



## Capgemini differentiates its services on global delivery, but can it compete on price?

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**Capgemini has emphasized its global delivery acumen, by showcasing its expanding European delivery center in Krakow, [Poland](#), to industry analysts and advisors.**

This dovetails with Capgemini's strategy of positioning its delivery centers in Latin America (see [earlier article](#)), Guangzhou (China) and India, to present a compelling global delivery capability, based on a network of proven locations, where educated, multilingual talent is readily available to support its clients' global General and Administrative (G&A) processes. However, while the firm is clearly focused on investing in quality nearshore/offshore delivery resources, does this enable it to compete aggressively with low-cost offshore-centric providers for BPO/ITO engagements?

Capgemini is one of the largest and most well-known European IT/BPO service providers and consulting firms, with revenues of \$10.3 billion, but has struggled in the past to become a household name in the US. However, its recent aggression in the BPO market, resulting in notable client wins such as [Bunge](#) and Coca-Cola Enterprises, has helped elevate Capgemini as a serious contender for global enterprise BPO engagements.

Capgemini has been providing BPO services, primarily Finance and Accounting (F&A) and Procurement, for more than 6 years, and boasts one of the few integrated global delivery networks, from which the firm supports enterprise its customers, which include the likes of Coca-Cola Enterprises, International Paper, Zurich Financial, and Hydro One. This support is provided by a global network of delivery centers in Guangzhou, Bangalore, Chennai, Guatemala City, Sao Paulo, and Dallas.

The Polish cities of Krakow, and nearby Katowice, are the centers for the majority of its Pan-European operations. Similarly to its Latin center in Guatemala City, Krakow is marked by a youthful energetic staff, and acts as a control center for the entire European support operations, similar to the function of Guatemala for Latin America.

The center, which opened 5 years ago, has grown to 3,500 employees, of which 2,100 provide dedicated support for Capgemini's BPO operations. This growth has provided compelling career opportunities and contributed to the enthusiasm and energy that is apparent within the centers. Much of the staff have studied in universities across Europe, which allows this center to provide voice support in all European languages, as well as having the necessary understanding of local accounting and procurement practices, to support the F&A and procurement activities of its customers.

Capgemini is working hard to provide differentiation for its offerings. In Krakow, it emphasized its "Global Command Center", which is a concept based on a set of procedures and tracking programs, that allows global customers to be managed as a single entity. Capgemini can share work between centers to balance loads, or use its global distributed work force to solve problems in a timelier, synergistic manner. This command center concept, combined with its multi-lingual ability, is its greatest point of differentiation for delivering pan-European BPO operations for its clients.



Moreover, Capgemini has also have developed approaches to try and get more customers to move to solutions whereby it can share resources and knowledge across customers, rather than setting up the “virtual captives” that have become the de facto solutions for most BPO providers. It’s philosophies for a “Global Process model” and the release of its governance dashboard solution, BPOpen 2.0, are strong value enhancements for enterprises seeking global process improvements.

Capgemini has also recently purchased IBX, a procurement services and SaaS provider, to provide a unique enhancement to its overall procurement BPO capabilities. This gives Capgemini a standardized technology platform to SaaS-enable procurement clients and the ability to provide the technology cost in a variety of ways, competing directly with the likes of Ariba, but also providing an alternative to other BPO/Procurement partnerships, for example IBM/Hubwoo and Genpact/ICG Commerce. Moreover, Capgemini can genuinely offer a one-stop procurement-as-a-service competency, whereby in the past it had to rely on subcontracting to other procurement software and services providers.

In the IT Outsourcing market, Capgemini has the network of data centers that it inherited from the Ernst & Young acquisition several years ago that enables it to compete with HP, IBM and Wipro in engagements where the customer wants to divest itself of its IT infrastructure. However, it is moving forward aggressively with its “Remote Infrastructure Management” offering (RIM), that is showing higher levels of demand in the current market climate.

Beyond the staff operating and maintaining the executive software in the data centers, the bulk of the labor in infrastructure services is in service desks that provide everything from desk-side support to taking orders for software and hardware upgrades. Its strong presence in China, India, Latin America, and Poland gives Capgemini the global delivery presence and the multilingual capabilities to have strong potential in the area.

***The HfS Viewpoint: Capgemini has global delivery quality in spades, but has to continue to develop cross-client synergies and processes to be competitive***

Capgemini's Krakow center provides the type of operation that will make a client feel comfortable in using it for its G&A activities. What remains to be proven, is whether Capgemini can develop common offerings for G&A process that will be accepted by clients, which is the common challenge facing all of today’s leading BPO providers. While Capgemini leverages offshore support from locations, such as India, to drive down the cost of its global delivery services, it has made investments in high-quality locations, such as Poland and Guatemala, which are costlier than those of several of Capgemini's competitors, which focus more heavily on lower-cost locations to be more price competitive.

Developing more common processes will enable Capgemini to provide greater value in delivering process excellence and competitive pricing through efficiently-leveraged staff, technology and processes. This will be necessary as Poland becomes a fully-fledged member of the EU and labor costs across Europe become equalized.

**All-in-all, while the French- headquartered service provider is clearly investing in high-quality, but also costlier, locations, HfS believes these investments should bear fruit in the future when labor-based engagements further commoditize, and cost efficiencies increasingly come more from IT/BPO synergies, common delivery platforms and Cloud Computing delivery, as opposed to primarily low-cost labor.**



## About Horses for Sources

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Horses for Sources (HfS) is the foremost advisory analyst firm and social networking community focused on helping enterprises make complex decisions with their global outsourcing strategies. HfS is well-regarded across the industry as the platform that delivers the "real hard facts" about outsourcing.

HfS provides the most impactful and frequently-visited collaborative community platform in the global services industry, providing rapid and insightful commentary, analysis and debate of enterprise outsourcing dynamics. The organization is unique in the fact that it integrates personable social networking with market research and advisory services.

Led by industry expert [Phil Fersht](#), the Horses for Sources research team is a multi-disciplinary group of analysts and experts with deep domain knowledge in Business Process Outsourcing, Industry Specific Process Outsourcing and Cloud Computing. The team comprises a unique skill-set of research, practitioner and strategy experience, that can take full advantage of social-media platforms to deliver cutting-edge research to enterprise buyers.

Launched in 2007, the Horses for Sources blog has more than 100,000 regular visitors across the global outsourcing industry, and is widely recognized as the leading destination for collective insight, research and open debate of industry issues and developments. The Horses LinkedIn community is thriving with 10,000 industry professionals sharing views and information daily.

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