

P L U G - I N

B13

Strategic Outsourcing

LEARNING OUTCOMES

1. Summarize a list of leading offshore outsourcing countries.
2. Summarize a list of up-and-coming offshore outsourcing countries.
3. Summarize a list of rookie offshore outsourcing countries.
4. Describe the future trend of multisourcing and how it can support a business need for outsourcing.

Introduction

The core units introduced the concept of **outsourcing**, an arrangement by which one organization provides a service or services for another organization that chooses not to perform them in-house. Typically, the outsourced process or function is a noncore business activity; what is outsourced can range from high-volume, repetitive processes such as electronic transaction processing to more customized services such as a help desk. There are three different forms of outsourcing options:

1. **Onshore outsourcing** is the process of engaging another company within the same country for services.
2. **Nearshore outsourcing** refers to contracting an outsourcing arrangement with a company in a nearby country. Often this country will share a border with the native country.
3. **Offshore outsourcing** is using organizations from developing countries to write code and develop systems. In offshore outsourcing the country is geographically far away.

OFFSHORE OUTSOURCING

Since the mid-1990s, major U.S. companies have been sending significant portions of their software development work offshore— primarily to vendors in India, but also to vendors in China, Eastern Europe (including Russia), Ireland, Israel, and the Philippines. The big selling point for offshore outsourcing to these countries is “inexpensive good work.” A programmer who earns as much as \$63,000 per year

in the United States is paid as little as \$5,000 per year overseas (see Figure B13.1). Companies can easily realize cost savings of 30 percent to 50 percent through offshore outsourcing and still get the same, if not better, quality of service.

Developed and developing countries throughout Europe and Asia offer some IT outsourcing services, but most are hampered to some degree by language, telecommunications infrastructure, or regulatory barriers. The first and largest offshore marketplace is India, whose English-speaking and technologically advanced population have built its IT services business into a \$4 billion industry. Infosys, NIIT, Satyam, TCS, and Wipro are among the biggest Indian outsourcing service providers, each with a significant presence in the United States. There are currently three categories of outsourcing countries (see Figure B13.2):

1. The leaders—countries that are leading the outsourcing industry.
2. The up-and-comers—countries that are beginning to emerge as solid outsourcing options.
3. The rookies—countries that are just entering the outsourcing industry.

Country	Salary Range Per Year
China	\$ 5,000–\$9,000
India	6,000–10,000
Philippines	6,500–11,000
Russia	7,000–13,000
Ireland	21,000–28,000
Canada	25,000–50,000
United States	60,000–90,000

FIGURE B13.1
Typical Salary Ranges for Computer Programmers

The Leaders

The following countries are leaders in the outsourcing industry:

