Chapter – I

Introduction to Information Technology Enabled Services (ITES)

1.1 Introduction:
Service started garnering professional and public attention from the fifties in the western world and the early eighties in India. The decade long closure of the textile mills of Mumbai in the eighties was a symbolic changing of the guard which hastened the exit of manufacturing in the metropolis and the entry of service:

- Banking
- Financial Services
- Software
- Entertainment and Media
- Telecommunication – mobile as well as wireless in local loop.
- Dotcoms
- Business Process Outsourcing
- Retailing
- Education Services

The death of the mills was ironic in many ways. It made space for residential areas, hotels, malls and office space (Parel and Lower Parel in Mumbai are cases in point). It was also responsibility for decline of such century old services like Dabbawalas and entertainment of the masses like football / soccer. The mills and their employees were the main patrons for both the services. Substitute competition came in the form of restaurant, take ways, cricket and other services, which appealed to the changing needs of the new generation.

The middle class loved the white collar jobs for its status, if not the money. With the return of Mrs. Gandhi to power in 1980, ironically, service got a boost through government intervention and a little bit of liberalization. Replicating the first bank nationalization in 1969, six more banks were added into the government fold in 1980. To complete the original socialistic agenda, which the Congress Administration felt was interrupted by the intervening Janata Administration (1977-1979), the 25 banks were asked to expand, mostly into semi-urban and rural
areas, frenetically. Public sector banks went on a recruitment overdrive and middle and lower India got a taste of banking services. Insurance was to follow the expansion by the mid eighties. With more and more women joining the workforce, services became the darling of the educated. But it was still restricted to the public sector enterprises – which limited the ‘revolution’.

With the explosion of consumerism, changing demographics and lifestyle, and the availability of financial services, leisure and entertainment rode the waves. The liberalization of 1991 steered India to an irreversible and irrevocable change. Private Banks, non-banking financial institutions, private insurance players, telecommunication services etc, and all such services surged ahead. There seems now to be all round employment opportunities and consumptions outlets:

1) High end **Banking and Financial Services** are attracting the highly qualified and competent professional while more and more Indians are getting into debt and equity investment, veering away from government schemes.

2) **Software** is attracting the computing professional while institutional clients in India and abroad are inclined to use the IT products to increase efficiency, productivity and enhance competitiveness.

3) **Insurance** has attracted all kind of people into its employment fold: erstwhile LIC employees, socially well-connected men, women and retired industry professionals as advisors and young people taking the actuaries and underwriting courses to join the industry in operations. With the entry of private players the dynamics of business has changed and so has the need for the insurance product. People are finally turning out the view that insurance is all about continuity of lifestyle and less about tax shelters.

4) **Retailing and Malls** have not only attracted real estate developers (Hiranandani, Raheja, Runwall in Mumbai and DLF and Ansals in Delhi/Gurgoan) but also garment manufactures (Benzers as the owner of the malls Center One and Kishore Biyani of Pantaloons) and Professionals (Subarmaniam of Subhiksha). Retailing courses and seminars are the rage and a lot of the youth are taking to retailing careers like Supply Chain Management, Merchandising and Customers Care. An urban population for variety of reasons has also lapped up Retailing, Entertainment, Leisure, Stress busters as well as shopping.
5) **Entertainment and Media** have been booming, especially with the advent of satellite broadcasting technology and digital imaging. The death of the videocassettes due to the advent of 24x7 movie channels has only fuelled the sale and rental of VCDs. It has emboldened the ‘Old Lady of Bori-Bunder’ a.k.a Times of India to venture into retailing through Planet M. There are now over 100 satellite broadcasting channels with over a dozen having a focus on only News and Business. It is rather strange to thing that till the early eighties, Indians were required to have licenses to possess radios and television, and there was only one miserable channel till 1911 strange indeed.

1.2 **Service Started as a Business Proposition:**

According to renowned sociologist and futurist Alvin Toffler (Alvin Toffler, The Third Wave, Pan Books: pp-26), in the beginning there was the First Wave of change (the agricultural revolution) lasting over many thousands of years. It was followed by the Second Wave of industrial revolution, which has lifetime of three hundred years. The Third Wave to buffet the world economy, the futurologist analyses, will be in a shorter telescoped time frame of decades, but nevertheless sweeping in its effect like a tsunami.

Tearing our families apart rocking our economy, paralyzing our political system shattering our values, the third wave affects everyone. It challenges all the old power relationships, the privileges and prerogatives of the endangered elites of today, and provides the backdrop against with the key power struggles of tomorrow will be fought.

The Third Wave Toffler opines, is “highly technological and anti-industrial”, bringing forth new intuitions called the “electronic cottage”, “toppling bureaucracies (Reducing) the role of the nation state (Giving) rise to semiautonomous economies with its own ways of dealing with time, space, logic and causality”.

The third Wave of change is the information revolutions - the very foundation to effective service management.

There was more need for basic and staples before the early part of the 18th Century – and most people’s need never went beyond that. The early mercantile and commerce house therefore concentrated on agrarian and commerce activities. The
industrial Revolution brought in the next visible change. More often now, higher productivity gave rise to stocks and inventory which forced firms to look for the following.

1) Increased geographical expansion of their market, beyond the place of manufacture

2) Distribution intermediaries who were not part of family or employees.

This made it possible for the producers and the consumers to not meet at all and yet carry on their basic exchange activities.

Services never were considered as a value contributor to the economy. Being difficult to put an economic value to the exchange and transaction, businessman put service at very low in their priority. In the early days, service only attracted the lower strata of the society - maidservants. Housekeepers undertaker and scavenges. The image and the lack of professionalism never attached the youth to take to services for employment. They did not smell any glamour or money on the country, the manufactures had visible symbols of success – smoking chimneys, pilings up finished goods form the mills and factories and the continuing usages of the product by people at large. Ina strange twist in the tale retailing has come a long way from the Kirana stores – and attracting career proposition for the youth and investment avenues for the entrepreneur yesterday’s darji is today’s haute tailoring designer, and is a part of the page three glamour.

