South Africa's Global Business Services (GBS) Industry – Value Proposition Document

Final report
December 2019
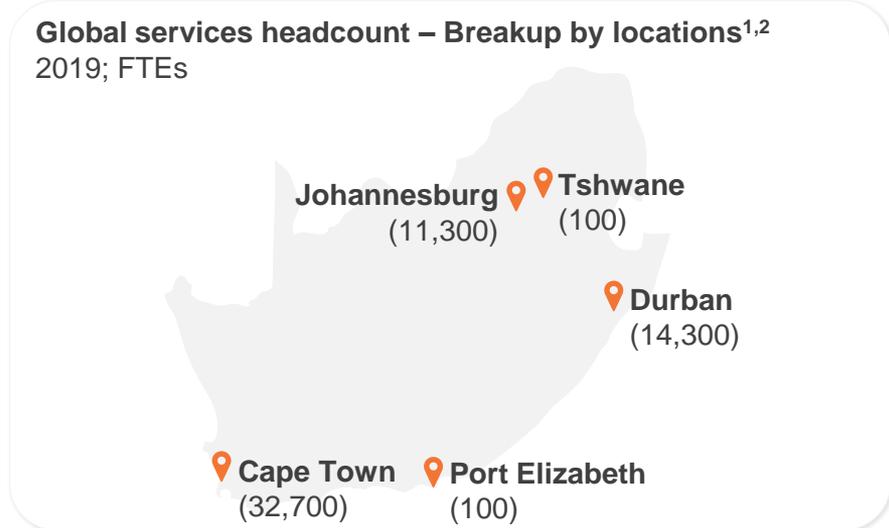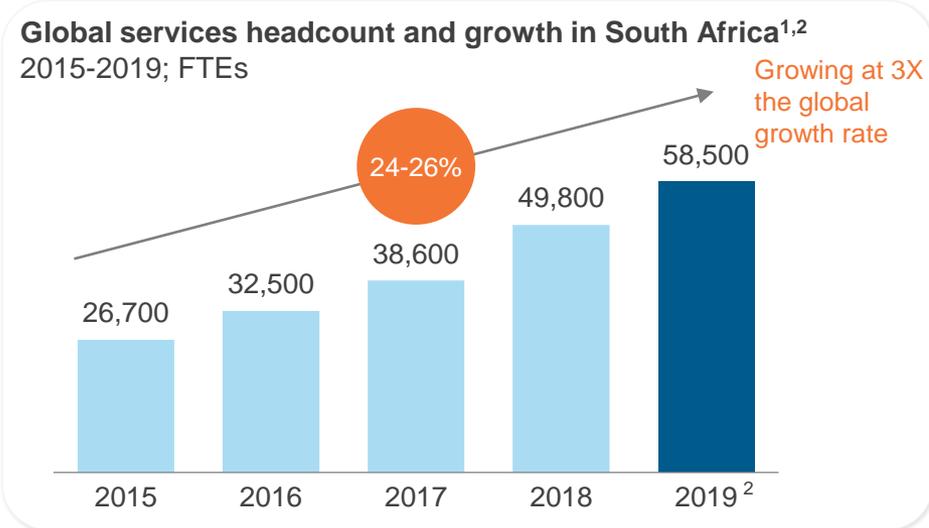
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The GBS market in South Africa has witnessed rapid growth with a ~25% CAGR over 2015-19, and is poised for accelerated future growth

Global services headcount and growth in South Africa[1,2]
2015-2019; FTEs

24-26%

Growing at 3X the global growth rate

58,500

49,800

38,600

32,500

26,700

| 2015 | 2016 | 2017 | 2018 | 2019 [2] |

Global services headcount – Breakup by locations[1,2]
2019; FTEs

Johannesburg (11,300)

Tshwane (100)

Durban (14,300)

Cape Town (32,700)

Port Elizabeth (100)

Growth drivers — Positive experience of global companies, growing talent availability, government support with improved access, and enhanced infrastructure

Industries served — Technology and communications is the largest vertical, followed by financial services, education, and retail industries

Source geographies — UK is the largest client geography, followed by Australia. Notable increase in share of North America and Africa during the last 12-18 months

Functions delivered — Contact center is the largest function. Robust foundation in non-voice BPS, IT, and legal processes

1   Reflects the headcount for Global Business Services (GBS) market, including both business process and IT services. All numbers have been rounded off to the nearest hundred
2   Headcount as on 30 June 2019
Source: BPeSA, Knowledge Executive, Everest Group (2019)

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South Africa hosts a multitude of shared services and service providers supporting global, regional, and domestic services delivery

Shared services / GICs

Global service providers

South African service providers

Source: BPeSA, the dti, Everest Group (2019)

South Africa's GBS Value Proposition: 6S's for Success

Strong foundation in contact centers and niche areas
- **Deep domain knowledge** in financial services
- **Global delivery expansion** from contact centers to non-traditional areas such as legal and healthcare, game development, mass communication & broadcasting, and learning management

Skilled and young English-speaking workforce
- **Fluent English-speaking talent** with neutral accent and high empathy levels
- **Cultural affinity** with the UK, Australia, and increasingly, the US
- Availability of **large, young, and trainable talent pool**, with strong understanding of technology
- Availability of talent across **multiple cities**; additional talent pool via **impact sourcing**

Strengthening ICT and digital capabilities
- **One of the best ICT infrastructures** in Africa
- Shift toward **tech-enabled value addition to enhance customer experience**: Evolving capabilities in omnichannel customer analytics and next-generation solutions such as cloud, cybersecurity, AI, ML, and big data & analytics

Sizable regional and domestic market opportunity
- Gateway to the African continent
- **Large domestic market** with increasing demand across telecom, BFSI, and retail industries
- Growing demand for **digital solutions** such as mobile payment systems, big data, and analytics

Sophisticated infrastructure and enabling environment
- Availability of **robust infrastructure** and high quality of life
- **Government support** at national, regional, and sectoral levels to boost infrastructure and skill development
- Global contact center standards – **ISO 18295** is based on South African standards. Multiple companies are **POPI and GDPR compliant** and have achieved ISO certifications
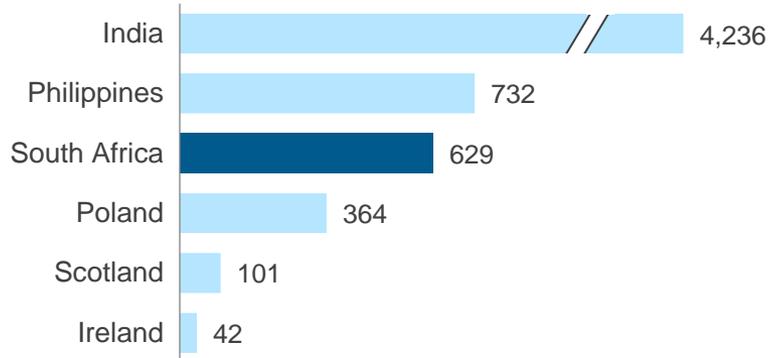
Significant cost savings
- **60-70% lower costs** than the UK and Australia, 25-35% lower than leading CEE locations
- **Incentives further reduce** costs to bring them in the range of costs in the Philippines and India
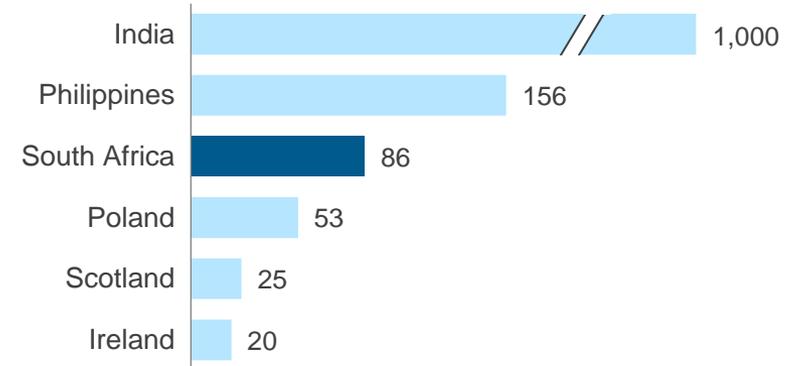
Skilled and young English-speaking workforce
One of South Africa's key advantages is the large talent pool with niche skill availability

