

Convergence of Outsourcing & SaaS in Big Data Analytics



NUEVORA[®]

Outthink. Outperform.

Ushering in the World of BPaaS-Based Business Models in the Era of Big Data

There's no denying it, we live in the era of Big Data!

Just take a look at some of the data points from a recent McKinsey Global Institute special report on Big Data -

- ◆ There were 5 billion mobile phones in use in 2010
- ◆ 30 billion pieces of content are shared on Facebook every month
- ◆ 235 terabytes of data were collected by the US Library of Congress in April 2011
- ◆ 15 out of 17 business sectors in the US have more data stored per company than the US Library of Congress
- ◆ and, the amount of global data generated annually is projected to grow by 40%

Where is all this data coming from? Companies churn out all types of transactional data about their customers, partners, suppliers and operations. We now have networked sensors embedded in everything from cars and consumer appliances to smart meters and smart phones. Along with smart phones, we now have social media sites and new tablets and other handheld WiFi devices that have given billions of individuals around the world the ability to contribute to the accumulation of Big Data.

As big a challenge as Big Data presents us, the opportunity is even greater. According to that same McKinsey report, the firm estimates that a retailer that can effectively derive the right insight from Big Data has the potential to increase its operating margin by more than 60 percent!

The bigger question is how do you glean or extract that insight and leverage that Big Data to its fullest?

After years of helping clients in retail, financial services, high technology and telecommunications improve marketing effectiveness, customer loyalty and risk management by applying business analytics solutions, I feel we have a way forward.

Data warehousing, business intelligence, and business analytics, among other software technologies, along with knowledge/business process outsourcing approaches, have been adopted to tackle and analyze massive datasets for years. But in the era of Big Data, the datasets have grown so large and are growing so fast, these traditional technologies and approaches are not adequate.

So, the answer to tapping the full potential of Big Data lies in yet another tectonic shift. Underlying this shift are three fundamental drivers affecting the business landscape - the mainstream adoption of software-as-a-service (SaaS) delivery models; the need for offshore based service providers to adopt non-linear growth models; and, the increasing trend towards building individual problem-specific software solutions - the so-called "Apps" revolution.

As in all such shifts, the first movements realign the foundation, re-order the normal course of activities, and set the stage for much greater and bigger-picture changes.

Such was the case over the past decade with software-as-a-service (SaaS), in which an entirely new way of delivering software to companies of all sizes grew on the back of the Internet, the same pipe that has spawned the Big Data movement.

For the first time, companies could save significant amounts of money, gain substantial efficiencies, and streamline operations by subscribing to software on an as-used or monthly basis rather than paying for full software licenses upfront and having it deployed on site. Software suddenly became an 'opex' gain rather than a 'capex' drain.

Similar gains in efficiency have been achieved through another 'service' -- the rise in offshore outsourcing, starting predominantly with functions such as IT services followed by mundane BPO functions such as call center or back office based transaction processing services. Skilled, eager, well trained talent readily accessible at lower costs was the primary driver. While this growth in offshore outsourcing of services over the last three decades has resulted in the birth and rise of some of the largest organizations in the world, the business models have remained fairly linear in growth. Ever growing teams of bright, educated and well trained IT professionals, for the most part, were assembled to service clients with revenue growth directly linked to the addition of human resources making the growth engines of these firms linear, less innovative and less attractive.

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With new levels of maturity achieved by these traditional people-driven business models, there is an untapped opportunity for offshore outsourcing companies to explore approaches that create non-linear business models.

The next wave of business model innovation marries the arbitrage benefits of offshore outsourcing - cost, talent and speed to market - with the scale, scope and delivery advantages of SaaS. This type of wrenching change is not new. It's played out many times, the most recent and analogous example being the way SaaS pioneer salesforce.com disrupted the well-established on-premise based enterprise software market for customer relationship management (CRM).

Now, we're seeing it play out again. So, how will this wave manifest itself?

