Chapter-II

2.0 Definition of terms

2.1 BPO in India

Business process outsourcing otherwise known as BPO is the process of leveraging technology vendors in various third worlds or developing nations for doing a job which was once the responsibility of the enterprise. Or simply put, it is the process of shifting an internal job process to an outside/external company which might have a completely different geographical location. The transfer of internal business processes, such as customer relationship management, finance & accounting, human resources and procurement, to an external service provider that improves these processes and administers these functions to an agreed service standard and, typically, at a reduced cost.

Generally the processes being outsourcing as part of BPO are backend jobs like call/help centers, medical transcription, billing, payroll processing, data entry and the like. Most of these jobs are outsourcing by first world nations like USA and UK to third world nations like India, Philippines, China, Malaysia and some eastern European countries.

These nations have a good pool of English speaking youth who receive accent and job related training before they are inducted at a salary which is much lesser than what their counterparts in first world nations would demand. This allows first world organizations to get higher profits and provide better services by lowering the prices and by recruiting more labour than they could possibly do otherwise. In addition to benefiting the first world nations, business process outsourcing has also benefited third world nations by generating much needed jobs.

In the early days, BPO usually consisted of outsourcing processes such as payroll. Then it grew to include employee benefits management. Now it encompasses a number of functions that are considered “on-core” to the primary business strategy. Now it is common for organizations to outsource financial and administration (F&A) processes, human resources (HR) functions, call centre and customer service activities and accounting and payroll.

These outsourcing deals frequently involve multi-year contracts that can run into hundreds of millions of dollars. Often, the people performing the work internally for the client firm are transferred and become employees for the service provider. Dominant outsourcing service providers in the BPO fields (some of which also dominate the IT outsourcing business) include US companies IBM, Accenture, and Hewitt.
Business Process Outsourcing benefits every business in the long run. Since technology is changing so fast, it has to be leveraged and used to the maximum to deliver competitive advantage to a company. Business process outsourcing integrates people, processes and technology to help organizations gain significant reduction in operational costs, and create new avenues in their business.

In Business process outsourcing the work is managed and delivered efficiently in a different location by an outside expert who shall be termed as a BPO provider or Back office provider. The Business Process Outsourcing industry in India has been growing 70 percent a year and is now worth US $1.6 billion, employing 100,000 people. BPO grew to 27% till 2011 to deliver US $17 billion in revenues and employment of a million people.

**Capabilities of workers of different countries in Business process outsourcing:**

![Figure 1](source: NASSCOM)
2.2 Types of BPO Operations

1. Offshore Outsourcing:

A type of business process outsourcing (BPO), is the exporting of IT-related work from the United States and other developed countries to areas of the world where there is both political stability and lower labour costs or tax savings. Outsourcing is an arrangement in which one company provides services for another company that could also be or usually have been provided in-house. “Offshore simply means "any country other than your own."

The Internet and high-speed Internet connections make it possible for outsourcing to be carried out anywhere in the world, a business trend economists call globalization. In general, domestic companies interested in offshore outsourcing are not only trying to save money in order to be more price-competitive against each other, but also to enable them to compete with businesses in other countries.

2. Near shore outsourcing:

It is the practice of getting work done or services performed by people in neighboring countries rather than in your own country. Many companies in the United States, for example, outsource work to India. Geographic proximity means that travel and communications are easier and less expensive, there are likely to be at least some commonalities between the cultures, and people are more likely to speak the same language.

3. Onshore outsourcing:

(Also called domestic outsourcing) is the obtaining of services from someone outside a company but within the same country. Also see offshore outsourcing, the obtaining of services from people or companies outside the country.

2.3 Categorization of BPO Services

BPO services are generally categorized into horizontal and vertical services. These have been explained below:

1. Horizontal BPO: Horizontal BPO involves function centric outsourcing. The vendor specializes in carrying out particular functions across different industry domains.
Examples of horizontal BPO are outsourcing in procurement, payroll processing, HR, facilities management and similar functions.

Automatic Data Processing (ADP) is an example of a horizontal BPO vendor. ADP focuses on providing services in horizontal functions such as payroll, HR, benefit administration, tax solutions, etc. However, according to Gartner, companies should focus on providing vertical services as the market matures.

