Future of Offshore IT Outsourcing and Vietnam
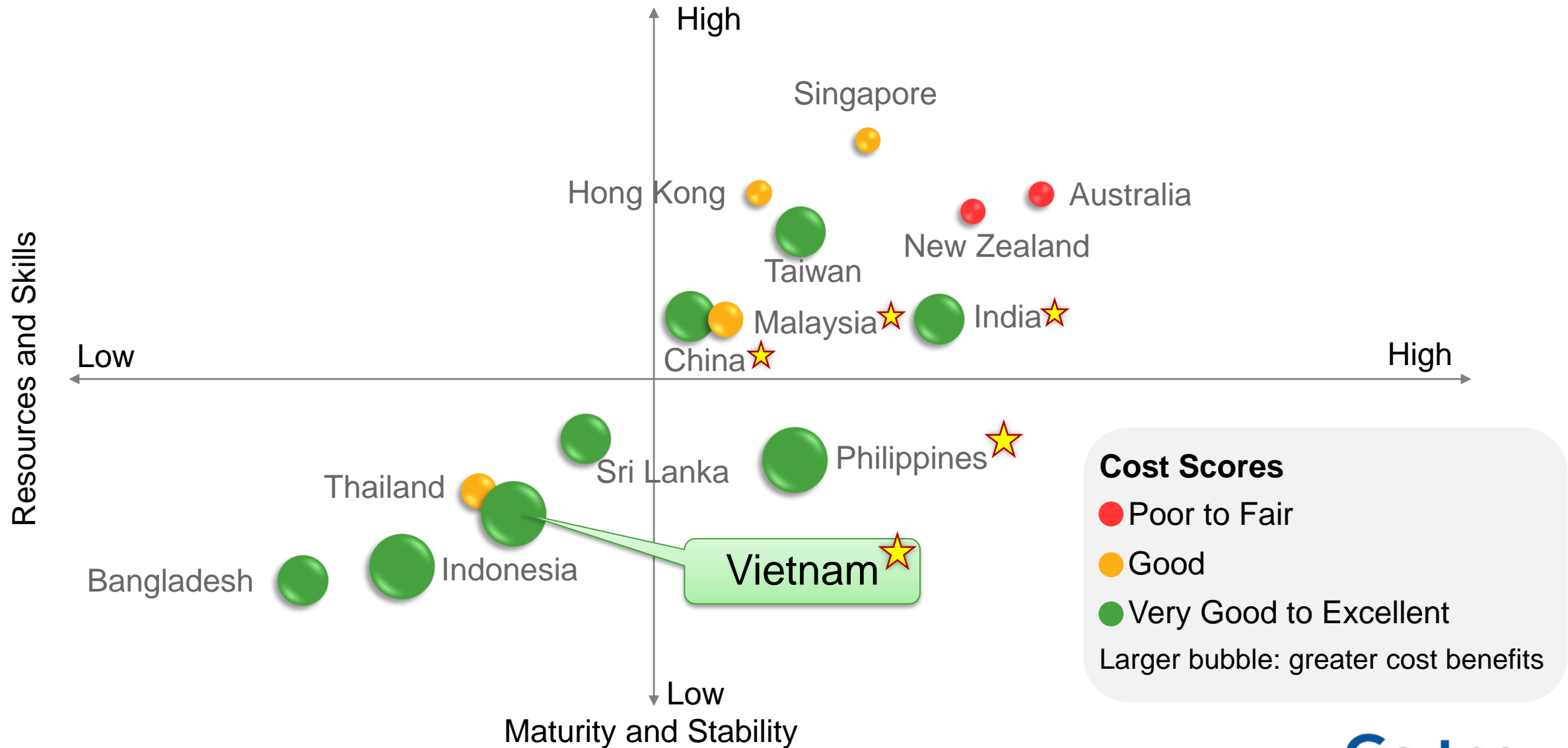
Yuko Adachi

