

Product development poised for fast growth

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Outsourced or offshored, bottomline is value addition

Billion dollar pie

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Technology product development services for captive requirements and by third-party outsourcers is seen to be booming and poised for significant growth.

While large MNC corporations such as Microsoft, Dell, SAP and Oracle are now developing significant intellectual property in India, most of the large IT services providers such as Patni, Satyam have created separate teams for product development services. To complement these are a host of third-party independent product development services providers such as GlobalLogic, Persistent Systems, Aztec among others.

With testing becoming a key element, most of the software service providers are offering testing services for products and some are focusing only on testing, such as AppLabs.

Nasscom estimates

While the National Association of Software and Services Companies (Nasscom) has identified this space as a separate technology business stream of outsourced product development, there are trends that point towards increasingly smaller companies, with lower budgets seeking OPD services from India.

Of the \$180-billion global software products market, according to Nasscom estimates, this segment is poised to grow to a whopping \$11 billion market, thereby, ensuring the companies scale up the technology value chain offering services in the entire lifecycle, right from concept, design to development and product testing.

Outsourcing pie

According to the Senior Vice-President of Product Engineering Services, Patni Computer, Mr Ajay Chamania, the global market for engineering services is estimated at about \$750 billion and of this only 10-15 per cent is outsourced. By 2020, India could potentially capture about 25-30 per cent of the much larger pie of \$225-billion outsourcing pie.

The best part of this outsourcing aspect, Mr Chamania believes is that outsourced product engineering services extend beyond product design and R&D services and cover process engineering, plant automation and enterprise asset management (EAM).

Patni today has over 1,600 engineers working on product engineering services that cover conceptualisation, prototyping, design and development, verification and testing.

The Director of GlobalLogic, Mr Rohit Sharma, said that the OPD started with tier II companies and has gradually moved on to small companies. The emphasis on OPD has become an important ingredient for bringing in overall savings in cost of product development. This has also become an important issue when it comes to venture funding.

GlobalLogic, formerly IndusLogic, now has over 1,300 employees, with over 70 per cent of them from IITs. This only reflects that focus and importance for this cutting edge of technology development. Last fiscal alone, GlobalLogic has helped develop about 100 products for various companies, Mr Sharma said.

"In fact one of the companies, Mantas, for which GlobalLogic was handling product development, was acquired by i-flex Solutions. We now expect a larger engagement through this acquisition," Mr Sharma explained.

Differences

So what is driving this growth? Product development is the result of a need to tap new markets, evolving consumer tastes and preferences, or enhancements to the existing products in order to serve customers better.

There is a clear distinction between the two sets of companies operating in product engineering space — the first include service-oriented entities while the second are those with complete product lines and after sales service. Many companies with their own set of products have been technology enablers, or have had their own set of products.

According to Mr Srini Koppolu, development teams at Microsoft R&D centre have developed lot of aspects of the to-be-launched Vista operating system and radio frequency identification technologies.

If product development is not being outsourced, there is a possibility of it is being offshored. Either way, the bottom line is value addition.