide both IT outsourcing (e.g., datacenters, applications, systems/storage) and BPO most effectively.



n = 391

Source: IDC's *U.S. Key Horizontal BPO Services Survey 2008*

Innovation

This section highlights the ranking of BPO providers as related to respondent feedback to the following statement: Please select the top 3 vendors that you believe can provide your company with innovation that helps transform your processes and the underlying technologies to either new technology-based processes or new service models (e.g., SaaS, utility computing, cloud computing). As Figure 7 shows, the top 5 ranked overall providers selected are IBM, HP-EDS, Unisys, Accenture, and Infosys.

Customer feedback that they view the significant need for providers to support shift to newer technologies (e.g., SOA, Web services), and delivery models (e.g., SaaS, cloud computing) coupled with significant interest in using a vendor's platform (including shared platforms) highlight the need for BPO providers to emphasis the innovative nature of their offerings and capabilities. This will be of particular importance in the longer term as well as for penetrating key markets including SMB and emerging markets.

FIGURE 7

BPO Vendors as Innovators

Q. Please select the top 3 vendors that you believe can provide your company with innovation that helps transform your processes and the underlying technologies to either new technology-based processes or new service models.

n = 392

Note: Other = 4.08%, none of the above = 18.4%

Source: IDC's U.S. Key Horizontal BPO Services Survey 2008

ESSENTIAL GUIDANCE

Success as a provider of BPO services in both the short term and long term will require players to implement the following:

- **Offering portfolio of services that ensures achieving optimal ROI**
- **Providing value proposition that combines cost savings with innovation.**
- **Targeting key industries with customized needs**
- **Pursuing M&A to ensure best-in-breed portfolio.**
- **Having a truly global footprint with strong local presence.**
- **Investing in an asset-based delivery business model for the long term.**