- Canada
- India
- Ireland
- Israel
- Philippines

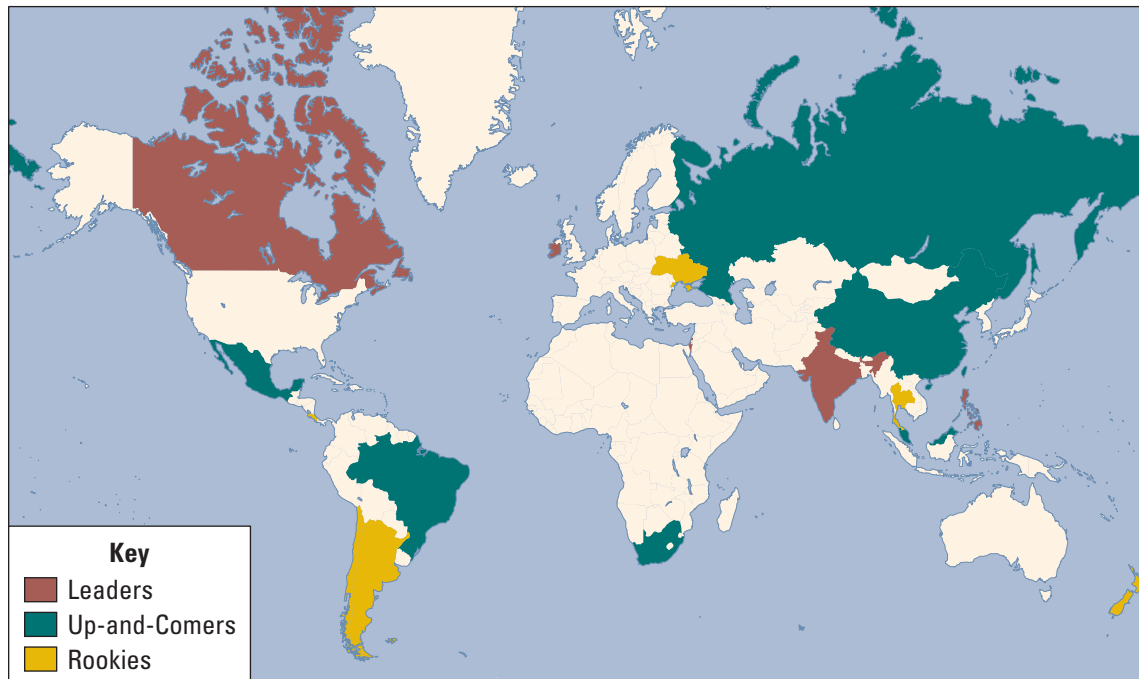
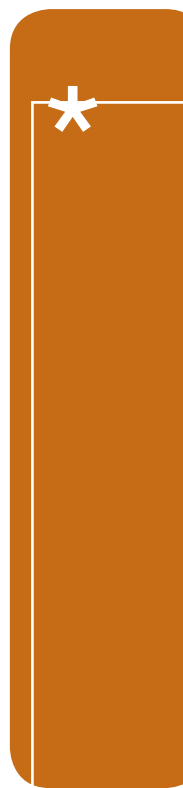


FIGURE B13.2
Categories of Outsourcing Countries



CANADA



Expertise	<ul style="list-style-type: none"> Software development/maintenance, contact centers, technical support.
Major Customers	<ul style="list-style-type: none"> Allmerica, Agilent.
Advantages	<ul style="list-style-type: none"> Though labor costs are high, geographic proximity and cultural affinity with the United States make it highly desirable. Contact center turnover is low.
Disadvantage	<ul style="list-style-type: none"> High cost of labor pool, but still less expensive than outsourcing in the United States.

INDIA



Expertise	<ul style="list-style-type: none"> Software development/maintenance, contact centers, financial processing.
Major Customers	<ul style="list-style-type: none"> Citigroup, GE Capital, American Express.
Advantages	<ul style="list-style-type: none"> India is the leader in business process and IT services outsourcing. Two million English-proficient speakers graduate every year from more than 1,000 colleges that offer information technology education. Strong history of software development. Highly skilled labor pool. Favorable cost structure.
Disadvantages	<ul style="list-style-type: none"> Political instability. Labor costs are rising as demand for IT workers begins to exceed supply. High turnover, particularly in contact centers, is becoming an issue.

IRELAND



Expertise	<ul style="list-style-type: none"> European shared-services centers, software development, contact centers.
Major Customers	<ul style="list-style-type: none"> Intel, Dell, Microsoft.
Advantages	<ul style="list-style-type: none"> Reputation for producing highly skilled IT professionals. Strong cultural affinity with the United States. Low political or financial risk. Solid telecommunications infrastructure. Strong educational system.
Disadvantage	<ul style="list-style-type: none"> High cost of IT salaries, however, labor costs are still lower than in the United States.

ISRAEL



Expertise	<ul style="list-style-type: none"> Software development/maintenance, packaged software implementation, application integration, security, ebusiness.
Major Customers	<ul style="list-style-type: none"> Merrill Lynch, Shaw Industries.
Advantages	<ul style="list-style-type: none"> Highly skilled workforce including scientists and engineers from Eastern Europe and Russia. Excellent educational system. Hotbed for IT innovation.
Disadvantages	<ul style="list-style-type: none"> Political instability. Employee safety is a cause for concern. High cost of IT salaries.

Expertise	<ul style="list-style-type: none"> Accounting, finance, contact centers, human resources.
Major Customers	<ul style="list-style-type: none"> Procter & Gamble, American International Group, Citigroup.
Advantages	<ul style="list-style-type: none"> The population boasts a high percentage of English speakers with American accents. Culture dictates aim-to-please attitude. Estimated 15,000 technology students graduate from universities annually.
Disadvantages	<ul style="list-style-type: none"> Filipinos are not nearly as strong in software development and maintenance as other outsourcing countries. Political instability.

