

## Offshore Call Centre Providers Turning to Republic of South Africa, Says Datamonitor

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Datamonitor forecasts aggressive growth in offshore call centre services in the Republic of South Africa over the next four years. The analysts say South Africa offers outsource providers a higher quality, more culturally aligned front-office and back-office location with labour costs about one-third lower than U.S. or U.K. equivalents.

According to Datamonitor, RSA will occupy an important position in firms' global operations portfolios. It will slot in between nearshore locations such as Canada, Mexico or Eastern Europe, which offer close proximity and also cultural affinity to domestic markets, and more traditional offshore locations such as India and the Philippines that offer cheap labour.

In a new report, "South Africa: An emerging offshore location", independent market analyst Datamonitor (DTM.L) predicts that in four years time, call centre numbers in the Republic of South Africa (RSA) will be double those of today. Offshore agent positions are expected to quadruple on current levels. Datamonitor defines agent positions as terminals from which one or multiple call centre agents make and/or receive telephone calls to internal or external customers during varying shifts in a day.

Datamonitor expects there will be 939 call centres in RSA by 2008, almost double the current number of 494 and representing a compound annual growth rate (CAGR) of 14%, over the period. The total number of APs in RSA is predicted to rise to 69,600 by 2008. 6,200 will be offshore outsourced APs.

70% of RSA's offshore customer service agents service clients in the UK market today. Most of these APs are located in the Gauteng province - more specifically, in Johannesburg. However Datamonitor expects the balance will shift in favour of Cape Town in the Western Cape Province.

"Whilst the RSA is not as much of a labour arbitrage cost play when compared to India and the Philippines, it offers multilingual and non-English language agents that are better able to deliver more differentiated customer service based on greater empathy and closer cultural affinity to customers in key target markets such as the US and western European countries like the UK, Holland, Germany and France," said Ryan Powell, Datamonitor call centre and CRM analyst, and author of the study.

The Dutch market is expected to be the biggest non-English language market that is served from South Africa. Firstly, says Datamonitor, the Dutch language is the root of Afrikaans which means that cross-training call centre agents to speak Dutch should not be problematic. Secondly, the domestic Dutch call centre market is itself mature, reaching saturation point and delivers little margin for outsource providers there. South Africa is really the only offshore market that can support the Dutch market on a big enough scale.

South African call centres will be able to provide higher quality customer service and

sales services, with a particular focus on the financial services industry. "The established call centre industry means middle managers already exist. Top-up training will bring those people up to suitable levels whereby they can best meet their offshore clients' requirements. State-funded learnerships are helping to fill the staffing pipeline to the industry for the longer-term needs," says Powell.

The promised deregulation of the telecoms market will bring about greater price competition and herald the long-awaited arrival of cheap Voice over Internet-protocol (VoIP) traffic, stimulating further demand for offshore operations in South Africa.

#### About the report

Datamonitor's report "South Africa: an emerging offshore opportunity," concentrates uniquely on the South African call centre market, evaluating the country's proposition as an offshore outsourcing location. The report sizes the domestic and offshore outsourced call centre markets with agent position and call centre numbers, vertical splits and analysis of demand market opportunities.