

ascend

Taking your airline to new heights

Focus
on India

Seeking Gold

India's booming economy benefits
airlines around the world

page 20

INSIDE

40

India's government revamps
airport infrastructure

42

IndiGo to begin service
as India's newest start up

46

India's flag carriers adjust to
relaxed government regulations



The in Place to Outsource

India's tremendous growth in air travel, liberalized government policies, and significant regional demand for aviation products and services has some of the world's most prominent companies and airlines outsourcing to India.

■ By Shail Maniar | *Ascend Contributor*

Amid roaring jets over the skies of Bangalore, India, the information technology hub of India and home of state-run aviation major Hindustan Aeronautics Ltd., the country signaled its desire to emerge as a major aviation outsourcing destination in the presence of more than 350 aerospace firms at the Aero India 2005 air show.

This claim is supported by a recent convergence of key catalysts for the Indian aviation industry: an escalating domestic travel market, favorable aviation policies by the current Indian administration, and a large domestic market for aviation products and services fueled by a spurt of new domestic start-up airlines. For India to play a formidable role in the aviation outsourcing business, the country must grow in every aspect of the industry — services, products and manufacturing.

History and Evolution

Traditionally, Indian companies in the aviation outsourcing business were limited to offering contract information technology services to regional airlines primarily in the areas of host development and back-office revenue accounting services. The key driver was availability of a large, inexpensive and skilled work force, positioning India as an IT services provider in the early to mid 1990s. The year 2000, or Y2K, created a huge one-time demand in India for host development and maintenance services primarily for airlines, which were highly susceptible to the millennium bug. This enabled many Indian companies to establish relationships with airlines' chief information officers in the region and solicit additional business after the turn of the century.

With no market for products and services in the local domestic India market, the growth in aviation outsourcing was limited to IT and business process outsourcing services. WNS is one business that has been very successful in making scale matter in customer contact, passenger revenue accounting, and

HIGHLIGHT

For India to play a formidable role in the aviation outsourcing business, the country must grow in every aspect of the industry — services, products and manufacturing.

operations and back-office support business process outsourcing services. The leading BPO company has been highly focused on operating and managing critical business processes in the travel, insurance and financial services domains. In 2005, WNS upstaged Wipro Spectramind from the top spot among India's back-office and call center companies.

Strengths and Weaknesses

To succeed in India and offer a range of products and services domestically and to regional travel and transportation businesses, the current crop of providers will need to be flexible and quick to market. The boutique players such as Kale Consultants and SkyTECH Solutions that focus on a limited portfolio of products and services seemingly have an advantage:

- Investment dollars to be spent across fewer products, resulting in a richer functional offering,

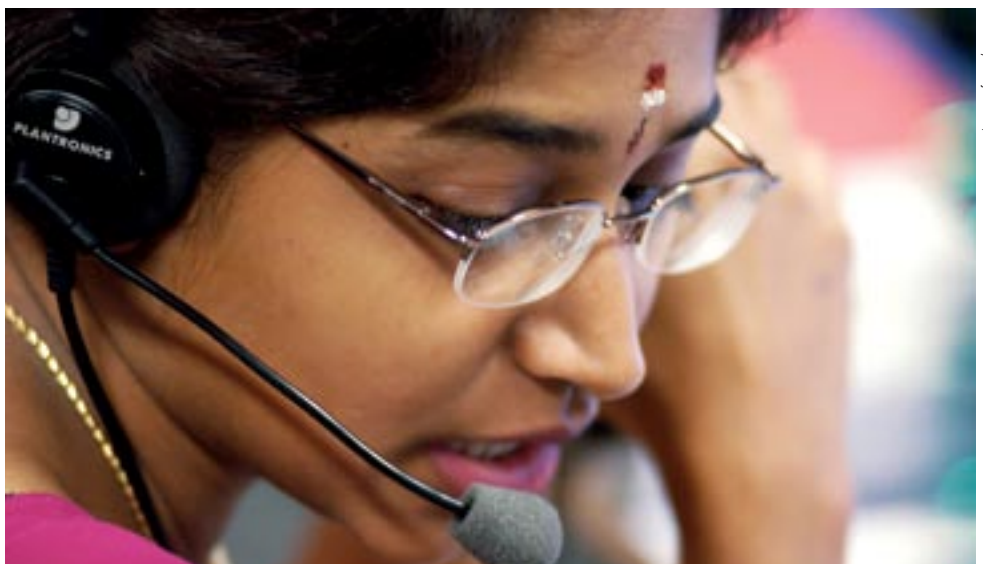


Photo by Shejia John/The Hindu

Leading global companies have outsourced parts of their business to provide improved customer service as well as remain geographically convenient to their customers.

Aviation Outsourcing in India

These companies are rapidly transforming from offering services to building a healthy travel and transportation product portfolio.

Company	Profile	Based	Major product offerings
Kale Consultants	Incorporated in 1986, India public offering in 1999	Mumbai	Passenger and cargo revenue accounting, air cargo management, BPO services, consulting
Bird Information Systems	Part of the The Bird Group — a conglomerate of companies — RDM, Amadeus (India), Arvato Services India	Gurgaon	Reservations system, Web-based hosting for low-cost carriers, BPO solutions
IBS Group	Initiated operations in 1997, acquired TopAir in 2002 and Avient Solutions from Honeywell in 2003	Trivandrum	Reservations system, flight management, staff travel management, operations control, crew management, airport operations, cargo management

These businesses are consolidating their positions as global providers of IT solutions and services for the travel and transportation industries.

