

A brief guide to outsourcing

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In the last three years there has been a growing global trend of offshore outsourcing of components of market research services, with many leading market research agencies already working with teams in offshore destination countries/regions such as India, Canada, Eastern Europe and the Philippines.

There are several conflicting views on outsourcing of MR services. While it is a substantial opportunity for the market research community to reduce costs and improve productivity it also brings with it certain difficult issues: confidentiality, job losses, choice of location, quality control etc.

More than 80 percent of the Fortune 500 companies are directly or indirectly outsourcing or looking at outsourcing large parts of their back-office processes to offshore locations. Market research-related processes have also emerged as a viable option for offshore outsourcing. Some of the components of market research that are being outsourced are: data collection using CATI (computer-aided telephone interviewing); online survey programming; data processing; data analytics; reports and presentations; and coordination of global research projects.

The bulk of the work currently being outsourced is in data processing and survey programming, but as offshore locations grow and mature, outsourcing of the other components such as data analytics and reporting will increase.

Selecting a country as an offshoring destination can be a diffi-

cult decision. Destination selection has to be made depending on the specific requirements and objectives of the research agency.

However there are some criteria that are essential for any offshore destination to be viable. The country must have:

- communication infrastructure

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 workers, etc.
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 market research and do not have just an IT 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 can 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.

as well as other basic capabilities, in place;

- a low-risk environment and a political climate favorable to foreign investment and participation;
- qualified and capable workers who are proficient in the language used by the outsourcer, and skilled in market research, specifically quantitative skills;
- a meaningful cost advantage.

An important decision that market research agencies need to make when moving research-related services offshore is whether to work with third-party providers or to set up captive centers. Several agencies have chosen to go with third-party suppliers and several have taken the captive route. Yet another model which has been operational for quite a few years is where full-service research arms of large agencies in offshore countries have been supporting their global teams for data processing and analysis.

While the decision to go either

with third-party suppliers or captive depends on the strategy of the individual agency, we have compiled some questions to guide the decision:

- Is the activity being offshored of a strategic interest to the agency? Do 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 the confidentiality of client data?

While the benefits that can be

had from offshore outsourcing are substantial there are also certain key operational and business risks. From our experience managing outsourcing engagements for clients, we have been able to identify certain risks and measures to mitigate them. Part of this list is outlined in the accompanying table.

Substantial benefits

If the risk factors associated with offshoring are properly addressed then substantial benefits that can accrue to the market research agency and to the MR community as a whole. We expect that offshoring will move up the value chain to encompass areas such as data mining and report writing. However, knowledge of a certain market and the associated consulting is something that cannot be easily offshored and will be a key function that will remain in the client country. | Q