

Phone up profit

KenCall



Expensive phone calls and regulation hamper Africa's fledgling outsourcing business. But Sarah Rundell argues low labour costs and cultural ties provide a vital edge

Listening to perfect English accents, American homeowners on the other side of the Atlantic buy mobile phones, insurance and mortgages from sales agents in Nairobi-based KenCall. Members of the 120-strong staff also act as secretaries for financial service companies in the UK, typing and editing documents in minutes, before emailing them back to clients. KenCall has only been in business since early 2005 but turned its first profit in April 2006.

As companies such as KenCall emerge in Senegal, Ghana, Egypt and South Africa, Africa is finally getting a slice of the US \$120 billion outsourcing pie. Business process outsourcing (BPO), which includes call centres and processing firms taking on services such as data-inputting, finance and administration services, telemarketing and customer support, has so far boomed in India, the Philippines and China. But now the race is on for Africa's capital cities to become the continent's equivalent of Bangalore.

Two million jobs in the financial services outsourcing sector alone will go to low-cost countries by 2012, according to consultancy Deloitte. Africa is well-positioned to tap into this growth industry.

"Outsourcing is not a panacea for Africa's economic woes," says Deloitte analyst Chris

Gentle, "but economic activity is increasingly footloose. The fact that outsourcing is migrating to Africa is very positive for the continent."

Playing to strength

Africa might not have the high-tech analytical outsourcing sector that is doing such wonders for India and China, but it can compete in areas such as data inputting, telesales and basic customer support, because of low labour costs and cheap overheads.

Ossama Nazmi, business development manager at Cairo-based Xceed, which offers services including telesales and technical support

India is suffering 'offshore fatigue'. A rise in frustrated call centre workers and customers may bring more business to Africa

to blue chip companies, says he can provide top-of-the-range service for half what it would cost in the US or UK. "It's about cost and quality – we are one of the best call centres in Africa and we are

also one of the cheapest, so companies can make real savings with us," he says.

Africa may even be able to outdo India, the outsourcing Goliath. Steve Shefveland, President and CEO of Accra-based start up BPO firm Ashesi Global Services, says he can provide call centre services for businesses looking to outsource at 20 to 25 per cent less than prices in the Philippines and India. AGS intends its call centre to be up and running by February 2007 and grow to 250 workstations within the year. AGS will take on work from established US outsourcing company Tavina International LLC based in Phoenix, Arizona. Tavina currently subcontracts to call centres in the Philippines, but is looking to diversify its business operations in Ghana.

More than money

Winning business is not simply about putting in the best price, however. Companies risk their brand name every time they outsource, so quality assurance is crucial. Africa's outsourcing companies can exploit cultural similarities, shared languages and time zones to provide a high quality service. French-speaking Morocco, Algeria and Senegal are picking up work from French companies while US and UK companies are increasingly looking to Egypt, Ghana and South Africa.

"We had a long look at India but decided that a larger population in South Africa speak the level of English we require," says David Wartski, co-founder of Global Secretarial, a start-up data processing company based in Cape Town.

UK telecoms company Talk Talk's recent decision to invest R200m (\$32m) in two call centres in South Africa was also partly driven by cultural empathy. "There is a real pool of talent that is an excellent fit with our business in terms of both skill and culture," says Steve Rescorla, customer services director at Talk Talk, part of the Carphone Warehouse group. "South Africans have a reputation for strong empathy with UK callers and excellent customer skills. We're confident they'll rise to the challenge to fulfil our promise for great customer service."

Egyptian companies can also leverage a skilled workforce with language abilities honed in the tourist sector. Xceed employs 1,000 people who offer services in nine different languages for blue chip clients that include Microsoft, Oracle and General Motors.

At a time when India is suffering "offshore fatigue" and a rise in frustrated call centre workers and customers, Africa may be able to move in.

"We are leveraging what Ghana has to offer," says AGS's Shefveland. "Ghana has a well-educated labour pool that speaks very good English. In addition, the Ghana culture and people are very warm and friendly, which is essential to building a customer service and support centre to compete globally."

High call costs

It's not all rosy. Many countries vying for market-share struggle to deliver a cheap and reliable telecoms service, be they call centres or processing businesses sending real-time data to clients. Tightly regulated markets, monopolies and massive bandwidth costs make it difficult to operate in Africa. This in the face of plummeting call costs in competitor India: between 2001 and 2004 they fell seven-fold.

"If Africa doesn't get its rates down there isn't going to be much of an industry," warns Peter Ryan, an analyst in offshoring and outsourcing for Datamonitor. "Companies can find competitive rates elsewhere and the story will change."

A corporate subscription for internet access in Ghana costs about \$200 a month for unlimited access, not always matched by quality service

from the ISP. Kenya's phone lines are so bad that the founders of KenCall had to get government approval to use a costly satellite hook-up.

