A.2 ANNEXURE

BPO – CONCEPTS AND JARGON

- Outsourcing – The act of an organization entering into a contract with another organization to operate and manage one or more of its business processes.

- Business Process Outsourcing - Outsourcing of all aspects of the work. Business Process Outsourcing (BPO) is the delegation of one or more IT-intensive business processes to an external provider that in turn owns, administers and manages the selected process based on defined and measurable performance criteria.

- According to International Data Corporation (IDC) : 'BPO involves the transfer of management and execution of one or more complete business processes or entire business function to an external service provider.'

- According to Nasscom : 'ITES involves outsourcing of such processes that can be enabled with IT.'

Business Process Outsourcing (BPO) is one of the fastest growing segments of the Information Technology Enabled Services (ITES) industry.

Based on the OECD (2005), the World Trade Report 2005, has come up with the some classifications of the term 'Outsourcing'. The distinguishing criteria used here is location and control/ownership and the classifications are as follows:

1) **Captive onshore** outsourcing implies a shift in intra-firm supplies to an affiliated firm in the home economy.

2) If the shift in sourcing of supplies benefits a non-affiliated firm in the home economy, one can describe it as **non-captive onshore outsourcing**. The term "onshore" could be replaced in both cases by "local" or "domestic".
3) Captive offshoring describes a situation in which future supplies are sourced from an affiliated firm abroad.

4) The fourth variant of outsourcing may be labeled non-captive offshoring and refers to the case when the new supplier is a non-affiliated firm and located abroad. This is the same as outsourcing to a Third party.

COMMON TERMS USED IN THE BPO INDUSTRY:

Some important terms are explained conceptually in Chapter 1 of this study. These are:

Outsourcing, Attrition, Arbitrage, Near shoring, Offshoring, Onshoring, Vendor, Destination, ITES, BPO, Verticals, Captive, Third Party.

Some other jargon that is used typically in the present context of the ITES-BPO Industry is listed below with their meaning in brief:

1. Analytics- The process of analyzing data about a company’s customers to enable better and quicker decisions.

2. Back office work- This is a support function in an Organisation that deals directly with customer related activities. This work is non-core to the Company and is usually outsourced to a BPO company.

3. BFSI – Banking, Financial services and Insurance.

4. BPO Hub- Usually an area where most of the economic activities are carried on by BPO Companies. Such a place is usually equipped with all the infrastructure needed for BPO activities such as 24 hours broadband, better connectivity by road and air, uninterrupted power supply, permission for employees to work late night and so on.

5. BOT : A form of ownership model where a Captive unit signs up a third party to set up a facility in a outsourcing destination, allows it to run the
facility for a few years and gets it transferred as a wholly owned subsidiary once business stabilizes.

7. BPT: Business, Professional and Technical Services. This is the broad category under which the US Bureau of Economic Analysis provides data of US cross border trade in Services.

8. Captive unit – When a Company situated in one country opens an affiliated Company in a low cost destination so that it can outsource its own processes and cater to its clients out of the new location.

9. Co-located- A process that exists parallely in the country which outsources as well as the country that is the service provider.

10. Call Centre- A Centre where, inbound and outbound, voice based services are provided to clients of the Company outsourcing some of its processes to a the vendor of the services. Often these are services which directly deal with customers.

11. CAD - Customer application design. Delivering customized development of software applications. It also involves interfacing, enhancement of existing packaged applications or pre engineered templates, support and provision of custom applications.

12. Customer care – Refers to all customer support activities. This is usually though the phone, answering queries but could be on the e-mail too. It is often in-bound.

13. Domain expertise - A BPO Service provider who has specialized in processes related to one or more specific Vertical – eg: Insurance, healthcare etc.


15. eCRM - Electronic CRM concerns all forms of managing relationships with customers making use of Information Technology (IT).
16. **FTE** - Full time employee. This is a term used to determine a particular method of calculating remuneration for the employee of a BPO.

17. **Home location** - The location from where work is sourced or moved.

18. **Host location** - The location to which work is outsourced or moved.

19. **High end Processes** - Processes which require specialized skill sets or involves high value.

20. **Inbound Voice Process** - Processes that require attending to calls/mails coming from the Home Country to the Service providing Country are Inbound Voice services.

21. **Outbound Voice services** - Processes that require calls/mails from the Host country to the Client country are Outbound Voice services.

22. **Independent Software Vendor** (ISV) is a business term for companies specializing in making or selling software, usually for specialized markets, such as that for real estate brokers, scheduling for healthcare personnel, barcode scanning and stock maintenance.

23. **IT Services** - Pure technical, information technology services.

24. **ITES-Information Technology Enabled Services** - All activities/services which are possible only by utilizing information technology services – ie the computers, the internet, telecommunication systems and so on. This is a slightly wider term that the BPO services. However, often they are used synonymously.

25. **IT Consulting** - Consultancy services that relate to technical matters in the IT Industry.

26. **Joint Venture** – When a client Company enters into partnership with a Third party Service Provider or a Vendor on a equity sharing basis.

27. **Leverage** - Gain benefit or capitalize on something.

28. **Low end Processes** - Processes that require basic skills/involves low value.
29. **KPO**—Knowledge Process Outsourcing. Processes that require highly specialized skill sets that deliver high value services. Eg: Equity research, market research, clinical research, legal research.

30. **M & A**—Mergers and Acquisitions.

31. **Process migration**—The transfer of processes from one geographical region to another effectively is called process migration. Migration of processes can be cross-functional involving recruitment, training, creating facilities, technology and operations.

32. **Poaching** — When the employee of one Organization is clandestinely attracted to join another. This is seen as an unethical practice and usually involves professional headhunters/Placement Companies.

33. **Service Level Agreement (SLA)**—It is the legal contract that defines the services expected from the outsourcing supplier and the manner in which it should be used by the client. It defines the expectations of the key performance criteria and other specifications.

34. **Scalability**—The ability to expand business to reap economies of scale.

35. **Seed fund** — Initial funds needed to invest in a project or start up business. Usually the term is associated with Venture Capitalists.

36. **Six Sigma**—A Quality Certification which help an Organisation attain very high degree of perfection in performance. 

37. **Third Party Centre**—These units are essentially BPO service vendors that are mostly independently owned units. It is not necessary that any single client has the controlling stake in the vendor entity. In India, Third party vendors also include a small section of MNC-owned independent third party.

38. **Transactions Processing**—This refers to non-voice, data driven support for financial transactions, eg, processing insurance claims.
39. **Turn around time (TAT)** - Meeting the requirements mentioned in the Service level agreements within the prescribed time frame. This is a metric used to keep track of employee efficiency.

40. **Turnover (Attrition)** - A reduction in the number of employees through retirement, resignation or death.

41. **Vertical Services** - Different services offered by service providers in areas which are domain specific. The nature of the service varies depending on the domain. Eg: Healthcare v/s Banking services.

42. **Venture Capital** - Capital provided by investors for a new business. Usually this is seen in unlisted Companies and the risk is high but returns exceptional as the business is a growing one.

43. **Wage differentials** - In the context of the IT/BPO Sector, this refers to the difference in salaries or compensation between one outsourcing destination and another.

44. **Web Services** - Web services are an application of SOA on enterprise applications, using languages, protocols and network facilities based on universally accepted standards that make business functions available over the Internet to function more intelligently.

* This is only a list of commonly used terms in the ITES/BPO Sector.