

Nasscom sees value proposition for BPO firms in Tier-II and-III cities

Move will save costs, help sector grow

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Nasscom believes that for the BPO sector to keep its growth trajectory, corporates should go to Tier-II and-III cities. But a cross section of the industry believes that this may not be feasible.

At the annual Nasscom Business Process Management (BPM) Summit, the software industry body and Cushman & Wakefield, a real estate advisory firm, identified top destinations for companies running call centres and other back-end processes. The report says that over the last five years Ahmedabad, Jaipur, Kochi and Kolkata have significantly improved their value proposition for delivery of IT-BPM services. All this

talk is in the backdrop of the BPM sector's ambitious plan to attain \$50 billion by 2020.

According to Sanjay Dutt, Managing Director, South Asia, Cushman & Wakefield, Ahmedabad showcases strong infrastructure with good air connectivity, significant growth in the top-class office space, an upcoming metro rail project and the location advantage of being on the Delhi-Mumbai corridor. The report has identified Bhubaneswar, Coimbatore, Trivandrum and Visakhapatnam as the second choices while Chandigarh and Indore as promising locations.

Advantage

Further, Nasscom officials estimated that a BPM company can save costs by 40 per cent in these destinations. R Chandrashekar, President of Nasscom told *BusinessLine*



R Chandrashekar, President, Nasscom (right), and Keshav Muruges, Chairman, in Bangalore on Wednesday. GRN SOMASHEKAR

that in a place like Kochi, a company can save operational costs to the tune of 25 per cent, while in Indore, 40 per cent can be saved.

Nasscom's call has been met with some amount of scepticism. "Running operations in Tier-II and Tier-III towns in India is not easy as there is a lack of available manpower," said Partha DeSarkar, CEO, Hinduja Global Solu-

tions. The company has been struggling to get permissions and clearances from the Andhra Pradesh government for setting up a centre in Guntur.

Another CEO of a Mumbai-based BPO said that he has been struggling to find quality office spaces and good quality broadband connectivity in smaller cities. There are issues with the qual-

Quick note

- BPM market size : \$23.2 billion
- To reach \$50 billion by 2020
- India's marketshare in BPO (2014): 38 per cent
- India's marketshare in KPO (2014): 19 per cent
- Addressable market as on 2013: \$168 billion

ity of talent too. "While attrition is less than half in smaller cities, it is partly negated by higher training costs," noted Chip Cleary, VP, Advisory Services for NIIT.

Despite these problems, some companies have set up operations in smaller cities. UK headquartered companies like Serco and Xchanging have centres in Shimoga, in Karnataka.