They also had to fork out for a generator to keep computers running during power failures.

"In the UK a month's broadband subscription

Africa's outsourcing companies can exploit cultural similarities, shared languages and time zones to provide a high quality service

costs about £17 (\$30), in India about £4 (\$7); but in South Africa it's about £75 (\$131) a month," says an infuriated David Wartski of Global Secretarial, which makes all calls over the internet. "Yet the monopoly operator Telkom is making such profits – it's at our expense." Wartski says his business is kept profitable only because of low South African labour costs.

It's a similar problem in Ghana, though call costs are moving in the right direction. AGS's Shefveland explains that since the government has allowed AGS to bypass the monopoly

backbone and provide some of the lowest prices for connectivity on the continent. This has also helped Dakar-based call centre Premier Contact International, since Senegal's relatively solid telecoms infrastructure is located along the same path of undersea fibre-optic cabling networks. The company, which serves French telecoms companies, ISPs and mail order companies, is set to grow to 1,300 staff since starting in 2002.

Hub city

Africa's continued success also hinges on outsourcing clusters in cities such as Accra, Cape Town and Cairo graduating into hubs. In a cumulative process other companies are then drawn in too. Once a particular city gets a critical mass of firms in place, support businesses such as technical experts, recruitment and training agencies also arrive. Accra may already have the beginnings of a hub, with outsourcing companies ACS, Rising Data Solutions and US-headquartered Supra Telecom among the group of firms now in the capital.

"You can't simply export a call centre, because a business needs communications set up and staff trained," says Teddy Brett, research fellow at the London School of Economics. "Without joining a hub there can be serious start-up problems." Brett worries that brain drain, which has seen many of Africa's skilled and talented workers migrate abroad, could stunt the growth of hubs.

An enabling government policy also has much to offer Africa's nascent outsourcing industry. South Africa's Accelerated and Shared Growth Initiative, headed by deputy president Pumzile Mlambo-Ngcuka, singled out BPO as a "special industry" worth courting. Under its Skills Support Programme, large call centre investors are offered a package of incentives to encourage staff training valued at up to \$840,000.

Calling the Cape, a not-for-profit organisation, specifically promotes South Africa as a BPO centre and played a key role pulling in the Talk Talk business.

"Talk Talk is the single biggest investment into our call centre industry so far," says Luke Mills of Calling the Cape. "It's a fantastic vote of confidence from the UK market."

In Kenya, the government has waived all tax on KenCall for the next ten years, facilitated license applications and forked out for training costs.



FAST FACTS

- Business outsourcing is worth \$120bn worldwide
- 2m jobs in the financial services outsourcing sector will go to low-cost countries by 2012
- Call costs in India fell seven-fold between 2001 and 2004
- Broadband costs about \$7 a month in India; \$30 in the UK and \$131 in South Africa

operator's punitive charges and use Voice Over Internet Protocol technology via satellite, AGS will be able to compete on cost and quality. "Eighteen months ago it cost \$14,000 a month to go through Ghana Telecom but now using VoIP technology it's \$5,000 – the end result is that more companies are capable of competing with their Indian and Philippine counterparts," he says.

In many cases the answer to improving costs is good infrastructure. North African internet service providers can tap directly into the internet

EXPERT INSIGHT

by Steve Shefveland

Ghana is well-positioned to receive a slice of the global business process outsourcing (BPO) market. Success is about utilising technology and quality people to enhance the customer experience. It's also about educating the local business community in what is necessary to make Ghana a leader in this industry. We have the trust of the right entities within the government, the business community, and Ghana Telecom to grow this business to the next level. Most important the best aspect about operating in Ghana is the people. In a 'people business', AGS considers Ghana's warm and friendly culture a unique selling point and its English-speaking labour pool will no doubt continue to win market-share in this competitive market.

That's why AGS is launching its call centre operations in Accra. Our primary service offerings are in-bound voice related customer care, sales and technical support. At the moment AGS is focused on subcontracting with

global outsourcing firms that include US and UK clients in the travel, communication and financial services industries. Currently, AGS has enough customer demand to grow to 2,000 workstations by 2009.

After working with the government and Ghana Telecom, AGS will be able to leverage VoIP technology and grow its business by utilising the SAT-3 network and improved satellite technologies. As a result we have positioned AGS to become the market leader in Ghana's BPO space.

Over the past few months, AGS has engaged angel investors and private equity firms for its initial financing. AGS is actively seeking additional financing of between \$1m to \$2m to fund working capital necessary to service contracts with other Fortune 1,000 customers.

Steve Shefveland is President and CEO of Ashesi Global Services Inc

"Outsourcing is the hottest thing in the Kenyan government," says KenCall's founder Nik Nesbitt. "The government has bent over backwards to help us get started and it's really working." 



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