Analysis of South Africa as a BPO Delivery Location

NelsonHall

BPO Delivery Locations 2011

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Introduction

A

Chapter 1

Objectives and Scope

The purpose of this report is to assess the role of South Africa as a BPO delivery location for international companies.

The objectives of the report are to identify:

- The experience of organisations that use South Africa for international BPO service delivery
- The drivers for use of South Africa for delivery of BPO services for both contact centre services and for financial industry-specific and back-office services
- The profile of companies using South Africa BPO service delivery by industry sector
- The profile of international service delivery from South Africa by service type
- The benefits sought from South African service delivery and the profile of benefits achieved
- The delivery cost structure associated with South Africa, including details of government incentives

South African "BPO" service delivery typically covers three areas:

- International contact centre services
- International non-voice services typically covering industry-specific financial services processes and back-office processes such as finance and accounting
- Voice and non-voice support for the domestic South African market

This report will focus on the first two of these market segments and on the opportunity for organisations to support their international operations from South Africa.

By service type the scope of the report is contact centre services, financial industry-specific services, and back-office services such as finance and accounting.

B

Methodology

The survey is based on interviews with executives from organisations, both end user companies and suppliers that are currently using BPO services based in South Africa in support of their international operations.

C

Structure of the Report

The report is structured into the following chapters:

Chapter 1: Introduction
Chapter 2: Executive Summary
Chapter 3: International Contact Centre Services
Chapter 4: Financial Industry-Specific and Back-Office Services
Chapter 5: Skills availability and Government Incentives
Chapter 6: Companies Delivering Services from South Africa

Chapter 2

Executive Summary

South Africa has not always been considered by organisations which have polarised their service delivery between use of onshore centres for delivery of high customer experience and complex processes and low cost offshore centres for simple transaction processing and customer service cost deflection.

However, South Africa is worthy of consideration for "BPO" delivery whether via a captive or offshoring approach, since it offers an alternative to onshore services for delivery of high levels of customer experience and handling of relatively complex processes. In particular, organisations seeking new BPO delivery centres whether for captives or outsourced service delivery should evaluate South Africa as:

- An "onshore-equivalent" for contact centre services
- A GDN Centre for financial industry-specific and back-office services

The financial attractiveness of South Africa has also improved this year, with a new incentive scheme putting the cost of BPO service delivery at around 50-55% lower than equivalent European delivery and putting the cost of service within touching distance of that which can be achieved by use of offshoring to the Philippines.

Potential as "Onshore-Equivalent" for Contact Centre Services

The profile of customer service delivered from South Africa does not lend itself to lowest-cost offshoring where metrics such as average handling time (AHT) rather than the quality of the customer experience are the main consideration for the client organisation.

The type of international customer service being delivered from South Africa is best suited to organisations seeking high levels of customer experience through metrics such as net promoter scores and high first contact resolution rates and those looking to resolve relatively complex customer queries.

Amazon for example is ramping up its customer service from South Africa and is recruiting "free-thinking" agents with the remit to focus on solving the customer's problem. The agents are not scripted, which is typical of South African contact centre services, and are authorised to take whatever action they feel is appropriate to achieve resolution and a high level of customer experience.

Accordingly, it is most appropriate for organisations to establish customer service delivery from South Africa where they are seeking an onshore level of customer experience, either at a significantly lower cost point than is available onshore or to complement existing onshore capability.

The benefits currently achieved by organisations using contact centre services for international customer service, typically to the UK and Australia, were stated to be, in order of number of mentions:

- Equal or better customer experience relative to onshore delivery
- Cultural alignment with the UK and Australia
- Cost savings (typically in the range 30% to 50%) compared to onshore service delivery from the UK and Australia
- Lower levels of attrition than onshore service delivery, with one organisation citing like-for-like attrition approximately 60% of onshore levels for the same service
- Ease of management relative to other offshore locations. This manifests itself both in terms of compatibility of time zones with the UK and Europe and ease of travel from the UK by overnight flights
- Availability of agents high relative to equivalent availability in the UK and Australia

In terms of type of service delivered, the emphasis is typically on end-to-end customer service across a range of customer query types. The profile of services delivered from South Africa in support of international customer service is shown in Exhibit II-1.

Exhibit II-1

Services Delivered from South African Contact Centres by Sector

Sector	Profile of Services Supported
Telecoms/ISPs/high-tech	Inbound customer service including billing support (50%) Technical support (1st and 2nd level) (30%) Outbound sales and cross-selling (20%)
Online retailing/home shopping	Inbound customer service including delivery support and credit card processing in support of online orders
Insurance	Inbound customer service (70%) Customer retentions and renewals (20%) Cross-selling and up-selling (10%)
Banking and other financial services	Debt collection services (both pre-90 days and subsequent debt recovery)
Media	Customer support including payment queries and processing and subscription handling

In terms of volume, the dominant sectors at present are telecoms/ISPs and online retailing/home shopping, though South Africa has relatively strong financial services domain expertise and provides contact centre expertise in addition to industry-specific services to international banks and insurance companies.

In addition to English-language work, which currently accounts for approximately 85% of international contact centre services from South Africa, South Africa also provides European language customer service, with for example Lufthansa and Amazon both providing German language customer service from South Africa.

B

GDN Centre within Financial Industry-Specific and Back-Office Services

While approximately 70% of current international BPO service delivery from South Africa comprises contact centre services, there is also a significant level of international service delivery around financial industry-specific and back-office services.

The majority of these services are banking and insurance industry-specific services, though South Africa should also be considered as a potential location within an organisation's global delivery network for back-office shared services in areas such as finance and accounting.

Examples of services delivered from South Africa in support of financial industry-specific services and back-office services are shown in Exhibit II-2.

Exhibit II-2

Industry-Specific and Back-Office Services Delivered from South African by Sector

Sector	Profile of Services Supported
Energy	Order taking and customer service Credit operations Coordinating product scheduling and delivery with major clients
Wealth	Investment new business support Customer data management Money collection
Life insurance	New business capture Premium collection Policy administration Claims processing Commissions handling

As with contact centre services, South Africa remains suited to the more complex handling of processes and customers within these domains, rather than the more basic transaction processing, which is increasingly being automated.

For example, CSC uses South Africa as a staging post for the roll-out of life BPO services to its Indian operations in support of its US life BPO clients and to handle complex parts of the value chain.

Similarly both Old Mutual and Discovery are seeking to build global financial services shared service centres in South Africa, with both new financial services product development and processing being concentrated in South Africa.

One significant difference between the international financial industry-specific and back-office services and the international contact centre services currently delivered from South Africa is the language mix. Within the international financial industry-specific and back-office services delivered currently there is a much greater emphasis on support for non-English European languages, with for example Old Mutual supporting its German business out of South Africa and Shell providing back-office shared services in support of its Benelux, French, and Canadian businesses from South Africa.

The reason for this is that these organisations have found South Africa to be a more suitable source of Dutch and German language expertise combined with accounting and financial services skills than Europe. Overall, the capability to support Continental European operations in languages such as Dutch, German and French out of South Africa is broadly comparable to, or better than, that out of more traditional Eastern European locations such as Krakow, and potentially offers higher value-for-money.

The benefits achieved by organisations using South Africa for financial industry-specific and back-office services, were stated to be, in order of number of mentions:

- Presence of high-calibre financial services workforce for non-voice services, including a lower financial services learning curve in South Africa than say India
- Staff more productive than alternative offshore locations for complex processing tasks
- Cost reduction of approximately 40% compared to Europe
- Time zone benefits for complex tasks where frequent communication with the client is required
- Customers more amenable to service delivery from South Africa than from other offshore locations such as India
- Accent neutrality and cultural affinity
- Access to a younger workforce with pride in serving international customers

As with contact centre services, it is apparent that South Africa is most appropriate for handling complex financial industry-specific and back-office tasks, either as a global centre of excellence for banking or insurance services, or as part of a global delivery network for back-office services such as finance and accounting and fulfilment.

New Incentives Should Deliver 50% Cost Savings Relative to European Onshore Centres

South African service delivery has traditionally suffered from price comparisons with India and the Philippines and South Africa remains an inappropriate location for large-scale processing of simple transactions or customer queries, where the quality of customer experience is not a major consideration.

However, many organisations are increasingly automating simple customer service tasks so that all remaining customer service queries are either complex or highly emotional. Accordingly this is shifting agent metrics from essentially cost measures such as average handling times and minimisation of agent interaction to customer satisfaction measures such as first call resolution and net promoter scores.