Annual supply of new talent for English language BPO[1]
2019; '000s

India — 4,236
Philippines — 732
South Africa — 629
Poland — 364
Scotland — 101
Ireland — 42

- Access to highly skilled, English speaking talent pool with a neutral accent compared to India and other offshore geographies – this makes it ideal for voice delivery to the UK and Australia, and increasingly, the US

- Also, **5,000+ students study law** in the country annually – this is reflected in the niche and high quality LPO work

- South Africa is **one of the leaders in availability of CFA charter and actuarial degree holders**; in fact, the latter is almost five times that of India

Annual supply of new talent for ICT[2]
2019; '000s

India — 1,000
Philippines — 156
South Africa — 86
Poland — 53
Scotland — 25
Ireland — 20

- Availability of **sizable ICT graduate pool** with strong understanding of technology and keen interest in learning. Rise of WFH /remote working models augments talent supply

- **Multiple training efforts** undertaken by enabling bodies such as Harambee, IITPSA, Explore Data Science Academy, WeThinkCode, increase talent readiness and employability

Additional supply of a large, young, and trainable unemployed population through impact sourcing

1   Includes all relevant degrees/qualifications at high school and graduate level
2   Includes all relevant degrees/qualifications at graduate level
Source: Ministry of Higher Education websites, Everest Group (2019)

Strong foundation in contact centers and niche work areas
While contact center continues to be the largest; capabilities in other functions, including ICT, are growing

Contact Centers
- Mainstay of the GBS industry, with 73% of the total headcount
- Companies are shifting towards omnichannel delivery with increased leverage of automation and chatbots, to enhance customer experience

Banking and Insurance
- Strong niche in complex financial services; increased delivery of insurance services, especially voice
- Availability of high quality talent (including CAs, CFAs, and actuaries) drives delivery of complex work in asset management, life insurance, and fund accounting

Legal process services
- Preferred destination for providing complex, bespoke legal services, particularly for financial services clients
- 5,000+ legal graduates annually which supplement the pool of ~25,000 practicing lawyers

Healthcare
- One of the strongest healthcare industries in Africa
- Presence of multiple healthcare providers; vast talent pool with 250,000+ registered doctors, nurses, paramedics, students, and research assistants

ICT and digital
- Growing sector with strong potential for global delivery, specifically for technical helpdesk and service desk due to superior voice skills
- Fast-growing cluster of companies providing website architecture and development, application and platform development, big data analytics, RPA, and cyber security solutions

Some examples of digital adoption
- Robotic Process Automation (RPA) in finance and accounting for manual and repetitive tasks
- Development of innovative Integrated Learning Management tool in collaboration with tech giants
- Game development across Android/iOS platforms
- Advent of digital banks, e.g., Time Bank, Capitech Bank

Strengthening ICT and digital capabilities (page 1 of 2)
South Africa is keeping pace with the increasing global demand for digitalization and offers evolving capabilities for next-generation services

The emerging digitalization wave in South Africa is supported by a conducive broader ecosystem

Growth rate for next-gen technologies is **almost double** that of South African ICT sector

Concerted efforts by governments to build complex IT skills through **industry-academia collaboration**

Large trainable talent pools of STEM graduates and unemployed youth population

Companies are partnering with universities and training institutes to source IT talent

Evidences of solutions delivered by companies in South Africa using next-gen technology

P2P payment solution for cryptocurrency using **blockchain**

Market data aggregator using **Machine Learning (ML)**

Prediction models for customer behavior using **advanced analytics**

Skills mapping to job requirements using **AI and ML-based platforms**

GIS terrain analysis, drone and satellite investigators using **IOT**
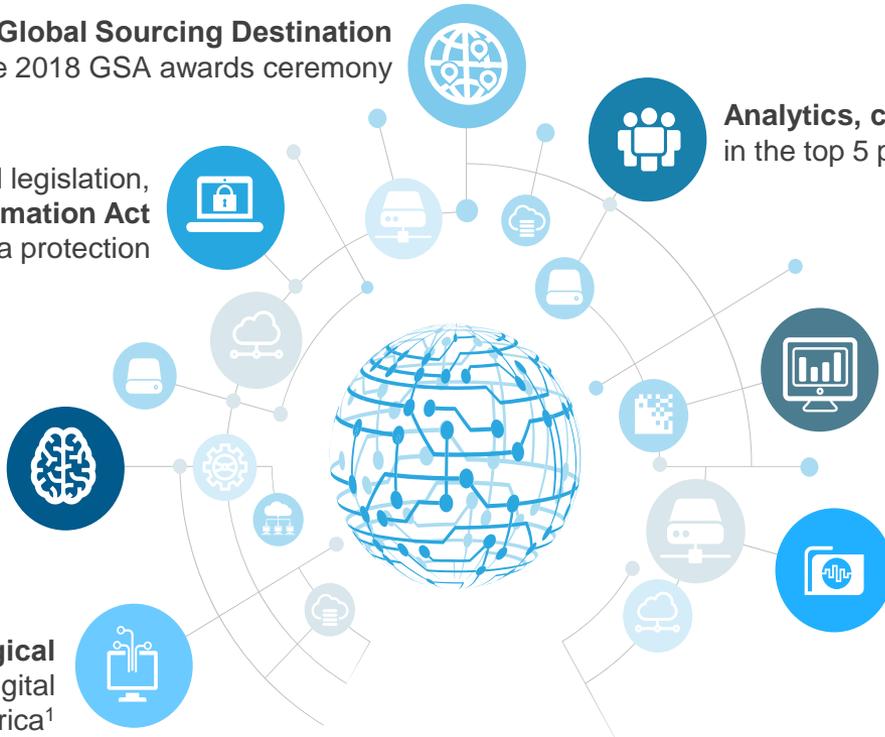
Source: Everest Group (2019)

High potential of next-generation services in South Africa is supported by robust infrastructure

Named as the **"Global Sourcing Destination of the Year"** at the 2018 GSA awards ceremony

South Africa's customer oriented legislation, **Protection of Personal Information Act (POPI)** regulates data protection

Featured in **Top 5** African markets for **AI readiness**

Ranked 1st in **"Technological Readiness"** for digital revolution**,** in Africa[1]

