

Has the Indian BPO bubble burst?

The Indian BPO debate has reached crunch point, with a UK government enquiry pending and a growing chorus of influential voices questioning the actual cost savings it brings, as well as the cultural differences and the long term future surrounding such an endeavor. Paul Skeldon reports

The knives are well and truly out for the Indian BPO business as the backlash against outsourcing call centre jobs to the 'cheaper' Indian sub-continent swings in to action.

Earlier this week contactcentrelink.com revealed that the UK government is to launch a Commons' Select Committee investigation in to why so many UK call centre jobs are being outsourced to India, when they are so badly needed here in the UK.

We also revealed that the potential cost savings that many BPO companies are touting as being the *raison d'être* for going to India are simply not there.

Then The Daily Telegraph newspaper revealed that "Burping loudly, picking teeth, dressing badly, smoking cigarettes and bad toilet manners...these are all rather unsavory habits that apparently exist in the Indian IT industry and are the reason that many Indian firms are losing business when dealing with western firms..."

So is any of this justified? While the argument will rage on both sides for several years to come, many — me included — believe that the Indian bubble has burst and not before time.

As Stephen Peattie from Kinetic revealed in our News Flash on Wednesday (see news archive at www.contactcentrelink.com) the cost savings attributed to Indian call centre operations may not be as high as many people think.

"Western companies are being driven by the potential 30 to 40 per cent cost savings in India however we have found a number of situations where there are no cost savings at all, and in fact, sometimes higher costs altogether," he says.

"While it is feasible that cost savings can be realized, the resultant management costs can be substantially higher. The front-office call centre functions in India are still relatively immature and the depth of management and sector experience is therefore limited."

There is also a significant cultural gap between India and the West, which is having an undeniable impact on call centre businesses that have already set themselves up in India.

"The Indian accent is a major issue in the call centre industry," says Steve Shellabear, principal consultant at dancing lion training and consultancy in Milton Keynes

Serving the western market is now a massive growth area for India. UK and US companies have realized the cost savings to be made by outsourcing their call centre offshore — with call centre workers in India have been reported to be paid about 70p an hour. Callers to BT, IT technical support or directory enquiries will often be met with an Indian accent.

But many UK customers are wary of talking to agents located elsewhere in the world. Mital's research paper 'Outsourcing to India — A Perspective Report' found that 60 per cent of British consumers were against the idea of having their calls dealt with in India. Sentiment was even stronger in the financial sector with more than 95 per cent of consumers stating they would change supplier if the company moved call handling to India.

"We have heard stories of agents being told to lie about the location they are calling from if asked by customers" says Shellabear.

"For providers of telemarketing services to succeed, cultural differences need to be understood and respected. At dancing lion training and consultancy we have received enquiries from Bangalore, New Delhi and Mumbai for call centre know-how, including customer service skills training at agent and manager levels and train the trainer programmes".

Some call centres in India, aware of the need to bridge the communication gap, have adopted their own 'training' method and instruct their staff to understand western culture by studying soaps, such as Friends and East Enders. While these may be entertaining the characters are hardly the best role models behaviorally and the shows are not designed as educational tutorials.

A more recent phenomena is the arrival of agents from India to the UK requiring UK accent training. While they may be hardworking and possess a high level of technical ability, they need assistance to make themselves understood by customers. However, there is a danger that by studying local UK accents the agents can inadvertently alienate people from outside, or inside those areas.

Some trainers are aware of this pitfall and train a "neutralized accent", which is neither American, British, nor sourced from identifiable regions in either area. However, it is a specialized subject and requires skilful input to bring about results. We have received job applications from trainers seeking this kind of work that suggests there may be a wide variance of expertise available as enterprising but largely untrained people attempt to cash in on this new demand.

According to Kinetic's Peattie, the two biggest problems with Indian outsourcing are managing the public relations and customer feelings and ensuring quality.

"With regard to the latter India is still behind the UK in delivery high quality effective operations but they are rapidly catching up," he says.

There are also two other issues: data protection and risk. Since India has no Data Protection Law, any company moving there operations to India has to take all necessary precautions to protect their customer data and there are companies that have not done so.

"Furthermore," says Peattie, "it is 'dangerous' for any company moving their entire operation to India as it is still a volatile country with even more volatile neighbors such as Pakistan. It is not that long ago in the UK that companies would not set up in Northern Ireland for fear of fighting — so why risk everything in India?"

Any company looking to save on costs would be remiss not to look at India or other low cost countries such as the Philippines or South Africa, but cost savings are not the only factor. It is often the case that significant cost reductions can be made in existing UK operations through the implementation of better or best practices. In turn this significantly reduces the potential 30 to 40 per cent savings that may be realized in India thereby making it much more difficult to base a decision on cost savings alone.

"It is highly unlikely that the projected numbers moving to India will be realized if UK companies take appropriate steps now to introduce best practice into their existing onshore operations using the vast amount of industry knowledge that has been built up," says Peattie.