One of the first areas where we will see this wave take place will be the impact it has in some of the niches of the high value-add KPO/BPO outsourcing market, notably in the business analytics space. Just as SaaS disrupted traditional software, a new wave of SaaS-based business service solutions, or business processes-as-a-service (BPaaS), and associated new business models will start encroaching upon traditional business process outsourcing services. Those traditional purely people driven service providers will continue to play a role, but it will increasingly be at a competitive disadvantage over the coming years.

This new BPaaS business model marries the scalability, revenue recurrence, and efficiencies of SaaS business model with the business expertise and custom solution development of people-centric outsourcing, the goal being to recalibrate how people think about and use capabilities such as predictive analytics for achieving operational excellence.

Once available, these new business service apps will let companies apply this new on-demand capability to a wide range of precise, well defined business problems, such as customer churn, profitability or acquisition. Much as consumers go to App Store to download an app for a specific need, business people similarly will be able to use and apply specific business service apps for solving specific business problems.

The shift this time is not solely about efficiency gained through adoption of software. It's about achieving operational excellence by making business processes smarter through the incorporation of advanced business analytics. It's about driving actionable, real-time insight out of the ever increasing and persistent flow of Big Data. It's about recognizing patterns in customer and market behavior and reliably predicting business outcomes.

Organizations will also then be in a position to bake capabilities like real-time predictive analytics into their ongoing business processes and not just rely on them from time to time in an ad-hoc manner. This capability will become increasingly important as more and more businesses recognize the opportunity - and necessity - to fully tap Big Data continuously, every day, to stay on top of changing consumer preferences and shifts in market dynamics among other fast moving business drivers.

With that in mind, these innovative new 'business service apps' and their providers will create an entirely new category of solutions that:

- ◆ Provide advanced business analytic capabilities comprising targeted apps that leverage sophisticated human talent
- ◆ Deliver continuous, context-sensitive, and near real-time insights

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This shift will not come without its challenges. There are three significant ones:

- ◆ Just as companies needed to learn to trust SaaS as a viable software delivery model, organizations must also learn to trust BPaaS as a trusted method for deriving business-critical insight
- ◆ Companies must evolve their mindset and view predictive analytics as systemic, something that is a persistent, continuous part of their ongoing business processes
- ◆ The business world must continue to invest in developing IT talent and analytical expertise that understand on-demand architectures and have an appreciation for business processes and the value of reliable, real-time data and insight. This shortage of analytical and managerial talent necessary to fully leverage Big Data is substantial and real.

In the US alone, we face a shortage of 140,000 - 190,000 people with the deep analytical skills as well as 1.5 million managers and analysts to analyze Big Data and make decisions based on those insights. While they won't solve the problem in its entirety, the new wave of business process apps will certainly take some pressure off the challenge of addressing the data scientist talent gap!

Such challenges have been met before and will be met again.

About Nuevora

Nuevora is an innovative business analytics services and solutions provider. The company helps its customers achieve positive, high-impact business outcomes through the delivery of continuous, problem-specific, and context-sensitive business analytics.

Leveraging advanced technologies, predictive algorithms, and optimization techniques, Nuevora's strong team of data scientists, statisticians and consultants help organizations implement smarter decisions across their entire customer life cycle through data-driven insights. Nuevora specializes in customer and risk analytics and engages with its clients in a managed service consulting model to enable easy institutionalization of analytics-based decision making across client organizations.

Nuevora's customers include some of the major corporations in high technology, retail, insurance, financial services, data marketing and telecommunications markets.

In 2011, Nuevora raised its first round of institutional funding from Fortisure Ventures of San Francisco, California, to execute on its vision of becoming a leader in the Business-Processes-as-a-Service (BPaaS) market space.

Our unique BPaaS business model facilitates faster time-to-market on results and significant cost efficiencies for organizations while providing them with a platform for scalable and repeatable analytical innovation. We are headquartered in the Silicon Valley.

Nuevora is headquartered in the San Francisco bay area, California, and operates an analytics center of excellence in India.

Some of the best run organizations partner with Nuevora to outperform their competition. Interested in learning how? Please contact us at:

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