



## VENDOR PROFILE

# Tata Consultancy Services Utilities BPO Services

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## IDC OPINION

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For many years, utilities were reluctant to outsource to third-party contractors, but recently that trend is changing. Utilities are increasingly utilizing service providers and outsourcers for a broad set of needs, including business process outsourcing (BPO) in areas such as customer care, financial, procurement, and energy efficiency program management and fleet management. At the same time, the 3rd Platform technologies (Big Data and analytics, mobile, cloud, and social) are beginning to gain traction in the utility industry. Utilities are facing a combination of critical events involving macroeconomic and business trends, industry evolution, technology advancements, and regulatory constraints that are creating a unique moment in the history of the industry. These events are placing tremendous business pressures on utilities; the impact of which is that utilities are:

- Facing a fundamental shift in mature economies in their profit pools because of decentralization of generation means
- Seeking new revenue pools while reducing costs in the short term during a period of eroding revenue
- Battling other industries for the best talent because of a rapidly retiring workforce
- Adding capacity in fast-growing emerging markets as quickly as possible to be able to keep up with the surge in demand

## IN THIS VENDOR PROFILE

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This IDC Vendor Profile describes Tata Consultancy Services' (TCS') Business Process Services (BPS) offering for the Utilities industry. This document includes the company's current service offerings, delivery infrastructure, investments in new capabilities, certifications and alliances, and experience supporting the operational and end-customer needs for utility providers.

## SITUATION OVERVIEW

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Utilities are in the eye of the "perfect storm," where the combination of macroeconomic and business trends, industry evolution, technology advancements, and regulatory constraints has created a unique moment in the history of the industry.

In fast-growing emerging markets, which are expected to account for more than 90% of net energy demand growth by 2035, utilities seek to add capacity as quickly as possible to be able to keep up with the surge in demand. This has a direct impact on investments in power generation (including renewables and nuclear) and network infrastructures.

On the other hand, utilities in mature economies are grappling with excess capacity. This is compounded by the decade-long push toward energy efficiency and independence as well as the drive to take advantage of electricity generation from renewable sources. Subsidization policies and generous feed-in tariffs led to increases in distributed electricity generation and an increased relevance of prosumers in the market, along with complex integration issues for distribution networks. This decentralization of generation means utilities are facing a fundamental shift in their profit pools. This goes hand in hand with demanding decarbonization and energy efficiency targets and the need to upgrade and substitute aging assets.

At the same time, utilities – with a rapidly retiring workforce – are battling other industries for the best talent. Add to that, today's consumer expects to shop, drive, and network anytime and anywhere. To compete for attention and retain their customers, utilities must improve the customer experience (CX) but need to also be cognizant of the cost to serve. Ultimately, utilities will need to seek new revenue pools. In the short term, they will need to reduce costs in a period of eroding revenue.

For many years, utilities were reluctant to outsource to third-party contractors, but recently that trend is changing. The managed services deals of today have extended beyond help desk and skills augmentation to areas such as business process outsourcing of customer care, financial, procurement, energy efficiency program management and fleet management, and application maintenance, development, and hosting of suites of utility applications, such as customer information systems (CIS), enterprise resource planning (ERP), work and asset management, and meter data management. In a recent survey – IDC's *Vertical IT and Communications Survey*, February 2015 – when respondents were asked about plans to increase their budgets, 33% of utilities had plans to increase spending in application management, 25.3% in IS outsourcing, 21.4% in hosting infrastructure, and 20.8% in hosted application management.

At the same time, the 3rd Platform technologies (Big Data and analytics, mobile, cloud, and social) are beginning to gain traction in the utility industry. Utilities are continuing to favor private or hybrid clouds over public clouds, and IDC's *Vertical IT and Communications Survey*, February 2015, shows that where the public cloud is being used, it is more often at the business unit or departmental level; utilities that are researching or considering cloud are looking much more closely at private cloud. That said, there is an uptick in interest in public cloud, particularly for software as a service (SaaS), with 11% of utilities planning to invest in SaaS over the next two years.