Research Vice President

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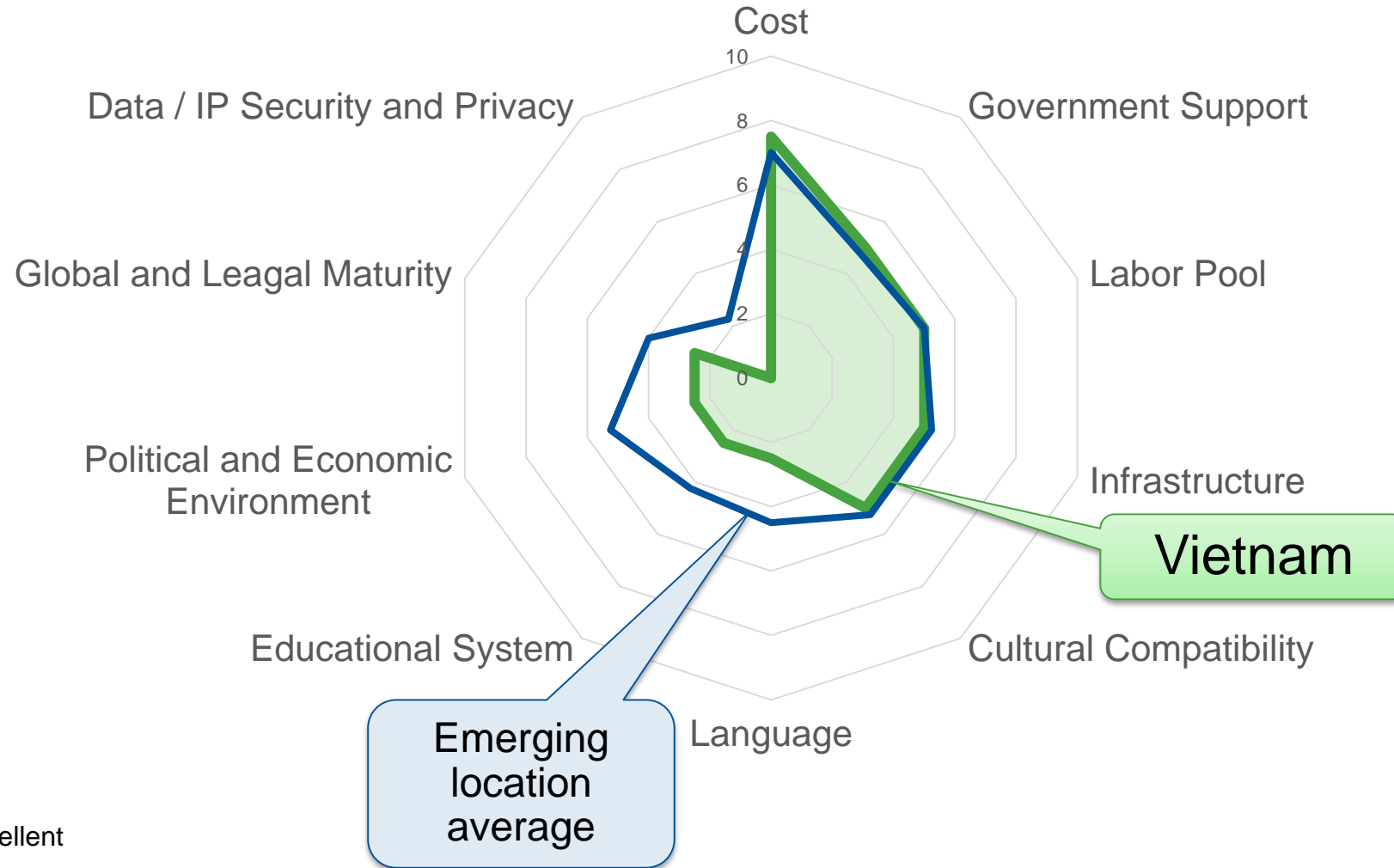
Topics

- Vietnam as an Offshore / Nearshore Location

- Future of IT Services and Impacts of Smart-Machine-Enabled Services

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Vietnam – Tier 1 emerging location ⭐

Assessment of Vietnam as an offshore / nearshore location

Cost

Government Support

Data / IP Security and Privacy

Labor Pool

Global and Leagal Maturity

10
8
6
4
2
0

Infrastructure

Political and Economic Environment

Vietnam

Educational System

Cultural Compatibility

Emerging location average

Language

Scores
0 : poor to 10 : excellent

Emerging location
Bangladesh, China, India, Indonesia, Malaysia, Philippines, Sri Lanka, Thailand, Taiwan, Vietnam

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Strength and Challenges for Vietnam

