Success and Failure of the IT Industry in India: A Study of the International and Domestic BPOs

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Abstract

India has established itself as a preferred market as the home to the largest business process outsourcing (BPO) firm in the world. India's huge population, low wages, and plenty of English-speaking specialists have all contributed to the success of its business process outsourcing (BPO) sector. NASSCOM's study also found that the best contact centers in Delhi consistently provide high-quality service throughout the clock. Because of India's strategic position, international investors may take advantage of the country's business-friendly tax system, which is a major factor in the BPO sector's meteoric rise to prominence.

Keywords: Favoured markets, BPO industries, talented and skilled, quality orientation, investors, tax structure.

Introduction

Business process outsourcing (BPO) companies in India represent one of the ITES sector's fastest-growing subsectors. India's contact center services are largely responsible for the country's booming business process outsourcing (BPO) sector by reducing risks, expanding economies of scale, enhancing efficiencies, providing a cost advantage, and demonstrating superior proficiency. Beginning in the middle of the 1990s, India's business procedures have since expanded dramatically.

Business process outsourcing, or BPO for short, is a common way to talk about any kind of outsourcing. Business process outsourcing, sometimes known as a call center, is the practice of providing support services, such as management and administration, to a corporation in another nation. Both make use of cutting-edge innovation and apply it to established businesses in novel and fruitful ways to get a desired end result.

Several Western businesses, particularly those in the United Kingdom and the United States, have begun contracting with service providers in India to handle their information technology needs.

Services offered by Call Centre Services / BPO:

The business process outsourcing (BPO) sector in India provides a wide range of services to both local and foreign customers. Services include help desk help, customer service help, data entry help, accounting help, telemarketing help, insurance help, form help, internet help, and more.

(i) Product, installation, and operational assistance are all part of the technical support services offered. Computer software internet infrastructure, hardware, and use issues are resolved and troubleshooted.

(ii) Outsourced customer care agents are available by email, phone, and live chat to respond to customers' questions and answer their issues 24 hours a day, seven days a week.

(iii) We provide data processing and data entry services, including the input of information from books, photographs, paperwork, yellow pages, electronic books, printed papers, websites, business cards, invoices, software applications, catalogues, invoices, and mailing lists.

(iv) Bookkeeping and accounting services include keeping track of a client's money coming in and going out as well as reconciling their bank accounts.

(v) Services in the field of telemarketing focus on generating interest in a company's goods and services by means of pleasant conversations with prospective consumers. By completing an online sales process and promoting, up-selling, and cross-selling to current clients.

(vi) Processing insurance policies includes helping clients find new customers, keeping existing clients happy, and handling claims.

(vii) Payroll, online forms, insurance claims, and medical bills are just some of the forms that may be processed by the Indian contact centers that provide support services.

(viii) Outsourcing business process management (BPM) includes IT help desk services, such as troubleshooting, remote diagnostics, and assistance for office productivity tools and product use questions.

(ix) Market surveys, analyses, mailing list study, internet searches, web searches, product searches, and use information are all available via online research.

(x) Provides data conversions for many software and hardware formats, including word processors, databases, and spreadsheets. Offers raw data conversion to popular file formats, including HTML, PDF, and Acrobat, as well as Microsoft Word.

Some interesting facts of call centre services in India are as follows:

(i) In recent years, BPO businesses have seen strong demand, with annual growth rates of 60 percent or more.

(ii) It has been predicted that the outbound service sectors of contact centers would boost their yearly income by roughly 55%.

(iii) Several young Indians have found work in the business process outsourcing (BPO) industry, one of the country's most important industries. In addition, it has filled over 75,000 positions for professionals of varying levels of education and experience. This figure has been rising steadily over the last several years, and it is anticipated that by 2020, the industry would provide work for 1.2 million Indians.

(iv) Contact centers in India get 80% of their income from outbound sales calls, with the remaining 20% coming from data entry and IT jobs.