Having done much in-house but now looking at cost-cutting measures, utilities do have expectations of their service providers. Utilities want their providers to have utility industry plus technical competency, flexibility in pricing arrangements, and the ability to work as partners, not merely suppliers. Where applicable, utilities expect vendors to be familiar with local regulations and industry nuances.

The sections that follow provide an overview of TCS' overall BPS business and a detailed view of TCS' strategy specifically for the company's Business Process Services for the Utilities industry. The section on TCS' strategy highlights its offerings, customer examples, and investments in BPS for the Utilities industry.

## Company Overview

Tata Consultancy Services is an IT services, consulting, and business solutions organization that services global businesses. TCS goes to market with a consulting-led, integrated portfolio of IT, business process services, infrastructure, engineering, and assurance services that are delivered through its Global Network Delivery Model, which spans six continents.

TCS' BPS group manages and executes business operations for the company's customers. TCS looks to help clients achieve business growth and agility through innovation and uses its domain expertise to deliver core business processing across industries, analytics and insights, and support processes such as finance and accounting, HR, and supply chain management. Currently, TCS BPS business is supported by more than 74,000 employees, and it services more than 330 customers globally and drives more than US\$1.9 billion (CY15) in revenue.

TCS delivers value for BPS through its ValueBPS™ approach, which is focused on creating proactive partnerships with customers with the goal of helping propel growth and outcomes on significant business metrics. TCS' transformational initiatives and cross-industry-based solutions involve identifying up-front value identification and strategic metrics like cash flows, cost to serve, and time to market, to name a few. Collectively, ValueBPS™ deploys six key levers that are used in conjunction with each other, as needed:

- Operational redesign delivered via TCS' FORE simplification and transformation methodology and TRAPEZE suite of solution accelerators and governance enablers
- Deep domain expertise
- Extensive technology experience and IT/BPS synergy
- Analytics and insights capability
- Business process as a service (BPaaS)
- Robotic Process Automation (RPA)

## Company Strategy

Tata Consultancy Services offers utilities customers Business Process Services as a managed services portfolio that supports both front-office and back-office functions. TCS' offerings are focused on functional – rather than discrete – services with the intent to deliver business impact and address the company's customers' immediate needs as clients plan for growth and assist with balancing regulatory requirements and meeting environmental obligations.

TCS helps build and manage a highly available, reliable IT infrastructure that meets dynamic business needs. The Infrastructure Services for utilities are based on the "assess, build, manage, and transform" framework backed by TCS' partner ecosystem. It determines "as is" and "to be" states that are designed to enable a seamless shift from traditional utilities infrastructure outsourcing to a new-generation delivery model. The offerings provide benefits from emerging services such as desktop virtualization, datacenter consolidation, green datacenter, environment on demand, utilization of remote infrastructure management, and global delivery models.

TCS complements its experience and expertise with new and innovative delivery models such as Robotic Process Automation and business processes as a service, infrastructure as a service (IaaS), and software as a service. See Table 1 for an overview of TCS BPS business.

**TABLE 1**

### TCS' Business Process Services for the Utilities Industry Credentials

TCS	Data
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**TABLE 1****TCS' Business Process Services for the Utilities Industry Credentials**

TCS	Data
Number of associates for Business Process Services for the Utilities industry	~6,250
Global customers	14
Number of associates for Meter to Cash Services	~4,000
Number of associates for customer services	~1,850
Number of associates for other services such as AR, AP, HRO, and analytics	~400
Global delivery locations	8
Consumers supported for billing	Over 20 million
Meter data validations	Over 3 million per year
Consumer connects	Over 6.5 million per year
Consumers supported through omni-channel service	Over 1.6 million

Source: TCS, 2016

### ***Business Process Services for the Utilities Industry***

TCS' BPS for the Utilities industry is focused on addressing the needs of utilities seamlessly by utilizing best-in-class and standardized processes with the goal of improving operational performance. TCS helps utilities deal with operational parameters like time to serve, cost to serve, and customer satisfaction while using its analytics capability to help improve cash flow and receivables performance through proven operating models.