Analytics, cyber security, and cloud are in the top 5 pillars of job creation

Featured in top 3 African markets in **"ICT development index of ITU"**

Houses two Azure datacenters by Microsoft and one by Huawei. Amazon plans on opening a center by 2020

1   Corresponds to African countries with high scores in the category of mobile phone subscriptions
Source: Global Competitiveness Index, World Bank Ease of Doing Business, ITU Statistics, Government AI Readiness Index, Everest Group (2019)

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Sizable regional and domestic market opportunity
In addition to global services delivery, South Africa presents substantial opportunity to tap into regional and domestic markets

Gateway to the African continent

- One of the most **developed and advanced ICT markets** in Africa

- Companies leverage their South African delivery centers as **regional hubs to support wide spectrum of services**, including software development, datacenter support, and banking services

- **Proximity in culture, time zone, and geographical location** to major locations pave a strong base for a global team structure

Growing domestic market

- **High domestic demand** strengthens the proposition for global service providers to establish delivery centers; domestic market headcount is ~4X the exports market

- Demand is equally strong for traditional solutions (such as ERP systems) and **digital solutions**, such as mobile payment systems or big data and analytics

- **Thriving startup community** supports innovation and advancement in fields such as FinTech, EdTech, InsurTech, and HealthTech

> " South Africa has the most number of fintech start-ups as well as Fintech projects in development, compared to the rest of Africa
>
> *- The FinTech Times* "

> " Software developers in South Africa don't need a university degree to earn a good salary. In fact, one in every four developers are self-taught coders, who actually start out earning slightly more than those with a formal qualification
>
> *- Software Developer Nation survey* "

> " The greater Cape Town area has proved itself to have the best start-up ecosystem in Africa. This is in part due to the mature and well-established technology clusters, hubs and the incubators
>
> *- Ian Merrington, CEO of the Cape IT Initiative* "

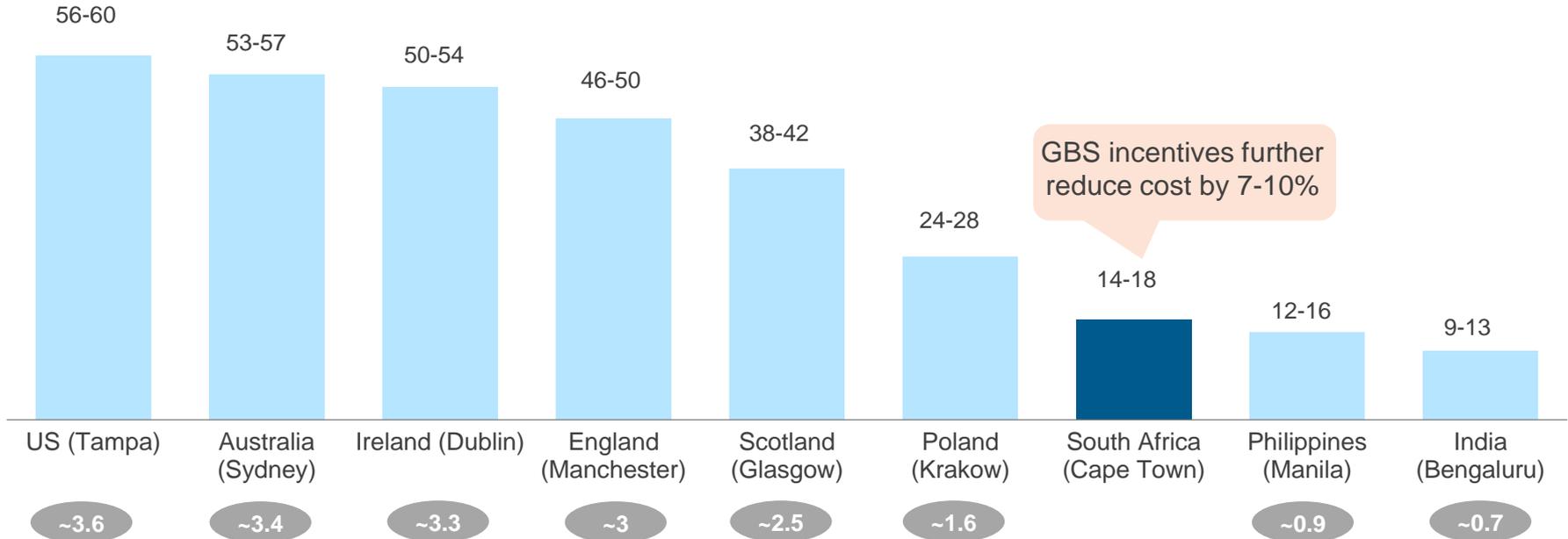Source: Everest Group (2019)

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Significant cost savings
South Africa offers an attractive cost proposition for contact center and other services, including ICT

Operating cost per FTE for Contact Center[1]
2019 US$ '000s per annum per FTE

xx Indexed cost w.r.t South Africa (Cape Town)

56-60	53-57	50-54	46-50	38-42	24-28	14-18	12-16	9-13
US (Tampa)	Australia (Sydney)	Ireland (Dublin)	England (Manchester)	Scotland (Glasgow)	Poland (Krakow)	South Africa (Cape Town)	Philippines (Manila)	India (Bengaluru)
~3.6	~3.4	~3.3	~3	~2.5	~1.6		~0.9	~0.7

GBS incentives further reduce cost by 7-10%

- Operating cost is driven by people cost (salaries and benefits), facilities costs, telecom costs and other miscellaneous costs
- Delivery-related operating costs in South Africa are **~65% lower than those in tier-2 UK cities.** This is primarily driven by lower salaries (lower cost of living and lower competitive intensity for talent) and real estate costs

1   Operating costs reflective of market average delivery costs which include salaries, facilities, technology, etc. Experiences may differ from company to company. Costs exclude senior management costs, sales and corporate overheads, and impact of government incentives
Source: Interviews with market participants (key players, recruiters, real estate agencies), Everest Group (2019)

Sophisticated infrastructure & robust enabling environment

South Africa has been performing consistently well in terms of its business and operating environment amongst peer delivery locations

#1 amongst peer delivery locations

in "Efficiency of air transport services"

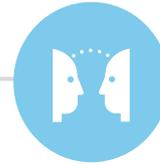in "Labor Tax Rate"

in "Paying Taxes"

in "Mobile-cellular telephone subscriptions" (153.2 subscriptions per 100 people)