1.3 Importance of Services to an Economy:

It is a now very much accepted by economists and financial expert that services are making robust contributions to all economies in general and India’s in particular. The institute of Chartered Accountant of India has declared that in 2002, 52 of the nations GDP came from services. If we divide the economy into three main sectors which contribute to the GDP:

- The Primary sector, which consists of agricultural, fisheries, mining etc, contributed 27.5% to GDP.
- The Secondary sector, comprising industry and manufacturing contributed 24.6%
- The Tertiary Sector consisting of services contributed 47.9%. The tertiary sector comprises the Government, Defense, Finance, Logistic, Banking and Investments, Insurance, Education, Utilities, Communication, Entertainment, Sport, etc.
Table - 1.1: Percentage share of sectors in India’s GDP:

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary sector (agriculture mining, fisheries)</th>
<th>SECONDary SECTOR (Industry &amp; Manufacturing)</th>
<th>TERTIARY SECTOR (services like government tourism, defense, finance, investment)</th>
<th>Growth in services over the previous period (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>55.4</td>
<td>16.1</td>
<td>28.5</td>
<td>-</td>
</tr>
<tr>
<td>1960-61</td>
<td>50.9</td>
<td>20.0</td>
<td>29.1</td>
<td>+2.1</td>
</tr>
<tr>
<td>1970-71</td>
<td>44.5</td>
<td>23.6</td>
<td>31.9</td>
<td>+9.6</td>
</tr>
<tr>
<td>1980-81</td>
<td>38.1</td>
<td>25.9</td>
<td>36.0</td>
<td>+12.9</td>
</tr>
<tr>
<td>1990-91</td>
<td>30.9</td>
<td>30.0</td>
<td>39.1</td>
<td>+8.6</td>
</tr>
<tr>
<td>1999-00</td>
<td>27.5</td>
<td>24.6</td>
<td>47.9</td>
<td>+22.5</td>
</tr>
</tbody>
</table>

Source: Statistical Outline of India, Tata Services Ltd, 2011-12

There has been a steady growth in the tertiary sector, comprising of services. The percentage for services in the developed world is considerably higher.

Table - 1.2: Share of GDP across the globe:

<table>
<thead>
<tr>
<th>Country</th>
<th>Primary sector (%)</th>
<th>Secondary sector (%)</th>
<th>Tertiary Sector (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unites States</td>
<td>8</td>
<td>19</td>
<td>73</td>
</tr>
<tr>
<td>Japan</td>
<td>2</td>
<td>36</td>
<td>62</td>
</tr>
<tr>
<td>China</td>
<td>17</td>
<td>49</td>
<td>34</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>28</td>
<td>71</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
<td>23</td>
<td>74</td>
</tr>
<tr>
<td>India</td>
<td>27</td>
<td>25</td>
<td>48</td>
</tr>
</tbody>
</table>

Source: Statistical outline of India, Tata services Ltd.2011-12

Most of the developed economies have over two third of the contributions to their GDP coming from services. For US it is over three fourth. Environmental controls and regulations have forced many of the manufacturing jobs to shift from Canada. US and Europe to the Third World The employment then shifted to the services and the knowledge economy became a buzzword. This also to a great extend explain the unity of the developed economies to push to include service under the world trade organization regime and open access. Additionally over 50% of the manufacturing jobs are related to such facilitations as plans, designs, drawings, Maintenance, Repair and operations (MROs) etc. they are supply of services than actual manufacturing and production.
Taking the analysis further if one computes the number of people employed in the services across the globe and in India. It reveals the irreversible and bounding growth and importance of service.

Table - 1.3: Employment dispersion across sectors in India

<table>
<thead>
<tr>
<th>Source</th>
<th>1981(%)</th>
<th>1991(%)</th>
<th>2001(%)</th>
<th>2011(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary sector – agriculture</td>
<td>69.4</td>
<td>67.3</td>
<td>61.0</td>
<td>59.2</td>
</tr>
<tr>
<td>workers farmers, Miners, fishermen etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secondary sector – manufacturing and process</td>
<td>12.9</td>
<td>12.2</td>
<td>14.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Tertiary sector – services</td>
<td>17.7</td>
<td>20.5</td>
<td>28.2</td>
<td>41.1</td>
</tr>
</tbody>
</table>

Source: Statistical outline of India, Tata Services Ltd. 2001-2002

An interesting study by organization for economic corporation and development (OECD) mapped the number of people working in service across the globe against their per capita income. The highly developed nations, which are mostly in the West, like USA, UK and Canada have more jobs in the service sectors than those of less developed nations like Bangladesh or Ethiopia. High cost of labor and stringent pollution control norms in the US and Canada encouraged manufacturing jobs to take flight. Nike concentrated on the design, branding and marketing of its shoes while it completely outsourced its manufacturing to Korea, Taiwan, Japan, and China. The two figures above map the shifting trends amongst different countries. India Ireland and Australia gamed through IT and IT enabled Services (ITeS) while Spain harvested its strength in tourism.

1.4 Information Technology Enabled Services (ITES):

Given the advances made in technology, especially information sciences, the world has become small. This has resulted in big business opportunities because companies can now outsource services requirements to low cost centers, using technology and infrastructure. IT enabled services help companies to support information requirements, both internally and externally with the help of computers and telecom networks.

With this the logic of labor outsourcing has been stretched to the other extreme. Earlier, outsourcing was limited only to raw materials; now even services and
support functions can be outsourced and that too beyond geographical barriers. With IT-enabled services any company can have 24 hours access and interaction with its customers anywhere in the world.

In the past, outsourcing was limited because of physical barriers. Historically manufacturing facilities, especially in labor intensive areas, got transferred to low labor cost countries, like China, India and South East Asia. The advances in information sciences has resulted in outsourcing of services, which has created in its wake a new segment called IT-enabled services (ITES). IT infrastructure is the key to the growth of this booming sector.

IT-enabled services are the growth opportunities for the new millennium. Its rapid growth is an outcome of:

- Declining cost of telecom infrastructure
- Declining unit cost of computing power
- Increasing tendency to outsource non-core competency areas.

The spectrum of IT enabled service includes all centers. Medical transcriptions back office operations, accounting and legal services, content development especially for the Internet, payroll management, logistics management, GIS mapping etc. The entire range of IT enabled services varies from pure and simple data entry to customer interactions, which is complex and requires intelligences.

The key drivers of IT-enabled services are outsourcing and out location outsourcing means that some functions can be done more economically externally; something like a ‘make or buy decision in manufacturing.

Effectively what it means is that all activities like salary processing, Call processing credit cards processing data mining etc. can be outsourced to a third party at lower rate. Instead of building overheads in-house, out location means that Company X has a subsidiary or a division located in a low cost area to provide the same benefit. This takes advantage of the lower cost of manpower to services, engineering design, animation are very good examples of the same. The prime industry targets IT enabled services are banking, insurance airline, reservations, hospitals and utility billings.

