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HEADLINE: Sierra Says Packaged Software is Next Offshore Sweet Spot

BODY:

Packaged software is the next offshore sweet spot, according to Marc Herbert, the executive vice president of **Sierra Atlantic**, a Fremont, California-based software developer that uses a hybrid onshore/offshore model to provide product development services for software vendors such as Oracle, Siebel, and PeopleSoft.

Two-thirds of **Sierra Atlantic's** \$ 25m annual business now comes from providing offshore implementation and integration of these products for medium-sized enterprise clients. The company has approximately 400 staff based in Hyderabad, India who do the bulk of the development work, with a further 100 people, mainly in the US, providing the client collaboration side.

The difference between **Sierra Atlantic** and the majority of services vendors that use offshore resources, is that Sierra's entire practice is focused on packaged applications, said Herbert. This is in contrast to the majority of offshore services work that focuses on bespoke application development, for example in the financial services sector, where services firms typically develop new or existing proprietary applications.

"The basic development process [of packaged and bespoke software] is similar, but it comes down to the knowledge of standard methodologies," said Herbert. Nevertheless, the development and support of packaged software suites such as Siebel and SAP is increasing rapidly, and the majority of large Indian offshore services firms such as Wipro, Tata Consulting Services and Satyam, increasingly have a broad base of application development skills to draw from.

For this reason, **Sierra Atlantic** is focusing mainly on its Oracle software support, and targeting mid-market enterprises with revenue of between \$ 200m and \$ 500m. Herbert believes **Sierra Atlantic** will be successful in this sector for two reasons. First, he said the cost structures of the bigger rivals prevent them from targeting smaller clients and competing. Second, Herbert said the supply of knowledge for packaged software is low in India.

"This means you can retain staff longer and attain higher margins," he said. Fortunately this supply of knowledge isn't too limited, particularly in the Oracle development space, because Oracle itself has a significant captive offshore operation, with approximately 3,000 staff, which it expects to double in coming years.

Nevertheless, Herbert also knows that this niche focus will not keep the company ahead indefinitely: "As there are no real boundaries to entrance into Oracle development, we have to execute well and outgrow our competition," he said.