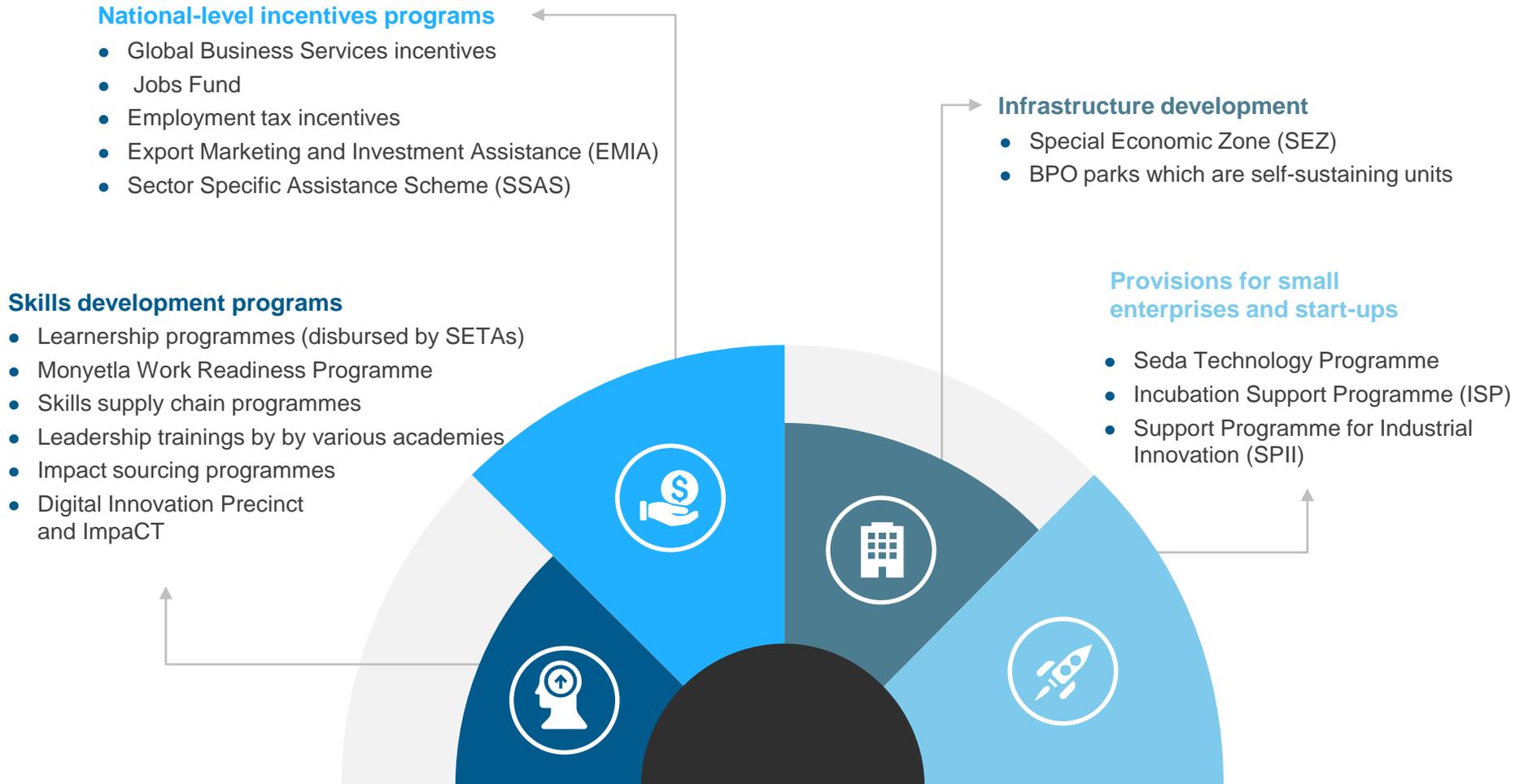in "Intellectual Property Protection"

in "Conflict of interest regulation"

in "Financial System"

Sophisticated infrastructure & robust enabling environment

South Africa provides a robust enabling environment for growth of the GBS industry with focus on skills development and job creation

National-level incentives programs
- Global Business Services incentives
- Jobs Fund
- Employment tax incentives
- Export Marketing and Investment Assistance (EMIA)
- Sector Specific Assistance Scheme (SSAS)

Infrastructure development
- Special Economic Zone (SEZ)
- BPO parks which are self-sustaining units

Skills development programs
- Learnership programmes (disbursed by SETAs)
- Monyetla Work Readiness Programme
- Skills supply chain programmes
- Leadership trainings by by various academies
- Impact sourcing programmes
- Digital Innovation Precinct and ImpaCT

Provisions for small enterprises and start-ups
- Seda Technology Programme
- Incubation Support Programme (ISP)
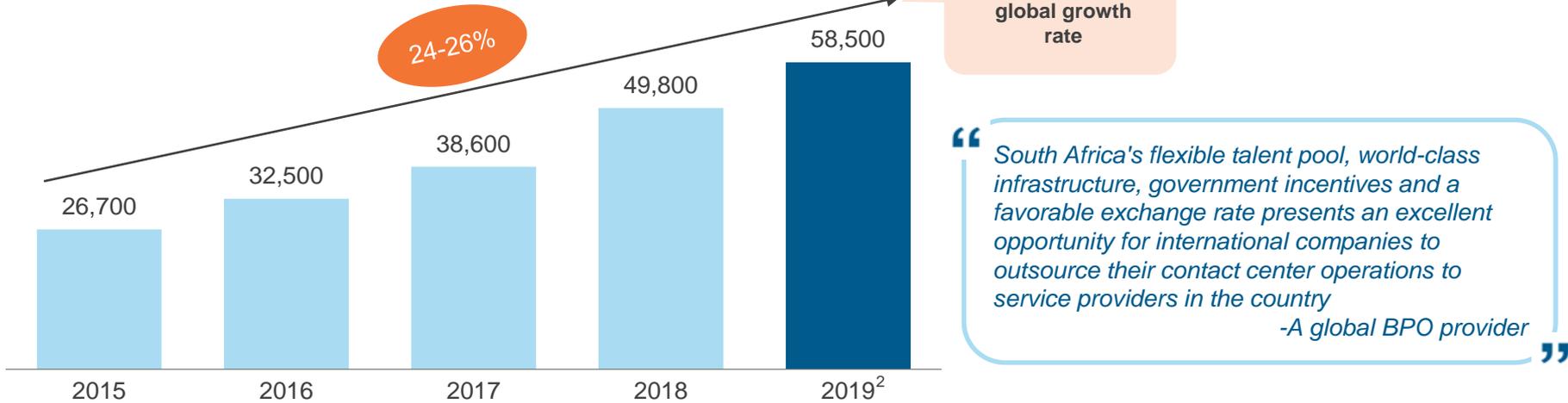- Support Programme for Industrial Innovation (SPII)

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- **Current South Africa GBS landscape**

- Details of South Africa's GBS value proposition

- Key locations leveraged for global services delivery

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The GBS market in South Africa has witnessed solid growth with a ~25% CAGR over 2015-19, and is poised for accelerated future growth

Global services[1] headcount and growth in South Africa
2015-2019; FTEs

24-26%

Growing at 3X the global growth rate

2015	2016	2017	2018	2019[2]
26,700	32,500	38,600	49,800	58,500

> " *South Africa's flexible talent pool, world-class infrastructure, government incentives and a favorable exchange rate presents an excellent opportunity for international companies to outsource their contact center operations to service providers in the country*
>
> *-A global BPO provider* "

- While the **global IT/BP services** industry has been experiencing **slow growth** due to macroeconomic slowdown and geopolitical uncertainties, **South Africa has witnessed consistently high growth over the past four years**

- The South African market is expected to **continue with the growth momentum** driven by positive experience of global companies, growing talent availability, government support with improved access, and enhanced infrastructure

1   Reflects the headcount for Global Business Services (GBS) market, including both business process and IT services. All numbers have been rounded off to the nearest hundred
2   Headcount as on 30 June 2019
Source: BPeSA, Knowledge Executive, Everest Group (2019)