The global market for IT enables services is estimated to grow from about US$ 10 bn to US$ 200 bn in the decade to come.
Table - 1.4: Global I.T. Market

<table>
<thead>
<tr>
<th>Category</th>
<th>US$ bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humans resources</td>
<td>50</td>
</tr>
<tr>
<td>Customer interaction</td>
<td>42</td>
</tr>
<tr>
<td>Finance &amp; accounting</td>
<td>20</td>
</tr>
<tr>
<td>Data search and analysis</td>
<td>20</td>
</tr>
<tr>
<td>Remote education</td>
<td>19</td>
</tr>
<tr>
<td>Animation</td>
<td>2</td>
</tr>
<tr>
<td>Translation and localization</td>
<td>1</td>
</tr>
<tr>
<td>Engineering design</td>
<td>6</td>
</tr>
<tr>
<td>Network consulting and management</td>
<td>8</td>
</tr>
<tr>
<td>Web sites services</td>
<td>7</td>
</tr>
<tr>
<td>Market research</td>
<td>5</td>
</tr>
</tbody>
</table>

(Source: NASSCOM)

1.5  ITES - Distinguishing Features:

The key distinguishing features of IT enabled services are:

- They are provided from a country different from the one where the products are delivered.
- The use of telecommunication and data networks.

IT enabled services would benefit from the growing popularity of the Internet. The internet will change the way the world looks at IT enabled services because it allows 24-7-365 access to resources anywhere across the global and lowers transaction costs. This means that proprietary networks need not be set up for implementing the services.

1.6  Call Centers:

Industry:

A call centers is a unit that has adequate telecom facilities, trained consultant and access to worldwide databases, and help to provide information support to customer using the 24-7-365 paradigm. Typically a customer calls a number, which is toll free and is assisted by the consultant. The operator can access the databases and gives the response.
**Typically Customers:**

This is very useful feature in airline reservations hotel reservations, banking services, technology solutions, etc. the areas that are addressed by call centers include sales support, airline/hotel reservations technicalquires, bank accounts, client services, receivables telemarketing, market research etc.

Potential customers for call centers are bank insurance companies’ airlines, financial services companies, technology companies’ telecom companies billing utilities hotels, etc.

Global major like GE Capital American Express, Lufthansa British Airways, Singapore Airways etc. have already invested in IT enabled services in India. The specific services include transaction processing, call centers, billing credit-card processing, medical transcriptions etc.

**Figure – 1.1: Working & Administration of BPO:**

![Diagram](image)

Earlier all call centers used to work on the ‘toll free’ or the 1-800 concepts. With sophisticated query handling services, nowadays the call centre and the client share cost. There are some premium services like technical consulting where the call has to pay the calling charges.

Technologically speaking, call centers have advanced rapidly in the last ten years. Earlier, it was just a labor intensive department trying to handle some customer queries. Now it is supposed to be a vital cog in the entire process of marketing and improving customers’ interaction. Unlike an airline reservation were the queries are generally simple and easy to handle, the requirement of technology – customer
support are different and need technical knowledge. A prerequisite for any call handling person is extremely good customer relationship skills and command over language/accents.

The basic components of a call centers are computers interactive voice response system. Electronic private automatic branch exchange (EPABX) and automatic call counter. The US experience show that the earlier adopters of call centers were able to reduce the cost of sales, become more responsive to their customers requirements and thus, gets a competitive edge.

Interactive voice response (IVR) has been the most significant productivity gain 70%-80% of calls can be handled without agent intervention, which helps reduce operating cost. In some extremely competitive markets like financial services, airlines etc., IVR system are a necessity.

In the operation of the call centers that revolve around satisfying the need of the customer and increasing the customer base the key issues to be kept in mind include:

- Process integration, which means that the call centre service flow should be closely integrated with the normal business process flow of the customer. This is extremely relevant for banks where a query can actually result into a transaction.
- Customer satisfaction that is the ability to satisfy the customer needs at the very first instance.
- Response time – the time taken to handle a query or how long a customer is kept on hold.
- Quality standards like customer Outsourcing performance centre (COPC).
- Professional services i.e. outsourced call centre services should be than better the clients in house call centre.
- Training all the staff of the call centers on the client’s business role of the call centre, nature of business etc.
- Communication abilities should be tuned to requirements of the customer.

To approach the end customer directly is very difficult. It is better to through an existing relationship. The other option is the sub contract model. The strategy here would be to use the build, own Operate, Transfer model.
In future, e-mail can emerge as a potential threat to call centers. The reason why e-mail is becoming very popular is that it is inexpensive and requires no special hardware, software or people skills. People are slowly realizing that it is more convenient to send a mail and wait for response than to hold on a telephone, wait in a queue and deal with transfer between agents. Also, e-mail can be sent at any time of the day, even midnight. Earlier people used to ignore e-mails. Now they are using e-mail seriously because of e-mail traffic. They can get it directly to the response centre of through their own web site or through some third party web sites such as financial sites, agent sites etc.

The future of call centers will be an interaction centre, which transcends the call centre and offer communication for all media including voice over net, e-mail, chat and perhaps video conferencing. It is all about communication with the customer in the form they choose. The promoter of a call centre should be prepared to accept that voice may no longer be the only medium in the future. Hence, we believe that the business model would undergo a transformation into an interactive media centre.

**Services:**

Call center offer various services like customer service, helpline, sales support helpline, technical support, query handling, helpdesk service, on-line credit and billing, telemarketing, lead generation and follow up, data capture, data verification, debt collection and subscription renewal, e-mail management, web chat, web call-back and web collaboration browsing.

Voice calls: voice interaction is one of the core competencies at call centers. Here they follow dedicated project based systems depending on the nature and size of the activity that is undertaken. Such call centers have a strong base in both inbound and outbound services.

