



Growing European Practice

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Good afternoon. In next 20 minutes or so, I will try to make up the time we have lost. I will try to quickly take you through what are the predictions in the European market, what are trends, what are environments, what are the challenges that we are facing and what we are doing in European practice to take these challenges head on and ensure that we continue to grow.

Let us look at what are the market predictions. UK is largest market segment with approximately expected 30% market share. UK, Germany, and France, only three countries contribute close to 64% of the market share. The expected market size, and mind you this is only Western Europe, is \$160 billion with estimated forecast of 4.3% CAGR. The 4.3% CAGR may not look a very big number, but the fact that the market size itself is large and also the fact that we are offering the entire range of services that this market need. We are very well-positioned to increase our share in this market substantially.

The difficult situation in the economy in Europe is driving most of the business houses to be more value-conscious. Outsourcing is not about the cost reduction, it is not about only cost optimization, but it is also about much higher quality and is about much higher predictability. This is one of the most highest quality conscious market as far as the IT services are concerned. 'Do more with what we have' approach is visible across the board. Most of the IT budgets that are spent, go towards solving genuine business problems. If at all there are some technical projects, they really need to show their ROI, the return on investment, within 4-6 months. We are seeing increasing trends in larger outsourcing projects, we are also seeing that there are longer sales cycles because of increased due diligence across Europe.

Throughout Europe, we also feel that there is a greater awareness, that there is a synergetic appeal between the IT services and BPO. Most of our customers or prospects understand that there is a synergy and prefer a vendor that can offer both the services together. UK, which has the largest market share, is much ahead in terms of outsourcing and compares very well in its trend with the American market. It is very culturally similar to US and favorable labor laws ensure that the outsourcing and offshoring is happening in UK much ahead of the continental Europe. There is an expected significant growth in the BPO segment in UK, both in voice and data. Another good news in the European market is inclusion of 12 eastern European countries into the European Union, which means that the market share increases and also it allows an additional sourcing option of multilingual good technology skilled people.

The competitive space in Europe is very complex and significantly large. On one side, there are global major service providers and on the other side, pure play offshore player, not to forget local players in the select geographies and niche players who have carved themselves a niche in the market. The story in the European services market has changed significantly from only business consulting to business consulting with core competencies. For example, one of the UK based consulting firm calls itself integrators that consult now. There is a lot of noise in the market about being able to deliver services, India-based delivery options. Many of the service providers are sacrificing margin to improve the percentage utilization. We see increasing tactical trends of combinations and partnerships in alliances, which perhaps you would not have expected last year. It is obvious looking at the competitive landscape that there is no pan European player with a strong GDM skill. With our revenue spread, which is about 40-45% coming from UK and the rest coming from continental Europe and the strong GDM skills that we provide, we present ourselves as a pan European player who is strong in GDM.



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The European market is an interesting and a complex web of interdependent economies, with each of this economy having its own special need. The diversity and cultural language provides or makes a big challenge to operate in this market. The government is protectionist, the labor laws are not favoring outsourcing. There are complex visa regulations, which change from country to country, and the business environment is fairly conservative. And in spite of the challenging environment, we have grown very well in the European market in last 5 years. We have been able to achieve a CAGR of 85.2%, which is much ahead of Infosys as a whole. We hope to leverage the growth that we have had in the past, build on the competencies that we have built, learn from the experience that we have gained, based on the relationships that we have established, ensure that we become free at European practice, become growth engine for Infosys going into the future.

In order to do that, we feel that we need to focus on four main things. One thing is enhancing our brand. Second is investing further into our sales and clients relationships. Third, innovative service offerings and alliances ensuring that the client has end-to-end service offerings, and the fourth is excellence in execution. I would like to share with you quickly what we are doing on all these four dimensions.

When we are thinking of enhancing brand, we are thinking of two things, improving our brand image and increasing our brand recall. In order to achieve both of these, we are managing this by balancing our acts between media publications, various analyst forums, various media events, such as World Economic Forum, also certain events like Wharton Business Award, and also attending and presenting ourselves to various analyst meets.

Historically, we have looked at the European market based on the geography, demonstrating our understanding of the fragmented market with its own special needs. We will continue to do so, but recently we have been also seeing changes where there is a need of verticalization, at least in certain specific industry. We have decided to pilot our sales activities in UK, which is the largest market for us, in three verticals, namely utilities, retail, and financials. We are at an early stage of looking at which are the new markets in European continent that we can look at. As an organization, we believe sincerely into deep client relationship. Significant portion of our business comes from repeat business. We value our client relationship very much. Events like Milan that we have, ensures that our customers get view to what is happening at Infosys and the customers themselves are able to share the best practice. For all our large accounts, we have a board level sponsor, we have matured our account management processes over the years and we have key account managers for most of our large relationships. We hire locals because that is a need in the European market for individuals who can perform the customer-interfacing role with the language skills. We also take customer satisfaction feedback very seriously, actionizing each of the feedback that comes.

We continuously innovate into the services that we offer to the client, anticipating the needs in future. The Basel II and Forecourt Retailing are just two examples of our vertical solutions that we are offering to the European market and IT effectiveness and enterprise platform migrations are just two examples of world class horizontal services that we are offering to our European clients.

We believe in long-term alliances. At times in certain opportunities we may be working with certain tactical alliances. Our view on alliances is a long term. We are focussing on stronger alliances like Microsoft and we have made significant strides into alliances with Microsoft where both of us combined are going to market strategies to address some of our customer problems. While we offer the entire range of the services that Infosys offers to the European market, the independent validation services, the infrastructure management service, the systems integrations, and the BPO services are gaining significant popularity in this market.

We are paranoid about excellence in execution. The entire software process development and maintenance process that happens internally is measurement and matrix driven. The dashboards that we provide to our clients, not only measure the product quality and the product service quality that we deliver, but it also measures and allows them to measure the effectiveness or the goodness of their IT systems. We are making focussed effort to improve quality and productivity and reduce our cost of quality by significantly increasing the usage of tools. We are looking at additional sourcing



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channels for example like Mauritius, where French-speaking population is available to address a need of our French-speaking markets. We are focusing on people development very seriously. We are anchoring, a mentoring program called Sarathi. We believe in holistic, all round development of our people based on leadership interpersonal domain and technique.

There are some of the recent wins, which we have had in the European markets and I do not want to really go through all of these, but just an example and the reinforcement of the efforts that we have doing over last two years. Most of these wins that we have had in the recent times span across geographies, span across technologies, span across the services that we offer. I would just like to highlight one of the wins that we have had in recent past, it is a leading bank in UK, which came to us, and when they had come to us they had thought of going in for a two vendor strategy, but when they looked at our solutions, our service offering, our capabilities, they have decided to go in with a single vendor situation.

I would just like to conclude by saying that we are in a highly receptive market for the global delivery models and we have perfected all the ingredient of our value proposition and we at Infosys European practice would become an engine for growth for Infosys. Thank you.