



For Immediate Release

Ahmedabad, Jaipur and Nagpur amongst 31 emerging cities globally for the IT / BPO industry – KPMG Report

- *31 cities identified globally by KPMG as the key emerging alternatives to the existing favorite locations*
- *Ahmedabad, Jaipur and Nagpur are the three Indian cities featured in the list*

New Delhi 11th February, 2009: As the existing favorite locations for shared services and outsourcing start to become saturated, newer cities are emerging, offering new and improved incentive packages and talent, that are better geared for the IT / ITeS industry, says **KPMG** in its report- '**Exploring Global Frontiers- the new Emerging Destinations**'. KPMG has identified thirty one relatively unexplored cities, for Information Technology (IT) and Business Process Outsourcing (BPO) in their report released today. Though dominated by cities in developing countries, it also includes some onshore or near-shore developed city-country pairs which may be valid competitive alternatives to the existing favorite locations such as Bangalore, NCR, Chennai, etc Interestingly, Ahmedabad, Jaipur and Nagpur have been identified by KPMG as emerging cities for the IT/ BPO industry in the country.

The report highlights that enterprises are moving offshore not only to benefit from lower costs and access to a diversified talent pool, but also to get an added "first-mover" advantage if they tap relatively unexplored cities. They can also acquire various incentives such as government grants due to a heavier hand at the negotiation table as "first-movers". Countries in the developing markets are offering lower cost destinations for outsourcing services, and also access to their markets which have high growth potential.

Some cities are also becoming actively involved, independently promoting their capabilities and available programs. To create a "unique selling point", specific services such as accounting, research and development, and animation are being promoted.

Speaking on the occasion **Egidio Zarrella, Global Partner-in-Charge, IT Advisory, KPMG** said, *"Over the longer run, companies are likely to pursue rationalization measures. In the IT/BPO industry, these measures are likely to focus on the search for lower cost business alternatives globally, that could also allow companies to provide diversity to their global operations. Though the "established locations" may still be considered as the epicenters of outsourcing, entities are beginning to look at other alternative locations due to a variety of drivers."*

A favorable business environment, access to a good supply of talent, good quality of life and lower costs are some of the factors that are being sought out by IT-BPO companies investing in emerging locations. Some of these destinations are hot tourist spots, and therefore, are more visible on the world map. Then there are other locations which are relatively unheard of, but are seeing traction as they have historically had a good education system and are working on improving their infrastructure.

However, it is imperative for enterprises comparing the alternatives to consider the risks and rewards associated with the emerging locations versus the more established locations. *"A one-size-fits-all strategy may not be appropriate with location selection. Companies should consider their needs, and align their vision with what different locations offer when considering their location assessment strategy"*, **added Mr. Zarrella.**

The report identifies that even the best and affordable workforce cannot compensate for inadequate telecommunications infrastructure that require companies to invest millions of dollars in dedicated lines and redundancies. Similarly, some cities with a large and affordable skill pools, lack modern commercial real estate required to house sophisticated IT operations. Local political conditions and business practices in some locations may make setting up and running a business a costly and frustrating experience. A large number of graduates in itself do not imply the availability of adequate skills, as the quality of education systems among universities and colleges can vary tremendously, even within the same city or country. *“Although these and other factors are considered to varying degrees in most location analyses, their importance and potential impact on costs and ease of operations is often underestimated”*, said **Mr. Zarrella**.

Indian cities Identified by the report...

Ahmedabad, Jaipur and Nagpur have been identified by KPMG as emerging cities for the IT/BPO industry in the country. India is a pioneer in the global offshoring industry, clocking revenues of USD 40.3 billion through exports in FY2008 and employing close to 2 million people. Aside from Bangalore, Mumbai, National Capital Region (NCR), Chennai, Pune and Hyderabad, which are now regarded as “emerged destinations”, several smaller Tier II and III Indian cities have the potential to attract IT-BPO investments.

Factors that supported these cities to join the list include, presence and further improvement of infrastructure, incentives provided by state governments, availability of human recourse and low risk possibilities.

Commenting on the findings **Mr. Viral Thakker, Partner-in-Charge, Sourcing Advisory services in India, KPMG** said, *“Realizing the growth potential of the IT-BPO industry, Tier II cities in India have now jumped on the sourcing bandwagon and can be projected as viable destinations.. Cities identified in India have the benefit of learning from the success stories of the large cities in the country and have the potential to emulate this success.”*

About KPMG

KPMG is the global network of professional services firms of KPMG International. KPMG member firms provide audit, tax and advisory services through industry focused, talented professionals, who deliver value for the benefit of their clients and communities.

KPMG in India has offices in Mumbai, Delhi, Bangalore, Chennai, Hyderabad, Kolkata and Pune and services over 5,000 international and national clients. The firms in India have access to more than 3500 Indian and expatriate professionals.

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