PHILIPPINES



The Up-and-Comers

The following countries are up-and-coming in the outsourcing industry:

- Brazil
- China
- Malaysia
- Mexico
- Russia
- South Africa

Expertise	<ul style="list-style-type: none"> Software development/maintenance.
Major Customers	<ul style="list-style-type: none"> General Electric, Goodyear, Xerox.
Advantages	<ul style="list-style-type: none"> Big cost savings from a large supply of IT labor. Brazil is Latin America's largest economy with a strong industrial base. Brazil's national focus is on growing small and midsize businesses, including IT services. Affinity with U.S. culture including minimal time zone differences.
Disadvantage	<ul style="list-style-type: none"> Remains on priority watch list of International Intellectual Property Alliance for copyright infractions.

BRAZIL

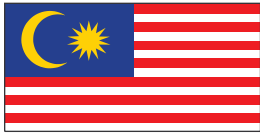


Expertise	<ul style="list-style-type: none"> Transaction processing, low-end software development/maintenance.
Major Customers	<ul style="list-style-type: none"> HSBC Bank, Microsoft.
Advantages	<ul style="list-style-type: none"> Large pool of educated IT workers with broad skill sets. Government provides strong support for IT outsourcing industry. Telecommunications infrastructure is improving. Entry into World Trade Organization winning confidence of foreign investors. Government has established 15 national software industrial parks.
Disadvantages	<ul style="list-style-type: none"> English proficiency low. Workers lack knowledge of Western business culture. Workers lack project management skills. Intellectual property protections weak. Piracy. Red tape and corruption from a highly bureaucratic government.

CHINA



MALAYSIA



Expertise	<ul style="list-style-type: none"> ■ Wireless applications.
Major Customers	<ul style="list-style-type: none"> ■ IBM, Shell, DHL, Motorola, Electronic Data Systems Corporation.
Advantages	<ul style="list-style-type: none"> ■ Good business environment with strong government support for IT and communications industries. ■ Workforce has strong global exposure. ■ World-class telecommunications infrastructure. ■ Over half of the 250,000 students in higher education major in scientific or technical disciplines.
Disadvantages	<ul style="list-style-type: none"> ■ Labor costs higher than India. ■ Few suppliers, which limits business choices. ■ Shortage of skilled IT talent.

MEXICO



Expertise	<ul style="list-style-type: none"> ■ Software development, contact centers.
Major Customers	<ul style="list-style-type: none"> ■ AOL Time Warner, General Motors, IBM.
Advantages	<ul style="list-style-type: none"> ■ Solid telecommunications infrastructure. ■ Shares cultural affinity and time zones with the United States. ■ Second-largest U.S. trading partner. ■ Programmers highly proficient on latest technologies.
Disadvantages	<ul style="list-style-type: none"> ■ English proficiency low. ■ Government corruption.

RUSSIA



Expertise	<ul style="list-style-type: none"> ■ Web design, complex software development, aerospace engineering.
Major Customer	<ul style="list-style-type: none"> ■ Boeing.
Advantages	<ul style="list-style-type: none"> ■ Large number of highly skilled workers with degrees in science, engineering, and math. ■ Strong venue for research and development. ■ Programmers have skills for both cutting-edge projects and working with legacy applications. ■ European-based companies benefit from historic cultural affinity and geographic proximity.
Disadvantages	<ul style="list-style-type: none"> ■ English proficiency not as widespread as in India or the Philippines, making contact centers impractical. ■ Government corruption and red tape. ■ Copyright piracy. ■ Outsourcing industry is fragmented and many firms have 20 programmers or less, making them unattractive to companies with large IT projects. ■ Telecommunications infrastructure needs work.

SOUTH AFRICA



Expertise	<ul style="list-style-type: none"> ■ Contact centers, ebusiness, software development, IT security.
Major Customers	<ul style="list-style-type: none"> ■ AIG, Old Mutual, Sage Life, Swissair.
Advantages	<ul style="list-style-type: none"> ■ Time zone compatibility with Europe. ■ English is a native language. ■ Solid telecommunications infrastructure.
Disadvantages	<ul style="list-style-type: none"> ■ Small pool of IT skilled workers. ■ IT talent tends to emigrate. ■ Crime.