TCS' journey in this space began with providing operational services, including customer operations services covering customer acquisition, move-in and move-out, and billing plans. Over the years, and through its experience, TCS realized that utility service providers had numerous business challenges, such as sustaining and improving efficiency and profitability. According to TCS, examples of this experience included key learnings such as the impact of increasing number of defaulters, which lead to accumulation of bad debts; the need for testing data during migration of technologies, such as from legacy to new ERP systems; and the need to ensure continuous operations while training employees. Table 2 provides examples of TCS' current clients and associated TCS solutions.

**TABLE 2**

**TCS' Business Process Services for the Utilities Industry Customer Examples**

Customer	Challenges	TCS Solution
One of the largest energy companies in the United Kingdom	<ul style="list-style-type: none"> <li>▪ Need for unified and seamless service across communication channels</li> <li>▪ Net promoter score (NPS)</li> <li>▪ Customer satisfaction score</li> <li>▪ Costs of call center/customer service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Phased deployment of new channel of communication — 24 x 7 live Web chat support</li> <li>▪ Assessment of existing processes and analysis of volume fluctuations to suggest a staffing plan that maximized coverage</li> <li>▪ Detailed customer detractor analysis to segregate customers into dissatisfied customers (D-SAT) or promoters</li> <li>▪ Premium customer service to high-priority and critical customer queues</li> </ul>
One of the largest energy companies in the United Kingdom	<ul style="list-style-type: none"> <li>▪ New ERP system and associated exceptions</li> <li>▪ Billing backlog and unbilled accounts</li> </ul>	<ul style="list-style-type: none"> <li>▪ Transformation initiatives involving deployment of TCS methodologies (FORE™ and Exceptions Management), Lean Six Sigma, and robotic automation for process improvement and automation</li> <li>▪ Root cause analysis on unbilled cases and BPEMs and suggested system modifications</li> <li>▪ Deployment of real-time online dashboards to ensure complete transparency for offshore operations</li> </ul>
A major Australian renewable energy provider	<ul style="list-style-type: none"> <li>▪ Backlog and unbilled accounts due to IT migration</li> <li>▪ Timely billing and revenue realization</li> <li>▪ Business process streamlining</li> </ul>	<ul style="list-style-type: none"> <li>▪ Leveraged IT-BPS synergy to manage volume of exceptions generation that causes delays in billing</li> <li>▪ Initiated "Bill Audit" project to study entire billing journey and identify and fix revenue leakages</li> <li>▪ Integrated voice and back-office services</li> <li>▪ Transformation initiatives involving deployment of TCS FORE™ methodology and Lean Six Sigma for process reengineering</li> </ul>
United Kingdom–based large integrated energy retailer	<ul style="list-style-type: none"> <li>▪ Unbilled accounts due to late invoicing</li> <li>▪ Migration from legacy to SAP impacting cost of operations</li> <li>▪ Customer satisfaction scores</li> </ul>	<ul style="list-style-type: none"> <li>▪ Implemented Lean Six Sigma and SPS methodologies to improve accuracy and reduce rework</li> <li>▪ Structural optimization involving cross-utilization of resources through TCS' Exceptions Management methodology</li> <li>▪ Digital innovation and Robotic Process Automation</li> <li>▪ Using Web chat for customer service as well as for upsale</li> </ul>

Source: TCS, 2016

## TCS' BPS for the Utilities Industry Offerings

Tata Consultancy Services' BPS for the Utilities industry covers the end-to-end revenue cycle, spanning customer acquisition, contract processing, account maintenance, billing and cash collection, and smart metering services. These services are designed to help reduce the cost and time to serve while providing timely and accurate billing.

TCS managed services strategy provides a one-stop solution for utility businesses that includes an end-to-end value chain from generation to retail energy and from application hosting to application maintenance and monitoring, architecture consulting, process consulting, quality assurance (QA), infrastructure services, service management office (24 x 7 service desk), and business processes embedded with analytics and insights. These cover the gamut of managed services such as outsourcing, consulting, implementation, assurance, and support.