Customer service that is measured in this way is frequently regarded as needing to be delivered from onshore contact centres. However, South Africa and in particular Cape Town offers an alternative, providing "onshore-equivalent" customer experience at a much lower price point, in the past typically 30% to 50% compared to say UK onshore delivery.

That price point has itself potentially left a gap compared to English-language centres based in the Philippines, where top-level customer experience was not paramount. However, South Africa has introduced a revised incentive programme for the BPO sector effective from January 1, 2011. The details of this incentive scheme are shown in Exhibit II-3.

Exhibit II-3

Incentive Scheme: Offshore BPO in South Africa

Number of Offshore Jobs Created Each Year	Incentive	2011/12	2012/13	2013/14	2014/15	2015/16
Up to 400	Base Incentive	R40,000	R40,000	R32,000	R32,000	R24,000
401-800	20% one-off bonus	Bonus calculated for each job between 401 and 800				
801 Plus	30% one-off bonus	Bonus calculated for each job in excess of 800				

In order to be eligible for the above incentives, organisations need to register legal entities in South Africa that create at least 50 “offshore” BPO jobs over a period of three years, and that are delivering services to clients outside South Africa.

The base incentive is paid for a period of three years on the basis of the actual number of jobs created and sustained. The bonus incentive is paid once in the year in which the bonus level is first achieved.

This new incentive scheme brings the average cost per agent per annum for contact centre services to £11,100 (approximately $17,800) over each of the next three years. This should enable South Africa to increase cost savings compared to UK onshore delivery to 55% and put South Africa within a 5%-10% margin of prices charged out of the Philippines, making South Africa worthy of consideration by organisations that are seeking high customer experience but remain price-sensitive relative to traditional offshore alternatives.

Chapter 3

International Contact Centre Services

Drivers for Use of South Africa for Contact Centre Services

Business Challenges Faced and Drivers for Offshoring customer services

Exhibit III-1 shows, on the basis of the organisations interviewed by NelsonHall, the current profile of sectors using South African contact centre services for international customer service.

Exhibit III-1

Profile of Sectors Using South African Contact Centre Services

Sector	Proportion (%)
Insurance	25
Telecoms/ISPs	25
Banking and other financial services	19
Online retailing/home shopping	13
Media	6
High-Tech	6
Utilities	6

Although telecoms providers are traditionally a key sector for contact centre services and these are highly represented in the sample, given the high level of financial services expertise resident in Cape Town and Johannesburg, it is not surprising that the financial services sector shows up strongly even in the contact centre services market.

Another key sector increasingly using South Africa, and likely to grow significantly in terms of numbers of seats over the next year as Amazon expands its operations in Cape Town, is the online retailing and home shopping sector.

Overall organisations offshoring contact centre services to South Africa are not doing so in order to achieve maximum customer service cost reduction. Instead, they are typically looking for an "onshore-equivalent" customer service but lack the necessary capacity onshore and/or are endeavouring to achieve onshore-equivalence at a lower price point. Typically these organisations are "moving" service delivery from onshore but in some instances they are reacting against the standard of customer service from other offshore locations.

The principal business challenges faced by these organisations and their drivers for considering offshoring to South Africa were in order of importance:

- Need to scale to support business growth
- Lack of onshore capacity/difficulty in recruiting onshore
- Need to match onshore customer experience at lower price point
- Brand protection at lower price point
- Disillusion with customer service delivery from another offshore location
- Experiencing high attrition onshore

International Services Delivered and Why

Exhibit III-2 shows the profile of sectors using South Africa for international customer service by current number of seats.

Exhibit III-2

Profile of Sectors Using South African Contact Centre Services by Number of Seats

Sector	Proportion (%)
Telecoms/ISPs	38
Online retailing/home shopping	25
Insurance	12
Utilities	10
Banking and other financial services	8
High-Tech	4
Media	3

In terms of volume the dominant sectors at present are telecoms/ISPs and online retailing/home shopping.

In addition to English-language work, which currently accounts for approximately 85% of international contact centre services from South Africa, South Africa also provides European language customer service, with for example Lufthansa and Amazon both providing German language customer service from South Africa.

The profile of services delivered from South Africa in support of international customer service is shown in Exhibit III-3.

Exhibit III-3

Services Delivered from South African Contact Centres by Sector

Sector	Profile of Services Supported
Telecoms/ISPs/high-tech	Inbound customer service including billing support (50%) Technical support (1st and 2nd level) (30%) Outbound sales and cross-selling (20%)
Online retailing/home shopping	Inbound customer service including delivery support and credit card processing in support of online orders
Insurance	Inbound customer service (70%) Customer retentions and renewals (20%) Cross-selling and up-selling (10%)
Banking and other financial services	Debt collection services (both pre-90 days and subsequent debt recovery)
Media	Customer support including payment queries and processing and subscription handling

In line with the "onshore-equivalence" of South African contact centre services, the range of customer service delivered from South Africa typically goes beyond simple queries to handling the full range of customer services, including complex queries.

For example, CapQuest's South African captive has 100 agents handling specialist tracing and debt collection covering UK customers. Similarly, iiNet handles the full range of its billing, provisioning, and technical support customer service from Cape Town, with the dominant metric being net promoter score.

Location Selection Criteria and Reasons for Choosing South Africa for International Contact Centre Services

The principal reasons for choosing South Africa for international contact centre services were identified to be (in order of number of mentions):

- Time zone compatibility with UK and Europe
- High level of cultural affinity between South Africa and UK and Europe and Australia
- The attitude of agents towards contact centre work and a "natural" attitude towards customer service
- The quality of agents in South Africa
- The high acceptability of the South African accent in the UK, Australia, and US

The three main locations for delivery of BPO services from South Africa are:

- Cape Town
- Johannesburg
- Durban

Cape Town is currently the key location for delivery of international contact centre services, while Johannesburg is a centre of expertise for financial services capability, and Durban is increasingly being considered as a location for delivery of contact centre services, especially in areas such as technical support.

In addition, lower cost locations such as Port Elizabeth are increasingly being considered for domestic customer service delivery but currently lack the maturity to be used for international customer service delivery

B

Experience of Companies with Customer Service Delivery from South Africa

Benefits Sought and Achieved

Organisations using South Africa for contact centre services are typically not looking for the lowest cost location globally. Typically they are seeking onshore levels of customer experience at a reduced cost.

The benefits achieved by organisations using contact centre services for international customer service, typically to the UK and Australia, were stated to be, in order of number of mentions:

- Equal or better customer experience relative to onshore delivery
- Cultural alignment with the UK and Australia
- Cost savings (typically in the range 30% to 50%) compared to onshore service delivery from the UK and Australia
- Lower levels of attrition than onshore service delivery, with one organisation citing like-for-like attrition approximately 60% of onshore levels for the same service
- Ease of management relative to other offshore locations
- Availability of agents high relative to equivalent availability in the UK and Australia

The emphasis on effectiveness rather than absolute cost reduction is indicated by the measures currently being used to manage contact centre services in South Africa, with organisations typically placing low emphasis on average handling time (AHT) and frequently emphasising performance against measures such as:

- Net promoter scores (NPS)
- First contact resolution rates (FCR)
- Collection success
- Up-sell percentages

In line with this high emphasis on effectiveness, South African agents are typically handling calls unscripted, with organisations aiming for high levels of natural communication in order to achieve high NPS scores.

Examples of attrition in South Africa quoted were:

- Financial services industry-specific processes (graduates): 4% to 13% per annum
- Finance and accounting services (graduates): 15% per annum
- Debt recovery services 19% per annum
- Contact centre services (matric level): ranging from 15% to 40%, and averaging approximately 25% per annum

Contact Centre Services Delivery Cost Structure

The cost of a contact centre agent in Cape Town is approximately ZAR 8K-9K per month with some companies paying up to ZAR 12K for top-end agents.

Telecoms costs are approximately 30% of the cost base for international service delivery to the UK and 10% to Australia.

This gives a total cost per FTE for contact centre services from Cape Town starting at approximately £14,500 before government incentives. Taking into account the new incentive scheme, just announced, but not other training allowances brings the average cost per agent per annum to £11,100 (approximately $17,800) on average over each of the next three years.

At the same time, it is expected that telecoms costs will reduce by approximately 15% per annum, giving a further cost reduction per annum per FTE of approximately 4%.

