Marriages in LPO industry

Research done by ***KPO CONSULTANTS*** suggests that the LPO sector is moving towards mergers, acquisitions and consolidations. Big BPO players including Infosys, HCL, WNS, Wipro, Exl and others are seeking a toehold in the LPO space. The industry model adds credibility to the niche LPO business, so far dominated by companies started by lawyers or law firms. Their financial strength enables them to use multiple entry routes to the LPO field. The margins in the BPO industry are 12-15%, while LPO offers margins as high as 40%, using fewer employees. Moreover, established India-based BPO firms are already serving foreign clients, including financial institutions, insurance companies, and corporate law departments, all of which are big users of legal services. After the foreign firms develop a level of comfort with Indian vendors, the LPO pilots are bound to start.

Infosys has recently pronounced its foray into LPO business. The company is presumed to have made thorough market study for almost 11 months time before the Board made up its mind to set up LPO venture under the banner of Infosys Technologies. The company has clearly defined the propelling reasons of expansion including scalability and long-term sustainability of the business. Another advantage which the company has is the larger customer base including captive base of corporates. Lots of law firms are planning to collaborate with Infosys in furthering its global offerings to the world.

Many existing BPOs have sound knowledge of foreign markets, adequate infrastructure, and multinational presences. Finance is not a problem for them; the only thing missing is an understanding of the nitty-gritty of the LPO business. Once they learn about the LPO business, they will rise fast. Big BPOs are scouting for small (100-seat) LPOs to expand their reach and revenues. They may acquire, collaborate, or simply enter into joint venture arrangements for legal process outsourcing. These companies are talking with private equity investors about buying stakes in several leading LPOs.

Which LPOs make attractive targets? How does a BPO evaluate the many LPOs? Synergy requires matched business objectives. LPOs backed by larger houses with robust contacts, management vision and big pockets can expand faster. Followers of LPO know that there have been several acquisitions in the prospering LPO sector. Mysore-based Software Paradigms International (SPI) India acquired the entire BPO/ LPO clientele of Comat Technologies across the US and the UK, which is presently served by Comat's Mysore-based operations. The transaction transfers around 400 professionals of Comat to SPI and will enable the company to expand into new areas and verticals, such as LPO and MT.

Market differentiation is key for LPOs wishing to stand out as potential targets for BPOs. Interested LPOs must define their distinctive features and benefits, identify high profile customers, and create teams based in India and the US. Effective differentiation is responsive to the key buyer (BPO) question: "Why you rather than some other LPO?" The ideal answer would address all these:

- Identification of target clients
- Needs and opportunities that can be satisfied
- Unique services and product categories on offer
- Key benefits of association between BPO and LPO
- Key differences between the LPO and its competitors
- Availability of successful and promising marketing tools
- Deployment of financial resources
- Vision for the joint venture or merger

LPOs that can lure attention through sound differentiation of services provided, markets catered to, and revenue and number of employees, are likely to merge and grow. LPOs must understand the significance of "Brand Positioning." Unambiguous positioning will lead to appropriate linkages and marriages between BPOs and LPOs which benefit both.

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