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CEO Spotlight

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Avinash Vashista
CEO
Tholons

Platform BPO A Paradigm Shift?

It is an exciting phase in the evolution of BPO services, as service providers define and develop “Platform” offerings with various flavors. We firmly believe few of them will find acceptance and success, becoming differentiators rather than game changers.

With the focus having well and truly shifted from survival to growth, the market is again looking for winning strategies, business models for the new phase, new competitive spaces and differentiators. Like a lot of good ideas, collective wisdom of the market has been flirting with Platform BPO as being the “logical” next step in evolution of outsourcing for some time now. The idea is quite appealing – create a layer or “platform” of technology solution, incorporating the best practices and relevant domain knowledge, which supports the BPO delivery; with the client being concerned only with the service levels, and the vendor taking care of all technology investments & upgrades, process benchmarking, best practices, etc.

Over the last 3 years or so, we have seen service providers working on creating platforms for F&A, HR, Procurement, etc. as well as some vertical platforms catering to particular industries. The feedback seems to have been lukewarm at best. Client adoption has been slow. It may still be early days while the service providers perfect the model, features and value proposition – we do expect increased adoption over the next 18 to 24 months. However, the early signs do not point to platform BPO being a Paradigm shift.

The large, more sophisticated clients already have ERPs or in house solutions they may have invested in over the last 3-5 years, which may become redundant if they move to a platform based solution. A vendor platform, while it brings in the best of features and practices, does force a move to “standardization” of processes to a certain extent – which may not be acceptable to all. Further, concerns around multi-tenancy and data ownership crop up. Transaction based pricing, which is a cornerstone of this model’s value, is still not very well understood or accepted in the client community. Also, a platform based BPO model calls for a firmer, longer term commitment, and we get a feeling, that clients are looking for some critical mass in terms of adoption, before they believe the model is mature and validated enough for them to take the plunge.

On the positive side, we have seen some success stories, and there are situations where the platform approach works very well. Small to medium sized clients, who never had the internal process maturity or the critical mass to find interest from service providers now have an option where vendors with platform based offerings are hungry to take on lower volumes, plus it does away with the need to invest in technology as they grow. Clients at the threshold of moving from legacy solutions should seriously evaluate a platform based offering.

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If you have any questions or comments about this article please contact at avi@tholons.com