Inbound services: All incoming call are received by their Interactive Voice Response (IVR) systems and greeted with an appropriate project greeting. Using the Automatic Call Distribution (ACD) system, the call is transferred to the customer service associate. Optimum usage of technology enables the call centre to monitor every stage of interaction between the customer service associate and the customer. The services offered usually include:

- Sales Support Helpline
• Customer Service Helpline
• Technical Support
• Complaint Recording and Handling Credit and Billing problems
• Advertising Responses
• Database Management
• Tele selling and order taking

Outbound Services: Outbound calling is where the customer services associates (CSA) make call to any specified destination with pre-approved database from the client. A report by the MIS personal form the operation department is sent to the client. A quality assurance team is attached to operation to check the quality of the calls made by the CSA where in his/her communication skills, product knowledge, etiquette and selling skills are judged. The feedback from the quality assurance team is forwarded to the respective team leader for corrective measures so that the call centre does not deviate from the service level agreement with the client. The outbound services that a call centre usually offers are:

• Tele Marketing
• Tele Research
• Data Capture
• Data Verification
• Subscription Renewal
• Debt Collection

1.7 Geographical Information Systems (GIS):
GIS is a technology-driven process in which information about surface, terrain etc. is stored in the computer. Using GIS, any point on the map can become an index to the information related to the particular area. Typical areas where GIS finds extensive use align information systems with geographic data like public health system, agriculture, forestry, resource management like oil and gas, minerals, transportation, emergency, automated mapping, business marketing and sales, demographics etc.

The different components of GIS service are data collection, data interpretation, GIS database and data publishing. Data conversion and data integration is the most
important components of GIS. Typical data requirements are base maps like streets and highways, rivers, lakes etc; business maps and data related to the census, demography, consumer products etc.; environmental map including satellite imagery, topography and national resources; general research maps and world and country maps. The biggest market for GIS is the USA, which is about 60% of the total market and growing at about 15% per annum.

The critical success factors of this business are:

- A management that is well-versed in project management of GIS projects
- Quality and accuracy of conversion
- Infrastructure
- Proven conversion methodology and data migration techniques
- Speed

**Content Creation**

The other business that is growing rapidly is content development especially designing of web sites, content for new media like CD ROMs, computer animation, games, titles etc. the basic premise is that these activities are labor intensive and hence are costly in developed countries. All these activities are shifting to India because of the abundance of English – speaking skilled people. The skill set required is not ‘hi-tech ‘. The basic problem in this activity is culture specific.

**1.8 Medical Transcription:**

Medical transcription is the accurate and swift conversion of medical records dedicated by doctors of other medical professionals, into electronic form. This includes patient history, reports, clinical notes, operation reports, medical recommendation, letter, psychiatric relation; laboratory reports etc. it begins with receiving the dictation by tape or in digitized form and then converting it into a word/text document. Nowadays, the doctor leaves his message in a toll free number that is converted and recoded in a dedicated server. The transcription unit logs in to that server and downloads the dictation material. It is then converted into a word/text document using earphones and keyboards. The specialized word processing packages which are used for medical transcription include a medical dictionary for the benefit of the person doing the conversion.
Elaborate dictation is 2-3 pages long and would take about 6-10 minutes. The person doing the transcription should understand accents, dialects, various dictation speeds and medical terminology. Good knowledge of English is extremely necessary. Training is extremely critical because you are taught English, typing and computers and given a rudimentary knowledge of clinical terms.

The customer for any medical transcription unit is a hospital, medical unit or a doctor. The potential is enormous as doctors generally have reputations for bad to get any entry into any hospital or medical unit. Personal relationship matter a lot in generation of this business.

The cost per line of transcription in USA in between 15-20 cents. In India, it is approximately 8-12 cents. More US companies are shifting base to India to take full advantage of labor –cost advantages. The total market is estimated at US$20 bn and is currently serviced by casual transcriptions to formal medical transcription companies.

The transcription unit has to promise low down-time and extremely high reliability/accuracy of the transcription because the patient life might depend on it the legal cost for mistakes will be tremendously high.

The main components of a medical transcription unit are office space, servers, computers, telecom infrastructure and medical transcription programs. For a centre of 50 people, working on a shift basis, the total capital investment would be about Rs.7.5 mn. Working capital requirements will be mainly salaries for 50 people for 4 months, which would be about Rs.5mn. So, a medical transcription unit can be set up within Rs.1.25 mn. The problem is not with set-up costs but to ensure contracts, which are difficult. A typical contract lasts for 15-24 months.

The most difficult thing in this business is to get an order from one of the hospitals. Since it is difficult to obtain, the logic of sub-contracting is relevant because one can tie up with an existing medical transcription company and become a sub-contractor. The idea is to gain experience, build a team and then contact the end user directly. Economies of scale are the key to success, all other things being equal. A remote threat is improvement in voice recognition systems limited to QC and accuracy tests. The response time in medical transcription is generally 24 hours and accuracy is about 98.5%
1.9 Business Process Outsourcing:
The term business process outsourcing (BPO) was coined around 1995 and became popular quickly, accelerated by the explosion of Internet Business. Thus we can say that BPO is an emerging new arena, which adapts to the changing scenario, which stays focused and which taps opportunities by making the organization more agile, while opening new opportunities for service providers.

Why do companies outsource?
In their quest to achieve strategic focus, business worldwide is choosing to develop areas of core competence and outsource the other business processes. With increasing globalization, enterprises worldwide are facing the challenge to find the inches where they can add the greatest economic value. As a result, enterprises have looked for ways to avoid making investment in non-core areas. As service providers witnessed this development, they began to create whole enterprises based on narrow business processes. Business process outsourcing was seen by companies around the globe as a means to remain ahead of their competitors by reducing costs, providing the best quality, using the latest hi–tech skills and, most importantly, by being reliable and innovative.

Outsourcing gives a company the following advantage:
- A technical and functional edge over competitors without capital investment
- Faster development and start up
- Reduction of overheads, freeing up of resources
- Offload of non-core function
- Gaining access to specialized skills
- Reduction in operating costs.
- Improved speed & service and increased customer satisfaction
- Provision of value added services.
- Avoidance of the cost of chasing technology
- Focus scares resources on time critical project like application re-engineering
- Reduction in the overall IT management burden while retaining control of strategic decision – making.

BPO Marketing
The BPO enterprise should prepare itself with following checklist:
- Should have a clear understanding of a client rational for outsourcing.
Should have a clear understanding of the benefits that would accrue to the client through outsourcing.

Should have ways and means of giving the client the assurance of reliability, security and dependability.

Should have a clear insight into the client’s outsourcing strategy.

Should be very transparent about its own strength, limitations and future growth strategy. A company intent on outsourcing can go about it in three ways.

Figure - 1.2: Outsourcing Styles of Companies:

![Outsourcing Styles Diagram]

The outsourcer can go in for an own shared service centre rather than client servicing by setting up an SSC to handle one of its major non-core functions centrally either across contents or across its subsidiaries. In the past we have seen that many companies like Union Carbide, Whirlpool and Mars all had centralized their accounts in one European country. This is referred to as inside outsourcing. This kind of shared service centre can be adopted by those companies that have their business spread across different continents and who have identified their core business process very well. It is then beneficial for these companies to go in for inside outsourcing by centralizing any one of their non-core functions by keeping in mind the financial capabilities and technological know-how to suit their emerging outsourcing needs.