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South Africa hosts a multitude of shared services and service providers supporting global, regional, and domestic services delivery

Shared services / GICs

amazon · AMERICAN EXPRESS · auto general · BARCLAYS · BMW · British Gas · Direct Line Group · Dixons Carphone · DSV · foxtel · GROUPON · Hogan Lovells · Investec · iinet connect better · KLM · Lufthansa · mastercard. · NetLine Corporation · NEDBANK · npower · Microsoft · O₂ · OLDMUTUAL · RICOH · SAMSUNG · Shell · SIEMENS · simply energy · Standard Bank · T··Mobile· · TalkTalk · vodafone · Virgin · virgin atlantic · Westcon

Global service providers

accenture · CAPITA · CISCO · DXC.technology · EXL · EY · Grant Thornton · HCL · IBM · Infosys · innovation group · J.P.Morgan · LIQUID TELECOM · merchants making digital human · NTT · pwc · STARTEK · TATA TATA CONSULTANCY SERVICES · Tech Mahindra · Teleperformance · Webhelp · wipro · WNS

South African service providers

ALTRON · CALLFORCE · capability · CCI · CONSULTA · CSS · DIGICALL · ec³ · fivefriday · iContact · IGNITION GROUP · MCS DEBT RECOVERY · Mindpearl · miracle communications · NuDebt · OUT SURANCE · Outworx · SA Commercial · SIGMA INTERNATIONAL · SMOLLANGROUP · SoluGrowth · spoor • fisher · The Unlimited · tih · Transaction Capital Risk Services

In South Africa, telecom has been the largest function served; sectors such as IT and education are growing at a rapid pace

Global business services market | Breakup of organizations by verticals[1]
2018; Percentage

29%	**Telecom**
18%	IT
17%	Retail
10%	Education
9%	Utilities/Energy
5%	Financial services
12%	Others[2]

- The share of telecom, IT, education, and energy/utilities in the international outsourcer market has grown tremendously from 2017 to 2018
  - **Telecom has been the largest sector** for years and has grown by ~30% within a year
  - The share of **IT has become almost 3 times**, showing a favorable environment for IT companies to grow
  - Education as a service in the international market is also growing rapidly, covering mostly the Asian market
- Share for IT services has increased multifold from **5.7% to 18%**. This increase is attributed to digital transformation of contact centers and advent of automation and other next-generation jobs in traditional workstreams

> " *The South African banking industry will see major shifts from a competitive and operational perspective. The rise of Fintechs and digital banks will see conventional banks adapting to their competitors practices, and in some cases, acquiring them*
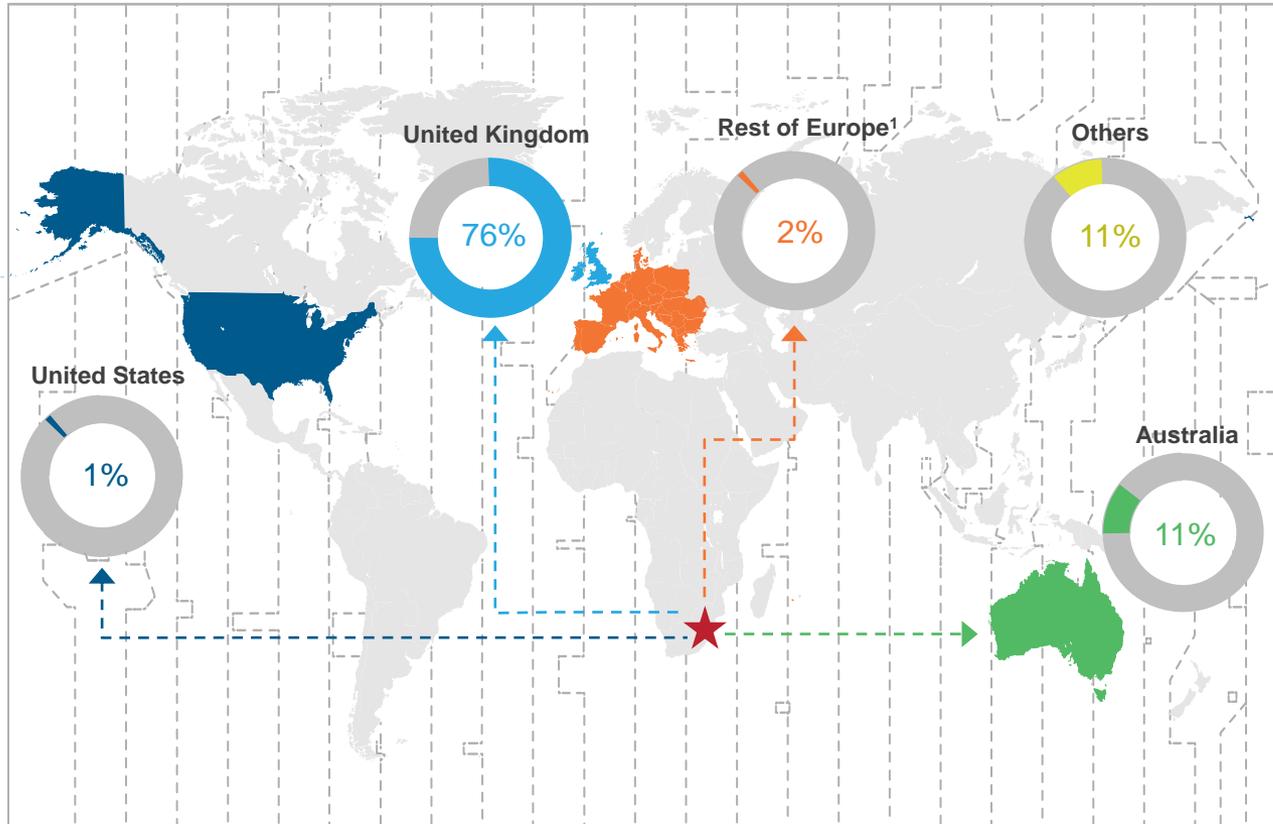>
> *-A leading BFSI company* "

1   Organizations correspond to international outsourcers
2   Includes Healthcare & medical, legal, BPO, LPO, marketing, travel & transport
Source: BPESA, Everest Group (2019)

UK has traditionally been the key client geography; Australia and US also have a significant share, despite the time zone concerns

Global business services market | Breakup of headcount by source geographies
2018; Percentage

- South Africa serves countries spanning multiple time zones for IT/BP delivery
- UK and Australia continue to be the largest client geographies driven by **cultural affinity** and **neutrality of the South African accent**. Work supported is evolving to include customer experience management (upskilling, retention, chats and social media interaction, customer analytics, etc.)
- Companies in the United States also have setups in South Africa in spite of time zone concerns – the quality of talent and lower cost of operations in South Africa supersedes these concerns
- The "others" category has experienced an increase partly because of the **inroads into the Asian market for online-tutoring**

1   Includes Germany, France, and the Netherlands
Source: BPESA, Everest Group (2019)

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South Africa's GBS Value Proposition: 6S's for Success

Strong foundation in contact centers and niche areas

- **Deep domain knowledge** in financial services
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Skilled and young English-speaking workforce

- **Fluent English-speaking talent** with neutral accent and high empathy levels
- **Cultural affinity** with the UK, Australia, and increasingly, the US
- Availability of **large, young, and trainable talent pool**, with strong understanding of technology
- Availability of talent across **multiple cities**; additional talent pool via **impact sourcing**