The Rookies

The following countries are just beginning to offer outsourcing and are considered rookies in the industry:

- Argentina
- Chile
- Costa Rica
- New Zealand
- Thailand
- Ukraine

Expertise	<ul style="list-style-type: none"> ■ Software development/maintenance, contact centers.
Major Customers	<ul style="list-style-type: none"> ■ BankOne, Citibank, Principal Financial Group.
Advantages	<ul style="list-style-type: none"> ■ Low costs resulting from an economic collapse in 2001. ■ Economy began to rebound in 2003, growing more than 8 percent, but unemployment remains high. ■ Large labor pool, including solid base of engineering talent.
Disadvantages	<ul style="list-style-type: none"> ■ Country has yet to reach agreement with creditors on restructuring debt. ■ Foreign investors are cautious.

ARGENTINA



Expertise	<ul style="list-style-type: none"> ■ Software development/maintenance.
Major Customer	<ul style="list-style-type: none"> ■ Compaq.
Advantages	<ul style="list-style-type: none"> ■ Large highly skilled pool of IT talent. ■ State-of-the-art telecommunications infrastructure. ■ Good satellite connectivity and digital network. ■ Government actively supports business process and software development sectors. ■ Government plans to begin offering English classes to technical workers.
Disadvantages	<ul style="list-style-type: none"> ■ English proficiency lacking. ■ Slightly higher costs than neighboring countries.

CHILE



Expertise	<ul style="list-style-type: none"> ■ Contact centers, ebusiness.
Major Customer	<ul style="list-style-type: none"> ■ Unisys.
Advantages	<ul style="list-style-type: none"> ■ Business-friendly environment. ■ Highly skilled pool of engineering talent. ■ Well-educated workforce. ■ Favorable cost structure. ■ English and Spanish widely spoken.
Disadvantage	<ul style="list-style-type: none"> ■ Relatively small labor supply.

COSTA RICA



NEW ZEALAND



Expertise	<ul style="list-style-type: none"> Contact centers, ebusiness, web hosting, web design.
Major Customers	<ul style="list-style-type: none"> IBM, Microsoft, Cisco.
Advantages	<ul style="list-style-type: none"> Stable political and economic environment. Well-established telecommunications infrastructure. Thriving contact center industry. Limited supply of domestic labor. To meet demand, the government has eased visa restrictions allowing entry of workers from countries such as Bangladesh.
Disadvantage	<ul style="list-style-type: none"> New Zealand cannot compete on costs with India and the Philippines.

THAILAND



Expertise	<ul style="list-style-type: none"> Software development/maintenance.
Major Customers	<ul style="list-style-type: none"> Dell, Glovia, Sungard.
Advantages	<ul style="list-style-type: none"> Reasonable telecommunications infrastructure. Cost structure is slightly lower than Malaysia.
Disadvantages	<ul style="list-style-type: none"> Demand for skilled IT labor exceeds supply. Population is not as educated as in neighboring countries. English is not widely spoken.

UKRAINE



Expertise	<ul style="list-style-type: none"> Software development, website development.
Major Customers	<ul style="list-style-type: none"> Sears, Roebuck and Company, Target Corporation.
Advantages	<ul style="list-style-type: none"> History of training highly educated scientists and engineers. (The Soviet Union based the majority of its space and aviation technology work here.) Information technology outsourcing growth predicted to double over the next couple of years.
Disadvantages	<ul style="list-style-type: none"> Unstable political climate. Fears that the country is drifting away from democracy and pro-Western stance.

In summary, many countries are racing to participate in the outsourcing phenomenon. When an organization outsources, it needs to analyze all of its options and weigh all of the advantages and disadvantages. When faced with an outsourcing decision, be sure to evaluate the countries on such things as geopolitical risk, English proficiency, and salary cost (see Figure B13.3).

Future Trends

Companies are getting smarter about outsourcing and about aligning efficiency with core business priorities. As businesses become increasingly networked (for instance, via the Internet)—global, commoditized, 24 × 7, and collaborative—outsourcing is becoming less of a cost-saving strategy and more an overall context for business.

