



Competition to Intensify Between Tier-2/3 Cities in India to Become BPO Hubs, Says Everest Group

Government and BPO Industry Need to Collaborate to Create Enabling 'Ecosystem' Required for BPO Hubs to Successfully Operate in Tier-2/3 Cities

Press release

New Delhi, April 16, 2008: The Indian BPO industry has an ambitious target of achieving five-fold growth (US\$50 billion in revenues as compared to current US\$11 billion) in the next five years. The resultant talent requirements cannot be met by solely by the Tier-1 locations such as Bangalore, Mumbai, and NCR. The industry will need to aggressively tap cities such as Ahmedabad, Nagpur, Jaipur, Chandigarh, Nashik, and many more to meet about 50-60% of its projected talent requirements by 2012. Realizing this fact, many State Governments in India are planning to build BPO Hubs in Tier-2/3 cities within their states to attract investment and get onto the worldwide BPO map. For instance, the Government of Gujarat plans to develop the Ahmedabad-Gandhinagar area as a Financial Services BPO hub. Says [Mr. Gaurav Gupta, Country Head \(India\), Everest Group](#), "Everest Group has been closely monitoring and analyzing the increased movement to Tier-2/3 cities in India to deliver BPO services. As service providers move to smaller cities beyond established Tier-1 cities, they will be attracted by talent availability and enabling infrastructure in these locations."

Everest Group has ranked several Tier-2/3 cities in India on their potential to become BPO hubs in future. These rankings are based on exhaustive city-level analysis of multiple parameters including overall and segment-specific talent availability and employability, current and planned presence of domestic industry, addressable BPO market potential, and presence of third-party vendors and captives. Everest Group's rankings also outline seven Tier-1 cities as "**Multi-sector BPO Hubs**" in India – Bangalore, NCR, Mumbai, Pune, Chennai, Hyderabad, and Kolkata – which serve many different industries and domains.

Everest Group's ranking of potential BPO Hubs in India			
Multi-sector Hubs Bangalore, NCR, Mumbai, Pune, Chennai, Hyderabad, and Kolkata			
Finance & Accounting 1. Ahmedabad 2. Nagpur 3. Jaipur 4. Indore 5. Nashik	Financial Services 1. Ahmedabad 2. Jaipur 3. Nagpur 4. Vadodara 5. Chandigarh	Pharmaceuticals 1. Ahmedabad 2. Vadodara 3. Aurangabad 4. Nashik 5. Ludhiana	Logistics 1. Nagpur 2. Vishakhapatnam 3. Ahmedabad 4. Coimbatore 5. Mundra

Says [Mr. Nikhil Rajpal, Practice Head, Global Services, Everest Research Institute](#), "Movement to lower-cost cities within India is likely to result in additional 15-30% reduction in operating cost despite lower employability and higher management costs. As a result, we expect to see an increasing footprint of BPO service providers in these Tier-2/3 cities. The BPO industry and state governments need to work collaboratively towards developing these Tier-2/3 cities as 'BPO Hubs' for specific verticals or domains, in order to capitalize on their inherent strengths, utilize the

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available talent more effectively and to create more value for buyers of BPO services." Adds **Mr. Rajpal**, "In our city-based analysis, we noticed emergence of locations that have significant potential to be developed as specialized hubs or clusters for financial services, manufacturing, pharmaceuticals, and technology & telecom. Ahmedabad is one key city to watch out for. In our domain-specific rankings for potential, it has ranked first in Finance and Accounting, Financial Services and Pharmaceuticals. Even for Logistics-based services, it ranks a respectable third."

Rankings by the Everest Group show that these smaller cities need to be evaluated for the kind of work that can be delivered from there, not just in terms of the total graduate pool, but also on their inherent strengths and differences. So while Jaipur adds a pool of about 29,000 graduates per year, the actual additions to employable pool for voice work is just 1600-1800 per year. In contrast, Chandigarh and Vishakhapatnam, which have annual graduate pools of approximately 25,000 and 20,000 respectively, they add relatively more employable work-force for voice-based services, at approximately 4,500 and 2,000 per year respectively. Elaborating on the rankings, **Mr. Rajpal** says, "We started off by identifying 20-25 key cities with potential against each key segment. From among these, we then shortlisted 15 cities each. Based on numerous parameters in our micro-analysis, we then zeroed in to develop these rankings. There are many more cities which hold the potential. Similarly, there are other verticals that are already reaching or may reach out to such smaller cities in future."

Mr. Gupta emphasizes that in order to successfully operate in Tier-2/3 cities, the industry, with support of the government, needs to create an enabling 'ecosystem' including physical infrastructure such as air and surface connectivity, telecom, transportation, and housing, as well as social infrastructure such as healthcare, education, security, hotels, entertainment, and shopping. He says, "We need to analyze these cities as organic entities and not just locations. For providers to successfully gain entry into Tier-2 and 3 cities, we need to elevate their overall status with a coordinated approach, instead of compartmentalized efforts. Cities where the state government, local bodies, industry and academia come together to implement this initiative in a planned way will have an edge and will be able to improve their ranking in the future." Adds **Mr. Gaurav Gupta**, "Alliances and exchange of best practices between the local industry and the BPO industry can lead to the next wave of domain-intensive BPO hubs across India." The recently released **NASSCOM-Everest study**, titled "[Roadmap-2012 – Capitalizing on the expanding BPO landscape](#)" also recommended creation of 'BPO hubs' with the enabling physical and social 'eco-system' as **one of the 8 key action themes** for the future.

About Everest Group

[Everest Group](#) is a global consulting firm specializing in sourcing and offshoring advisory services. Since 1991, Everest Group has served as the trusted business advisor for hundreds of IT and business process outsourcing transactions worldwide. Everest Group offers services in IT Outsourcing and Business Process Outsourcing (BPO) such as Human Resources Outsourcing (HRO), Finance and Accounting Outsourcing (FAO), engineering services, IT applications and Infrastructure (ITO) and procurement.

The Group also runs [Everest Research Institute](#), an autonomous research wing that serves as a central source of independent and objective strategic intelligence, analyses, and actionable insights for leading corporations, service providers, and investors in the global outsourcing and offshoring marketplace. To further augment its research and consulting practice, and to provide a competitive advantage to its clients, the Everest Group has an online publishing and marketing channel called [Outsourcing Center](#). The portal hosts a wealth of free research, case studies and frequently conducts webinars on relevant topics for the industry.