### Key Offerings

Some of the key offerings included in TCS' BPS for the Utilities industry portfolio are:

- **Meter-to-cash services:**
  - **Acquisition and loss:** Services during acquisition of new customers and loss of customers like sales support, contract processing, account setup, change of supplier tasks and exceptions, erroneous transfers, and other market communication
  - **Meter data services:** Services/activities related to meter and meter data including meter data validation and update, read validation and update, consumption validation and update, meter exceptions, registration of DC, and field liaison work
  - **Billing and payment services:** Full spectrum of billing services including invoicing, exception processing, payments processing, analysis, reconciliation, retail settlement and imbalance correction, and print and dispatch
  - **Debt management:** Frontline collections, debt management, and supporting specialized services like litigation advice
  - **Customer service:** Customer life-cycle management comprising contract management, query-and-issue resolution, and dispute handling across various media such as Web, voice, email, interactive voice response (IVR), and text messaging
- **Smart metering services with embedded analytics:**
  - **Pre-deployment/deployment support:** Includes supply chain management (inbound logistics, outbound logistics, warehouse management)
  - **Field liaison services:** Includes scheduling exception management, work order dispatch and exception management, booking appointments, verifying customer/site detail, liaison with field engineer, updating site visit details in system, market transaction, field visit, and installation analysis and optimization
  - **Smart meter data management:** Includes missing reads; outages and event management; meter data exception management and managing validation, estimation, and editing (VEE) collecting and validating alerts and events; remote read and diagnostic services; extracting communication log; remote firmware update service; and emergency services
  - **Customer care and billing:** Includes life cycle of smart customers, meter-to-cash processes, prepayment management, and smart propositions design and performance analysis

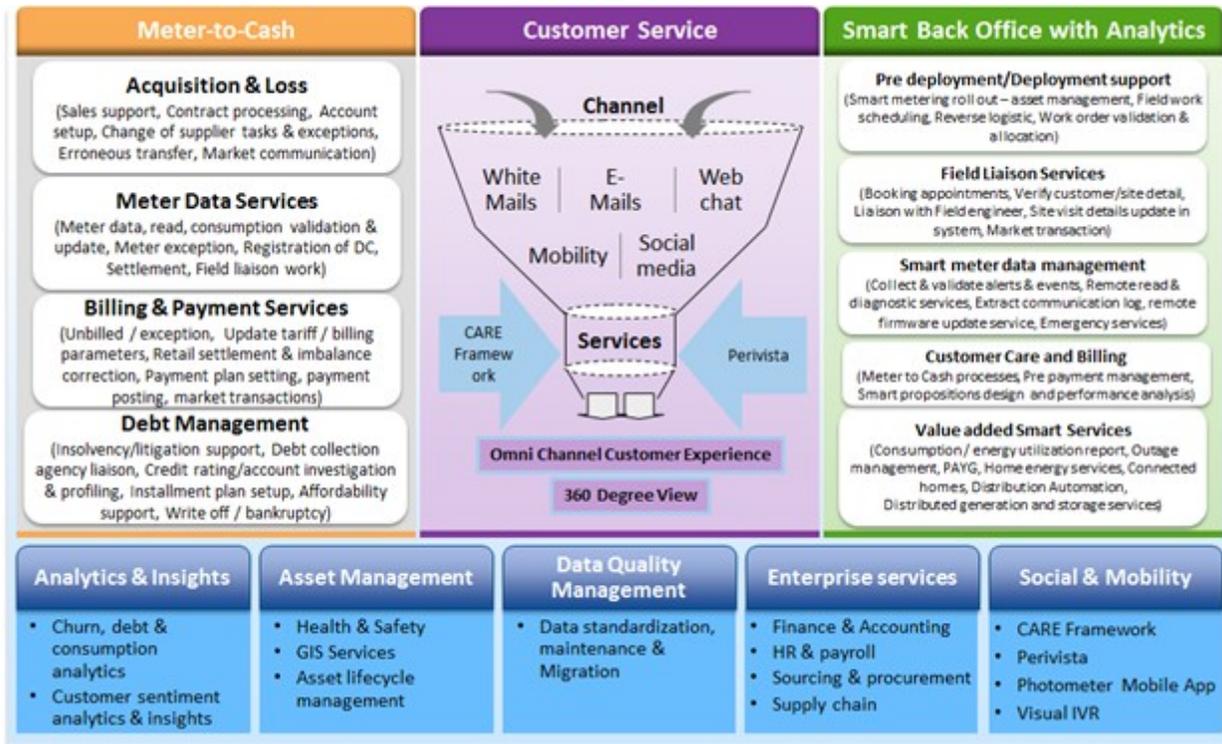
- **Value-added smart services:** Includes consumption/energy utilization report, outage management, PAYG, home energy services, connected homes, distribution automation, distributed generation, and storage services
- **Embedded smart meter analytics:** Includes meter data analytics, billing and payment analytics, debt analytics, and customer analytics
- **Asset management services:**
  - **Analytics:** Asset life-cycle management for maintenance, loss prevention, and optimized usage and performance
  - **Health and safety:** Work environment monitoring, incident logging, and other services
  - **GIS services:** Geophysical mapping to improve asset utilization
  - **Remote management:** Focused on reducing leakages/service disruption and optimizing maintenance/repair schedules