THE LEADERS			
Country	Geopolitical Risk	English Proficiency	Average Programmer Salary
Canada	Low	Good	> \$12K
India	Moderate	Good	\$4K–\$12K
Ireland	Low	Good	> \$12K
Israel	Moderate	Good	> \$12K
Philippines	Moderate	Good	\$4K–12K
THE UP-AND-COMERS			
Country	Geopolitical Risk	English Proficiency	Average Programmer Salary
Brazil	Moderate	Poor	\$4K–\$12K
China	Low	Poor	\$4K–\$12K
Malaysia	Low	Fair	\$4K–\$12K
Mexico	Moderate	Poor	> \$12K
Russia	Moderate	Poor	\$4K–\$12K
South Africa	Moderate	Good	> \$12K
THE ROOKIES			
Country	Geopolitical Risk	English Proficiency	Average Programmer Salary
Argentina	Moderate	Fair	\$4K–\$12K
Chile	Low	Poor	< \$4K
Costa Rica	Moderate	Good	\$4K–\$12K
New Zealand	Low	Good	> \$12K
Thailand	Low	Poor	\$4K–\$12K
Ukraine	Moderate	Poor	\$4K–\$12K

FIGURE B13.3
Outsourcing Options

Outsourcing is rapidly approaching commodity status, and this will transform the outsourcing value equation from high margins and vendor control into a classic buyers’ market with competition driving down margins, adding features and services, and increasing buyer choices. U.S. companies should consider Mexico and Canada for nearshore outsourcing since those countries often provide very competitive pricing. Vendors in these countries can be viable alternatives, such as IBM Global Services (Mexico and Canada), Softtek (Mexico), CGI (Canada), and Keane (Canada).

Companies should look for value-based pricing rather than the lowest possible price. The emerging trend of companies using reverse auction bidding to select off-shore vendors is a dangerous one—it could result in low prices, but also low value and low customer satisfaction.

MULTISOURCING

For many years, outsourcing has predominantly been a means to manage and optimize businesses' ever-growing IT infrastructures and ensure return on IT investments—or at a minimum, more cost-effective operations. As businesses move to Internet-based models, speed and skill have become more important than cost efficiencies, giving way to a “utility” service provider model called multisourcing. **Multisourcing** is a combination of professional services, mission-critical support, remote management, and hosting services that are offered to customers in any combination needed. Like the general contractor model, multisourcing brings together a wide set of specialized IT service providers, or “subcontractors,” under one point of accountability. The goal of multisourcing is to integrate a collection of IT services into one stable and cost-effective system. Therefore, multisourcing helps companies achieve the advantages of a best-of-breed strategy.

A multisourcing service provider can offer a seamless, inexpensive migration path to whatever delivery model makes sense at that time. For instance, HR processes are outsourced to one best-of-breed outsourcing service provider. Logistics are outsourced to another, and IT development and maintenance to another. Although multisourcing mitigates the risk of choosing a single outsourcing service provider, additional resources and time are required to manage multiple service providers.

*** PLUG-IN SUMMARY**

Outsourcing IT services and business functions is becoming an increasingly common global practice among organizations looking for competitive advantage. The guiding principle is that noncore and critical activities of an enterprise can be handed over to companies with expertise in those activities, thereby freeing internal resources to focus on enhancing the added-value of the organization’s core business.

Outsourcing is no longer a simple matter of cutting costs and improving service levels. As more companies consider the benefits of outsourcing their IT functions and their business processes, they will find new ways to create business value. Companies that succeed will find innovative solutions to help drive costs down, select only the problem areas to outsource, and more important, learn to use outsourcing as a strategic weapon.

Companies continue to outsource at an increasing rate, despite reports of organizations disappointed and disillusioned by the process. The ultimate goal is multisourcing, combining professional services, mission-critical support, remote management, and hosting services.

*** KEY TERMS**

Multisourcing, B13.10	Offshore outsourcing, B13.2	Outsourcing, B13.2
Nearshore outsourcing, B13.2	Onshore outsourcing, B13.2	

*** CLOSING CASE ONE**

Mobil Travel Guide

For the past 45 years, the *Mobil Travel Guide* has been providing information on destinations, route planning, resorts, accommodations, restaurant reviews, and other travel-related subjects for people traveling in the United States and Canada. Print versions of the *Mobil Travel Guide* are created and updated annually at the company’s Park Ridge, Illinois, headquarters, and are sold at most major booksellers and other publishing outlets.

