Riding the IT-Enabled Services Wave

The services sector is a massive growth driver and has shown enormous potential especially in developing countries such as India. This is because services are no longer confined to their initial definition of being non-tradable, non-storable, and intangible. IT (Information Technology) has revolutionized the way we work, and with the boom in IT, we saw worldwide trade and services take on an entirely new meaning. Today, IT enabled services (ITES) have already taken up a large chunk of the global trade, and when one talks about the significance of IT information technology services, India assumes chief importance.

In 2016, The Indian IT industry generated an annual revenue of $120 billion. Out of this, almost $98.1 billion was generated in exports while domestic revenue amounted to $20 billion. According to NASSCOM, the Indian ITES industry will grow to about $300 billion by 2020, with areas such as e-commerce, software development and the IT market bringing in the chunk of revenue.

The most important aspect behind India's success in ITES is the value-add that it brings in the form of customer relationship management, database management, improved overall functionality, and aesthetics, etc. As a result, clients can always expect two outcomes -

- Overall improvement in daily work functioning
- Other indirect benefits which accrue over time

12 Factors Which Have Propelled the Growth of the Indian ITES Sector

ITES, also called as web-enabled services or remote services cover an entire gamut of operations which aim to maximize an organization’s operational efficiency. In India, these services provide a wide range of career opportunities to a talented workforce. With the rising influence of online shopping, social media and cloud computing, this trend will only further increase. Some of the most important factors behind India’s rise as an IT information technology services giant include -

1. Newly emerging verticals, such as retail, healthcare, utilities, etc.
2. A revival in the demand for IT services from both US and Europe
3. Focused government initiatives leading to an increased adoption of technology and telecom, eventually leading to increased ICT adoption
4. Growth in the number of high-value clients (> $1million)
5. A spurt in the SMAC market (social, mobility, analytics, cloud) to support ITES services
6. Growing R&D expenditure across the globe
7. Rising costs to train new workforce ($1.6 billion in 2016)
8. Plan of the Indian government to lay down a large-scale optical fiber network connecting the whole country
9. Partial privatization of telecommunication
10. Low operating costs as compared to most other developed and developing nations
11. Tax breaks and SOPs offered by the government
12. Development of multiple SEZs in tier-2 cities across the country

Key IT Enabled Services Available in India

Owing to the rapidly changing business and socio-economic conditions in the country, as well as the proliferation of internet, the Indian ITES industry is now an increasingly competitive market. Technology has evolved from just supporting corporations to transforming them and their functions. Some of the industry sectors in which this change can
be seen include -

- Call Centers
- Electronic Publishing
- Medical Transcription Services
- Data Centers
- GIS Mapping
- Knowledge Portals
- ERP (Enterprise Resource Planning)
- Knowledge Management & Archiving
- Back-office Processing

Apart from these, IT enabled services are now also increasingly being deployed for SME's (Small and Medium Scale Enterprises) in the following areas -

- Marketing Programs
- Helpdesks
- Electronic Distribution Portals
- Telemarketing
- Directory Enquiry Systems
- Transcription Services

**Why Global Clients Choose IT-enabled Services Provided By Indian Firms?**

With over 10 million students graduating every year, India has been able to maximize the opportunity that emerged with the growth of ITES. Apart from call center outsourcing, which in itself was a major reason why many global clients chose India, there are many other services which are now being outsourced on the basis of the following -

- Indian companies have better HR practices as compared to most of their global competitors. Candidates are chosen and retained based on their skills and the value that they bring to a project
- Indian companies ensure that strict QA protocols are followed while working on a project
- Maintaining good client relationships is extremely important, and most service providers assign project manager to ensure there is a single point of contact for the clients
- Technology and Infrastructure available within the country are of the highest order, which leads to better overall project stability
- Cost-effectiveness is often cited as a major reason why India is considered a leader in IT-enabled services

**Challenges In Front of Indian ITES**

The pace at which technology is changing today is allowing businesses the world over to innovate and adopt strategies which were not possible even half a decade back. The entire world's stock of data doubles every 20 months, and IT-enabled services are making sure that this data is always leveraged in the best possible way. At the same time, after the initial golden period, the ITES industry in India is now faced with certain challenges which need to be overcome. These include -