This kind of strategy of SSC can be fruitful to the outsourcer in terms of various factors such as confidentially, focused operations smooth functioning, tax advantages and low cost of employment in a single country by centralizing the operation.

The three basic reasons for outsourcing are:

- The desire to concentrate on core activities
The need to improve the services and
The often pressing need to reduce costs.

**ITES – BPO:**

- If there is one industry that has emerged relatively unscathed in the economic downturn, it is the call-centre industry. As companies get more cost conscious, India is becoming more attractive as an outsourcing destination the country offer many advantage.
- The telecom costs in India, which are higher than in rich countries, are falling, thanks to liberalization. Indian call – centre wages are only 10 % of the US. India has a large (250 milling plus) educated and readily – available middle-class labor pool, creating a huge domestic sourcing market for call centre service.
- India’s time zone position has made the country a popular choice for outsourcing BPO activities.
- The offshore outsourcing market will grow rapidly in the coming decade to the point where a majority of large firms will be outsourcing customer support BPO offshore just like a majority of firms today outsource manufacturing offshore to Southeast Asia and software services to India.
- There is a lot of potential in the domestic market for a BPO. With companies like Exult. Ma Foi etc. entering the domestic BPO segment the domestic market is gearing for competition.
- Companies in the domestic market have realized the importance of outsourcing their non core activities to third party BPO in order to get cutting edge in the competitive environment.
- Process such as tax processing, claims processing, document management that comes under the Administrative services are the key areas that insurance companies in the domestic market are looking forward to outsource.
- The main area of business for a BPO in the FMCG sector would be to provide financial service such as accounts payable/receivable management, risk management and general accounting. HR- specific service such as payroll education, training etc. is also the service that the FMCG sector and the Travel & Tourism industry in the domestic market are looking forward to outsource.
- Despite pressures on margins and successful delivery models available, the public sector companies in the domestic market are hesitant to outsource their service to a
third party BPO. The current norms of the PSUs don’t allow them to outsource their service, which is further complicated by overstaffing. A strong need is expressed to outsource these service and they believe that it has to happen in the near future i.e. 3 to 4 years from now because of competition.

- There is a good scope for a BPO to provide payment service such as card processing, loan processing, and check processing, EDI etc. in the banking sector and to concentrate on services related to Sales, Marketing and Customer Care in the Travel & Tourism sector.

- One of the main reasons for not outsourcing the service by the companies in the domestic market is due to fear/security reason, which contributes to approximately 50%. Hence there is a need for a BPO to explain the relationship that can be maintained between the clients and the service providers. i.e. the BPOs.

- There is a huge area of business that is still untapped in the domestic market and this is a green signal for the BPOs to approach/target the companies in the domestic market.

1.10  ITES Indian Scenario:
Revenues from ITES in India increased for around Rs.10.6 bn in FY99 to Rs.24 bn in FY00 to Rs.41 bn in FY01 to Rs.85 bn in FY02 representing a CAGR of over 100%. Currently, India’s call centre industry has two segments: domestic call centers and international call – centers. The domestic segment employs an estimated 5,000-10,000 people, and is growing at 50%-70% per year.

According to research firm IDC, the industry is seto to clock a CAGR of over 50% until 2005, ahead of China’s 40% plus growth. In fact, Indian call-centres are poised to register the highest growth rate in the Asia-pacific region. McKinsey, which foresees a global market worth USD 140bn for call centre services by 2008, has predicated that India’s share could be as much as USD 9 bn by 2008, providing employemtn to 1.1 millions indians Agartner report says that the global BPOmarket was around SSD 208bn in 1991 and grew to USD 543 bn by 2004. NASSCOM and McKinsey have recently increased their projections for the Indian IT enabled service market in 2008 to USD 21 bn from USD 17 bn earlier.

New investment in the ITES industry have shot up by around USD 300 mn to an estimated USD 800 mn till the bd if FY02. This increase in capacity was equally
divided between captive centers – viz. The subsidiaries of multinational such as HSBC, Standard Charted, AOL Dell and Hewlett Packard, and the Indian third party providers led by Daksh, Wipro - Spectra mind, EXL and MSource Among others.

The data is sourced from NASSCOM’s recent preliminary research report on the InfoTech industry of which ITES is one segment. NASSCOM had earlier projected that by 2008, this industry is progressing growth rates are likely to overshoot this figure.

Some of the key trends witnessed into the Indians ITES such as the BPO market in 2002 are:

- **Customer care** and administration were the fastest growing segments within the BPO space, with projected growth of over 75% in FY03. The high growth rate can be attributed to the presence of experienced third – party vendors (who scaled up operations) and the entry of captive players. The availability of a fairly large talent pool also attracted investors and customers alike to this segment.

- One key trend noticed is an increasing number of IT services companies such as Infosys, TCS Satyam computers, HCL, Cognizant, Syntel, making forays into the BPO space by creating their own capacities or by acquiring existing player

- NASSCOM has also highlighted the emergence of several under the radar opportunities like engineering design, clinical trials, biotech research and equity research among a large number of emerging opportunities which are tapped by capable entrepreneurs’ and established players.

**The future of BPO**

**Soft economy will Propel Further Growth** - The continuing difficult economic climate in the US & Europe will increase the demand for cost saving. Offshore BPO initiatives from the Fortune 500 firms will look at increased outsourcing as a way to remain competitive via cutting cost, improving quality and remaining focused on core competencies, Success stories from GE, AMEX, AOL DELL, SPRINT FLEET FINANCIAL, CITI BANK, HOUSE HOULD international and green point mortgage in addition to glowing references form leading analysts at granter, Forrester, IDC, The Yankee group and Jupiter will propel cautious and less adventures firm to come to India for outsourcing their BPO services.
Increasing consolidation – There is an increased pace of consolidation in the BPO area where weaker players will wind up or be bought for capacity while leading indecencies will be courted by publicly traded software service provider, existing clients, and/or existing US bas outsourcing firms. INDIAN BPO firms who are unable to show Fortune 500 clients as references, posses voice/back office experience, COPC certification and who do not have the ability to successfully operate a multi centre operation and maintain profitability will find it difficult to compete in the coming year.