Strength

- Cost
- Labor Pool
- Infrastructure
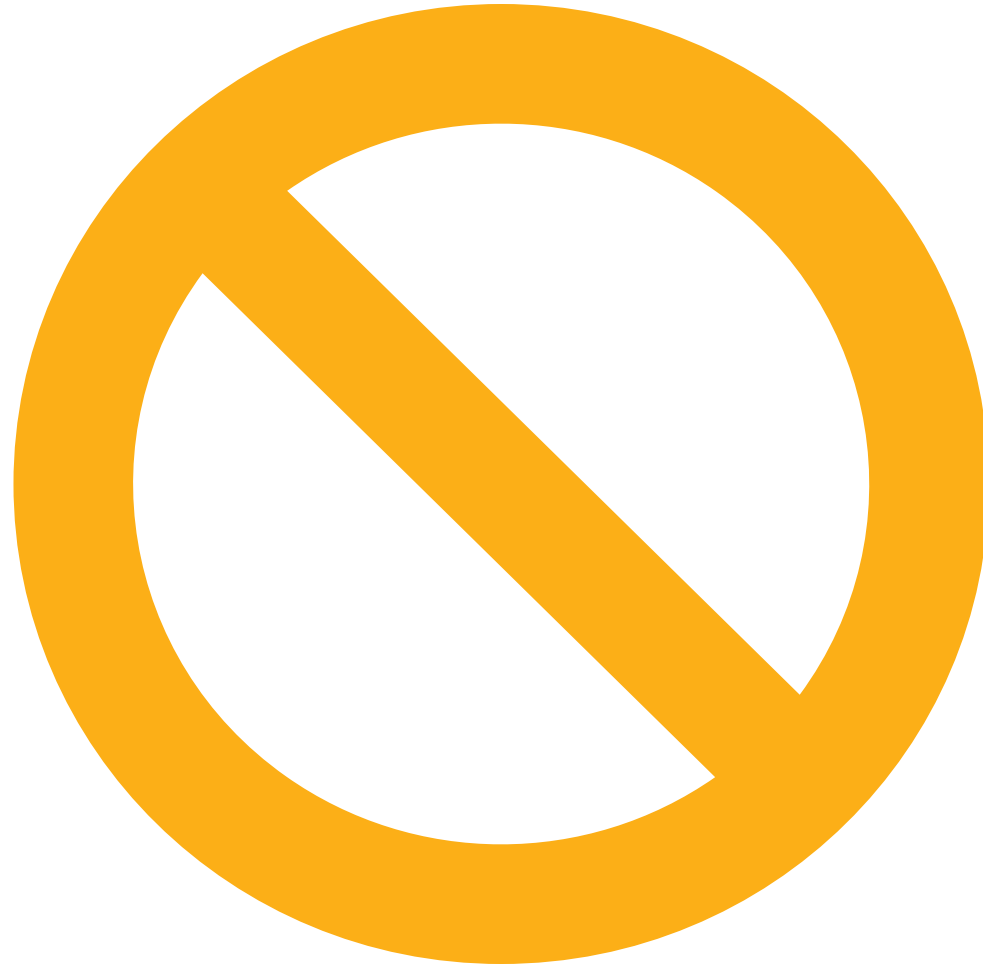- Cultural compatibility

