

ValueNotes launches its proprietary vendor rating methodology for the LPO industry

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- ValueNotes has analyzed and rated 40 service providers in the LPO segment using the ValueNotes Sourcing Prism
- CPA Global, Integreon and Pangea3, amongst the industry 'Pacesetters', are defining the highest standards in the industry
- Companies grouped under 'Contenders' have gained significant services maturity despite being relatively new to the industry
- Companies in the 'Aspirants' group have established themselves as niche players within the market

The rise in the number of offshore and onshore services providers in the last two years has made the vendor selection process even more critical for buyers looking to offshore. According to a survey by ValueNotes, as reported in its research titled '*Legal Services Outsourcing - What do law firms think*', the following were the top four criteria while choosing an offshore service provider:

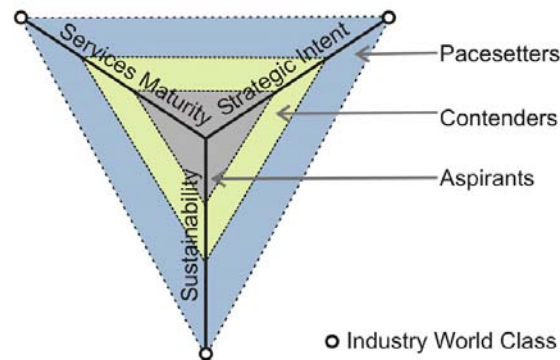
- Management strength depicting strategic intent
- Reputation: buyers need to look at services maturity and sustainability
- Onshore presence: to enable close and continuous interaction with service providers
- End-to-end services capability and scalability: for longer term contracts

The service provider landscape has become increasingly diverse – with differentiation becoming the norm, rather than the exception. Differences in offering, depth, maturity, scale, and strategy pose a challenge while trying to seek an understanding of the vendor landscape. For buyers of these services, this impedes the decision making process especially as it pertains to vendor selection or benchmarking.

With a bid to gain an insight into the service provider landscape, ValueNotes has introduced a model that serves as a guide to understand vendor capabilities. According to Arun Jethmalani, Managing Director of ValueNotes, "*With the proliferation of service providers, the selection and evaluation process has become a major challenge for buyers. The ValueNotes Sourcing Prism is an attempt to make the selection process easier. The Sourcing Prism's three vectors: service maturity, sustainability and strategic intent; also provide an indication of the likely long-term success of the service provider.*"

The **ValueNotes Sourcing Prism** represents each company on three parameters – its service maturity, sustainability, and strategic intent.

- **Services Maturity:** 'Services Maturity' refers to the service expertise that a company has built in its chosen industry. This is evaluated by assessing the depth of services offered by the service provider, the industry experience and the relative position on the services value chain.
- **Sustainability:** In-sourcing once outsourced work or selecting a new vendor can be extremely costly for customers. Thus a provider's operations need to be scrutinized to ensure that, along with service expertise, the business is sustainable. 'Sustainability' is measured by assessing the financial strength, company brand, scale, etc. In addition, risks from client concentration, diversity of client base, service focus and debt levels need to be assessed.
- **Strategic Intent:** A company with strong service offerings and sustainable operations might still lack direction. 'Strategic Intent' measures the strategic decision-making element in a company, both in theory as well as in execution.



Source: ValueNotes Research

The ValueNotes Sourcing Prism compares each company's overall score against two benchmarks:

- Industry Average – average rating across the industry for each parameter
- Industry World Class – the highest rating possible in the industry, represented by the outermost corners of the Sourcing Prism

Apart from industry measures, companies are also classified into three groups: Pacesetters, Contenders and Aspirants.

- **Pacesetters:** These firms are defining the highest standards in the industry, for the respective parameters, reaching the outermost points of the 'Y' in the model.
- **Contenders:** These companies have a healthy combination of the parameters under study, and are challengers for the 'Pacesetters' industry group.
- **Aspirants:** Companies in this group have the potential, but are currently under restraints.

ValueNotes Sourcing Prism: Legal Outsourcing

The offshore legal services segment is relatively new as compared to other knowledge services segments like publishing, e-learning, market research, etc. As indicated in the report, very few players have matured in their service offerings, with a majority of the offshore service providers offering low value services like transcription, document review, secretarial support services, legal publishing, etc. About 10-15 players have gained substantial maturity in their service offerings and are gradually moving towards a more consultative role (rather than the typical vendor-client relationship).

Industry Group Analysis:

ValueNotes has analyzed 40 vendors in the LPO segment. Using the ValueNotes Sourcing Prism, we have rated the companies in this segment.

- **Pacesetters:** Companies under this group, viz. CPA Global, Integreon and Pangea3, have extensive industry experience, matured service offerings and strong business models. These companies have moved up the value chain and have added a sizeable number of clients. CPA Global and Integreon have been in the industry for more than 10 years and have developed service depth for their offerings. They have had a focused approach in terms of expansions in different geographies and services.
- **Contenders:** Companies grouped under 'Contenders' have also been growing at rates higher than the industry average. These companies have relevant industry experience although they are still in the process of building end-to-end capabilities. A majority of them have established niches within a few

select service lines. Although some of the vendors in this group are relatively new, they have gained significant services maturity.

- Aspirants: 'Aspirants' are mostly companies that have been opportunistic in nature, with heavy dependencies on one-off projects. Only a few select companies have been able to establish themselves as niche players within the market.

The ValueNotes Sourcing Prism will aid in sourcing strategy and investment decision making.

About ValueNotes

ValueNotes is a leading provider of business intelligence and research, with expertise across industries, particularly in financial services, media, engineering, healthcare, IT and the outsourcing industry. We have built strong capabilities in the collection, interpretation and analysis of data - both qualitative and quantitative.

The ValueNotes Sourcing Practice is one of the largest information providers on the outsourcing industry. The Practice uses a comprehensive, analytical framework providing fresh insights into the fast emerging and yet, complex outsourcing space. We extensively track the space through regular analysis of news and events, continuous primary research and contact with the industry. Additional information is available at www.SourcingNotes.com

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