Strengthening ICT and digital capabilities

- **One of the best ICT infrastructures** in Africa
- Shift toward **tech-enabled value addition to enhance customer experience**: Evolving capabilities in omnichannel customer analytics and next-generation solutions such as cloud, cybersecurity, AI, ML, and big data & analytics

Sizable regional and domestic market opportunity

- Gateway to the African continent
- **Large domestic market** with increasing demand across telecom, BFSI, and retail industries
- Growing demand for **digital solutions** such as mobile payment systems, big data, and analytics

Sophisticated infrastructure and enabling environment

- Availability of **robust infrastructure** and high quality of life
- **Government support** at national, regional, and sectoral levels to boost infrastructure and skill development
- Global contact center standards – **ISO 18295** is based on South African standards. Multiple companies are **POPI and GDPR compliant** and have achieved ISO certifications

Significant cost savings

- **60-70% lower costs** than the UK and Australia, 25-35% lower than leading CEE locations
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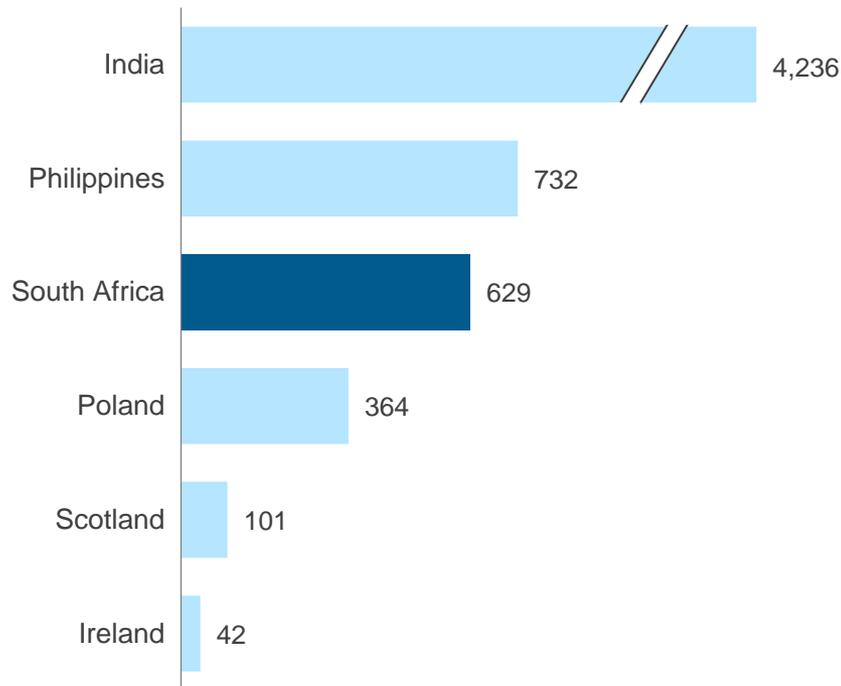
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Skilled and young English-speaking workforce
One of South Africa's key advantages is the large talent pool with niche skill availability

Annual supply of new talent for English language BPO[1]
2019; '000s

India — 4,236
Philippines — 732
South Africa — 629
Poland — 364
Scotland — 101
Ireland — 42

- South Africa has a **highly skilled, English speaking talent pool** with a more neutral accent as compared to those in India and other offshore geographies – this makes it ideal for contact center delivery to the UK and Australia, and increasingly, the US
- Increasingly, the central and provincial governments in South Africa are introducing **learning and skill development programmes** at the graduate level that are focused on futuristic, digital-ready skills; some of these involve **new certification courses** in leading public universities

> *The talent pool in South Africa is highly trainable, and the ROI for training and skill development programs is quite significant*
>
> *-A leading BPO service provider*

> *South Africa has natural English language capabilities. The neutral English accent and the ability to provide a personal touch to customers are the biggest factors which made us choose South Africa as an offshoring destination*
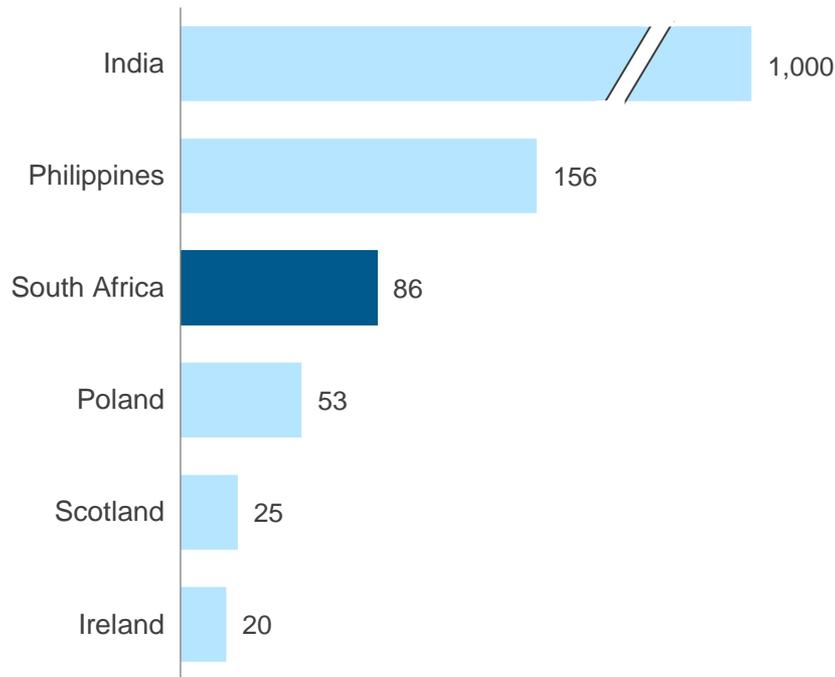>
> *-A global BPO provider*

1   Includes all relevant degrees/qualifications at high school and graduate level
Source: Ministry of Higher Education websites, Everest Group (2019)

Skilled and young English-speaking workforce
Availability of a growing IT talent pool in South Africa is supporting the country's growth in the ICT sector

Annual supply of new talent for ICT[1]
2019; '000s

Country	Value
India	1,000
Philippines	156
South Africa	86
Poland	53
Scotland	25
Ireland	20

- Availability of **young and trainable talent pool** with high levels of passion for learning
  - Most of the young students have a good understanding of technology and related matter
  - Additional talent pool through thriving **impact sourcing community.** Also, rise of remote working culture / WFH working models
- **Multiple training efforts** undertaken by enabling bodies such as Harambee, IITPSA, Explore Data Science Academy, WeThinkCode, help increase talent readiness and employability