Mobil Travel Guide, a well-known name in the travel industry, wanted to leverage its brand recognition by providing a highly responsive, real-time online service for leisure travelers that include customized travel planning, an around-the-clock customer service center, and a variety of privileges and rewards at a linked network of hotels and restaurants.

Mobil’s existing online solution offered only a limited amount of static web content that ran on just four servers, which were unable to process the site’s considerable traffic, resulting in downtime for customers. Mobil needed a more robust solution that would provide real-time services such as route planning and fast access to the company’s vast travel information database. The solution also had to be flexible and resilient enough to handle seasonal usage fluctuations, including anticipated spikes during the summertime and over major holidays. Mobil Travel Guide’s internal goals also created a challenge for any solution. The site was expected to grow rapidly, but the company did not want to invest in an infrastructure capable of supporting its vision for the website.

Instead of using stand-alone web, application, and database servers, Mobil Travel Guide decided to outsource all these functions to IBM. Because IBM delivers ebusiness infrastructure capacity as a utility, Mobil Travel Guide pays only for the processing, storage, and networking capacity it needs and can scale its virtual infrastructure up to meet demand spikes.

By avoiding up-front capital investment without sacrificing scalability, reliability, or flexibility, Mobil Travel Guide is positioned for success. The company can optimize its spending by scaling its infrastructure dynamically to meet demands and channeling resources toward generating new business and revenue. “Otherwise, we would have to buy enough infrastructure to handle the biggest day we could imagine, but typically it would sit unused. Now, we can take advantage of any market sweet spot we find, because we can scale with minimal lead time and capital dollars,” explained Paul Mercurio, chief information officer for Mobil Travel Guide.

What is more, this capability moves portions of the web-serving workload from Mobil Travel Guide’s site onto servers located at strategic network points, so end users get faster responses even while Mobil Travel Guide lowers its per-transaction costs. “Because our service level ramps up or down dynamically in response to peaks and valleys in demand, we pay only for the capacity we need at any given moment in time,” Mercurio said.

The on-demand delivery has already benefited Mobil Travel Guide in an unexpected way. After initially setting a committed capacity level that was too high, the company was able to leverage the flexibility of its IBM solution to “right-size” its capacity by reducing its contracted capacity level.

By outsourcing the solution to IBM, Mobil anticipates it will save about 35 percent in overall maintenance and software costs, while deploying an excellent ebusiness infrastructure solution that guarantees high availability, rapid scalability, and easy management of usage fluctuations.

Questions

1. What are the main reasons Mobil Travel Guide used an outsourcing option?
2. What other areas would you recommend Mobil Travel Guide outsource?
3. What advantages and disadvantages would offshore outsourcing or nearshore outsourcing have for Mobil Travel Guide?
4. List the countries where Mobil could outsource its *Travel Guide*.

* CLOSING CASE TWO

Outsourcing Brew

Coors Brewing Company, the third-largest brewer in the United States, manufactures and markets more than a dozen varieties of beer and malt beverages in 30 markets around the world. In a rapidly consolidating industry, Coors had a choice: keep growing or be acquired. To create the optimal conditions for growth, the company needed to improve access to information, consolidate systems, and reduce costs.

In less than a decade, Coors Brewing Company had more than doubled in size. Managing that growth became increasingly difficult for the company’s internal IT staff. The company wanted to maintain responsibility for the technologies directly related to making and selling beer. Therefore, Coors was looking for a partner with deep industry expertise, mature application experience, and global reach to help revitalize its technology to support its business goals—including bringing new acquisitions online quickly.

The company decided to outsource its day-to-day management of its technical operations, conversion of legacy applications, and systems. Coors outsourced these functions to EDS in order to create a globally integrated enterprise solution, helping to optimize the supply chain from beginning to end. EDS is an experienced outsourcing services company with more than 130,000 employees and 2003 revenues of \$21.5 billion, ranked 80th on the Fortune 500.

EDS offered Coors an infrastructure “on demand.” Coors avoids a huge up-front investment in infrastructure, but is able to access increased capacity when business volumes increase.