This should enable South Africa to increase cost savings compared to UK onshore delivery to approximately 55% compared to a base cost of £25K in the UK and put South Africa within a 5%-10% margin of prices charged out of the Philippines.

Organisations serving the domestic South African market are typically at the moment serving clients from Johannesburg to a greater extent than from Cape Town and are typically investigating offering services from locations such as Port Elizabeth, which is expected to have staff costs 30% lower than those in Cape Town.

Financial Industry-Specific and Back-Office Services

This chapter focuses on the delivery of financial services industry-specific processes such as new business capture, policy administration, and claims processing together with back-office services such as finance and accounting on behalf of multinationals.

In both cases, only service delivery in support of international customers is included.

A

Drivers for Use of South Africa for Financial Industry-Specific and Back-Office Services

Business Challenges Faced and Reasons for Choosing South Africa

The principal business challenges faced by organisations using South African service delivery for financial industry-specific and back-office services from South Africa were need for access to domain expertise and access to domain expertise combined with European language capability.

Accordingly, the reasons for organisations using South African service delivery for industry-specific and back-office services were in order of importance:

- Leveraging the financial services skills within South Africa and availability of personnel with appropriate skills
- Sourcing European language skills within the organisation's global delivery network
- Quality of service delivery
- Value for money

The first of these points is the more obvious given the maturity of the banking and insurance sectors in South Africa. However, even in financial services, South Africa is typically being used for more complex processing tasks, requiring high levels of expertise and frequently high levels of management interaction.

For example, CSC uses South Africa as a staging post for the roll-out of life BPO services to its Indian operations in support of its US life BPO clients and to handle complex parts of the value chain.

Similarly both Old Mutual and Discovery are seeking to build global financial services shared service centres in South Africa, with both new financial services product development and processing being concentrated in South Africa.

Perhaps more surprising is the role of South Africa in supporting Continental Europe, with for example Old Mutual supporting its German business out of South Africa and Shell providing back-office shared services in support of its Benelux, French, and Canadian businesses from South Africa.

In both cases, the companies found South Africa to be a more suitable source of Dutch and German language expertise combined with accounting and financial services skills than Europe. Overall, the capability to support Continental European operations in languages such as Dutch, German and French out of Cape Town is broadly comparable to, or better than, that out of more traditional Eastern European locations such as Krakow, and potentially offers higher value-for-money.

Overall NelsonHall estimates that at present approximately 50% of financial industry-specific and back-offices services delivered from South Africa are English language based with the remaining 50% being German, Dutch, and French-based. While it is likely that the proportion of English-language within this mix will increase as the industry scales, South Africa remains a viable consideration for Continental European back-office services within a company's global delivery network.

International Services Delivered and Why

Examples of services delivered from South Africa in support of financial industry-specific services and back-office services are shown in Exhibit IV-1.

Exhibit IV-1

Industry-Specific and Back-Office Services Delivered from South African by Sector

Sector	Profile of Services Supported
Energy	Order taking and customer service Credit operations Coordinating product scheduling and delivery with major clients
Wealth	Investment new business support Customer data management Money collection
Life insurance	New business capture Premium collection Policy administration Claims processing Commissions handling

In general, South Africa remains suited to the more complex handling of processes and customers within these domains, rather than the more basic transaction processing, which is increasingly being automated.

B

Experience of Companies with Financial Industry-Specific and Back-Office Services from South Africa

Benefits Sought and Achieved

The benefits achieved by organisations using South Africa for financial industry-specific and back-office services, were stated to be, in order of number of mentions:

- Presence of high-calibre financial services workforce for non-voice services, including a lower financial services learning curve in South Africa than say India
- Staff more productive than alternative offshore locations for complex processing tasks
- Cost reduction of approximately 40% compared to Europe
- Time zone benefits for complex tasks where frequent communication with the client is required
- Customers more amenable to service delivery from South Africa than from other offshore locations such as India
- Accent neutrality and cultural affinity
- Access to a younger workforce with pride in serving international customers

As with contact centre services, it is apparent that South Africa is most appropriate for handling complex financial industry-specific and back-office tasks, either as a global centre of excellence for banking or insurance services, or as part of a global delivery network for back-office services such as finance and accounting and fulfilment.

Chapter 5

Skills Availability and Government Incentives

Skills and Infrastructure Availability

South Africa has approximately 3.6m English speakers with 87,000 graduates per annum emerging from its universities.

However, the contact centre industry in South Africa typically employs first-time agents from the matriculating (high school) population rather than from the graduate population, with organisations stating that approximately 1 in 4 applicants are of a suitable standard to become customer service agents. The matriculating and non-degree tertiary pool of personnel consists of 258,000 personnel per annum.

While some organisations use language and accent training for example to utilise Afrikaans-speakers in Dutch, the majority of organisations operating contact centres in South Africa do not carry out accent training.

South Africa also has an established body of personnel with accounting and financial services expertise, including approximately 26,000 chartered accountants, 800 CFA charter holders, and 770 qualified actuaries.

In terms of physical infrastructure, the standard of buildings and roads in cities such as Cape Town are comparable with those in Western Europe.

One of the attractions of South Africa, and in particular Cape Town, is that it is a location where executives from the UK, Europe, and Australia will feel relatively at home culturally, and where they will be willing to visit, even for extended periods. Short visits are facilitated from the UK by the availability of overnight flights in both directions, so that working time lost due to travel is minimised.

The telecoms infrastructure now appears to be robust, with low levels of incidents reported. However, although the cost of telecoms has fallen considerably in recent years, it remains high relative to other potential offshore locations.

Government Support and Incentives for BPO

The BPO industry in South Africa is supported by the Department of Trade and Industry, the Business Trust, and BPeSA (Business Process enabling South Africa), which is the national co-coordinating body representing the interests of the business process outsourcing and offshoring sector in South Africa. The partnership of these three bodies is aiming to create 40,000 offshore BPO jobs by 2015.

The role of the BPO sector development programme includes:

- Providing support to investors to set-up in South Africa
- The implementation and administration of the incentive programme.
- Driving the quality assurance programme
- Supporting the planning of talent development programmes
- Managing the implementation of the Monyetla Work Readiness Programme™, which provides work readiness training to unemployed youth

A revised incentive programme for the BPO sector was effective from January 1, 2011. The details of this incentive scheme are shown in Exhibit V-1.

Exhibit V-1

Incentive Scheme: Offshore BPO in South Africa

Number of Offshore Jobs Created Each Year	Incentive	2011/12	2012/13	2013/14	2014/15	2015/16
Up to 400	Base Incentive	R40,000	R40,000	R32,000	R32,000	R24,000
401-800	20% one-off bonus	Bonus calculated for each job between 401 and 800				
801 Plus	30% one-off bonus	Bonus calculated for each job in excess of 800				

In order to be eligible for the incentives, organisations need to register legal entities in South Africa that create at least 50 “offshore” BPO jobs over a period of three years, and that are delivering services to clients outside South Africa.

The base incentive is paid for a period of three years on the basis of the actual number of jobs created and sustained. The bonus incentive is paid once in the year in which the bonus level is first achieved.

In addition, the South African government provides financial support for talent development programmes, through:

- The Monyetla Work Readiness Programme™, whereby employers lead consortia to recruit and train entry level staff, and the government provides ZAR 18,150 per unemployed person trained
- Sector Education and Training Programmes, covering key sectors such as banking, insurance, services, finance and accounting, and IT, whereby employers can claim up to 75% of levies paid under the National Skills Fund

The Monyetla Work Readiness Programme™ aims to increase the pool of entry-level employable people while SETA aims to accelerate the development of home-grown supervisors and managers. Recently, 86% of learners trained have been found competent, with 90% of these subsequently employed by BPO companies. Three thousand four hundred learners will be put through this programme in 2010/11.

Examples of the relevant SETA programmes are listed in Exhibit V-2.

Exhibit V-2

Sector Education and Training Agency Programmes

Sector	Examples of Courses
Services	Contact centre management Contact centre operations Contact centre support
Banking	Financial services advice (for learners with grade 12 certificate) Certificate in business management (for learners with 3-year tertiary qualification)
Insurance	Advanced programme in risk management Investment advice certificate Advanced diploma in insurance management
Finance and accounting	Certified accounting technician General internal auditing Professional accountant in practice
IT	Systems development Systems support Diploma in technology management and innovation

In general, organisations, particularly service providers, using South African delivery should look to get involved in talent development initiatives such as these both from a corporate responsibility perspective and also for access to trained personnel.