Increasing specialization – Indian BPO firms are moving beyond out-tasking to true outsourcing of full processes including process improvement related actions.

- Existing BPO vendors are developing dedicated internal practice group that specialize in outsourcing specific complex process. Examples of specific internal practice group could be HR processing. Transaction processing or technical support.
- New specialist BPO vendors will emerge to service niche emerging opportunities such firms might specialize in specific operation related to collections, transaction processing or data analytics.
- Client’s desires for specialization have to be addressed by setting up individual practice units, each unit, each with its own head, to ensure dedicated units specific to client interest areas such as customer service, telesales, technical support and back office processes. Each practice area should further specialize with specific process teams.

Brain Gain - H-13 holder/NRIs returning to India due to increased career opportunities will increase feel the need for management depth witching Indian BPO firms. This influx of talent has come at just the right time to provide the management experience required to scale operations intensive firms. This trend has grown dramatically in 2004 due to the rapidly expanding top tier Indian BPO vendors.

BPO: India at an Advantage

India as a BPO destination offers an array of advantages over others. Some of them are:

- According to some research reports, the minimum weekly wage for comparable worker in Australia is over AUD 460; in the US it is more than USD 750; in India
it is just UDS 25. Translate those sums into monthly rupees and the contrast is stark; over Rs.45, 000 in Australia, over Rs.73000 in the US and just c 7,500 or so in India. Our cheaper wage cost make it possible to provide this service at 40% to 60 % lower cost than the developed economy.

➢ The next big advantage India’s highly skilled, English speaking manpower base that worked with established methodologies and processes to ensure enhanced quality.

India offers a dedicated workforce with specialized skills. India’s abundant skilled manpower (estimated at 6 million, versus 3.5 million in Australia and Ireland’s 0.206 million) is drawing corporate hubs back—end their operation here. India’s English-speaking manpower rates high in areas such as qualification, capabilities, quality of work and work ethics. In this places India is ahead of competitors such as Singapore, Hong Kong, China Philippines, Mexico, Ireland, Australia, and Holland.

➢ A virtual 12-hours time zone difference with USA and other major markets for IT enabled services.

➢ India provides income tax holiday for export of IT enabled service. Zero income tax on profits from export of software and IT- enabled service (call centre, data entry, data processing and data analysis).

➢ Stable legislative and economic framework.

➢ Support of government of India for all IT – led industries.

➢ Zero import duty for software, books, software licenses, hardware, call centre equipment etc.

➢ The government of India had announced a special policy for call centers in India.

➢ Many state governments in India offer special incentives and infrastructure for setting up IT_ enabled services.

➢ The thrust by government of India to make India and IT driven nation with a focus on service sector where the potential for value addition, and thus premium is higher.

➢ India enjoys very strong brand equity in major markets, thanks to its growing and globally competitive software Industry.

➢ More than 185 of Fortune 500 companies already have offshore centers in India.
India’s telecom and physical infrastructure is approaching parity with other countries.

Indian companies have unique capabilities and systems for setting, measuring and monitoring quality targets. NASSCOM is working with international certification agencies to set standards.

In certain ITES categories, Indian centers have achieved higher productivity levels for example, the number of transaction per hour for back office processing, than their western counterparts.

Domestic demand: with the deregulation of telecommunication service, utilities and rapid growth in mobile telephony, a expected shift in vertical revenue concentration in favor of revenues from traditional verticals, such as consumer goods and financial services, in the overall revenue mix.

Private ISPs have been permitted to set up their own international gateways. Complete de-monopolization of undersea optical fiber connectivity for ISPs. The private ISPs either singly or jointly have been permitted to set up their own landing stations anywhere in India in collaboration with international undersea bandwidth carriers.

1.11 ITES Industry Facing Confrontation:

There are the following challenges facing BPO enterprises:

Table - 1.5: Requirements of BPO:

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<thead>
<tr>
<th>Country</th>
<th>Work: force</th>
<th>Market access</th>
<th>Local Market</th>
<th>Infrastructure</th>
<th>Cost</th>
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Source: MIT, Govt of India

Issues relating to adequacy and pace of development of national level infrastructure – Telecommunication network and connectivity, power, roads, and other modes of accessibility.

An efficient call centre needs to be supported by an advanced telecomm infrastructure. in India telecom and power have been tow of the most troubled sectors hampered by a high degree of government intervention. At present, there is
a requirement of about 1.5 to 2 GBPS of domestic bandwidth form the ISPs and another 3-3.5 GBPS from software developers, ITES sectors, including call centers and other data service provider. VSNL has an estimated bandwidth of about 1.4 GBPS in April 2002, which is insufficient and insignificant compared to china’s 55 GBPS. However, private player like Bhatia, Reliance and Dish net DSL are busy implementing plans to add about 11 GBPS of additional bandwidth.

The power scenario is scary in many states like Madhya Pradesh, Karnataka, and Tamil Nadu etc. preventing them from taking advantage of this booming sector. Azim Premji has moaned the stat of power supply in Bangalore and says that it disrupts the functioning of Wipro’s BPO. The BPO enterprise has had to resort to captive power generation sets, which increase their cost reducing their competitiveness.

The lack of efficient and effective road, rail and air connectivity has hampered the marketing of the BPO services. The BPOs are finding it increasingly difficult to generate confidence and encouragement among their MNC clients when the latter are brought to the service sites. The state of the roads and railways and poor air connectivity are increasingly distressing the foreign clients who are therefore looking towards Malaysia, Thailand, Singapore, etc.

- Pressure on call centers to keep abreast of technological advancement by prudent yet ongoing investments.
  There is constant pressure on call centre operators to remain at the cutting edge of technology, coupled with pricing pressure and low seat utilization relates, at best, seat utilization rates are 1.7 to 1.8 which translate to 13.8 hours to 14.4 hours respectively.

- Apprehension on the part of the client organizations to outsource communication activities to third parties for security and other reasons.

- Cultural issues in customer’s interaction For CSAs who cater to a number of clients, quality training poses and enormous challenge. Training CSAs in accents culture and customer relationship management at is a challenging task. This assumes particular significance in the case of India where customer service culture has been virtually non-existent in the past and is culturally a relatively novel concept. Thus, lower staff costs need to be backed by a skill set, which is language and culture specific.
As with any new industry, there is likelihood of an eventual shakeout, which would be survived only by players who are able to offer high quality and service levels to clients consistently.