(v)   In addition to being one of India's most prominent and rapidly expanding sectors, the contact center industry accounts for something in the neighborhood of 55% of all global business outsourcing contracts.

As was noted earlier in the article, India has become a significant outsourcing destination, which has boosted the economy and created new jobs. Consistent hard work and effort have allowed this industry to continue to expand its successes day after day. Indians are using BPOs to outsource their businesses in a variety of fields, with great success. More than a million new jobs will be created in BPO in the next years, and the industry will continue to develop as a whole thanks to the solutions it provides for businesses both at home and abroad.

But, competition is rising as nations with less developed economies provide similarly priced services. India has to step it up if it wants to maintain its current lead in the market. The rising number of college graduates in this emerging nation has prompted wage increases for educated workers.

Exports of Indian software and services have been on the upswing recently. IT services have a 20-22% yearly growth rate, whereas IT-enabled services (ITES) including contact centers, Business Process Out sourcing (BPO), and other administrative support activities have a growth rate of approximately 55% each year. The two are expected to increase together at a rate of 25% each year through 2010. Indians make up a disproportionate share of exporters in the information technology sector. Indian business process outsourcing (ITES)

businesses are climbing the value chain by taking on more complex tasks like as processing high-end data for industries including aviation, insurance, banking, mortgages, and ERP. Mission-critical applications and support; product design; HR management; knowledge process out sourcing for the pharmaceutical industry; and huge, complicated projects are just a few examples of the greater value-added services that some of these businesses are now offering.

Revenue from software exports increased from 4.9% in 1997 to 20% in 2003-04.

By 2010, this proportion is projected to rise to 44% of total exports. Despite the fact that India's share of the global IT services market is just 3%, the country's enormous pool of English-speaking employees, over 2 million engineers, and the rising number of tech-savvy entrepreneurs have contributed to explosive growth in this industry.

The IT sector presently contributes around 4.8 percent to India's GDP. By 2010, it will make up 7% of India's GDP.

India has found success in the specialized market of software and IT-enabled services. With a CAGR of over 50% over the last decade, this market segment was among the most dynamic. From US$0.50 million in 1990 to US$5.9 billion in 2000-01 to US$23.6 billion in 2005-06, a rise of 34% can be seen in software service exports. During the next five years, even with the growing base, growth of over 25% annually is projected. Forecasted exports of $60 billion in software and IT-enabled services by 2010 will have far-reaching effects on the economy. For the first time in 24 years, India

had a current account surplus in 2001-02. To further encourage service exports through out-sourcing and off-shoring2, India need an open environment under GATS. The research acknowledges the importance of government efforts, especially since the 1980s, along with a variety of other factors such as government-diaspora relationships, private initiatives, the development of software technology parks, clustering, and public-private partnerships, in the rise of India's IT sector.

Reduced International Trade Barriers and Improved Telecommunication and IT Capability

Organizations all across the globe have become more interconnected during the last decade. As a consequence, competition in global marketplaces is fierce, and corporate leaders everywhere are scrambling to fulfill rising consumer demand while cutting expenses wherever possible. For this reason, many multinational firms are restructuring their business models to take advantage of the cost savings and increased emphasis on core activities that outsourcing may provide.

Customers of business process outsourcing (BPO) companies anticipate a variety of advantages, including but not limited to: increased knowledge in the outsourced activities; cheaper costs; scalability; and the capacity to tolerate cyclicality of loads.

The BPO market can be broadly broken down into three are as of functional operations:

a)   Management in the Workplace (falling within G&A expense costs)

b)   Cost of goods sold (COGS) and supply chain

c)   Promotion, advertising, and client services (selling & marketing costs)

Offshore Locations with India in the Lead

India has become a popular outsourcing destination despite the fact that businesses now have access to a wider variety of potential offshore sites.

While choosing an offshore site, the following are the most important considerations:

(i)   Competition in terms of expenses, which includes things like wages, public services, and currency exchange rates.

(ii)   Size of the available labor force, quality of education, expertise in relevant fields, command of the English language, familiarity with western markets, cultural fit, and turnover rates all contribute to what economists call "labor competitiveness."