Services are also available to assist organisations in testing the viability of captive delivery (and outsourced) international service delivery from South Africa and in gaining access to local knowledge, with, for example, both Capquest and Amazon initially clients of Full Circle's Model Office service.

Chapter 6

Companies Delivering Services from South Africa

Contact Centre Services

A

Aegis

Aegis is owned by the Essar Group, and has approximately 50,000 contact centre agents globally across 50 global locations.

Aegis entered the South African contact centre services market with the acquisition of CCN Group in 2008 and aims to use South Africa both to serve the UK market and as a stepping stone into African domestic markets. At the time of the acquisition, CCN had two international clients and 12 domestic clients in South Africa.

Aegis currently has two contact centres in South Africa and employs approximately 2,000 personnel in South Africa. The company's South African revenues are approximately equally split between its international and domestic revenues.

The company views South Africa as a strategic location and is investing a further ZAR 500m in its South African business with the aim of growing its South African operations to 5,000 FTEs over three years. These investments will include acquisition of a first-stage collections capability and further investment in the company's Aegis Academy for development of personnel.

Approximately 90% of the contact centre services supplied by Aegis to UK companies is delivered from South Africa. Aegis is currently serving three UK companies with contact centre services from South Africa. These are:

- A UK utility
- A UK telco/ISP
- A household services company

The UK utility initially sent out a RFP to suppliers in both the Philippines and South Africa and conducted both country and supplier due diligence simultaneously.

The principal reasons why the UK utility decided to adopt services from South Africa rather than the Philippines were:

- The acceptability of the South African voice accent to UK customers
- The availability of agents with acceptable accents, and the fact that no accent neutralisation training was required for South African agents
- The ability of South African agents to handle "off-script" communication

The South African service delivery started from Johannesburg in October 2008 and was built up in the following steps:

- Initially a 6 month pilot involving 50 agents and handling two relatively simple call types
- At the end of this initial 6 month period, the "pilot" was scaled to 150 agents handling the same two call types for a further six-month period
- During the third 6 month period, the capabilities of the 150 agents were enhanced to cover all seven call types handled by the UK utility
- After 21 months, the operation was scaled to 350 customer service agents covering all seven call types

The service is provided on a 24 x 7 basis, with the UK utility scaling down its onshore centres during anti-social hours.

The main metric used by the UK utility is net promoter score (NPS) and the NPS scores achieved by the South African agents are within plus or minus 5% of those achieved in the UK. However, NPS scores do tend to be slightly lower during anti-social hours reflecting overall satisfaction with the utility's service.

The cost reduction achieved compared to the utility's UK onshore contact centre is approximately 40%.

The training in support of the service transition for the utility was as follows:

- For skills transfer for the initial two call types, dedicated South African trainers were trained in the UK at the client contact centre
- For up-skilling agents from two call types to seven call types, training support from the UK was also sent onsite to South Africa for a 3 month period

It is anticipated that the utility will substantially increase its use of customer service delivery from South Africa during the coming year, with additional cities being considered in addition to Johannesburg.

The UK telco/ISP began delivering customer service from South Africa in 2006. The company uses India for non-voice back-office processing and uses South Africa for load balancing its customer service with its UK contact centres. Customer service is now delivered from South Africa on a 24 x 7 x 365 basis.

The company began use of South African delivery from Johannesburg with a 50 person pilot for 6 months covering just pre-paid support. The South African service delivery was then expanded to 300 agents covering both pre-paid and post-paid customers over an 18 month period.

The major reason for choosing South Africa was the quality of English voice, with net promoter score (NPS) being the major metric used. Scores from South African delivery for this organisation are within plus or minus 3% of those achieved onshore in the UK.

In addition, the company achieves approximately 40% cost savings in South Africa relative to UK onshore customer service delivery.

B

CapQuest: Debt Collection Services

This case study illustrates the use of South African BPO delivery in support of collection of overdue debt from UK consumers by CapQuest, a leading UK manager of overdue debts.

The case study illustrates:

- The reasons why CapQuest selected South Africa for delivery of debt collection services into the UK
- The profile of services delivered from South Africa
- The benefits sought and achieved from South African BPO delivery
- The lessons applicable to organizations evaluating use of international BPO services from South Africa

Background

CapQuest was founded in 1985 and is one of the UK's most experienced managers of overdue debts. The company acquires debts from various lenders including banks, credit card companies, stores, catalogue retailers and many other providers of credit to individuals. CapQuest also works with and acts on behalf of many leading high street lenders, contacting their customers to help settle outstanding debts.

Drivers for Use of South Africa

One of CapQuest's main streams of business centres on the acquisition of "gone-away" debt, where the debtor has to be traced in order for collection to proceed and in 2005 CapQuest was seeking additional resource to scale the servicing of its "trace and collect" accounts in a cost-effective manner.

Accordingly the company started to investigate the possibilities for offshoring some of its tracing activity. India was ruled out as a location since the company perceived that levels of attrition in India were unacceptably high and that the company's UK clients had a low acceptance of use of Indian contact centres.

CapQuest evaluated various international locations but chose South Africa for the following reasons:

- The company had a number of South Africans within its UK operations and these agents were highly effective at debt collection
- Culturally and legally the UK and South Africa are very similar, which would facilitate transition and operations within a highly-regulated industry
- Time zone compatibility, with time zone differences relative to the UK of 1-2 hours
- Access to an educated workforce who had English as their first language

Services Delivered from South Africa

CapQuest executives visited South Africa in late 2005, and developed a proof-of-concept in South Africa in June to July 2006. The proof-of-concept was successful and the company began interviewing team leaders in December 2006 with the South African centre commencing as a pilot operation with 25 personnel in March 2007.

At that time, the focus of the work being carried out from South Africa was solely database tracing with no verbal contact taking place between the South African agents and the UK debtors.

However, the scope of the work carried out from South Africa was rapidly expanded to cover the full "trace and collect" service, with the number of call centre agents in South Africa trained in specialist tracing and debt collection techniques expanding to 100 over the next 18 months.

In addition to supporting its UK operations from South Africa, CapQuest is also now providing debt collection services to South African companies' domestically.

Benefits Sought and Achieved

A comparison of UK collections performance against like-for-like control groups in South Africa and the UK is shown in Exhibit VI-1.

Exhibit VI-1

Comparison of UK and South Africa Collections Performance

Metric	South Africa's performance compared to the UK
Average 1st payment value	8% better
Liquidation of balance (%)	Equal
Conversion rate upon CWD (%)	1% better

Accordingly, CapQuest has met its initial goal of finding a source of collections capability to service UK debtors and at an acceptable rate of attrition. CapQuest's 12-month rolling turnover of agents in South Africa stood at 18.9% for 2010, with 12-month rolling sickness levels for 2010 of 1.48%.

It should be born in mind that the CapQuest call centre operates a shift pattern late into the evening and inclusive of weekend working.

In terms of costs, the cost of an agent in South Africa in support of these services is approximately 40% of the comparable cost in the UK.

While telecoms costs are more expensive in South Africa, the cost of offices is in the range ZAR 70 to ZAR 130 per square meter, giving savings in excess of 90% compared to say offices in the south of England at around £20 per square foot.

CapQuest now perceives that South Africa offers:

- "Talented and growing workforce with widespread use of English and cultural affinity to the UK
- Excellent aptitude and attitude for collections-environment calling
- Willingness to learn permits staff to develop and boost specialist skills
- Time zone alignment allows staff to work day and early evening shifts
- Developing telecommunications infrastructure
- Economic, education and legal system compatible with UK"

Lessons Learned

CapQuest has proved that it is possible to find personnel with an aptitude for tracing and collection in support of the UK market within South Africa. Two critical success factors identified by CapQuest in order to achieve successful operations in South Africa are:

- It is necessary to invest significantly in both management and product and service training. CapQuest sent two managers from the UK to South Africa on long-term contracts for long term managerial and operational continuity. In addition, CapQuest sent two senior collections agents and/or a variety of training staff every quarter for approx 12 months to help support and develop the agents in their roles, establishing the necessary product knowledge and providing training in specialist tracing and debt collection techniques.
- It is important to get agent remuneration levels right. CapQuest pays health insurance for its agents together with performance-related bonuses. However, it is important to neither underpay, which potentially leads to high attrition, or overpay, which potentially leads to retention of inappropriate agents.

Fusion

Background

The Budget Group of companies established a pilot operation of 40 customer service personnel in South Africa in 2003.

