



Near- and offshoring of IT services: The German market perspective

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Thorsten Rüß, Alexander Stoll

Near- and Offshoring seem to be the adequate approach to today's major challenges of IT departments. But is this valid for all industries in the German market?

Drivers

Persistent cost pressure and increasing complexity of IT solutions combined with decreasing availability of skilled personnel makes IT sourcing the obvious solution to today's major challenges.

Market

India, China, Malaysia, Thailand, Phillipines ...

Companies have the choice of service delivery from onshore, nearshore or offshore. Whilst offshoring still offers the most attractive cost effects, several European nearshoring destinations are on the rise.

Potentials

	Sourcing Potential	Top Driver
		Cost Reduction
		Standardization
		Flexibility

ZELOS' key customers operate in the area of

- Financial Services
- Insurance / Healthcare
- Utilities / Energy

IT outsourcing offers these industries considerable financial benefits, which are expected to be even higher for near- and offshoring scenarios.

Data security aspects and binding rules by regulators limit the engagement of ZELOS' top customers in near- and offshoring solutions

Top Issues

Security first!

- Security aspects do nowadays top consolidation as a main challenge

Where is my data?

- Main obstacle regarding near- and offshoring are security concerns

You shall not ...

- Regulatory settings are becoming more and more important

Is it safe?

- Current jurisdiction on international data security standards irritates customers (e.g. safe harbor, freedom act)

Customer Behaviour

Organizations in ZELOS' key customer markets do

- More cautious, more selective sourcing
- Less commonly outsource basic infrastructure
- Prefer provider proximity (1. onshore, 2. nearshore, 3. offshore)
- Prefer well-known, established providers, when moving offshore

Framework Conditions



KWG §25b, MaRisk, PCI-DSS

- Interpretation by BaFin becoming stricter
- Security requirements increasing significantly



VAG, Solvency-II, EIOPA

- Regular audits / outbound due diligence required
- Rigid data security policies apply for customer and provider
- Permanent access to all information incl. onsite access obligatory



EnWG, BDSG, IT-Sicherheitsgesetz

- High infrastructure requirements (e.g. data center tier level, disaster recovery concepts, hardening measures etc.)
- Strong data protection requirements



ZELOS Management Consultants
Magdalenenstraße 49 | D-20148 Hamburg

www.zelos.consulting