Now IT costs are predictable, and additional infrastructure is instantly available when the company needs it. Coors also controls costs by using EDS's Best ShoreSM Services, which enables Coors to reduce the cost of applications management by as much as 40 percent through a combination of offshore, nearshore, and local service centers and personnel.

EDS's solutions at Coors deliver much more than lower costs and increased reliability. As EDS assumed control of Coors's help desk, staff increased service levels while identifying patterns that let Coors focus training where it was most needed and kept the company aware of where potential problems lay. Standardizing the company's desktop environment has allowed Coors to get rid of many obsolete applications.

EDS is much more than an information technology outsourcing service provider; it is Coors's business partner. "They work with us on project management and root-cause analysis, which have helped us to add a lot of discipline in our organization," said CIO Virginia Guthrie. With a modernized and efficient information environment taking shape, EDS and Coors have ambitious plans for the future, from improving manufacturing processes to enhancing Coors's global presence. Guthrie said, "What we really want here is for this partnership to be a poster child for how outsourcing partnerships should work."

With the help of EDS, Coors was able to:

- Within just 60 days, reduce cost of application maintenance by 70 percent.
- Save more than \$1.2 million on project resources related to SAP implementation.
- Reduce applications in use by 48 percent.
- Work to retire 70 percent of legacy systems.

Questions

1. Describe an alternative approach that Coors could have used instead of outsourcing to EDS.
2. What would be the advantages of offshore outsourcing the Coors IT department?
3. What are some other reasons Coors outsourced its information technology functions that were not mentioned in the case?
4. Describe some of the factors causing Coors to be "forced" to outsource its information technology functions.

* MAKING BUSINESS DECISIONS

1. Sports Sourcing

Sierra Sports Network launched its website SierraSports.com in 2001. With a huge influx of new visitors expected this football season, it is critical that SierraSports.com attracts, retains, and handles its web traffic. It needs an overhaul of its existing website. Since Sierra Sports Network does not have the in-house skills to support the needed changes, it must look at outsourcing its web development. Some of the company's needs are working with an outsourcing service provider who is proficient in English, has a solid telecommunications infrastructure, and operates in a similar time zone. List the outsourcing countries that could assist Sierra Sports for web development needs, in addition to the advantages that each country could give to the company.

2. Ops.com

Contact center Ops.com provides information to those who are involved in real-time customer service. Contact centers have emerged as *the* critical link between a company and

its customers. The growth in contact centers has resulted in a strong demand for Ops.com's services; so much that it now needs to outsource part of its operation. One main reason for the move to an outsourcing service provider is its need to develop a new service to collect information, such as account numbers, via an automated attendant and tie it back to a database. Ops.com can tap the database information to give callers automated access to more information, such as account balances, and create priority queuing for their most important customers. Describe the advantages that outsourcing would give Ops.com and list the outsourcing options along with a recommendation of prospective countries that have the resources available to be considered.

3. The Travel Store

In 2004, The Travel Store faced a dilemma. The retailer had tripled in size over a three-year period to \$1 billion in sales, but it had done so despite operational deficiencies. The company's inability to evolve its business processes as it grew was causing problems. Within a year, sales and profits fell below expectations, and its stock price plummeted from approximately \$10 a share to less than \$2 a share. The Travel Store is determined to take quick and decisive action to restore profitability and improve its credibility in the marketplace. One of its top priorities is to overhaul its inventory management system in an effort to create optimal levels of inventory to support sales demand. This would prevent higher volume stores from running out of key sale items while also ensuring that lower sales stores would not be burdened with excess inventory that could only be moved at closeout prices. The company would like to outsource this function but is worried about the challenges of transferring the responsibility of this important business function, as well as the issues surrounding confidentiality, and scope definition. Make a list of the competitive advantages outsourcing could give to The Travel Store, along with recommendations for addressing the company's outsourcing concerns.

4. Software Solutions

Founded in 2003, Gabster Software provides innovative search software, website demographics, and testing software. All serve as part of its desktop and enterprise resource planning solutions for government, corporate, educational, and consumer markets. Website publishers, digital media publishers, content managers, document managers, business users, consumers, software companies, and consulting services companies use Gabster's solutions. The company is currently thinking about offshore outsourcing its call center functions, its ebusiness strategies, and its application development. Describe how Gabster could use multisourcing along with the potential advantages it might receive.

