

# Future BPO expansion in non-metro areas

## \$ 50b revenue target possible by 2020

**NINA MEHTA**

In the early days of industrialization, factories were located near the source of raw material or production enablers or points of consumption. While availability of manpower was an important consideration, it was not really a limiting factor. Moving skilled labour force or managerial talent to centres of production was easier than vice-versa.

And this is how the export-oriented IT industry grew in India—in metros where infrastructure existed – not necessarily close to the manpower. Reliable global telecommunication links helped the industry look outwards to test its software prowess. Soon export revenues of IT industry moved ahead of domestic IT revenues and software export zones bundled vital infrastructure like work spaces, assured electricity and telecommunication links especially in the early to mid-90s.

Bangalore, the garden city, became home to Indian IT bellwethers, India's first cyber CM Chandrababu Naidu invited global multinationals like Microsoft and IBM to set up software centres and IT back offices in Hyderabad. Not happy at being left behind, North India carved out its own millennium city Gurgaon. And so the Indian IT revolution took over the top 6 metro towns.

State after state announced its IT policy, setting up software export zones. So, at the turn of the century Indian IT enabled Services (ITeS) or BPO industry was born, an offspring of the success of Indian IT revolution.

This BPO industry, just over a decade-old, has clocked export revenues of \$20 billion or over Rs.100,000 crore in 2013. It is a proud moment for a million strong Indian call centre agents who helped scale this milestone. The icing on the cake—six of the 10 most attractive global outsourcing destinations are in India—Bangalore, Mumbai, Delhi-NCR, Chennai, Hyderabad and Pune, as per global consulting firm Tholons.

As NASSCOM targets \$50 billion or one-sixth of the \$300 billion global BPO market opportunity (both exports and domestic) by 2020, it should analyze the contribution this growing industry has made to urban chaos. For example a majority of the million direct and three million indirect employees spend anywhere between 2 to 4 hours a day on the road commuting to and from work.

This colossal waste of productive hours in commuting is a double whammy as it adds to carbon emissions, a totally avoidable situation. It is a grave matter

that New Delhi ranks as the world's the most polluted city, according to Center for Science and Environment January 2014 report.

Visionary industry leaders have suggested that future BPO capacity expansion must happen in the next 45 cities with a population of one million, to offer differentiated customer experience to their clients. These cities have an abundant talent pool, of young trainable educated, to meet needs of the BPO industry. The youth also see BPO as a sector that offers good career opportunities.

Gurgaon-based Sanjay Mehta, MD of Teleperformance said at a recent Nasscom session that economic prosperity needs to spread. The time is just right for expanding BPO business to non-metro locations thus opening up jobs for two million youth in these cities. The company was among the first to start reverse manpower movement to smaller cities as it offered better quality of life. This inclusive move is a win-win situation for the employees. Not only do they reach their work place fresh, they work 48-hour a week and still are home for longer hours compared to a metro where most firms work only 40 hours per week leading to a 20% gain in productivity.

Tholons' 2013 study revealed 7 new Indian destinations — Chandigarh, Kolkata, Coimbatore, Jaipur, Bhubaneswar, Trivandrum and Ahmedabad – in its Top 100 BPO outsourcing destinations. None of these destinations featured in the Tholons study of 2007, and as Vikrant Khanna of Tholons points out it is the efforts of NASSCOM and others promoting Tier 2 and 3 cities which are paying off.

By hiring an average of 5,000 employees annually in the 45 cities with a million plus population the industry can add to the bulk of two million direct and three million indirect jobs to meet the \$50 billion revenue goal. By locating contact centers in these cities, the industry could sharpen its cost advantage vis-à-vis competing nations while maintaining the global quality standards.

The multiplier effect of expanding beyond the metros will be unprecedented. These 45 towns will need to create an infrastructure to house, feed and transport the BPO industry employees at work, home and their leisure hours with the enhanced spending power.

This could well emerge as the ideal example of inclusive and distributed BPO industry growth as it sets out to achieve the \$50 billion revenue target by 2020. (IPA)