Part of TCS' Experience Certainty approach is the company's analytics consumption management model. This model is designed to assist clients with insights on energy demand during specific time slots/periods and help them do better planning in terms of energy purchases and savings on energy purchase costs. This approach is also designed to help manage the consumption/energy portfolio in a better way as well as help clients bring in energy product/tariff as per demand.

Figure 1 highlights TCS' BPS for the Utilities industry portfolio of services that support utility customers.

**FIGURE 1**

**TCS' Business Process Services for the Utilities Industry**



Source: TCS, 2016

**Investments in Certifications, IP, and Partnerships**

**3rd Platform Services**

In recent years, IDC has been highlighting the evolution of the 3rd Platform, which is built on a foundation of cloud, mobile, social, and Big Data technologies. TCS provides an additional layer of 3rd Platform components to support its BPS for the Utilities industry services offering, which are described in the sections that follow.

**Social**

**TCS' CARE Framework**

In the area of social media, TCS' CARE Framework is a set of solutions and business process service offerings that is designed to understand the customer context and provide timely and appropriate recommendations to help drive consistent and superior experience. This framework looks to achieve these goals by helping TCS customers provide answers to three primary questions:

- What does a consumer experience during his/her interactions with the brand, and how can brands create consumer delight?

- How will brands be able to cope up with the increasing demand for better products and services?
- How can social media help improve the effectiveness of existing processes and what kind of ROI can firms expect from social media investments?

The TCS CARE Framework is built on a utility-specific customer ontology that captures the knowledge generated by customers and utilizes a set of business rules and workflows that leads to an agent-operated recommendation process. This framework incorporates different business areas within the customer domain, such as billing, house moves, tariff plan selection, collection management, and water-efficient measures, all of which have distinctive ontologies on which customer care policies are built. The result is that CARE captures customer context in real time from enterprise and external sources, like social media, and processes this information in an integrated manner with the goal of deriving the next best actions, which can be delivered to the customers proactively through their preferred channels (e.g., Web, live agent). In addition, CARE is designed to help anticipate and resolve problems faster using context-aware suggestions while delivering timely recommendations and measuring the effectiveness of rules adopted in order to fine-tune the policies.

## *Big Data*

### **PeriVista**

TCS' PeriVista solution for Big Data is designed to enable an enterprise to obtain a 360-degree view of its customers. Through PeriVista, enterprises are enabled comprehensive access to insight of their customers through integration of data from various social media sources (Facebook, LinkedIn, etc.) and internal unstructured data sources (email, chat, etc.), as well as existing structured data, from which TCS clients can perform advanced customer analytics. TCS' clients can then utilize insights they gain from this tool to help them achieve key business objectives, from improving customer experience and growing revenue to enabling innovations and transforming the way they do business. Key features of PeriVista include:

- Social media APIs and parsers, Facebook app creation, deployment, and analytics
- Powered by identity resolution and deduping algorithm
- Sophisticated text analytics engine that can perform sentiment analysis, event extraction, entity extraction, and topic extraction
- Built-in customer analytics: Customer churn, recommendations, lifetime value, transaction history, and social influence meter
- Seamless integration with enterprise systems like email and CRM

TCS indicates that it is currently doing sentiment analysis of coal seam gas introduction at a renewable energy retailer.