(iii)   Issues of data security and intellectual property rights are examples of "other variables," which also include the country's current commercial and political concerns, its location (time difference), and its tax system and regulatory considerations.

(iv)   Comparative studies of labor costs and availability of skilled workers across countries show that India is more successful. Offshoring companies may take advantage of the country's big, educated, and fluent English-speaking work population. By this metric, India is seen as superior to other low-cost nations like Brazil by both prospective and current outsourcers.

(v)   Hungry, the Philippines, and China. Canada is a "near-shore" alternative for

many businesses due to its highly educated and skilled labor force, but it has a reputation for being an expensive local choice.

BPO Success Waves in India

Growth of BPOs in India can be classified into four distinct phases:

(i)   Initial Swell: Stock Held by the Corporation India's first BPO Outsourcing back office operations and contact center services to India was popularized by companies like American Express, General Electric (GE), Citibank, AOL, etc.

Since then, several multinational corporations across the banking, insurance, aviation, and industrial sectors have established back-office service centers in India.

Second-Generation Startups with Venture Capital Funding Some seasoned individuals have recently established new businesses in India. Venture capital firms are the typical backers of such businesses in their early stages.

BPO is the next frontier for leading IT service providers.

Most big IT service providers have expanded into ITES because of the size of the market, the many parallels between the software services industry and ITES, and the ease with which they can use their existing high-end physical infrastructure and managerial bandwidth.

Most of India's main business process outsourcing (BPO) firms are really subsidiary operations of multinational corporations and foreign BPO firms that have come to India to take advantage of the country's favorable exchange rate. Being captive units with guaranteed volumes, the Indian operations of large multinational corporations face less risks. There has been a recent push by several MNC BPO subsidiaries to market their services to other businesses. Some initiatives have been spun off into separate businesses in an effort to acquire new clients and turn them into revenue generators. A few good examples include GECIS, Global Network Services (British Airways), and e Serve International.

Market consolidation when smaller firms merge or are acquired by bigger ones to take advantage of size.

The Rise of Domain/Industry-Specific BPOs (4th Wave)

BPO companies have been established by specialists in various market niches and business processes. Several of these firms have extensive track records in the local market and are expanding into the off-shore business process outsourcing (BPO) industry.

All major BPO players are now "verticalizing" their skill sets and organizational structures. In business, "outsourcing" refers to the practice of handing off tasks to an outside party, either in-country or abroad. There has been consistent growth in the worldwide BPO market, which was valued at $83 billion in 2013. One of the most dynamic markets is business process outsourcing (BPO). The

explosive expansion of the BPO sector may be attributed to a confluence of variables, including the industry's cost advantage, risk minimization, utilization improvement, and high competence.

The BPO management of these businesses has unique issues because to the rapid expansion of the sector and the intense competition in this field. Challenges that this profession faces include dealing with demanding clients, working within limited financial means, working long hours, and maintaining satisfied clients. Some of the most frequent problems encountered by BPO companies are outlined in this article.

Challenges Faced by BPO Industry in India

Although the rising figures seem promising for the BPO sector, this is not always the case. Working in the BPO market presents a number of difficulties that the top management must address on a regular basis. The BPO sector has several obstacles, some of which are described below:

1   Changing Political Scenario: The business process outsourcing (BPO) sector is vulnerable to political instability in some parts of the Americas and Europe. Governments may be compelled to implement anti-outsourcing legislation in response to citizen protests, wars, declining economies, etc. This has the potential to significantly impact BPO businesses.

2   Exceeding Customer Expectations: Delivering 100% client satisfaction remains an ongoing challenge for BPOs. The BPO sector has a significant difficulty in meeting the skyrocketing expectations of today's

consumers, which have been fueled in part by the proliferation of social media platforms and the fiercer competition in the market.

3   Shoestring Budgets: The budget is a big obstacle for the BPO sector. Outsourcing firms are often held to the highest standards of efficiency and economy. They have to squeeze the most possible productivity out of their little resources.