2 Vertical BPO: A vertical BPO focuses on proving various functional services in a limited number of industry domains. Healthcare, financial services, manufacturing and retail are examples of vertical BPO domains. EXL Service Holdings is a vertical BPO having focus on industry domains such as healthcare, business services, utilities and energy and manufacturing (http://www.tutorial-reports.com/business/outsourcing/bpo/models.php)

Table 1: Horizontal and Vertical BPO

<table>
<thead>
<tr>
<th>Recruitment</th>
<th>Sales</th>
<th>Procurement</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify open position</td>
<td>Identify customer</td>
<td>Identify supplier</td>
<td>Process A</td>
</tr>
<tr>
<td>Search candidates</td>
<td>Obtain order</td>
<td>Obtain product catalogue</td>
<td>Process B</td>
</tr>
<tr>
<td>Conduct interviews</td>
<td>Deliver product</td>
<td>Select suppliers</td>
<td>Process C</td>
</tr>
<tr>
<td>Select new hire</td>
<td>Receive payment</td>
<td>Send payment</td>
<td>Process D</td>
</tr>
</tbody>
</table>

Vertical Outsourcing  Horizontal Outsourcing

Source: IBM consulting services
2.4 Some of the BPO Services:

1. Customer Support Services:

Customer service offerings create a virtual customer service center to manage customer concerns and queries through multiple channels including voice, e-mail and chat on a 24/7 and 365 days basis.

Example:

Customers calling to check on their order status, customers calling to check for information on products and services, customers calling to verify their account status, customers calling to check their reservation status etc.

2. Technical Support Services:

Technical support offerings include round-the-clock technical support and problem resolution for OEM customers and computer hardware, software, peripherals and Internet infrastructure manufacturing companies. These include installation and product support, up & running support, troubleshooting and Usage support.

Example:

Customers calling to resolve a problem with their home PC, customers calling to understand how to dial up to their ISP, customers calling with a problem with their software or hardware.

3. Telemarketing Services:

Telesales and telemarketing outsourcing services target interaction with potential customers for 'prospecting' like either for generating interest in products and services, or to up-sell / promote and cross sell to an existing customer base or to complete the sales process online.

Example:

Outbound calling to sell wireless services for a telecom provider, outbound calling to retail households to sell leisure holidays, outbound calling to existing customers to sell a new rate card for a mobile service provider or outbound calling to sell credit or debit cards etc.
4. Employee IT Help-desk Services:

Employee IT help-desk services provide technical problem resolution and support for corporate employees.

Service Example
This service include level 1 and 2 multi-channel support across a wide range of shrink wrapped and LOB applications, system problem resolutions related to desktop, notebooks, OS, connectivity etc., office productivity tools support including browsers and mail, new service requests, IT operational issues, product usage queries, routing specific requests to designated contacts and remote diagnostics etc.

5. Insurance Processing:

Insurance processing services provide specialized solutions to the insurance sector and support critical business processes applicable to the industry right from new business acquisition to policy maintenance to claims processing.

Example:

- New Business / Promotion: Inbound/outbound sales, Initial Setup, Case Management, Underwriting, Risk assessment, Policy issuance etc.

- Policy Maintenance / Management: Record Changes like Name, Beneficiary, Nominee, Address; Collateral verification, Surrender Audits Accounts Receivable, Accounting, Claim Overpayment, and Customer care service via voice/email etc.

6. Data Entry Services / Data Processing Services:

Example:

- Data entry from Paper/Books with highest accuracy and fast turn around time (TAT)
- Data entry from Image file in any format
- Business Transaction Data entry like sales / purchase / payroll.
- Data entry of E-Books / Electronic Books
- Data Entry : Yellow Pages / White Pages Keying
• Data Entry and compilation from Web site
• Data Capture / Collection

• Business Card Data Entry into any Format
• Data Entry from hardcopy/Printed Material into text or required format
• Data Entry into Software Program and application
• Receipt and Bill Data Entry
• Catalog Data Entry.
• Data Entry for Mailing List/Mailing Label.
• Manual scripting typing in to word
• Taped Transcription in to word.
• Copy, Paste, Editing, Sorting, Indexing Data into required format etc.