## *Mobile*

Through a full integrated host of mobile applications, TCS looks to help its utility customers realize the following objectives:

- Reduction in cost to serve through more automated channels of communication in place of those that require manual intervention
- Increased customer experience resulting in improved NPS, resulting from customer ability to interact with utility companies through any channel that can be enabled by a mobile platform

TCS works in close coordination with utility clients to develop and deploy a host of mobile applications, which are designed to help its clients "reimagine" their overall business operations. The following list has brief descriptions of two TCS mobile solutions that the company has developed for its utilities customers:

- **Photometer mobile app.** The Photometer application is designed to simplify and accelerate the billing process for utilities. This approach allows customers to take a picture of the digital meter on their mobile device. Optical character recognition (OCR) converts the image into text on a real-time basis, which is then uploaded to the billing engine of the utilities service provider for validation. If validated, the read will be accepted for billing.
- **Visual IVR.** The visual IVR solution helps convert clients' IVR flow to a visual format that customers can access on their smart devices. This solution enables self-service, but customers can be further prompted with an option to Web chat in case they need additional support.

Additional mobile capabilities that TCS provides as part of its BPS offerings for utilities include mobile work management solution for smart meter rollout, field mobile solution for home energy services, and customer omni-channel for water utilities.

### *Analytics and Smart Meters*

TCS provides analytics services that cover end to end the life cycle of a customer from acquisition, meter data management, billing and payments, and debt management to customer service. The analytics services provided for existing customers are:

- Meter data analytics, which include consumption analytics, energy usage pattern, and demand-supply analytics
- Billing and payment data analytics, which include unbilled analytics, days sales outstanding (DSO) analytics, and prepayment reconciliation
- Debt analytics, which include credit management and customer profiling by revenue
- Customer data analytics, which include customer satisfaction, churn analysis, customer segmentation, and loyalty analytics

TCS has the capability to analyze the data generated from smart meters and provide insights that include the following:

- How much excess energy will be available, when to sell it, and whether the grid can transmit it?
- When and where equipment downtime and power failures are most likely to occur?
- Which customers are most likely to feed energy back to the grid and under what circumstances?
- Which customers are most likely to respond to energy conservation and demand reduction incentives?

To provide insights based on these questions, TCS utilizes its Analytics and Insights center of excellence (COE) to do time series forecasts and demand-supply optimization on data sets with the goal of helping clients optimize business outcomes.

In the area of predictive asset management, TCS provides analysis in the following areas:

- **Condition-based maintenance.** This involves equipment monitoring including raising alerts using analytics and business intelligence (BI) and root cause analysis.
- **Risk-based maintenance.** This involves prioritizing maintenance based on probability of a failure and its consequences, maintenance schedule optimization, and continuous improvement.

The benefits that TCS looks to provide in doing predictive asset management include:

- Reduced maintenance costs
- Reduced outages
- Increased production due to reduced outages and better health of the machinery
- Proper inventory and resource management to have right-skilled people and equipment when required

In addition, TCS is piloting customer analytics using SAP Business Warehouse on HANA.

### Automation

TCS' approach to Robotic Process Automation is to have robotic software simply emulate human behavior without changing the underlying process or system. TCS' strategy is to deploy nonintrusive software robots, which perform based on standard operating procedures. These are installed in TCS desktops, so that there is no need for any changes to be made in client IT systems, applications, or architecture.

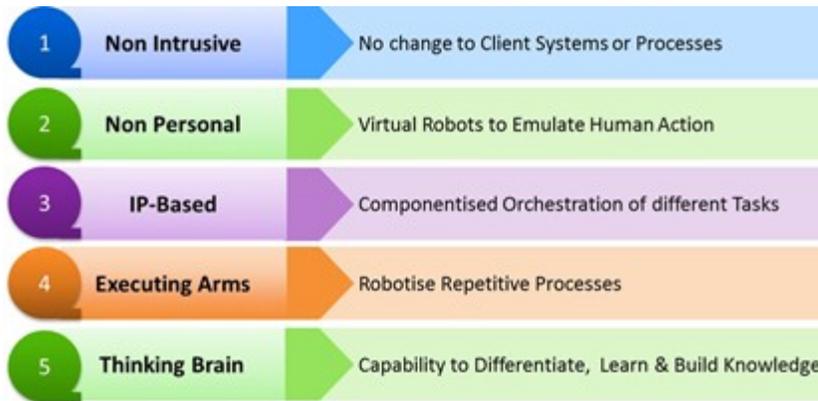
TCS' RPA approach involves a combination of "arm" and "brain" components. The "executing arm" has the ability to see, read, search, and extract information from various types of documents and also enter the processed information into systems. The "thinking brain" orchestrates, learns from patterns, and makes simple decisions using the central knowledge repository of standards, regulations, and compliance norms. The brain learns and controls activities performed by the executing arms. This enables the robot to handle exceptions. This approach is designed to make it easy to scale and sustain. Major tenets of TCS Robotic Process Automation approach are highlighted in Figure 2.

