

Competing Against Offshoring (A Case Study)

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At the February, 2006 Northern Colorado Consultants Forum meeting we evaluated a project where an Indian offshore engineering firm successfully won a local contract against several Northern Colorado engineering firms. The interesting thing about this project was that the customer was a small local startup firm and not a multinational corporation. The Indian company also had a sales office in Colorado.

Situation:

A Northern Colorado startup had employed a Boulder based Web design company to develop a website. After about one year of operation, the site started to be plagued by some very specific performance issues. The client approached the Boulder Company to fix their problems. After several attempts the Boulder Company was not able to fix the problem even though the Boulder Company billed all the additional evaluation & analysis work to the client at an hourly rate.

The client then began a search for a new vendor. They came up with the following vendor selection criteria:

- All work must be fixed price (not hourly)
- They looked for high quality (well tested solution)
- They wanted a firm with a great track record (i.e., good references)
- They wanted a firm that wanted to make “Their (the client’s) business successful”
- They wanted great customer service (they wanted to feel important)
- They looked at overall costs (though not the most important criteria)
- Finally, they were interested in anyone who could fix the original problems (though this was optional and not a required part of the criteria selection)

Selection Process

The client short listed four companies. Three of them were locally based Fort Collins (CO) companies. The fourth was an India-based company with a sales office in Thornton, Colorado. The Indian company was selected over the local companies. The Indian company met all of the client’s vendor selection criteria and in addition agreed to work with the client to resolve the performance issues of the original design.

Though the Indian customer was the lowest cost it was their attitude and desire to make the startup firm successful that won the contract. We should mention the cost of the contract was less than \$1,000.00. Thus, most companies might not have looked at the Indian company based on the low cost of the project. However, both the client and the Indian company realized this was just the initial project to be worked on and that there was the potential of many more projects should this initial project prove to be successful. Also the client was in a position to recommend the new vendor to other people as well.

The following summarizes the analysis used by the client:

	Indian Company	Fort Collins Companies	Comments
Pricing	Fixed Project Price	All three wanted hourly pricing	The local companies didn't acknowledge the client's desire for a fixed price!
High Quality	Offered minimally tested solution	Wanted to charge additionally for all testing	
References	Great	All had good references	
Desire to make the client's business successful	Listened to what the client needed. Probed to learn what else needed to be included	All three were only focused on the technical aspect.	Local companies did not employ Customer relationship building in their business model!
Customer Service	Client focused	Task focused	
Overall Cost	Lowest	Competitive but not the lowest	Had any of the Fort Collins companies exceeded the Indian company on all criteria, then the client would have chosen the local company!
Ability to fix the original problem	Offered to fix problems for a fixed price	Offered to fix problems for an hourly price	

Performance:

The Indian company met or exceeded the client's expectations and has formed a strong working relationship with the client for future projects. In addition, the client is now in a position to give the Indian company referrals.

Lessons to be learned:

There are several lessons to be learned from this analysis. First of all, offshoring is in our backyard. No longer is it a focus of large multinational companies. Small companies can take advantages of the same opportunities. Secondly, price is not necessarily the driving decision for all offshoring programs. In this example, overall cost was the fifth criteria.



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Had any of the local companies focused on customer relations they may have been the chosen company. Finally, by placing an office in Colorado, the Indian company demonstrated a desire to be customer focused. When I interviewed the Vice President of Sales of the Indian Company, he emphasized customer service and satisfaction over everything else.

We hope you have found this paper of value to you. Please feel free to share your offshoring experiences with us.

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