Attrition – job hopping has become an increasingly popular practice amongst contact centre agent in search of ever higher salary packages. Attrition rates in the voice enabled telesales and telemarketing activities, which are currently around 25 per cent, are expected to rise in the near future to 34-40 percent. Attrition rate are lower among the BPO firms at 10 to 12 percent. most companies are witnessing almost the same attrition rate and expected this to increase by 10 to 15 per cent in the next two years, only when the industry matures, which can take about 5 years, will take another five years for the BPO and contact centre industry to settle down to a healthier attrition rate of 8 to 10 per cent. Solutions: More training, career opportunities and conducive work environment should stem the outflow.

Political – The outsourcing bug is raising more questions in America. While government in India may be trying to bring such business under an old economy law, the governments in the US are trying to save the jobs there. American labor is slowly but surely waking up to this silent threat to its market. Arguments are being put forth that the BPO route, while snatching jobs from American labor is exploiting third world labor. Questions are being raised about the working conditions in third world countries and the comparability of these with American one. In fact, many companies, which opt for BPO do a thorough check of the working environment and conditions for the vendor’s offices or work sites. There are arguments, which counter the positions taken by labor, by stating that it is only the work which is being outsourced to developing countries, and it does help these countries in terms of raising their domestic wage levels.

Labor laws – The call centre industry, being a recent phenomenon, is not sufficiently covered by the current set of labor laws. The unique problem that relates to a fundamental characteristic of this industry is the need of employees to work round the clock. Labor law norms especially for women employees, and inconsistencies across various states led to inefficient utilization of capacity. while 20,000 women are already fielding call of all sorts, their employers are bus lobbying with states to change some of the archaic low that place restrictions on the hours that women can work. Under the shops and Establishment Act, which
falls under the state jurisdiction, women employees are not allowed to work at night, typically from 9 p.m. to 7 a.m. in the summer and from 8 p.m. to 6 a.m in the winter.

- **Operation Management** – Managing day to day operations with a round the clock work schedule is not an easy task. The stress levels here are much higher and there is immense pressure on deliverable and support. Therefore it is tough to find experienced professionals, particularly at a senior management level for handling such a set-up. It is a relatively new industry and there is a huge mismatch between the demand for professionals and the availability of experienced hands in the industry. Most employees are from other customer oriented industry like hotel management but do not have the experience of handling a call centre.

- **Pricing** – With intense competitions there is huge pressure on the BPOs to undercut their prices for client’s projects. This is liable to have a major effect on the perception of quality – both from the clients as well as the company’s point of view. This will endanger the cash flow positions and does not speak well of the long term well being of the enterprise as well as of the industry.

- **Norm’s rules and procedures** – outdated procedural norms, multiple clearances at every stage such as taking the DOT approval for each new IPCL line at each new locations and registering each new contract with STPI could delay business. As ITES is still to be identified as a separate service industry and does not have any clearly defined rules and regulations, one has to go through a number of legal hassles during registration one could register under EOU STP norms. This would mean adhering to a set of rules which may or may not be applicable to that kind of business. This could be an area of concern especially for new upcoming organization.

- **Poor Marketing** – Most of the ITES player are dependent on around two to their customer for almost 80 per cent of their business, like IT companies in their yesteryear. This dependence might not prove healthy for ITES players as with even one of the major clients walking out, the company can suffer huge loss. On an average a large call centre with 1,000 seats might end up losing revenue up to Rs.2.5 crore if it loses one of its major clients occupying up to 300 seats.
Geo political – Customer in the United States and Europe are still testing the waters and increasing apprehensive about border tension between India and Pakistan. They feel the tensions might escalate into full fledged war – even nuclear war – and they might lose all their data. They are ensuring the ‘mirroring’ of the data warehouse back to their respective countries.

1.12 Market Dynamics:
Five simultaneous but separate streams of activity mark the business at the moment.

1) It is attracting large number of serious players. Several big global and Indian corporations have entered the industry over an 18-month period, joining such luminaries as world Network Services (a former British Airways subsidiary that was later spun off), Swiss Air and GE and several foreign banks. The list of Indian Companies includes the manuals Hero Corporate Services, the Ansals (the Delhi – based real estate group), the paras group, which produces dairy products. Paras Calltec started with an investment of c 15 crore. Waiting in the wings are the Bharti group and Reliance Industries. Bharti Teletech floated a 100 percent subsidiary Bharti Infotrac, that is all et of start operating at a 150 seat call centre in Delhi. The company will be adding another 500 seats taking total investment in the business to c 25 crore. What is more, several global players have leaped in, including converge, SITEI, West Teleservices, First Ring and E-funds International. Other Indian majors planning an entry into the BPO space include Mastek and Hughes Software (investment of USD 10 mn).

2) Many Indian and foreign enterprises are pooling their resources by either floating joint venture or inducting strategic investors. Former Citibank an Bank of India executive Tushar Chopra launched ATS services, a financial services voice and transaction processing company in Delhi. A year later, Citicorp Private Equity took what Chopra describes as a substantial stake in ATS. And Bharti infotrac floated a joint venture with American express to set up a 1, 200 seat call centers as Gurgaon in Haryana. Bharti will provide the infrastructure and bandwidth; American Express will run the centre and provide technology.

3) More and more overseas companies are seeking to set up call centers dedicated to their requirements such as AOL Time Warner, Dell, eBookers and Netscape as
possible investors. IBM is firming up plans to set up a captive BPO division in India, joining global giants such as GE and American Express, who run similar operations in India. Exult Inc., a US based firms that provide human resources service to companies is setting up a BPO unit in Mumbai to service overseas clients.

4) India’s call centre are moving up to chain and handling more complex processes. Customer Asset started with 12 agents for n clients, a UK bank which outsourced one process to the company the Bangalore based company has grown to staff strength of 100 employees and handles 10 processes including credit card authorization and opening savings bank accounts. The company could move into front office services such as telemarketing and inbound customers services. What is more, some call centre companies in India, of which Hewitt and exult are but two examples, are now handling the entire service of customer (payroll services, HR functions). At spectra mind doctoral degree holder are helping a genomic company in the US to set up a database.

5) Nearly all the big boys and serious players have lined up expansion plans. Bharti Teletech vice chairman and managing director Rakesh Bharti Mittal plans to establish a 10,000 seat capacity in two or three years. Dash services are increasing its 1,200 seat capacity to 1,700 and then to 5,000. Daksh is also cocking an eye at expanding into Europe, French and German language centers to cater to the European market.