TCS has undertaken numerous robotic process automations for its existing utilities customers through deployment of TCS' proprietary RPA tools namely TURK, Navigator, and so forth. For a leading Australian utility customer, TCS leveraged Robotic Process Automation to provide timely billing.

TCS has a neuroscience-based self-learning platform, ignio™, that automates and optimizes the IT operations and processes of an enterprise to increase agility, reduce operational risks, and enhance user experience. Much like the human neural system, it is designed to blend the ability to sense, think, and act for the enterprises. ignio™ represents the "unseen, constantly-evolving intelligence that helps drive change."

FIGURE 2

### Five Major Tenets of TCS Robotic Process Automation Approach



Source: TCS, 2016

## FUTURE OUTLOOK

### Key Market Trends

Changes in market needs and technologies are placing increasing pressure on utilities to more rapidly adjust their business models. Key factors that will shape how utility providers utilize business process services from outsourcers include the following:

- **Analytics and information.** In the areas of analytics across the broader market, enterprises indicate that customer acquisition/retention, service, and support are leading internal drivers for their analytics investments, while leading success factors for analytics providers of business process services must include business knowledge related to their customers' industry and the ability to provide functional insights (e.g., procurement, finance). Further, winning business analytics opportunities will also require that providers provide key financial benefits (e.g., NPV, ROI, payback period, ROA, IRR, market share) while linking financial and/or business benefits of the specific business problem to the overall strategic goals of the company. Specific to utilities, providers will need to assist clients in identifying what advanced analytics are needed to support long-range planning, short-term forecasting, crew and resource deployment, and continuous improvement. In addition, providers will need to help buyers with real-time visibility and rapid prediction of demand fluctuations to protect utilities against price volatility.
- **Emerging business models (IoT).** In the area of IoT for home automation services in the United States, the top consumer preference is for energy management. Consumers indicate that the value of managed IoT and home automation services for IoT-enabled devices and technologies is led by recommendations on ways to save money, followed by looking for capabilities that can report what devices are monitoring (e.g., electricity usage, water usage, and biometrics), recommendation from providers on how to optimize the capabilities of currently used services, and the need for analysis of the data and information coupled with insights and potential future needs.

- **Customer experience.** Across the broader market, the top consumer need for customer service involves ease of use/simplicity of process, followed by cost. This will be of particular importance given the wide range of channels available to use and the shift to Web-based interactions including mobile and greater use of mobile Web self-service. On the enterprise side, firms appear to be hobbled by internal suboptimal business structures in achieving an optimal level of customer experience. These include enterprise ability to monitor and effectively measure business outcomes and issues that need adjustment (i.e., revised scripts for agents, business processes, corporate policies) and are resolved within a fixed period of time (e.g., one month). By 2018, more than 40% of U.S. enterprises indicate a goal of achieving this objective. When it comes to utilities, in particular, over the next couple of years, utilities will be making investments to improve their clients' customer experience in order to provide additional value with both communication (e.g., alerts on high bills due to weather conditions, personalized advice on energy consumption reductions) and self-service functionalities. Investments are focused on making customer experience effortless, consistent, relevant, and personalized across all channels, touch points, and interactions.
- **Substitution of traditional BPO with cloud/BPaaS.** The rate of preference in substituting a BPaaS (cloud) option for a traditional BPO engagement has been increasing across enterprises, across the broader market. In the United States, in 2012, about 40% of U.S. firms indicated a potential preference for using a BPaaS option. This has increased to 54% in 2015, and IDC expects this rate to further increase in the coming years. Ultimately, while this will require providers of traditionally delivered BPO services to accelerate their creation of a BPaaS business model, it will also open opportunities for new types of business processors using these new delivery models (e.g., cloud and crowdsourcing). This will include providers of business process services for utilities.
- **"Hybrid" BPO.** When it comes to buyers utilizing traditional (more labor-oriented) and cloud-based delivery models, enterprises, in the broader market, are showing increasing interest in integrating both traditional capabilities with cloud-based capabilities as part of a single engagement. In the United States, the rate of U.S. buyers looking to bundle traditional capabilities with cloud-based capabilities has increased over the 2012-2015 time period. Essentially, it appears that buyers of BPO are looking for a provider that can support more of a "hybrid" BPO engagement, which IDC believes will help mitigate the risks of this transition for buyers.