" Contrary to the common perception, quality of the South African workforce is at par with the their expatriate colleagues from Europe, Asia or US
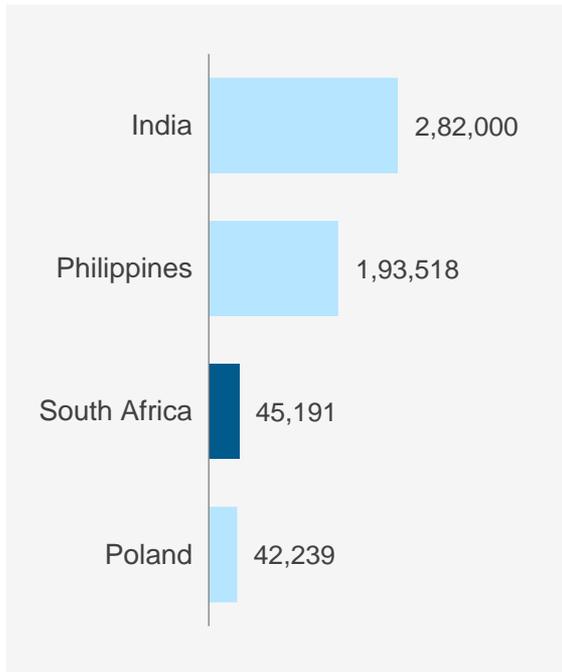*-A leading IT service provider "*

1   Includes all relevant degrees/qualifications at graduate level
Source: Ministry of Higher Education websites, Everest Group (2019)

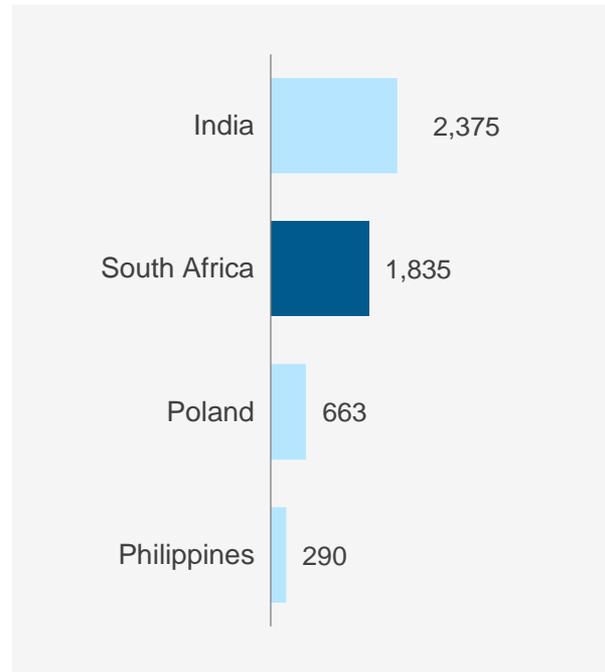# Skilled and young English-speaking workforce
Additionally, South Africa is distinctive in specialized skills, particularly in the financial services domain
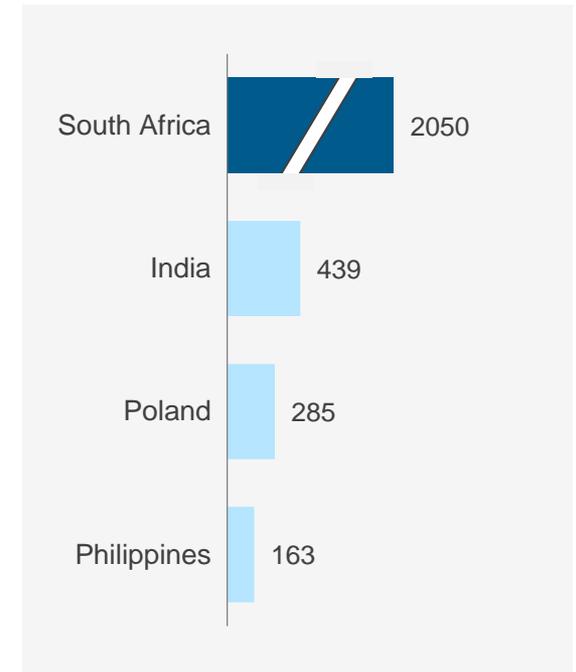
Number of Chartered Accountants
2018; Total number

Country	Number
India	2,82,000
Philippines	1,93,518
South Africa	45,191
Poland	42,239

Number of CFA charter holders
2018; Total number

Country	Number
India	2,375
South Africa	1,835
Poland	663
Philippines	290

Number of fully qualified actuaries
2018; Total number

Country	Number
South Africa	2050
India	439
Poland	285
Philippines	163

- Apart from the bachelors degree holders, South Africa also has a **large skill base in financial services** – this is mainly driven by high domestic, and now international, delivery in the banking and insurance space
- **South Africa** is one of the **leaders** in terms of availability of **CFA charter holders** and **actuarial degree holders**; in fact, the latter is almost **five times that of India**

Source: National CA Institutes, National CFA Institutes, National Actuarial Societies

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Skilled and young English-speaking workforce

High empathy skills and greater cultural affinity have been rated as the top drivers for South Africa's excellent performance on service quality standards

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Drivers behind the high success rates of global contact center/service desk delivery from South Africa
- High levels of empathy with the customer (which is often the missing ingredient at other delivery locations)
- Superior quality of English language capabilities, both written and spoken
- Availability of neutral accented English across the country

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Company case study: A UK-based company witnessed a significant improvement in performance of service desk delivery SLAs upon offshoring to South Africa and rated agent quality as top reason

Emails actioned in expected times increased by 48%

Non-abandoned calls increased to 98%

Queries resolved at the desk increased to 93%

Calls answered in expected times increased from 80% to 95%

Customer experience improved from 65% to ~80%

Company case study: A global BPO provider through its South Africa center exceeded performance targets for a large UK-based property & casualty insurance client. The client specifically called out high empathy as the key driver of superior performance from South Africa

Success is measured in terms of Net Consultant Experience (First Notice of Loss):

- Within 60 days of the project going live, the BPO provider in South Africa exceeded the target of 77% to reach 82%
- The performance was higher than that of India (the India team was managing this work for over a year and the performance was stagnant at 78%)
- Within few months, the South African performance was comparable to the onshore / UK performance of 88%

Source: Interviews with market players; Everest Group (2019)

Skilled and young English-speaking workforce

Young trainable talent pool with good understanding of technology has been the prime driver for South Africa's success in global ICT delivery

Drivers behind the high success rates of global ICT delivery from South Africa

- Access to young talent which is easily trainable, as passion for learning amongst the youth is high
- Good understanding of technology amongst the young graduates

Company case study: A large South African corporate hired a student who had spent two years on a coding course with internships and had an MICT SETA NQF 5 certificate over a graduate with a four-year Computer Science degree, for a coding job in their IT department

- Harambee Youth Employment Accelerator, together with WeThinkCode, helped a 1,000-employee credit provider hire young techies who had potential, but not the requisite Computer Science degrees

- The WeThinkCode learning model is designed to find the equally unusual combination of qualities that make successful coders

- The two-year curriculum consists of eight months of study on campus, followed by a four-month internship with industry partners each student is specifically matched with

- For students, the entire process is free of charge. Tuition is paid by the partners as stipends for the duration of internships

- One of the benefits of shorter interventions like the WeThinkCode programme is, it gets young people into employment quicker. Even though employers are more used to computer science graduates, they know they're not able to make a difference immediately despite lavish onboarding programme

They come to us with business acumen. We never have to teach them the basics of communication; they know how to conduct themselves in the business world
- Leading Company's Test Center of Excellence

We've found that people from a WeThinkCode type program are really good at figuring things out on their own; in fact, they're usually better at it than university graduates
– Manager at Harambee