- Absence of Policy Reforms
With the rapid growth that IT-enabled services have managed, it is extremely necessary that
businesses and the government should focus on trade policy reforms for the future so as to ensure the markets are always open to expanding business initiatives. Policy reforms are therefore of the utmost importance for

- Consumer safety
- Tax revenue loss for importing countries
- Intellectual property violations
- Domestic job losses

Many experts believe that the government should work with the industry leaders to create an "Authorized Economic operator" or AEO to supervise remotely delivered services. The AEO will have to be compliant with all rules and regulations, while working towards better trade facilitation with other countries.

- Data Security and Privacy
Advanced economies such as the US, Japan, and the EU are still reluctant to provide India the status of a "data-secure" country. With stricter policies and reforms set in place and the entire industry upholding to a concrete set of data security laws, compliance costs for Indian firms will steadily go down. Most US clients (around 50%) believe that data security is their chief concern while working with Indian ITES providers. Among these, the Healthcare sector is most vocal regarding the privacy regulations in place which is quite stringent in the US, but not as much in India. In the absence of a data security policy in India, most ITES providers therefore have to comply with the US Health Insurance Portability and Accountability Act (HIPAA), thereby raising their training costs.

- High Attrition Rates
Attrition rates are exceptionally high in most Indian firms in the business of outsourcing, and combine with poaching, lead to extremely high labor costs which need to be absorbed by the firm. Experts fear that such high attrition rates may reduce India's overall competitiveness in the long run. Most companies (around 87%) in Tier 1 cities face an attrition rate much higher than normal as compared to 33% of the companies based in Tier 2 cities.

- Tougher For Smaller Companies to Market Themselves
Many companies report that marketing themselves is the biggest challenge they face while wooing clients. While the BPO market itself within the country is huge, medium to smaller sized firms suffer because of lack of exposure. Most US clients prefer to work with the top BPO firms, and transaction costs to explore market possibilities by setting up small offices in the US, EU, etc. is also markedly high.

- Other Challenges Faced by ITES Companies
Apart from the above, there are various other challenges which need to be met if the ITES growth in the country is to be maintained. These include -

- High training costs for Indian firms
- Competition from other countries such as Philippines
- Lack of cultural affinity
- High telecom tariffs
- Infrastructure bottlenecks
- Legal compliances
- Acceptance of Indian professional degrees and qualifications especially in healthcare, financial, and legal services
- Visa restrictions in case of sending workers for on-site projects
The Future of the Indian ITES Industry
Evolving the current business models in place for sustained growth is where most Indian companies see themselves beating the competition in the coming few years. By embracing AI, automation, and Big Data, Indian firms are showing that they are ready to take on challenging roles which providing best-in-class services. The recent slowdown in outsourcing has actually worked in the favor of most service providers who have consolidated their offerings while focusing on efficiency, productivity, and optimal resource utilization.

Some of the many ways in which the Indian ITES industry stands to reinvent itself includes -

- Identifying new markets to expand
- Increased focus on the domestic market
- Talent retention
- Identifying and consolidating niche markets such as GIS, Teleradiology, etc.
- Building alliances with system integrators
- Financing new growth channels by seeking additional VC funding
- Partnering up with customers to provide custom solutions
- Enhance the link between Industry and academia to drive new innovations
- Leverage technology to level the playing field
- Embracing the cloud to distinguish their offerings

Choose Outsource2india as Your Preferred ITES Partner
O2I has an experience of more than 15 years in servicing global clients and meeting their expectations. Our IT and ITES services are backed up by efficient teams who make the best use of resources to assist small, emerging, and large-scale enterprises find success in a dynamic market. Our professionals have the necessary experience, and the vision to provide innovative solutions which surpass all client requirements.

We offer a range of technology-driven services which include call center services, data entry services, engineering services, finance and accounting services, creative design, web analytics services, healthcare BPO, photo editing services, software development, research and analysis services and a host of other additional services.

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