► Rapid shift from China and other locations

► Higher expectation as a center in ASEAN

Challenges

- Language
- Educational system
- Political and economic environment
- Global and legal maturity
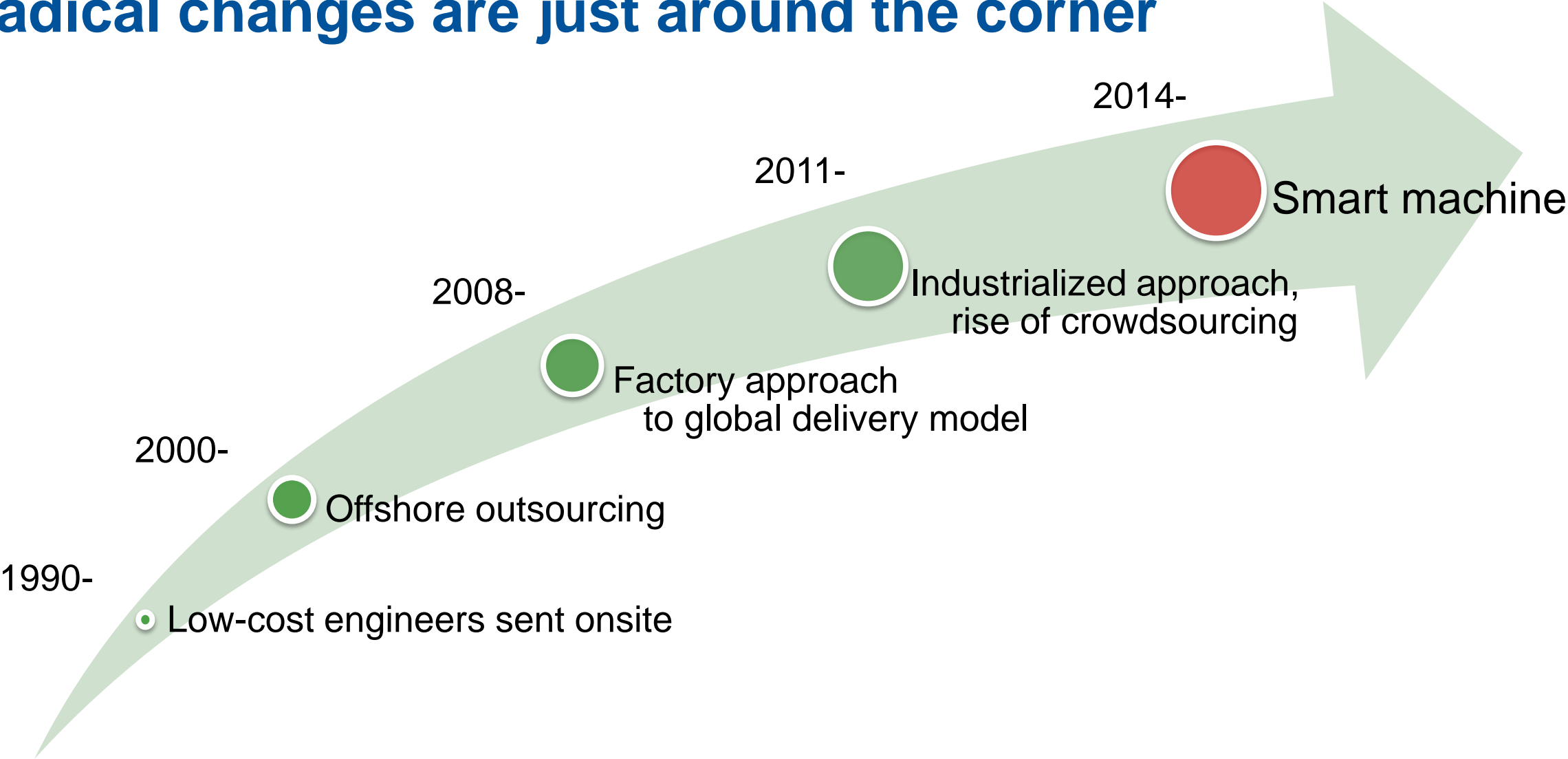- Data / IP security and privacy

► Limited offerings (mostly apps)

► Users' hesitation to outsource R&D, or data-sensitive processes

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So your strategy for next 5 year will be…

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Look forward the future…
Radical changes are just around the corner

2014- Smart machine

2011- Industrialized approach, rise of crowdsourcing

2008- Factory approach to global delivery model

2000- Offshore outsourcing

1990- Low-cost engineers sent onsite

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What are the smart-machine-enabled services (SMES)?

I. Adaptable Automation	II. Intelligent Process Autonomic Services	III. Cognitive Enabled Services
[2014-2016]	[- 2020]	[- 2025]

