

UK: the new outsourcing destination?

By Horst Mischo



The economy of the DACH region, despite being one of the strongest in the world, has not proved immune to the global recession. There has been a widespread, and abrupt, downturn in demand for many of the products and services which have powered DACH business growth, forcing many companies to reassess traditional survival strategies.

Recent currency fluctuations, however, have opened up new opportunities. In particular, the strength of the Euro against Sterling now means that the UK has become a highly cost-effective outsourcing option, one which could deliver the innovation and product development skills necessary to help recession-challenged companies survive.

Outsourcing product development and manufacture is already an established business practice for DACH companies, especially as the region's high wage rates can make routine manufacturing too expensive to keep in country. More recently, however, outsourcing has also been fuelled by a noted bottleneck in home grown science, technology and engineering talent, requiring companies to look elsewhere to find the innovation and other development skills required. To date, outsourcing programmes have mainly focused on China and India, and preferably products requiring less regulation, or with less critical user safety criteria.

Despite the growing dominance of the Asia Pacific region, the UK should also be considered, especially for product and technology development. For DACH companies, the UK provides access to some of Europe's most talented development teams, with greater knowledge of the European and international regulatory structure, and a greater cultural synergy with their

DACH partners. Intra-European travel is also fast, efficient and cheap, and as IP laws are very similar in the two regions, innovation and development is much more straightforward.

All these factors have made the UK an attractive place for DACH operations to do business even though, to date, the UK could never compete with Asia Pacific in terms of price. However, given the rapid and dramatic fluctuation in exchange rates, UK costs have dropped dramatically – by up to 25 per cent in the last year – bringing UK outsourcing within reach of more DACH companies than before.

At our German office, based in Frankfurt, we have noticed a significant rise in the number of DACH companies wanting to explore the possibility of UK outsourcing – especially those companies which once considered it too expensive, despite the benefits on offer. As in every other economy around the world, DACH companies know they need to innovate to survive the recession. The fact that the UK, always considered a high quality option, has suddenly become more affordable has created a compelling argument that many are finding hard to resist.

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