

Infosys Wins Crucial European Finance and Accounting BPO Deal

Cathy Tornbohm

Infosys' business process outsourcing contract with Philips strengthens its position in the finance and accounting BPO market. It also shows that offshore BPO providers can win significant deals in Europe.

NEWS ANALYSIS

Event

On 25 July 2007, Infosys, an offshore business process outsourcing (BPO) provider, announced that it has signed a \$250 million, seven-year global contract with Royal Philips Electronics. Beginning 1 October 2007, Infosys will provide Philips with finance and accounting (F&A) services, including accounts payable, accounts receivable, general accounting and purchase order processing. Philips' F&A and procurement shared services centers in India, Poland and Thailand will be transferred to Infosys.

Analysis

This announcement is unusual because offshore BPO vendors are rarely able to reference such outsourcing agreements publicly. This is one of the largest European BPO deals won by an Indian offshore-heritage player, following those by HCL Technologies at BT and Tata Consultancy Services at Pearl Group. It is also one of the largest F&A deals with an India-headquartered provider in the BPO space. The other notable F&A BPO deal was between Genpact and Linde Group.

This is a crucial deal for Infosys, which needed a strong European win to support its BPO strategy after narrowly missing an F&A contract with the U.K.'s BBC. The deal comes with relatively minimal risk, because Infosys is only taking on existing shared service center locations.

Infosys has more than 3,500 employees supporting F&A, procurement and order management processes. The transfer of staff from Philips will add about 1,400 people. This will expand Infosys' multigeography delivery capabilities for F&A BPO, enhance its language capabilities, and add significant middle and senior management talent once the transition is complete.

Gartner believes that Philips is following in the steps of other manufacturers in contracting out its shared service centers to a third-party BPO provider, and that still others are likely to follow. The main challenge for any BPO deal is whether the client enterprise will be receptive to the internal business changes it may need to make to fully capitalize on the service improvements that the BPO provider will want to make, such as streamlining signoffs for invoice processing and using portals for procurement support.

The announcement shows that Indian-headquartered BPO providers are beginning to win deals in Europe. Offshore service providers are learning that they must focus on European industry issues to succeed. As a result, the top seven offshore BPO providers have created local delivery centers in Europe. But the success of offshore BPO vendors tends to be limited to areas such as banking-specific processes, CRM and F&A.

RECOMMENDATIONS

- **Enterprises contemplating buying BPO services:** Evaluate potential suppliers on a broad range of issues, including cultural affinity and flexibility, not simply on short-term cost reduction opportunities.
- **Offshore-heritage BPO providers:** Push harder and provide more incentives to established and new clients to be able to reference their outsourcing contracts in public.

RECOMMENDED READING

- "Dataquest Insight: Offshore BPO Providers Establish European Presence, 2007" — Gartner examines how offshore BPO providers are likely to expand their presence via local delivery centers in Europe. **By Cathy Tornbohm**
- "Hype Cycle for Business Process Outsourcing, 2007" — Gartner's Hype Cycle shows more and more service offerings clustering at the Peak of Inflated Expectations as the market is poised to experience growing pains in the next 12 to 24 months. **By Ben Pring and others**

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