Company	Profile	Based	Service offering
Hexaware Technologies	Formed in 1990. India public offering in 2001. Merged with Aptech Software in 2001	Mumbai	Outsourcing of application development and maintenance, host development services
WNS	In India since 1996. Formerly a subsidiary of British Airways. Private global equity investor Warburg Pincus owns a majority stake. Ranked the No. 1 BPO firm in India	Mumbai	Customer contact, passenger revenue accounting, operations/back office support
InterGlobe Technologies	Established in 1998 as a JV between InterGlobe Enterprises and Cendant Corp.	Gurgaon	IT services — development/maintenance, loyalty program management, IBE BPO Services — customer contact, fares management
Aviation Software Development Consultancy India, Ltd.	Wholly owned subsidiary of Tata Consultancy Services, Ltd. Originally formed as a JV between TCS and Singapore Airlines	Chennai	End-to-end solution development primarily in mainframe environment, business consulting and application maintenance
Tata Consultancy Services	In India's top 3 IT services company. Public offering in 2004	Mumbai	Consulting, IT services (host development), BPO

These foreign entrants are establishing global development and delivery models in India.

Company	Profile	Based	Major product offerings
SkyTECH Solutions	U.S. based and formed in 1999. JV between United Airlines and The Chatterjee Group. Marketing rights to jointly develop/market/customize UAL's flagship aviation products globally.	New York, New York (Kolkata)	Flight scheduling, drug/alcohol testing, aircraft/engine health management, airport resource management, gate assignment/planning
Sabre Airline Solutions	Initiated operations in March 2005	Southlake, Texas (Bangalore)	Global development, delivery and research
Boeing	U.S. civil and military aircraft manufacturer	Seattle, Washington	Will source US\$1.9 billion of aerospace systems work, maintenance and overhaul facility in India Build a pilot training school in India
Accenture	Global management consulting, technology services and outsourcing company. Wholly owns Navitaire (formerly Open Skies of HP)	Minneapolis, Minnesota (Bangalore)	Customer contact, passenger revenue accounting, operations/back office support
IBM	Global services business focused on the airline vertical	White Plains, New Jersey (New Delhi)	IT services for travel and transportation Consulting and integration services



- Flexibility to provide fully customized solutions to a customer, resulting in a solution that will likely work for contracted customers,
- Excellence in a particular domain, resulting in best-of-breed offerings.

On the flip side, challenges remain in marketing their products and services globally — strengthening their sales and marketing teams, increasing global support capability and “thinking big” would certainly be near-term objectives.

Customers expect a one-stop shop for solutions that integrate well within their offering and meet their customers’ needs. The value proposition of offering a limited product portfolio is weak. In addition, customers expect some level of consulting services to be bundled with product offerings, enabling domestic and regional carriers to better realize return on investment of their IT spend and gain access to best business practices from mature aviation markets.

Future Trends — Innovation and new Competitors

Local Indian companies focused on servicing the travel and transportation sectors, such as Kale Consultants and The IBS Group, will continue to broaden their product offerings. Innovation and investment into new technologies and products will likely be their key growth drivers. With a domestic market led by world-class, service-oriented airlines such as

HIGHLIGHT

Customers expect a one-stop shop for solutions that integrate well within their offering and meet their customers’ needs.

Jet Airways and Kingfisher Airlines and a surge of new low-cost carriers, both airline business models will demand newer and more flexible ways of using technology for their businesses.

The Indian government has already made a decision to privatize New Delhi and Mumbai airports, and the remaining metros Chennai and Kolkata will follow soon depending on the success at the first two airports. New airports are currently being built in Bangalore and Hyderabad. Foreign IT companies specializing in airport automation could potentially partner with local counterparts in India to outsource the automation for these airports, which offer considerable business potential. Will the next-generation biometric check-in systems or radio

frequency ID-based baggage tag systems be developed in India in the near future? There is a high probability of this happening sooner than later.

Indian IT outsourcing leaders — Infosys and Wipro — are scratching the surface to provide services to travel and transportation businesses. Both have enormous economies of scale, global presence and marketing reach. Between them, they efficiently run the IT infrastructure of some of the largest insurance and banking institutions in the world. There is no doubt they will succeed in the travel and transportation industries. Traditionally, major global travel companies have outsourced to U.S. IT service providers, such as IBM and EDS. The future could see the same travel companies outsourcing data centers, desktops and key back-office operations to Indian IT leaders.

Accenture currently has 25,000 employees in India, China and the Philippines, and it plans to hire an additional 25,000 during the next two to three years. Accenture is a classic example of leveraging global marketing and sales strengths with a delivery structure (cost, scale and efficiency) based in India. Coupled with a very strong IT consulting practice, Accenture is positioning itself to be a formidable player in the aviation space.

Aviation outsourcing in India took a huge leap up the value chain when The Boeing Company agreed to outsource aerospace systems works valued at US\$1.9 billion to India during the next 10 years. The U.S. aerospace firm is also committed to set up an India-based maintenance and overhaul facility as well as a pilot training center. Boeing made the decision under a counter-trade agreement between New Delhi and Washington, D.C., whereby Air India agreed to purchase more than 60 aircraft. This is an emerging business in India and faces tough competition from established players such as China and Japan.

Airbus is also looking at various options of leveraging India as one of the largest aeronautical complexes in Asia, with total capacity to make and maintain a wide array of civilian and military aircraft and avionics. State-run Hindustan Aeronautics will play a key role in exporting and supporting aerospace systems development in India.

India is well on its way to becoming a powerhouse in offering aviation products and services to global customers. However, the road to being an aviation manufacturing hub is littered with challenges, such as infrastructure, logistics and competition from China. **F**

Shail Maniar is managing director for the Sabre Airline Solutions business in Bangalore. He can be contacted at shail.maniar@sabre.com.



Photo by D. Gopalakrishnan/The Hindu

Infosys, one of India’s top outsourcing companies, benefits from a rapidly maturing outsourcing industry, with a recent 21 percent boost in profits.