

Indian BPOs dial in Philippines, Latin America for voice work

Indian BPO players are aggressively setting up new centres in Latin America and Philippines to address challenges of employable talent and wage inflation

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THE \$12.4 billion Indian BPO industry cut its teeth with the concept of 'call centres'. The recent stiff competition from rivals Latin America and Philippines has forced Indian vendors to adopt new business models. Though they continue to expand into new geographies for better voice quality, these players definitely have their thinking caps on to compensate the voice business which is being snatched from them.

The current wage inflation of 10-15% in the industry (as per Nasscom) has increased the cost per employee of Indian BPOs.

A further compulsion of compensation increase due to economic recovery has made it difficult for Indian players to increase their margins out of India centres for voice-based work.

Raman Roy, considered the father of Indian BPO industry states, "There is gross overpayment of salaries, but the entry level salary in India has not changed much. We are definitely paying more for a 3-4 year experienced BPO employee, as compared to earlier days. The reason being less supply of fresh graduates who are ready to be employed."

Benefits beyond boundaries

The voice-based work outsourced to the Philippines and Latin America comprises customer service activities to different sectors. The BPO players already present in either/or of these geographies include IBM Daksh, Wipro BPO, Genpact, WNS, EXL Service, Intelnet, Firstsource etc.

Rohit Kapoor, CEO and president at EXL Service says, "The Philippines offers superior quality in voice coupled with a marginal increase in cost, which is the main reason to expand there. We currently have 900 employees in the country and our delivery centre provides 75% voice based services." Also, Genpact and Intelnet have 1,000 employees each in the Philippines. As per Everest Research, a global management consulting firm, the Philippines BPO industry is estimated to be around \$6.4 billion and employs 4,00,000 professionals. Not surprising,

Manpower costs

Country	Average entry level BPO salary (\$)	Average annual salary hike (%)	Average attrition voice based (%)
India	280-450	5-10	50-70
Philippines	260-440	5-8	25-65
Latin America	550-750	5-12	30-65

Source: Tholons Advisory

80% of the work coming to the country is voice-based. Aegis managing director Aparup Sengupta explains that Indians have an intonation in voice as compared to the Philippines. "We currently have 10,000 employees in the Philippines and they do 95% voice based work. Our target is to reach 15,000 in the next two years."

Restricting to voice, the Philippines faces a lower attrition rate of 25-65%, as compared to India which ranges from 50-70%. Adding to the other advantages, government support in the Philippines is phenomenal. EXL Service's Kapoor adds that tax holiday is no longer a benefit in India. However for the Philippines government, the BPO industry is of topmost priority right now. It has straightforward rules which makes it easy to reach the higher government officials.

Looking at Latin America, multilingual contact centre is a major attraction for Indian BPOs. Cost is certainly not an indicator for them to expand in this part as salaries in the region range from \$550-750. It possesses excellent capabilities in Spanish and Portuguese and also offers German and French language skills.

Raman Roy, who is founder of Quattro BPO, paints the picture right. "Dealing with a large corporation and bidding for a large contract needs multilingual capabilities. Such projects would include large English voice-based services and small portions of French, German or Mexican. Thus, it is a strategic initiative by Indian vendors to get large contracts of which multilingual skills may be a small component."

Genpact, the country's largest BPO has a footprint in Guatemala. Shantanu Ghosh, senior vice-president says, "We took over a captive and grew manifold in the region. We have our Mexico and Spanish operations and we will expand aggressively in the next 12

months and will have a very different footprint in Latin America. Right now, it comprises 800 employees." Simultaneously, Aegis BPO has 1,000 employees in Latin America and plans to grow 3 to 4 folds in the next two years. Even, Sandeep Aggarwal, EVP, sales at Intelnet Global Services confesses that the company is looking at the Latin American market very seriously for Spanish capability.

Game plan ahead

Expanding to these geographies and acquiring talent is a clear option to restrict business to India, but there are other diversifications too being adopted by BPOs. Analysing the customer service scenario, the industry started as call centre, then moved to voice and now it has moved to context based. This means the use of multimedia channels like SMS, Web, chat, email, social networking, video to solve customer queries is picking up.

Anil Chawla, director sales—government and defence at Avaya Contact Centre believes that the strongest trend globally is the multichannel contact centre, which uses email, chat and social networking. "It is an architecture which helps the BPOs to increase their branding by providing more channels and delivers more revenue streams on the same infrastructure."

BPO players feel that Europe is pushing its end consumers to use Web, email, chat, and self help need for customer services because it involves lower cost. Shantanu at Genpact agrees that sub-

stitution to voice calls can happen through contact centres. Naturally, many Indian BPOs are adopting the self service model which helps in reducing voice traffic and delivers higher efficiency. "I think technology adoption in customer service and calling methodology is enhancing," he says.

Sandeep at Intelnet envisages the change too. "There is an explosion in the demand for multichannel work. Recently one of our customers demanded that 50% of his voice calls will go to internet." In the larger picture, while the Philippines is preferred for English voice, Latin America has fulfilled the need for multilingual contact centre.

Saugata Sengupta, senior analyst at Tholons Advisory firm comments: "It must be clarified that India has moved to higher value services in non-voice BPO, KPO and IT services which showcase the maturity of the destination and mitigate the impact of losing on BPO deals."

It is clearly visible that India is in a challenging phase for voice based work coming in. The country either has to generate competent English speaking labour at entry level or diversify into multichannel to substitute voice calls and minimise voice traffic. Eric Simonson, managing principal, research at Everest Group concludes: "The concern for India is less about the business which other geographies are taking, but more about the emphasis on human capital. It has to sustain the talent and quality in the labour market."

Voice attraction

- Aegis aims to reach 4,000 in Latin America and 15,000 employees in Philippines in two years
- EXL's Philippines headcount increased to 800 last year
- Genpact plans expansion in Latin America in next 12 months
- Intelnet eyes Latin America for Spanish capability

