Why are companies moving towards **outsourcing** product development ?

Why OPD?

Whitepaper

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Software Product Companies of late have been discovering the huge advantages of outsourced product development (OPD). Until recently, software product development was considered one of the core competencies of a software product company. Why, then, has the trend changed towards outsourcing?

Let's look at some of the reasons:

■ Software product companies are beginning to realize that their core focus should be on identifying market opportunities, innovation, aligning the vision of the company with the market requirements, refining the roadmap and most important of all, marketing.

■ Startup software product companies have expertise about their business vertical but they don't have an engineering team setup. Time is of essence for startup firms, OPD allows the startup firms to jumpstart their product development without building an engineering team first. The OPD vendor can transition development to the startup's in-house development team after a couple of releases of the product or build the development team for the startup. Building an in- house engineering team and maintaining that team is a time-consuming activity and saps the company's energy. The company loses its focus on the market.

■ For already established software product firms, the challenge is to keep up with the market and the competition. Time-to-market is the key to success since any product has a limited time window to capitalize on the market and make profits. This is even more pronounced with the move towards global economy and competition from vendors across the world.

OPD allows the product firm to rapidly mobilize the development team skilled in product development and scale up its operations depending on the market demand. It enables them to pack more features into the product release and shorten the product release timelines, thus reducing time-to- market.

■ Many OPD firms operate out of countries like India where you get excellent talent at a very reasonable cost. It reduces the cost of development substantially..

■ A product is not just the software. It is imperative to certify it for quality; have excellent documentation to support the product; prepare training material for the new product; make marketing collaterals to sell the product; and support the product. The people involved in these activities need to work closely with the development team and they have to be managed. The OPD firm removes the burden of execution from the product firm and lets it focus on its core. OPD firms operating in India have people who can communicate fluently in English, which is imperative for most of the activities..

■ A software product firm needs an excellent presales team that understands the product well, interacts with prospective customers, analyzes their needs and prepares demos for them. A good OPD partner based in India can provide quality technical personnel having a wide exposure to software systems and good communication skills at a low cost.

■ Software product firms need to provide professional services for the customers of their product. Customers need to be trained on the product and they need assistance in integrating the product into their software environment. An OPD partner, based in low cost centers like India, can provide an efficient onshore/offshore model that brings down the professional services cost for the customer and at the same time increases the profit margins for the software product firm.

■ Software development is the core skill of OPD firms. They have the experience in this field. They are familiar with the best patterns and practices for development. They are up to date on technology in this fast-changing world. This cuts down the costs involved in re-training employees when the technology of choice changes. Software product development requires a higher level of skill as opposed to software application development. The OPD firms possess that talent. Venture capital firms definitely feel more comfortable if the plan is to outsource software development to the people who know it best

To summarize, OPD reduces the cost of development and allows the software product firm to focus on growing the business. It reduces the burden of execution from the software product firm. Development substantially..

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