## Industry and Provider Challenges

As with any outsourced services, buyers want to be ensured that providers can meet some critical needs that include the following:

- **Security issues.** Buyers continuously rank security as their top concern when outsourcing, whether using traditional IT delivery methods or cloud-based options. To mitigate these risks, providers need to offer a full array of capabilities across security (e.g., managed firewall, intrusion detection, virus protection).
- **Loss of intellectual property (IP).** Enterprises express considerable concern about the loss of critical IP when outsourcing. Mitigating these concerns requires service providers to implement strong governance and control systems while also clearly defining contractual arrangements to protect critical IP.
- **Concern about how quickly third parties can respond to changes in business.** Buyers also want their providers to be able to respond more quickly to business needs. Part of this requires the use of new models such as BPaaS.
- **Costs and/or savings cannot be calculated/anticipated.** Fundamental for buyers of outsourced services is ensuring that they achieve a good ROI and are able to drive down costs. As always, providers need to be able to offer buyers client testimonials that highlight the provider's ability to achieve the right financial outcomes.

## ESSENTIAL GUIDANCE

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### Advice for TCS

Success for providers of business process services for the utility industry will require that they implement the following:

- **Understand and meet critical regulatory factors.** Ensure that they can meet critical regulatory factors for utility providers, such as the need for new billing systems, which is emerging from changes in regulation.
- **Incorporate robust information and analytics capabilities.** Provide robust analytics capabilities that can help clients in areas such as long-range planning, short-term forecasting, crew and resource deployment, and continuous improvement. Providers also need to help buyers in areas of real-time visibility and rapid prediction of demand fluctuations to protect utilities against price volatility.
- **Provide new delivery and consumption options (BPaaS).** Invest in BPaaS to help clients shift to newer capabilities that enables improved productivity and resource utilization, access to new functionality more quickly, and the ability to localize to specific business unit needs.
- **Deliver end-to-end customer experience management (CEM).** Implement tools and technologies that can help enterprises integrate all elements within a business process, such as creating a seamless customer experience management platform for customer care (omni-channel) and the ability to monitor and effectively measure business outcomes and issues that can be adjusted in more real time. In addition, providers need to utilize more host-based delivery capabilities (e.g., SaaS/BPaaS) to support customer experience management requirements.
- **Offer a full range of capabilities across traditional and new service models.** Provide a full range of traditional and cloud-based capabilities (BPaaS, SaaS) to support buyer transition to newer models that can ensure stability and service assurance during the modernization process.

## LEARN MORE

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### Related Research

- *IDC FutureScape: Worldwide Utilities 2016 Predictions* (IDC #EISC06X, November 2015)
- *BPaaS: Finding the Optimal Industry Position to Ensure Success in a World of Cloud Services* (IDC #US40545815, November 2015)
- *IDC FutureScape: Worldwide Services 2016 Predictions* (IDC #259834, November 2015)
- *Business Strategy: Making the Case for SaaS in Utilities* (IDC Energy Insights #EI258590, September 2015)
- *U.S. Consumer Requirements for Managed IoT and Home Automation Services and the Value Chain of Outsourced Opportunities from IoT to Business Process and IT* (IDC #258081, August 2015)
- *2015 U.S. Finance and Accounting Business Process Outsourcing Analytics Buyer Study Results* (IDC #255811, April 2015)

## About IDC

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