4   Health Concerns : Due to the fact that many outsourcing firms operate out of multiple time zones, their personnel may be available at any hour of the day. Workers' health problems caused by this have the potential to severely hamper productivity.

5   Customer Attrition: The customer may decide to cancel the contract at any stage throughout the project and provide the work to a rival company. The financial impact of a deal's unexpected cancellation may be devastating for most BPO businesses.

6   Scarcity of Talent : Finding qualified people to fill jobs in the BPO business is a huge difficulty. A recent poll found that just a small percentage of graduates are prepared to enter the BPO workforce.

7   Employee Attrition: The high rate of employee turnover in the BPO sector is significant. Companies lose a lot of money every time they have to train new workers because they can't persuade their current workers to stay. Again, it's time-consuming and costly to hire a new employee and train them on the job.

8   Communication   Channels : Throughout the last decade, there has been a dramatic expansion in the availability of

various means of communication. In addition to traditional methods like phone calls and postal letters, people now often use social media platforms to communicate. Because of this, it might be difficult for BPO businesses to prioritize which channel to use when communicating with their customers.

9 Frequent Disruptions: Disruptions to the different procedures may occur due to call traffic management, slow internet, unclear phone connections, power outages, and so on. The availability of a business process outsourcing provider is often required at all times. These hiccups may be quite difficult for the industry as a whole and can cost businesses a lot of money.

10 Brand Equity: The HR professional plays a crucial role in establishing the company's reputation. This is a typical difficulty that human resources managers face. They are the company's best advocates when an employee leaves, therefore it's on to them to give enough training and a pleasant workplace. Employee dissatisfaction is a major contributor to the erosion of brand value that might result from poor word of mouth.

From the beginning of the BPO boom in India, millions of people have found work and the country has gained international prominence as an outsourcing hub. There seems to have been a change in the emphasis of business process outsourcing (BPO) services in major cities toward higher-end, knowledge-based services, while at the same time, Rural BPOs have quietly emerged in smaller Indian towns. Recent years have witnessed a shift toward valuing rural outsourcing for its efficiency savings.

Although workers in rural areas still get many of the same benefits as their urban counterparts, they are compensated at a significantly lesser rate.

Providing jobs in rural areas is a major advantage of rural BPO services. They also prevent employment from being moved to the Philippines or South American nations, etc., assuring the expansion of BPO in India. A sizable portion of the local population also finds work in the high technology industry, which is presently underrepresented in rural areas.

Although it may seem that establishing a BPO in the country would be a breeze, both in terms of time and money, the reality is very different. The rural area has to be equipped with modern conveniences like high-speed internet, readily available labor, and reliable communication networks. In addition, it has to be near to major population centers so that both supplies and customers may easily go there.

Benefits of Rural Outsourcing

Salient features & challenges of Rural BPOs include:

(i) Very Low Attrition : Unlike their urban counterparts, rural BPOs don't have retention issues. Attrition is quite rare in rural BPOs.

(ii) Employment and Reverse migration: One of the most important features of rural BPOs is the jobs they provide in rural areas. It's not as large as those in major cities, but they make do with what they have and hire locally wherever possible. As a result, many young people who had previously relocated

to urban areas in search of employment are now returning to their hometowns.

(iii) Infrastructure challenges: Despite challenges such as lack of internet access and energy, experts agree that BPOs in rural regions are very viable due to their low operating costs. They've helped a lot of people in rural areas get jobs and get by in decent conditions, so everyone wins. Also, the divide between urban and rural areas has shrunk, allowing genuine globalization ideas to permeate India's rural heartland.
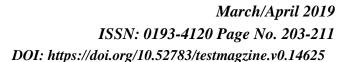
Conclusion

Several people in India have found inspiration in rural BPOs, which is transforming the country's outsourcing landscape. Nonetheless, it's a slow but continuous increase. Whether or whether rural BPOs can spur more development in tens of thousands of India's smaller towns remains to be seen.

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