By 2008, the number of personnel in the South African operations had grown to 350, and the decision was taken to commercialise the South African operations, forming Fusion SA.

Today, Fusion employs approximately 1,700 personnel in locations in Cape Town and Johannesburg.

Services Delivered from South Africa

Fusion now has 16 clients that are serviced from South Africa, with approximately 30% of the services being delivered to the UK consumer market and 70% to the domestic South African market.

Clients are predominantly in the telecommunication and financial services sectors, with insurance customer service continuing to be highly important for the international UK market. Other sectors served include FCMG, leisure and media amongst others.

In particular, Fusion has five UK clients: four insurance companies and one media company. The profile of services delivered is approximately:

- Customer service (65%)
- Customer retention and renewals (20%)
- Sales completion, including cross-selling, up-selling and add-on sales (15%)

For the media company, Fusion carries out the following services across voice, email and fax channels:

- PCI tier one environment
- Payment queries and processing
- Subscription handling
- Some fulfilment

Fusion's delivery is split between Cape Town (70%) and Johannesburg (30%) with all international service delivery for UK clients delivered from Cape Town.

Drivers for Use of South Africa

Budget initially evaluated both India and the Philippines in addition to South Africa. South Africa was largely chosen on the basis of three factors:

- English (UK) neutral accent
- Availability of agents for rapid growth
- Very high level of cultural compatibility, with for example South Africa and the UK sharing the same sporting interests and UK TV channels prevalent on local TV networks
- High time zone compatibility with the UK

Benefits Sought and Achieved

Fusion finds that operational performance is on a par with similar services delivered onshore in the UK. The company monitors:

- Average handling time (AHT)
- First call resolution (FCR)
- Up-sell percentages and sales rates
- Net renewal rates
- Customer satisfaction

Fusion typically finds that for South African delivery these are within 2 points of the UK (either up or down) and so fairly equivalent.

However, Fusion finds that the availability of agents in South Africa is better than in the UK, with the company able to add agents at a rate of 160 per month.

Agent Recruitment

Fusion typically recruits agents with matriculation level of education, English language skills, and, for UK clients, 24 months experience in a call centre environment.

Merchants: ASDA and iiNet ISP Customer Service

This case study illustrates the use of South African BPO delivery in support of ISP customer service by iiNet, the number two, and fast-growing, provider of ISP services in Australia.

The case study illustrates:

- The reasons why iiNet selected South Africa for delivery of customer service into the Australian market
- The profile of services delivered from South Africa
- The benefits sought and achieved from South African BPO delivery
- The lessons applicable to organizations evaluating use of international BPO services from South Africa

Background

iiNet is the second largest internet service provider (ISP) in Australia and the company aims to use a combination of entrepreneurial flair and an intense focus on customer services to differentiate and win market share. Accordingly, quality of customer service and customer satisfaction with the outcome of each call is extremely important to iiNet. Accordingly, it is important to iiNet that the level of customer service delivered from sites outside Australia matches or exceeds that from Australia itself.

This case study describes iiNet's partnership with Merchants for delivery of outsourced customer service from South Africa in support of Australian customers.

Services Delivered from South Africa

Merchants currently has approximately 3,200 FTEs in South Africa and nine main clients. Two of these clients are international companies: iiNet, an Australian ISP, and ASDA Walmart in the UK.

iiNet operates a virtual contact centre approach with the full range of customer service activities delivered from its Australian centres also being delivered from South Africa.

iiNet is supported by 300 FTEs out of Cape Town.

The services provided for the Australian ISP cover end-to-end customer service, including handling of relatively complex provisioning and fault management queries and include:

- Broadband technical support for B2C customers
- Technical support for IPTV and mobile telecoms
- Provisioning support
- Fault management
- Cross-selling and sales support
- Billing support

These services delivered for ASDA Walmart in support of its home shopping operations include customer service queries, frequently around delivery and credit notes, and some credit card processing in support of online orders.

Drivers for Use of South Africa

Partly in order to enhance staff retention, iiNet has promised the personnel in its centres that no-one will be expected to work beyond 8 p.m. their time. To deliver on this commitment, the company needed a centre outside Australia to support its Australian customers in the evenings.

Accordingly iiNet executives spent a week in Cape Town in January 2008, and by May 2008 had recruited 50 staff. By September 2008 iiNet had recruited agents to fill 144 seats in Cape Town. Merchants and South Africa were perceived to be appropriate delivery partners since iiNet wanted this new contact centre to perform in exactly the same way as its other centres and form part of a wider delivery network within a virtual contact centre operation.

iiNet perceived that the company achieved a good cultural alignment with Merchants and South Africa, and the initial approach envisaged was to use a design, build, operate and transfer model with ownership and management of the South African contact centre being subsequently transferred to iiNet.

The principal driver within ASDA Walmart for considering South African service delivery was establishing an offshore site that could cater for a quality proposition coupled with cost benefit. India was evaluated and was not considered for quality reasons. The move of the services from the UK to South Africa was a 2-stage process with reengineering of the existing customer service taking place in Milton Keynes in the UK to ensure compliance before transferring service delivery to South Africa. The service transferred was initially a pilot of 30 FTEs which has now grown to 750 FTEs.

Benefits Sought and Achieved

Merchants' Cape Town centre is one of six centres used by iiNet with the others in Perth Sydney, Melbourne, Auckland, and the Philippines. The Philippines centre is the result of a recent acquisition by iiNet.

The main metric used by the Australian ISP across all six contact centres is Net Promoter Score (NPS). In the most recent quarter, the Cape Town centre achieved a NPS score of 54% putting Cape Town in second place among the six centres on this basis.

Merchants has trained its South African personnel in NPS methodologies and perceives that its South African personnel have responded positively to the competitive challenge inherent in the use of NPS to deliver high scores relative to other delivery centres.

In addition, iiNet achieves a 30% cost saving compared to use of onshore services from Australia. Staff costs are approximately 50% lower. However, telecoms constitutes approximately 10% of the cost base for the South Africa centre while it is substantially lower to iiNet in its Perth, Sydney, Melbourne and Auckland centres, and there are additional costs to take into account such as travel. Limited options and competition for connectivity between Perth and Cape Town, coupled with significant distance, results in a disproportionate telecommunication cost for the South African contact centre. In addition to this, iiNet leverages existing customer facing network facilities for Australian based contact centres, which offsets those costs within its Australian centres.

iiNet achieves attrition of 1.2%-1.5% (15%-18% per annum) across all its contact centres, South Africa included.

ASDA Walmart was initially seeking a cost reduction in the range 15%-20% compared to use of onshore UK service delivery, is currently achieving 20%-30% cost savings, and is aiming to achieve approximately 50% cost savings with the benefit of greater scale and recently introduced government incentives.

The other benefits of South African service delivery perceived by ASDA Walmart are:

- The ease of management with a time zone difference of only 1-2 hours
- The high cultural alignment between South Africa and the UK

In addition to the usual contact centre KPIs, such as attrition levels and service levels, ASDA Walmart also uses NPS and achieves an NPS score of approximately 20 points for its home shopping customer service.

Agent Recruitment, Management and Lessons Learned

For iiNet, Merchants recruits personnel with matriculation and with a strong customer service focus. A technical qualification is a bonus but not a necessity as the training provides a solid technical foundation.

The intent is for all agents to be multi-skilled and handle all types of customer query including e-mail and voice. However an agent will start their career on the less technical skill sets and gain further areas of expertise as their competence and tenure grows.

Each agent is driven solely by their NPS score, with every piece of customer feedback going back to the individual agent, and approximately 15% of each agent's salary is driven by their NPS scores. Where a customer query is identified to not be resolved as a result of verbatim comments on the NPS survey feedback, the customer is phoned by the agent responsible or the agent's manager to ensure that the issue is resolved.

The focus on NPS is facilitated by iiNet and Merchants maintaining a very flat management structure within the South African contact centre. No administration or scheduling is carried out within the centre and the reporting structure consists of teams of 12-15 CSRs (each with two senior CSRs) reporting to customer service managers, who report to the single contact centre manager.