In the past decade, Ireland was popular destination for locating call centers. While the cost advantage is no more than 20%-30% for a US company to shift its business processes to Ireland, it is well over 50% in most Asian countries. According to industry estimates there are more than 100,000 call centers worldwide. The number is expected to grow to 300,000 employing approximately 18 million people. Till 2003 USD 60 bn was spend to remote processing call centers, back office operations, data conversion and financial accounting operation. India is a contender for the leading call centre destination. Today it is the hub of the global call centre industry. the Indian call centre industry hold a strong position in the world wide market that offers a 250 million strong educated middle calls labor pool compensation at a quarter of the paid in the US and the UK.
As early as the 1990s, MNCs, which realized at benefits of shifting remote processing work to a chapter base like India, have set up dedicated facilities in the country. These include GE, American express, standard chartered, Citibank, Hongkong and Shanghai Bank. Deutsche Bank, British Airways, Lufthansa, and Swiss Air. India now has about 300 big to small sized call centers.

**Type of jobs:** About 100,000 engineers graduate from India every year. Many of these engineers are employed with call centers for troubleshooting and providing technical support at salaries that are significantly lower compared to the pay scales in the Us. The average monthly salary in India is $400-$700 compared to $2,700-$2,800 in the US.

**China:**

In the outsourcing field, china is the biggest challenge in the future and the largest threat to India. With the largest population and fastest economic growth china has at least two strengths in the global outsourcing market: manufacturing and IT.

**The main Advantage of China Are as follows:**

Lower Manpower cost: The Chinese worker cost about 15% less than equally qualified Indians. Japan

Japan Advantage: china is likely to grow through the Japanese outsourcing route. The advantages that china has are japans’ proximity to China and similarity of the languages. India currently offers almost no BPO services in Japan:

Extremely low cost real estate and power: these costs are lowr than in India. This can be very attractive to the US companies , which are looking for cost cutting due to the downturn.

Proactive Government: The government is very friendly to this sector and has taken the following steps.

1. English teaching and other skill sets: Over USD 5.4 bn was invested in nine universities in china to promote English language and other skills.
2. Increasing telecom density and PC penetration: China scores over India in these aspects and Intends to further increase the gap.
3. Leveraging on the manufacturing image: Western manufacturing companies have found that outsourcing their manufacturing function to china for their companies global operation can be profitable and also produce good quality products.

**The main disadvantages of China are as follows:**
**Lack of good quality record in software:** India has a better image as a quality supplier mostly due to its track record of better quality software than China.

**Low English-speaking population:** this is the biggest drawback of China. It has a very small proportion of the population speaking fluent English.

**Less mature:** the Indian business processes are much more mature. China has only recently entered into BPO. As such, despite lower billing rates, total project cost in China would turn out to be higher because of the higher overheads incurred.

**Philippines:**

Philippines-based call centers as collectively seen as the Philippine IT sectors newest sunrise industry as it generated USD 864 mn in revenues and created 24,000 IT jobs by 2004. There are 22 contact centers in the Philippines with a total of 3,600 agent seats servicing clients, mostly from the US and the UK. In three years, the industry agent seats capacity is pegged at 15,000. In addition, call centers in the Philippines employ about 5,000 Filipino IT professionals, with 19,000 positions expected to be filled in two years. In 2003 the Philippine call centre industry made USD 173 mn in revenues. It is estimated that foreign firms that are now outsourcing programming and business processes to the Philippines gain savings of 30% to 40% on business costs.

The manpower costs are 40 to 60 per cent lower as compared to UK and US. The average salary cost is around USD 700-800 per month in the BPO sector. The country has a shortage of manpower mainly due to the small population as compared to India. The manpower base for BPO is only 300,000. Right now the country is getting business from nearly 70 companies.

**The main advantages of Philippines are as follows:**

**Large scale technical training programmes:** The government has initiated a number of policies by which the skills can be provided to a large population.

**Improved telecom and office infrastructure:** Philippines scores over India in this respect.

**The third largest English speaking nation in the World:** this is a very important advantage.

**Well-developed IT skills set:** This is considered second only to India due to performance in software.
Costs of technology workers: This represents the biggest recurring costs for say, a B2B site and is only around 16% to 25% in the Philippines. It is comparable to that of the United States.

Forms American colony: As a former American colony, American culture and language is widely emulated here. These cultural and communication skills could prove to be so appealing to American firms that they outweigh the slightly high labor costs in the Philippines.

The main disadvantages of Philippines are as follows:

Low graduate turnout: Philippines have low graduate turnout (only 400,000 per annum) . This compares very unfavorably with India.

Not having a record of high quality: India had consistently delivered very high quality in software and has built a very high reputation in it.

Political instability: The country has frequent elections, which makes it difficult for companies to outsource, as there is lack of uniformity of policies with change in the government.

No disaster recovery facilities or multi location facilities: After the WTC bombing terrorism has become very important issue for the US companies in particular and they want that the BPO providers should have multi location facilities, which can be used in case of any terrorist attack.

Issue of sealing up: Philippines face the important issues of scaling up. Issues like scaling up have stunted the growth of BPO activities being outsourced to Philippines. The largest call centre of AOL in Philippines has only 800 people. The size of the Philippines BPO industry is only USD 173 mn. Whereas India’s BPO industry is present at USD 1.5 bn (FY02).

Ireland:

Ireland was one of the front runners in the BPO segment and started much earlier than India. Thus it has built good brand equity in US. It has a very conducive regulatory framework and is known for excellent quality standards. The country has strategically pursued developing outsourcing services market and is planning to invest heavily in telecom infrastructure (USD 5 bn over 10 years).

But it suffers from very big disadvantages of lack of a large human resource pool. It has nearly 500 companies employing more than 40,000 people. Also it compares
very poorly with India and China in terms of manpower costs. Ireland is actually the biggest exporter of software services in the world today. But there is currently a shortage of programmers in Ireland and companies are forced to outsource work to India.

The other countries, which have a share in the BPO sector, are given below. These countries are not serious competitors to India, mostly due to the small population base.

**Australia:**
Australia has a mature BPO industry with 4,000 call center employing 225,000 people with USD 5.7 bn revenue. It has the advantage of large English speaking population with a favorable time zone.

**Canada:**
Since only five per cent of the total BPO business of USD 238 bn (by years 2005) from United States would be off shored amounting to USD 7.5 bn, Canada and Eastern European states could put severe pressure on India on the price front, besides being sought after for their near shore capability by the US.