

Competitive Due Diligence Of Analytics Outsourcing Company: Assessing Competitive Positioning In Emerging Analytics Space

The Challenge: Our client, a specialized PE firm, was considering investing in a big data company providing higher-end predictive analytics services to Fortune 500 corporate clients by leveraging a talented pool of offshore resources. With analytics outsourcing gaining significant traction over the past 3-4 years, the target had expanded its presence in the U.S. market to benefit from this outsourcing trend. The rapid growth of the analytics market had also attracted many new entrants, ranging from pure-play analytics outsourcing companies (e.g., Mu Sigma) to large, diversified IT consulting and services companies (e.g., IBM, Accenture, Cognizant, WNS). Our client, attracted by the increased demand for these outsourced analytics services, asked Gotham to develop a clear understanding of the competitive dynamics in this market, focusing on 9 key industry players. Gotham conducted a rapid competitive due diligence to assess the overall competitive landscape – evaluating the target and its competition re: service offerings, project delivery methods, industry focus, and other key factors.

Analytics Competitive Assessment: To gain a first-hand view from key decision-makers in each company and pin down the competitive dynamics, Gotham conducted 50+ interviews, leveraging our extensive network of industry professionals and experts, including C-level executives, sales managers, and delivery team members of key competitors in the U.S. and India. These in-depth interviews, conducted by senior Gotham team members and often lasting for more than an hour, were critical in gaining a perspective on each company and allowed us to piece together the critical facts required to provide a cohesive view of the market and its 9 key players. For each of these players, Gotham:

- **Developed a detailed understanding of:** their business model, segmenting each company along 3 key dimensions: product- vs. service-focused, lower- vs. higher-end analytics offerings, and on- vs. off-shore delivery models; and their **value proposition and go-to-market strategy**, including details on how they develop and maintain client relationships, as well as their project delivery model
- **Estimated key company metrics** (e.g., revenue and margins) for these mostly privately held companies and their growth outlook and their U.S. and international employee counts
- **Pinned down key end-markets** (e.g., retail, telecom, financial services) and top client accounts, further detailing the type of engagements (e.g., project- vs. retainer-based) and typical service offerings provided.

Companies	Analytics Financial Metrics				Comments	
	Est. # Employees (Total/U.S.)	Estimated Revenue (\$MM)	Growth	Margins		
Pure Play	Competitor 1	• XXXX-XXXX/XXXX	• \$XXX	• XX%	• XX-XX%	• Target margins XX-XX%
	Competitor 2	• XXXXXX	• \$XXX-XXX	• XX-XX% Big Data	• XX-XX%	• Only X-XX% growth for consulting business
	Competitor 3	• XXXXX	• \$XX	• XX%	• XX%	
	Competitor 4	• XXXXX	• \$XX-XX	• XX%	• XX-XX%	• XX-XX% for XXXX • XX-XX% for XXXXX
BPO/IT Services	Competitor 5	• XXXX-XXXX/XXX-XXX	• \$XX-XX	• XX-XX%	• XX-XX%	• Additional \$XXMM or so in BI/Data Warehousing revenue
	Competitor 6	• XXXXX	• \$XXX-XX	• XX-XX%	• XX-XX%	• <X% margin for large percentage of business; rest at XX-XX%
	Competitor 7	• XXXXXXXX	• \$XXX	• XX%	• XX%	• Analytics revenue part of consulting
	Competitor 8	• XXXXXXXX	• \$XXX	• XX%	• XX-XX%	• More solution focused (vs. labor arbitrage)
SW	Competitor 9	• XXXXXXXX	• \$XXX	• XX%	• XX%	• Primarily software revenue

Target Should Expand Beyond Higher-End Analytics To Position Itself As One Of The Pure Play Market Leaders

From our robust investigation of the analytics market competitive landscape, Gotham concluded that the target should modify its offerings in several ways and enter additional end-markets in order to be more competitive with the market leaders. First, the target would need to start offering a broader set of analytics services (e.g., lower-end process-oriented analytics) versus its singular focus on higher-end, problem-solving analytics services. Second, the target should convert its intellectual property into products and tools for routine, repeatable analytics in order to: (1) improve the productivity of its outsourcing operations, enabling the target to more rapidly scale up its operations; and (2) provide its clients with an opportunity to automate their routine analytics needs thus increasing their reliance on the target. Finally, Gotham determined that the target would need to expand into new end-markets. Currently, the bulk of its revenue comes from clients in 4 end-markets: CPG, Retail, Financial Services, and Insurance. While these end-markets will remain important to the target's future success, expansion into new end-markets characterized by high reliance on analytics (e.g., Telecommunications, Hospitality) will be critical for growth and diversification.

BPO/IT Consulting Firms Starting To Leverage Their Strong Corporate Relationships And Broad Set Of Services To Enter The Analytics Market

In addition to the target's immediate pure play competition, Gotham profiled a new set of competitors, more traditional BPO firms (e.g., Cognizant, WNS) and IT consulting firms (e.g., IBM, Accenture), who have begun to expand into the analytics market – both organically and through acquisitions. With their significant presence in the U.S., their already established relationships with large corporate clients, and their broad suite of products and services going well beyond analytics services (e.g., consulting, software solutions and implementation, outsourcing), they are able to leverage their current client base to cross-sell projects and are gaining market share. To better compete with these companies, the target will need to increase its employee presence in the U.S. in order to be able to expand its business development and client delivery efforts.

The Outcome: Gotham's due diligence findings provided a first-hand account of the target's competitive positioning and growth prospects, allowing our PE client to move forward with a full understanding of the market requirements to effectively achieve growth and a more competitive bid.