In general there is a high level of similarity between Australia and South Africa at a cultural level, with South Africa aligning well with Australia and New Zealand from iiNet's perspective. The main areas where "cultural" training was required by iiNet were in:

- The dependency on the internet and an expectation that it is always on
- Understanding the geography of Australia and, in particular, location of Australian towns

South African agents typically do not have broadband at home, unlike Australians, and so required familiarisation with the product. iiNet and Merchants have developed increased familiarity by providing an internet zone and free broadband access for agents within the South African contact centre.

iiNet takes care to involve its contact centre personnel in South Africa on a similar basis to contact centre personnel in Australia. For example, the South African contact centre is heavily iiNet branded and South Africa personnel have the opportunity to travel and visit other sites and will be actively involved in service improvement initiatives within the Manila contact centre. In addition, personnel from Cape Town have the opportunity to get involved with iiNet's network operations centre in Australia, offering career development opportunities. South African staff participate in the overall iiNet Secondee program which sees them visit the sites in Australia, New Zealand and the Philippines.

Another fundamental factor in iiNet's success in South Africa was iiNet's very active involvement in the Cape Town site for the first 12 months of operations.

Teleperformance

Background

As the delivery of customer service matures, organisations are increasingly using multi-channel customer service and automating the simpler levels of service and transaction. Accordingly, agents are increasingly being left to handle increasingly complex calls involving complex customer service enquiries, customer retention, and up-selling. In response to this trend, Teleperformance has launched its Teleperformance Platinum service which focuses on offering a high-level of customer experience.

Teleperformance serves four clients from South Africa from approximately 650 seats in Cape Town. The company is aiming to employ 2,000 personnel by end 2012 and is starting to sell South African delivery into US companies via its US sales teams. Accordingly, the company is looking to extend its South African delivery from Cape Town into Johannesburg and Durban. Johannesburg is attractive to Teleperformance because of its banking and financial services skills and its local language capability to support the domestic market, while Durban is attractive to Teleperformance because of the availability technical support skills.

Services Delivered from South Africa

Teleperformance delivers the following services for clients from South Africa:

- IT company: 1st and 2nd level support
- Telecoms company: outbound sales calls and cross-selling to existing customers

The current breakdown of delivery provided by Teleperformance from South Africa is:

- 85% in support of offshore services
- 15% in support of the South African domestic market

Drivers for Use of South Africa

One Teleperformance client had a high volume requirement which was serviced out of the UK but was experiencing high attrition.

The client evaluated India, Philippines, and South Africa as alternative delivery locations and chose South Africa on the basis of quality of agents, time zone compatibility, and cultural alignment with the UK.

Benefits Sought and Achieved

Teleperformance has experienced lower levels of attrition in South Africa than in the UK with for example one client experiencing attrition in South Africa of 2.5%-3.3% compared to 4.5%-5% from UK-based delivery.

Cost is a secondary consideration for Teleperformance with the main benefit being the quality of customer service, with the South African accent acceptable in the UK, US, and Australia.

Skills availability is regarded as good as are the government incentives which include:

- Job creation incentives
- Free periods on buildings
- Incentives for training and up-skilling of agents

High telephone costs remain a challenge though these are expected to reduce when the East coast cable is installed.

UK-based ISP/Stream

Background

This UK-based ISP first established a captive contact centre in South Africa with 350-400 personnel approximately five years ago.

In March 2009, this site was acquired by eTelecare along with a 3-year contract to supply services to the ISP. eTelecare was subsequently acquired by Stream in November of the same year.

Services Delivered from South Africa

The ISP has 550 FTEs based in Cape Town delivering inbound customer service.

Drivers for Use of South Africa

The ISP launched their broadband service in the UK in April 2006 and needed to significantly increase its work force to handle the projected volume of customer contacts.

The ISP's senior management were concerned about the impact of offshored customer service on the firm's brand, but driven by shortages of UK personnel, were persuaded to consider potential use of India, the Philippines, and South Africa.

India was ruled out at an early stage due to the general adverse perception of Indian contact centres in the UK at the time, and the ISP executives briefly evaluated the Philippines.

However, South Africa was fairly rapidly selected on the basis of the following criteria:

- The value of the limited time zone differences with the UK
- The ease of managing South Africa as a location for a captive. In particular:
  - The ability to catch overnight flights to and from the UK and not lose a day's work or suffer from jet lag
  - The fact that Cape Town was perceived to be a "beautiful place" that executives would be happy and prepared to visit
  - Cultural affinity with the UK and the fact that there are many people in the South African business world with UK backgrounds

In addition when executives from the ISP went to visit existing contact centre operations in South Africa, they found:

- A "lot of expertise and skills"
- That agents didn't view contact centre employment negatively as they might in the UK, and that an international connection with the UK was appealing to South African agents.

Benefits Sought and Achieved

The UK-based ISP was very driven by a need for high customer service and did not want UK customers complaining about use of South African contact centres. Accordingly the benefits the company initially sought were:

- Equivalent standards of customer service to onshore delivery
- A 25% reduction in cost of service

The ISP now uses a number of metrics to measure service quality:

- A survey of the customer experience/satisfaction is carried out after every call and is used to measure the individual agent's performance
- A measure of contact resolution. If the customer phones back within a specified number of days then contact resolution is assumed not to have been achieved.

Since the primary objectives are customer problem resolution and high levels of customer satisfaction, the ISP doesn't measure average handling time (AHT).

The UK-based ISP also perceives that South Africa delivers:

- Strong cultural compatibility with the UK
- Good English-language capability
- Reduced attrition rates

Overall all inbound customer service delivery from Cape Town is performed on a par or better than that delivered from other locations. For example:

- Customer satisfaction: Cape Town scores 80% compared to 77% for equivalent services from the Philippines
- Indian service delivery is perceived to rate highly on process adherence but less so on soft skills

However, although telephone costs have dropped these are still relatively high in South Africa and South Africa lacks some of the concentration of support services found elsewhere.

UK Retail Bank

Background
This UK bank started delivering services in support of collections from South Africa approximately five years ago.

Services Delivered from South Africa
The services delivered are outbound collections in respect of payments that have been outstanding for 0-90 days. Delinquent collections are handled in-house onshore by the bank.

Approximately 80 personnel are delivering this service in support of UK customers of the bank, with this service delivered by an outsourcing firm.

Drivers for Use of South Africa
The principal driver for choice of South Africa was the bank's familiarity with South Africa and with the personnel who would be managing the service from Cape Town.

Benefits Sought and Achieved

The bank was looking for familiarity with financial services, cultural affinity with the UK and cost savings compared to onshore UK service delivery.

The quality metrics used by the bank are identical across all of its onshore and offshore delivery centres. The bank does not measure voice quality though perceives that the accent is acceptable to a UK audience. The main measures used are outcomes, in terms of collections success, data protection, and number of complaints. The bank receives a low level of complaints in relation to the collections services delivered from South Africa.

The benefits that the bank has achieved include:

- Good time difference when working with the UK compared to other potential locations
- High level of understanding of financial services with South Africa having a "robust" mortgage and financial services market
- High calibre senior management
- Good standard of agent education
- Good understanding of UK culture
- Cost savings compared to UK delivery of around 40%

Given the maturity of the mortgage market in South Africa, the bank perceives that South Africa is highly appropriate for use of customer service in support of secured lending.

Although cost savings of approximately 40% are being achieved, the bank perceives that telecoms costs are still high in South Africa.

Financial Industry-Specific and Back-Office Services

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CSC

CSC South Africa was established in 1999 and the company established an offshore BPO operation there in support of its US life and annuities BPO business in April 2003.

CSC's BPO operations in South Africa currently support five US life BPO clients, with CSC using South Africa as a staging post for the roll-out of life BPO services to its Indian operations. CSC perceives South Africa to have the following benefits:

- Acts as a "first world financial services country with products similar to Europe and the US"
- Time zone benefits where frequent communication with Europe and the US is required with English as the prime language
- Has a lower learning curve than for example India for complex insurance processing and other financial products
- Staff are more productive for complex processing

CSC currently has approximately 150 FTEs in South Africa supporting its life and annuities business with:

- Life and annuity policy administration (approximately 120 FTEs)
- Legacy transformation services (approximately 20 FTEs)
- Actuarial services (approximately 10 FTEs)

CSC's South African operations do the conversion for new life BPO clients to CSC insurance software and then provide training of CSC's Indian operations in high-volume, low-complexity transactions. The services provided by CSC personnel in South Africa include:

- Indexing of work
- Application of funds
- Actuarial calculations
- Claims and payments, including death claims and maturity correspondence

CSC's actuaries in South Africa typically assist CSC's clients across US, Asia, and Europe in building actuarial models using a CSC software product.

Discovery

Background

Discovery started life in 1993 as a health insurance company and now offers a range of health and life insurance products.

