

Offshore Outsourcing

More MR services outsourced to India



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There has been a growing global trend of offshore outsourcing of market research services in the past three years. A number of companies such as Greenfield, Harris, TNS and Synovate are already working with teams in India and other countries. So what are the do's and don'ts in outsourcing services?

By Kedar Sohoni and Ashwin Mittal

Expectations are that offshore outsourcing of the market research processes will continue to grow rapidly over the years. Whilst India is the leading destination for such outsourcing, other countries are also emerging. There are collecting views on outsourcing of MR services. While it is a substantial opportunity for the MR community to reduce costs and improve productivity it is also faced with certain difficult issues such as confidentiality, job losses, choice of location and quality control. More than 80% of the Fortune 500 companies are directly or indirectly outsourcing or looking at outsourcing, large parts of their back-office processes to offshore locations such as India. MR-related processes have also emerged as a viable option for offshore outsourcing. MR components that are being outsourced include data collection using CATI (Computer Aided Telephone Interviewing), online survey programming, data processing, data analytics, reports and presentations and co-ordination of global research projects. The majority of the work currently being outsourced is in data

processing and survey programming, but as maturity levels of offshore locations increase, outsourcing of the other components will also grow.

Possible strategies

An important decision to make when outsourcing MR related services offshore is whether to work with third party providers or set up captive centers.

Third party supplier is where a research agency outsources its requirements to an independent supplier. The agency typically has a contractual arrangement with the supplier but no equity stake is involved, it is basically a client-vendor relationship.

A captive centre is when a research agency sets up its own facility in another country specifically to outsource MR services. This facility may not offer full service research in that country but works exclusively for the research agency internationally.

The third option is a full service research arm of an international research agency that already exists for that specific market but then also does outsourcing work for other markets.

The WPP Group and Harris Interactive have chosen to go with third party suppliers whereas others such as TNS and Greenfield Online have taken the captive route. Yet another model which has been operational for a number of years is where the local full service research arms of agencies support their global teams for data processing and analysis as is the case for Research International, IMRB and A.C. Nielsen in the Indian market.

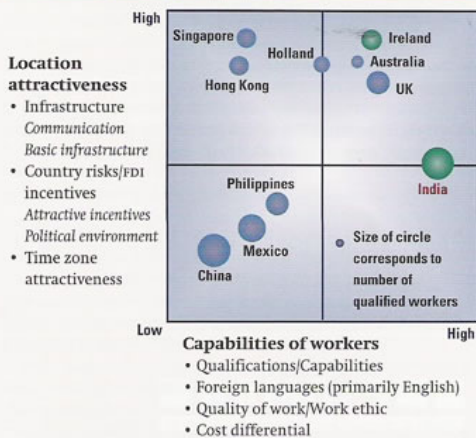
Which strategy is best?

While the decision to go with third-party suppliers or captive depends on the strategy of the individual agency, here are some considerations that should go into the decision:

- Is the off-shored activity of a strategic interest to the agency (i.e. does the agency's capabilities in this activity differentiate it from competitors)?
- Does the agency have a good understanding of the operations of running a business in the destination country?
- Is it worthwhile to undergo the pains and learning process of establishing a captive center and not rely on proven expertise of third party providers?
- Are there competent third-party providers available that can suitably address the agency's needs?
- Does the third party provider have suitable measures in place to protect confidentiality of client data?

While the benefits to be had from offshore outsourcing are substantial

Comparing outsourcing destinations



there are also certain key operational and business risks. From our experience of managing outsourcing engagements, we have been able to identify certain risks and measures to mitigate them (see box).

India - destination for outsourcing

One of the preferred destinations for various offshore services is India which offers several advantages for outsourcing MR services:

- Communication networks as well as other basic infrastructure are in place.
- The country risks are low and the political climate is favorable to foreign investment and participation.
- It offers qualified and capable workers who are proficient in English and skilled in MR, specifically quantitative skills.
- Having provided offshore back-office services to the US and European markets for the last 15 years, India has digested the growing pains of delivering offshore services.
- Over the last three years, a small group of competent third party providers has emerged who can provide efficient outsourcing services in the MR domain.
- It offers substantial cost advantages.

Other destinations such as Eastern Europe are also being used but have not attracted the same scale of outsourcing as India.

The future

If the risk factors associated with off-shoring are properly addressed then substantial benefits can accrue to the MR agency and to the MR community as a whole. We expect that off-shoring will move up the value chain to encompass areas such as data mining and report writing; however domain knowledge of a certain market and the associated consulting is something that cannot be easily off-shored and is the key function that will remain in the client country. We expect off-shore outsourcing to grow at a 100% compounded for the next three years. In fact the Nasscom - McKinsey IT enabled Services (ITeS) report puts the opportunity in the MR domain in excess of US\$5 billion.

We also expect that other destination countries will emerge but that India will continue to lead. ■

Kedar Sohoni and Ashwin Mittal are Directors of Cross-Tab Marketing Services which provides outsourcing services to international MR agencies in survey programming, data processing, data analysis, presentation and data mining. The company is also a full service MR agency in the Indian market where it specializes in online research.

Outsourcing - risks and measures

Identified risk	Risk management measure
Confidentiality	Proper confidentiality and data security agreements need to be signed with third party providers and senior personnel of captive centers. It is also recommended to have frequent audits to ensure compliance.
Infrastructure	It is important that the destination country and the city selected within the country have access to required infrastructure such as power, bandwidth, good connectivity through airports, hotel facilities for visits by customer's team and of course talented manpower.
Quality of deliverables	Careful documentation of processes is important for processes executed in any location, but in the case of offshore outsourcing, these are doubly important. Also proper systems and protocols must be laid down for communication between teams in the client country and in the vendor country.
Domain knowledge	It is important to ensure that the senior members of the team in the offshore location have a strong domain understanding of MR and not just an IT services or data processing background.
Cultural issues	It is necessary to understand the culture of the offshore location and the sensitivities of the people. Cultural misunderstandings can cause misgivings and affect the quality of work.
Job losses in the client country and associated negative publicity for the agency	Good people can be retained and provided jobs in other roles in the same agency in order to fuel the growth that will result from the cost savings realized. It is important to have a proper PR initiative to explain the benefits of offshoring to the economy of the client country. Economic studies have shown that in the long term offshoring leads to greater benefits for the economy of the client country and actually creates more jobs.
Employee liability	This risk is not an issue if one outsources to third-party providers. If one is going the captive route then it is important to carefully study the employment laws of the destination country to ensure no legal conflicts.