vCustomer: Establishing a Global Footprint

An analysis of vCustomer's external environment reveals the following:
1. Demand for multi-lingual services as the number of MNCs increase
2. Increasing demand for companies with a global presence but local knowledge
3. A preference for near-shoring due to demand for cultural affinity
4. High demand for business process outsourcing (BPO) services
5. Talent scarcity as the demand for talent outstrips supply
6. Rising wages in India (16-18% pay hike)

From the analysis, we can also see that there is a need for vCustomer to expand globally with a focus on BPO services while taking into account labor issues and language capabilities.

An analysis of vCustomer's capabilities reveals the following:
1. Strong financial position with up to US$1B of funding within reach
2. Experience in forming strategic partnerships and alliances, with a current partnership in Bulgaria
3. Strength in providing BPO services across many industries
4. Global presence with offices in India, UK, US, and the Philippines
5. Language capabilities in English, French, German, and Spanish
6. Cutting edge technological facilities and a desire to create barriers to entry through technology

Judging from its capabilities, vCustomer is able to expand using strategic partnerships and able to differentiate itself through value-added services.

The **ACE** strategy allows vCustomer to take advantage of the opportunities and defend itself against threats inherent in its operating environment. The ACE strategy comprises of the following:
1. **A**dopting key industry verticals in BPO services
2. **C**reating barriers to entry by offering software solutions
3. **E**xpanding globally to Bulgaria and China

Adopting key industry verticals in BPO services
In expanding its BPO service offerings, vCustomer should focus on three areas: healthcare, retail banking, and insurance. The unaddressed market sizes for retail banking and insurance are largest and stand at US$34B and US$28B respectively.

There is also a trend of demand moving from task-oriented to process-oriented services, where outsourcers perform more than one step of an entire process. This trend has led to a boom in broad shared services, where demand is expected to reach US$57B in 2008.

In the move to provide process-oriented BPO services, relationship managers can be used as coordinating mechanisms between vCustomer and its clients as the suite of services that vCustomer's clients demand widen. In addition, relationship managers can perform functions related to sales and client feedback. Most importantly, relationship managers can help build relationships with clients and foster trust.

Creating barriers to entry by offering software solutions
There are very low barriers to entry in the provision of BPO services. As such, many companies have entered this market, thereby increasing competition and introducing downward pressure on profit margins. As such, there is a need to create barriers to entry and provide higher value-added services to be maintain high profit margins.

vCustomer should then seek to provide BPO services for more complex transactions within a firm's process. Examining a set of jobs within a company's division, we realize that it is made up of three main sections: first, data entry/capture; second, support for decision-making analysis; and lastly, decision-

making and implementation. Currently, vCustomer and other BPO service providers are performing services related to data entry/capture. We see an opportunity for vCustomer to move up the value chain by helping clients perform the next step in the process after data entry/capture. vCustomer can provide software solutions for its clients to help them in their decision-making analysis.

Providing software solutions will allow vCustomer to achieve the following:
1. attract more customers with its wider range of services.
2. create more customer loyalty
3. increase revenue per client
4. create barriers to entry using technology

Expanding globally to Bulgaria and China
vCustomer should expand into China because of the following reasons:
1. Access to the languages Chinese, Korean, and Japanese
2. Access to workforce with an Asian culture
3. Low wages – 34 euros a week
4. Large talent pool – 40,000 to 140,000 computer science graduates per year
5. Large retail industry which signals the potential for more demand for BPO services in the future
6. Government commitment to setting up infrastructure
7. Ranked second-best location after India

In its expansion into China, vCustomer can acquire CPI Data Analysis, a company with the capabilities it needs in China and whose activities match its current focus. CPI Data Analysis currently does software development, and is in the industries of healthcare, financial services, insurance, and manufacturing. It can be acquired by buying a 51% stake in the company, and we estimate the cost to be about US$45M to US$50M.

vCustomer should expand into Bulgaria because of the following reasons:
1. Access to languages French and German, with at least 450,000 people studying more than one language
2. Low wages – 37 euros a week
3. Large talent pool - 20,000 graduates of I.T.-related programs
4. Economic stability for the past 7 years
5. Necessary infrastructure available in the capital Sofia
6. Ranked as the #1 location in Eastern Europe

In its expansion into Bulgaria, vCustomer should form a joint venture with its current Bulgarian partner, wherein the joint venture would be able to offer a wider range of services than what vCustomer or its partner can offer on its own. This would increase the client base that they would each get, and allow greater penetration into the market.

By adopting the **ACE** strategy, we project vCustomer's revenue to increase by US$13M in the first year, US$M32M in the second year, and US$38M in the third year. Profits will increase by US$2.5M in the first year, US$5.7M in the second year, and US$6.8M in the third year.