In 2004 Discovery partnered with the Prudential forming PruHealth and subsequently acquired Standard Life Healthcare. More recently the company has partnered with Humana in the US.

Services Delivered from South Africa

Discovery has approximately 600 personnel in South Africa serving the UK life and health insurance market, of which:

- 200 are in IT roles
- 400 in insurance back-office, covering:
  - Policy administration
  - Claims processing
  - Premium collection
  - New business capture
  - Commissions handling

For PruHealth, all IT, voice and back-office services are handled from South Africa. Only sales is delivered in the UK.

For Standard Life Healthcare, all systems delivery and non-voice back-office service delivery is being carried out from South Africa and the company is considering consolidating all back-office service delivery in a single location. Voice services will continue to be delivered from the UK.

The company has delivery centres in Johannesburg, Cape Town and Durban.

Benefits Sought and Achieved

Discovery estimates that it achieves 30% cost reduction through use of South African delivery compared to use of UK onshore service delivery. However, the main benefits of use of South African delivery are estimated by Discovery to be:

- Leveraging the financial services expertise resident in South Africa
- Access to a younger workforce with enthusiasm for the work and a pride in serving international customers
- Customers are much more amenable to service delivery from South Africa than to service delivery from India and South African delivery acts as a differentiator
- Accent neutrality is high in South Africa compared to other offshore delivery locations
- High cultural affinity between South Africa and the UK

However, telecoms costs in South Africa remain high but are perceived to be improving.

Agent Recruitment

Discovery perceives that there is a good pool of personnel availability for back-office roles in South Africa. The company typically takes graduates direct from university, though looks for 3-5 years prior experience for more senior positions.

The company regards the necessary up-skilling of graduates as quite manageable. This is helped by the strong historic links in insurance between South Africa and the UK, with the two markets having very similar products.

Lessons Learned

The key lessons that Discovery has learned are as follows:

- It is important to invest in cultural acclimatisation and Discovery provides its agents with visual material illustrating the hospital-related experience in the UK.
- Customers are less tolerant of slippage by an offshore team than by an onshore team and so the offshore team has to operate at a higher standard. Discovery has addressed this by using a ratio for team leaders of 1:7-8.

Future Plans

At present voice services for the Prudential operations will continue to be delivered from existing locations in the UK in Bournemouth and Stockport, with part of the rationale for these services remaining there being the expense of disposing of existing office properties in the UK. In the future, Discovery will continually evaluate how best to optimise voice resources from various locations.

As Discovery enters the Continental European market, it is likely that voice services in support of these operations will be delivered from South Africa.

Overall, however, Discovery's main intention is to consolidate the majority of its back-office operations, with the exception of those in support of the Chinese market, in South Africa. Accordingly all back-office operations in support of the European and North American markets will be delivered from South Africa.

Old Mutual

Background

Old Mutual has carried out IT development for its UK investment business for the past 10 years, involving a team in South Africa that has grown to over 100 personnel.

At end 2009, Old Mutual started a project to explore opportunities to leverage its South African back office servicing, IT, finance and product capability for the rest of its global business.

Services Delivered from South Africa

Old Mutual has begun to transfer back-offices services and IT to South Africa from Austria, Germany, and Poland.

In order to do this, Old Mutual needed to get approval from the regulators in Europe. South Africa's relatively advanced financial services market was an advantage here with Old Mutual orchestrating the support of the South African regulator which played a key role in the German financial services regulator supplying their approval. In addition, Old Mutual had to establish separate legal entities that were subsidiaries of the European companies being served in order to facilitate regulatory and tax compliance.

To enable support for these European countries, Old Mutual needed to recruit German and Polish speaking people with financial services experience. By the time the full transfer of IT and back office services is complete later in 2011, the team will comprise around 80 people.

The services delivered from South Africa in support of Old Mutual's businesses in Austria, Germany, and Poland include the back-end of new investment business acquisition, customer data management, money collection processes, customer queries and claims. To date, Old Mutual has left customer-facing and intermediary-facing services onshore in the European countries, essentially so as not to unsettle existing relationships with its sales intermediaries.

In parallel with this project, Old Mutual is busy launching a South African based product into Mexico. This will be done off a South African based system with the servicing and continued product development also being done from South Africa.

Old Mutual is now also actively investigating opportunities to leverage:

- South African shared back-office services into its UK and Nordic businesses
- Strong IT capability in South Africa as the base for a global IT function
- South African product into Latin America, Africa and Europe
- The use of South African based finance capability for the rest of the Group

Drivers for Use of South Africa

The principal drivers for use of South Africa have been:

- Old Mutual perceives that South Africa has achieved a level of innovation in financial services that can used to offer competitive new products into Europe
- Ability to leverage a range of product, IT, financial and scale opportunities in Old Mutual's South African business to support international businesses and achieve lower unit costs
- The availability of the service, IT, actuarial and product skills
- Access to strong service culture, best practice processes and lean operating environment

Overall Old Mutual is seeking to establish a South African-based shared services capability that can be used to offer and deliver competitive financial services products globally across Africa, Asia, Latin America and Europe.

Benefits Sought and Achieved

The 10 year IT experience to date has proven the case for access to lower cost IT skills in South Africa. While the experience with supporting Europe and Mexico from South Africa is in very early stages, Old Mutual expects cost, service improvement and innovation benefits from this strategy.

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Shell Back-Office Services within Global Delivery Network

This case study illustrates the use of South African BPO delivery as part of Shell's wider back-office global delivery network in support of European language customers in Continental Europe and Canada by Shell.

The case study illustrates:

- The reasons why Shell selected South Africa for delivery of back-office services as part of the company's global delivery network
- The profile of services delivered from South Africa
- The benefits sought and achieved from South African BPO delivery
- The lessons applicable to organisations evaluating use of international BPO services from South Africa

Background

Shell decided approximately five years ago to move to a global delivery model and accordingly the company decided to concentrate delivery in multiple locations, including Kuala Lumpur, Manila, Krakow, and Cape Town.

Essentially the company was seeking to move from use of country-specific customer-facing systems and processes to a single global set of processes, including global best practice in customer service, and simplified, cost-effective order-to-cash processes and systems, delivered from a small number of global "supercentres".

Services Delivered from South Africa

Shell delivers French and Dutch language services out of South Africa, with the countries/regions being serviced from South Africa being:

- Canada
- France
- Benelux

In addition, South Africa acts as a back-up centre for English-speaking services into the US, UK, Australia, and New Zealand. The advantages of using Cape Town for English-speaking back-up are:

- Relative time zone convenience, particularly for the UK
- Personnel all have English as a first or second language
- Ability to do complex tasks

Shell currently has approximately 400 FTEs in Cape Town with approximately:

- 150 FTEs serving Benelux
- 70 FTEs serving Canada
- 50 FTEs serving France
- 40 FTEs serving South Africa
- 50 FTEs in credit operations
- 40 FTEs in management and support functions

The services provided across all of the above geographies are:

- Order taking
- B2B and B2C customer servicing including dispute resolution
- Credit operations
- Coordinating scheduling and delivery of product

Approximately half of the services delivered from Cape Town are non-voice.

Drivers for Use of South Africa

The selection criteria used by Shell to choose these locations and to allocate work between them were:

- Language capability
- Availability/pipeline of personnel with appropriate skills
- Cost, taking into account the location’s ability to meet the other two criteria

Overall Shell put quality of service delivery first and cost as a secondary consideration, with the company taking the stance that service effectiveness is best driven by ensuring service quality before cost of service. Overall the cost of service delivery from Cape Town is estimated by Shell to be similar to that from Krakow, Poland, which is used by Shell for other Continental European language capability.

Cape Town was chosen because of its ability to deliver Dutch language capability at an attractive price relative to Europe. Other potential Dutch-speaking locations such as Suriname lacked the infrastructure to be viable alternatives.

With the emphasis on accuracy and quality of service, Cape Town has emerged as a centre of excellence with Shell's use of analytics and development of best practice being typically driven out of Cape Town. Overall, Shell is increasingly seeking to automate simpler forms of service with personnel focusing on higher-end, more complex servicing tasks. Shell perceives that this shift in emphasis suits the type of delivery capability and skills available in Cape Town.

Benefits Sought and Achieved

Shell perceives that the company has achieved a high-calibre workforce capable of delivering value-added and non-voice services. In addition, Shell estimates that it has achieved approximately a 40% cost saving by delivering French and Dutch speaking services from Cape Town rather than onshore.