Dependent

Technology Enablement

Independent

Smartness Scale >>>

mimic a process through automation

enable a process through configurable autonomics

autonomously understand, learn, problem solve

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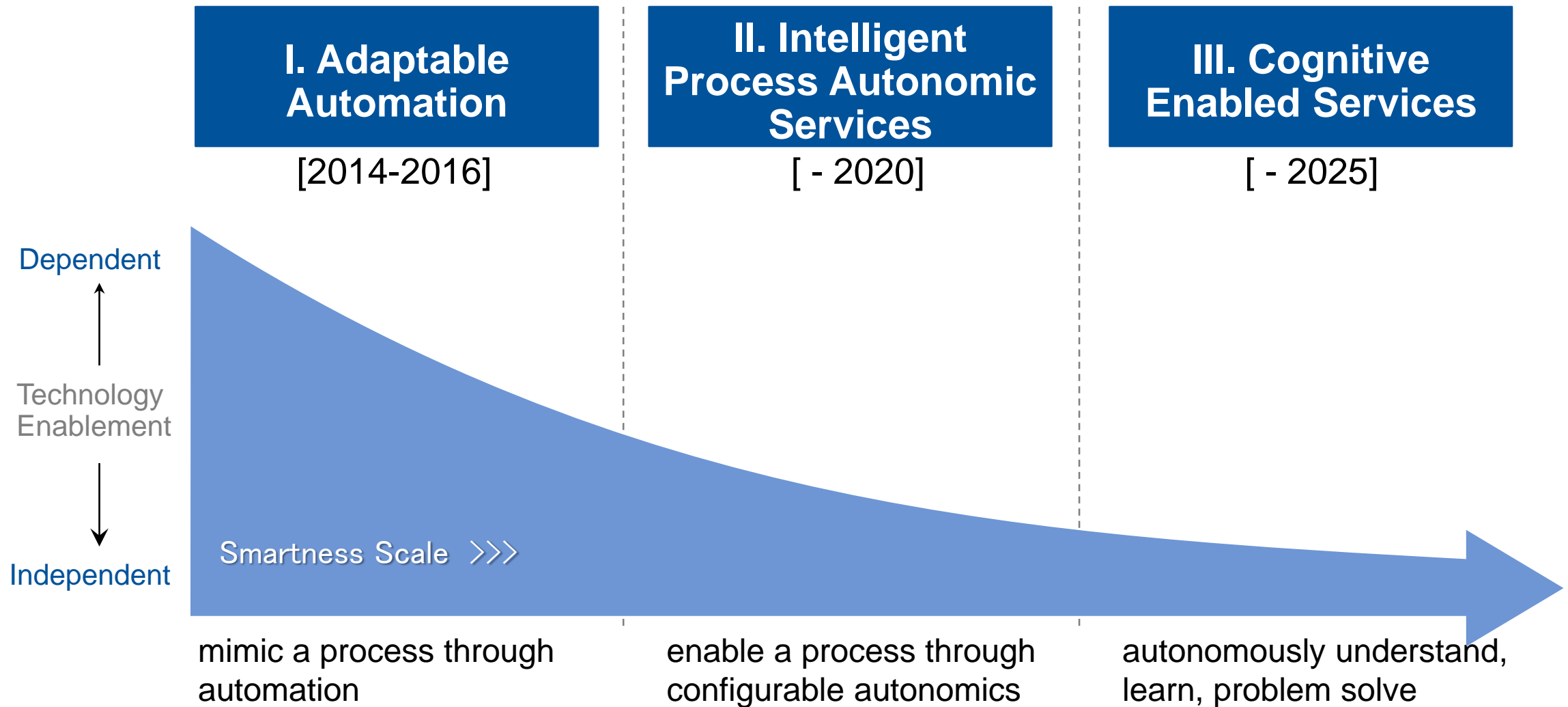
What are the results of SMES?

Example A (support desk)

Same resources;

· processed 63% more
· process time 75% less
· response time 96% less

Example B (support desk)

· reduced 35% FTE
· process time 60% less

Example C (F&A BPO)

· reduced 40% FTE
· efficiency 70%up

Example D (DB maint.)

· reduced 50% FTE
· efficiency 90% up
· 95% processed by machine

Customers
Cost reduction and efficiency

Providers
Non-linear growth

Competitors
Game will change

What if your competitors started to deploy SMES in the application services area?

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Recommendations

✓ Built upon strength -- cost competitiveness and qualified resource pool -- to compete against emerging tier 2 locations.

✓ Work closely with other providers, industry associations and government agencies to address concerns over data security.

✓ Prepare for the new competition triggered by SMES. Decide your position in the market.

– Compete by fortifying labor-intensive services?

– Launch SMES on your own ?

– Look for the niche legacy space?

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CẢM ƠN!

Thank you!

有難うございました!

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