7. Data Conversion Services:-

Example:

• Conversion of data across various databases on different platforms
• Data Conversion via Input / Output for various media.
• Data Conversion for databases, word processors, spreadsheets, and many other standard and custom-made software packages as per requirement.
• Conversion from Page maker to PDF format.
• Conversion from Ms-Word to HTML format
• Conversion from Text to Word Perfect.
• Conversion from Text to Word to HTML and Acrobat
• Convert Raw Data into required MS Office formats.
• Text to PDF and PDF to Word / Text / Doc
• Data Compilation in PDF from Several Sources.
• E-Book Conversion etc.

8. Scanning, OCR with Editing & Indexing Services:-

Example:

• High speed Image-Scanning and Data capture services
• High speed large volume scanning
- OCR Data From Scanned page / image
- Scan & OCR paper Book in to CD.

- ADOBE PDF Conversion Services.
- Conversion from paper or e-file to various formats.

9. **Book Keeping and Accounting Services:**

Example:

- General Ledger
- Accounts Receivables and Accounts Payable
- Financial Statements
- Bank Reconciliation
- Assets / Equipment Ledgers etc.

10. **Form Processing Services:**

Example:

- Insurance claim form
- Medical Form / Medical billing
- Online Form Processing
- Payroll Processing etc.

11. **Internet / Online / Web Research:**

Example:

- Internet Search, Product Research, Market Research, Survey, Analysis.
- Web and Mailing list research etc.
2.5 BPO Business Models

Over the years, different models have been used for conducting business in BPO. The regular outsourcing models of on-shoring, near-shoring and offshoring are seen in BPO as well. TPI, a sourcing advisory, has observed that in addition to on-shoring, near-shoring and offshoring, BPO operations are also conducted through the following three business models:

- **Transactional BPO:** Transactional BPO handles one aspect of a process only. The customer has to carry out a significant part of the process in-house and hence the customer owns the risk of the process. Also, outsourcing many aspects of the process in a transactional mode leads to complex fragmentation which can pose as a threat to productive delivery.

- **Niche BPO:** A niche BPO carries out 3–4 aspects of a process. A niche BPO, which also makes certain investments in the customer's process, aims at improving the efficiency of the process. The vendor in a niche BPO works in close coordination with the buyer, sometimes seeking the services of the customer's employees. Both the vendor and the buyer share the risk of the process.

- **Comprehensive BPO:** A comprehensive BPO handles both transactional and administrative tasks in a process and takes 70 percent responsibility of the output. The vendor purchases the buyer's assets and also hires most of its employees. Comprehensive BPO has bulk deals lasting for 7-10 years. ([http://www.tutorial-reports.com/business/outsourcing/bpo/models.php](http://www.tutorial-reports.com/business/outsourcing/bpo/models.php))
2.6 Major centres of IT & BPO industry in India

The IT-ITeS industry has played a key role in putting India on the global map. Over the past decade, BPO sector has become India’s growth engine, crossing significant milestones in revenue growth and employment generation, in addition to becoming the global brand ambassador for India.

But the sudden growth in BPO sector was accompanied by a challenge of escalating operational cost. Every successive player in the BPO arena had to shell out higher for key resources like human capital and real estate.

Bangalore, Chennai, Hyderabad, Kolkata, NCR-Delhi, Mumbai and Pune are the leading BPO cities in India which have capitalized on lower real estate costs, cheaper yet skilled labour and vernacular capabilities.

Figure 2 Major IT & BPO cities in India

Source: STPI and IBEF sector update, 2013
2.7 Indian Talent Pool

Indian Talent Pool ready to take BPO sector to the next level

- Availability of skilled English speaking workforce has been a major reason behind India’s emergence as a global outsourcing hub

- India added around 4.7 million graduates to the talent pool during FY13

- Growing talent pool of India has the ability to drive and innovate business in the IT-BPO space.

Figure 3 India talent pool

Source: NASSCOM Reports
• About 2 per cent of the industry revenue is spent on training employees in the IT-BPO sector

• 40 per cent of total spend on training is spent on training new employees

• A number of firms have forged alliances with leading education institutions to train employees.

Figure 4 Training expenditure by Indian BPO sector

Source: NASSCOM Reports