Agent Recruitment

In terms of staff recruitment, Shell seeks personnel with:

- A minimum of matriculation level education
- An ability to speak, or learn, Dutch and/or French and/or English
- Experience of a customer service environment, with personnel with hospitality experience frequently more appropriate than those with prior call centre experience

Future Plans

The potential exists for Shell to increase its operations in South Africa over the next five years. Shell is looking for South Africa to potentially become a global delivery centre for finance back-office, covering high-end accounting processes as well as procurement, in addition to continuing to provide Dutch and French-speaking customer service (voice and non voice / front office and back office).

Domestic Finance and Accounting Services

Genpact

Genpact started its operations in 2009 in South Africa as a result of its contract with SABMiller.

At present, Genpact has approximately 200 FTEs in South Africa, providing predominantly finance and accounting services. The services provided by Genpact in South Africa include:

- Purchase to pay (P2P)
- Order to cash (O2C)
- Record to report (R2R)
- Payroll services
- Collections and customer enquiries and risk
- Re-engineering services (process optimisations)

Genpact has developed capability in South Africa not primarily for delivery of offshore services but in order to serve its Global clients and the emerging African domestic market. Forty of Genpact's clients are present in South Africa but typically with small to medium operations. Essentially Genpact is focused on assisting domestic South African companies with global presence to help them to improve their processes (Re-engineering), support them with Smart Decision services (analytics) and help them to setup in-house (Captives) or outsourced shared services.

At present, Genpact has seven clients in South Africa; all of them are South African companies.

Full Circle

Background

Full Circle was established in 2005 to serve organisations seeking to outsource BPO services to South Africa.

The company offers organisations a single source of impartial advice and operational and consulting services, aiming at implementation of best-practice contact centre services delivering a world-class customer experience from South Africa.

Full Circle have been involved in assisting a number of international clients to offshore to South Africa, including Amazon.com, Bloomberg, Carphone Warehouse and CapQuest UK.

The company's one-stop-shop approach is designed to assist organisations in evaluating, developing and transitioning quickly, cost effectively and successfully to South Africa.

Full Circle's main offices in Cape Town are based at 11 Adderley Street, where the company has a 350 hosted seat capacity. The company also has a 150 hosted seat call centre at 11 Buitengracht Street.

Services Delivered from South Africa

Full Circle's services are designed to assist clients, evaluate the SA opportunity, select outsource partners or build captive operations through to implementation and transition management.

The company supports international clients looking to set up call centre operations in South Africa, as well as catering to the domestic call centre market.

Full Circle offers organisations considering offshoring from South Africa, the option of piloting services from South Africa with no initial long-term investment required from the client followed by either assistance in building their own captive or assistance in selecting an outsourcer.

The bulk of the company's international business comes from its "Model Office" piloting facility which is provided on a price-per-seat basis.

Model Office

Full Circle's Model Office, is based on a "try before you buy" concept, designed to allow organisations to experience customer service delivery from South Africa for a trial period, typically 12 months, prior to making any long-term investment or commitment with regard to location or specific operating model.

The Model Office concept is designed to give organisations real experience of the South African market, including the following characteristics:

- Customer experience and call quality
- Operational effectiveness and productivity
- Recruitment, training and ongoing staff development
- Transition and service level management

The Model Office is not an outsource arrangement. While Full Circle provides all infrastructure, operational and technology services required, organisations are free to manage their own operation. Over 300 seats have been utilised on this basis in the past year.

At the end of the period, organisations should be in a position to evaluate the business value of use of South African-based contact centres, and can, therefore, make informed decisions regarding the most appropriate operational model, the size that any one location can support and the cost benefits. In particular, Full Circle helps organisations complete the roll-out of South African-based contact centre services via:

- Recruitment and training of agents
- Subsequent transfer of agents to captive or outsourcer
- Hosted contact centre platform (optional)

The services that have been delivered from South Africa from within the Full Circle facility include:

- Customer service
- First-line technical support
- Up-selling, sales and renewals
- Debt collection
- Financial research and data analysis

The profile of customer geographies served by Full Circle is approximately:

- UK 65%
- US 30%
- Germany 5%

Drivers for Use of South Africa

In most cases the principal driver for use of South Africa was to support business growth, with "brand protection" more important than maximising cost reduction. Full Circle estimates that its clients have typically achieved cost savings of 35% - 50%, with captives typically targeting 35% cost savings in year one and 40%-45% thereafter relative to use of UK contact centres, with organisations looking to match the quality of the customer experience achieved in the UK at a lower cost point.

Full Circle perceives that the principal features of South African BPO service delivery that contribute to achievement of high customer experience within voice services include:

- Acceptability of South African accent in UK
- Affinity of culture to UK e.g. common sports played and sporting links between South Africa and UK
- Innate friendliness and natural attitude towards customer service
- Contact centre work being perceived by agents to offer a worthwhile career
- Time zone compatibility with the UK and Europe, with time zone differences between zero and two hours maximum

Benefits Sought and Achieved

Full Circle estimates that its clients achieve equal or better customer experience from South Africa compared to delivery from their onshore centres, with clients typically doing their own customer satisfaction surveys.

Clients typically achieve cost savings in the range 35% to 50%. The components of the cost base are perceived to compare as follows:

- Staff costs are approximately 50% of those in the UK
- Facilities costs, in terms of the lease cost per meter are low compared to the UK
- Telecoms cost are falling but are still high compared to UK, India, and Philippines

The robustness of telecoms infrastructure reliability is regarded as now comparable to that in the UK, with Full Circle experiencing little or no telecoms issues or power outages over the last few years.

Agent Recruitment

Full Circle perceives that the agent pool in Western Cape is sufficiently strong. The company's clients recruit at three levels:

- Entry level: Qualifications sought are matriculation plus computer skills plus English language skills plus some customer facing experience
- Intermediate level: Qualifications sought are matriculation plus intermediate computer skills plus English language skills plus 12 to 18 months call centre experience
- For financial analysis: University graduates

Services provided by Full Circle

Offshore Strategy

Full Circle aims to provide organisations with a solid understanding of what South Africa offers. Organisations are taken through a developed South African business proposition model to assist in their high level strategic planning process, regardless of which offshore strategy the organisation wishes to adopt. Full Circle can assist in matching the value proposition, along with its benefits and challenges, to the organisation's business requirements and objectives. The outcome of this process is support in identifying the best suited off-shoring model.

Model Office

Full Circle's Model Office, is based on a "try before you buy" concept, designed to allow organisations to experience customer service delivery from South Africa for a trial period, typically 12 months, prior to making any long-term investment or commitment with regard to location or specific operating model.

Full Circle offers all infrastructure, operational and technology services required, whilst organisations are free to manage their own operation. Over 300 seats utilised this year.

Captive Build

Full Circle has assisted two major UK captive (client owned and run) sites in the planning, designing and operational implementation of an offshore operation.

Captive Build, Design and Fit-Out service include: Locating a fit for purpose building, designing the ideal call centre floor space and project managing the transition programme from concept to actual operation. This can be a full turnkey solution or as light as the organisation requires.

Outsource Evaluation

Full Circle is able to assist organisations in the selection process to ensure that reliable suppliers and services are contracted in accordance with the specific requirements, operations and management style of each organisation and assisting in the transition to the outsourcer if required.

Supplier Selection

Full Circle provides a range of transitional services directly through its network of partners and suppliers. The company aims to work closely with each organisation during the review and selection processes in order to ensure they engage the best suppliers and services for their business. Full Circle has a "tried and tested" list of professional supplier partnerships, to offer organisations access to a variety of services including technology, telephony, recruitment, training, leveraging government grants and incentives, material accreditation, accounting, travel, transport and facilities, including cleaning and security.

Training

Full Circle has devised and developed a training and facilitation capability designed to foster productivity and knowledge across the range of skills and behavioural expertise required by contact centre employees to meet local and international standards. Full Circle's training services promote brand equity and enhanced customer service. Full Circle has both local and international accreditation, directly accredited with SETA (South African Qualification Authority Act) and accredited internationally via their partner, Edexcel.

Consulting

Through a range of programmes which include management methodologies, tools and techniques and operational management, Full Circle helps organisations establish their preferred offshore operation in the fastest time possible, whilst ensuring their operational unit is well aligned, integrated and performance driven in optimum time scale as well as assisting clients in evaluating, developing and transitioning quickly, cost effectively and successfully in South Africa.

Property – Locating purpose specific property, assisting with lease negotiations and on duration structure (lease/purchase/develop).