Skilled and young English-speaking workforce
Companies in South Africa have employed various types of training programs which have yielded great results

Company case study #1
- A leading IT service provider hosts a unique training program for its domestic employees
- Around 200 FTEs from South Africa are sent to their offices in other international locations, such as India, for a period of nine months
- They are put on training programs and simultaneously made to work on live projects there at the respective locations
- There has been a notable improvement in the performance of the employees sent for such training programs. The exposure and opportunity to work on a different project with different culture made a lot of difference

Company case study #2
- A technology firm collaborates with government bodies in South Africa to organize community-driven training programs
- A certification course was launched, targeting the people with low economic status and poor access to educational and other facilities
- Focus was more on people with poor voice neutrality skills
- These students were trained on specific skills which was based on the requirements by some of the popular jobs in the market
- The performance of students from such programs was at par with the others with a lower attrition rate from the group

Company case study #3
- One of the BPO service provider in South Africa talked about their in-house training program, where the employees were trained on specific job related skills
- The training programs were for IT skills and was conducted in collaboration with external parties
- The group had a good mix of people hired from various hiring programs
- The results from the training programs showed positive results. The performance to the employees went up with better NPS and CSAT scores
- The success of the program lead to the initiation of multiple such programs

> *The availability of talent for various roles, such as, finance, accounting, IT, law, etc., and the quality of the available pool is commendable, even after the South African education system being not that robust*
>
> *- Leading Company's Test Center of Excellence*

> *Here in our company, the orientation and development programs for the young graduates are not only focused in providing job related skills, but also aims to help them develop a robust career path*
>
> *– Managing Director at a leading IT firm*

Source: Interviews with market players; Everest Group (2019)

Strong foundation in contact centers and niche work areas
Key highlights

Contact center continues to be the largest delivery function, supported by a robust supply of accent-neutral talent

South Africa has carved a strong niche for itself in delivering complex financial services within the **BFSI sector**

South Africa's **legal sector** has traditionally been its strong suit and plays a key role in the global legal services market

The **healthcare industry** in South Africa offers many hidden opportunities for global companies to invest in

The **ICT industry** in South Africa is one of the fastest-growing sector and offers strong potential for global companies to leverage
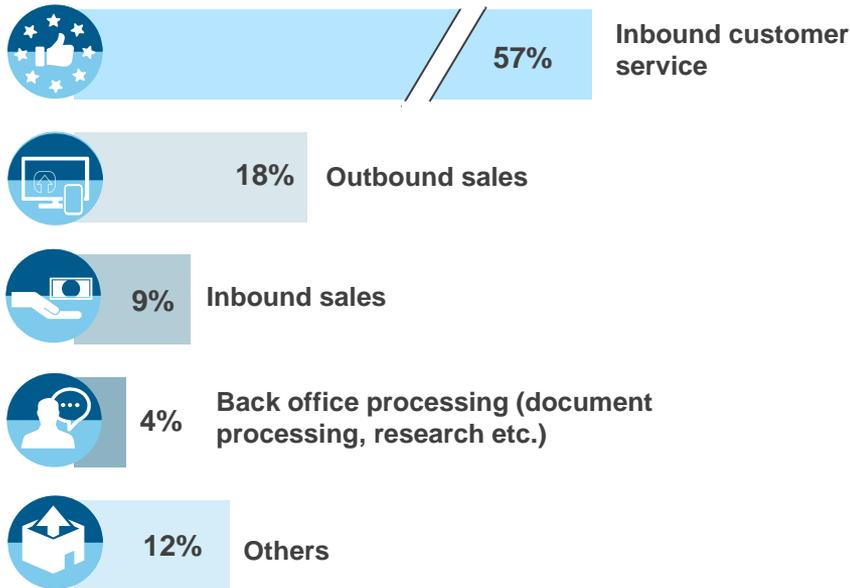
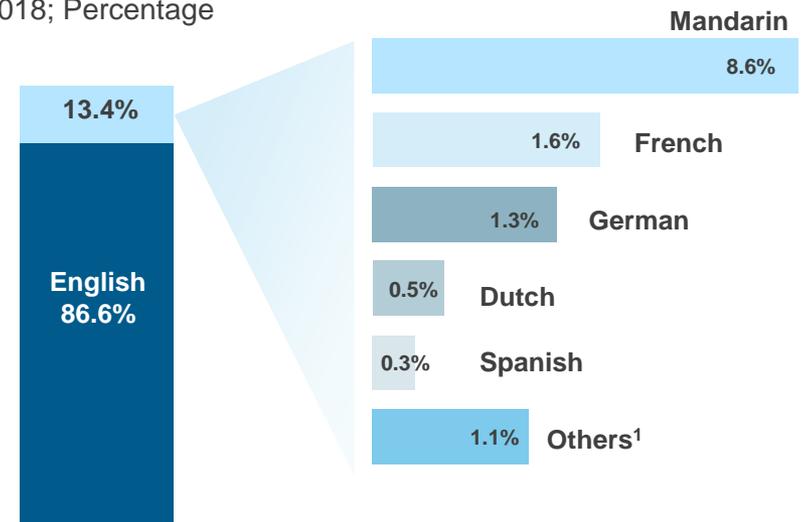# Strong foundation in contact centers and niche work areas
Contact center continues to be the largest delivery function, supported by a robust supply of accent-neutral talent

- **Contact centers** form the mainstay of the global business services industry, with almost **73% of the total headcount**
- Most companies in this domain are shifting towards **omnichannel delivery**
- There has been a significant **increase in the use of technology**, especially automation and chatbots, to enhance customer experience
- **English** has been the **prime language used for global business delivery, covering ~87% of the total delivery**, along with several other languages
- The high share of the English language can be attributed to the fact that majority of South African international BPO business is sourced from English-native regions such as, the UK, Australia, and the USA

Contact center industry | Breakup of headcount by services
2018; Percentage

57%	Inbound customer service
18%	Outbound sales
9%	Inbound sales
4%	Back office processing (document processing, research etc.)
12%	Others

Global business service market | Breakup of headcount by languages supported
2018; Percentage

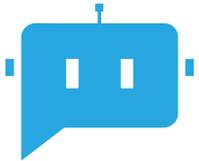|	
13.4%	Mandarin — 8.6%
	French — 1.6%
	German — 1.3%
	Dutch — 0.5%
	Spanish — 0.3%
	Others[1] — 1.1%
English 86.6%	

1   Includes Italian, Portuguese, and German amongst others
Source: Interviews with market players, BPeSA Key Indicator report, Everest Group (2019)

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Strong foundation in contact centers and niche work areas
Companies in South Africa are adopting the omnichannel approach and using automation for customer experience management

- Companies in South Africa are increasingly leveraging robotic desktop automation and chatbots for making the customer experience more efficient and streamlined
    - A leading insurance outsourcing provider which has clients in the UK and Australia has developed its own digital investment portal through an opensource platform. This is powered by a chatbot that operates as a "robo advisor" for providing bespoke insurance options to clients
    - A global contact center solutions provider employs two chatbots in South Africa for both internal and external clients in the UK, Australia, and the United States

Integrated view of customer-related information

Goal-driven collaboration across channels

South African contact centers are evolving to engage customers through voice, email, chat, social media, and self-service

A 360 degree view of all customer touchpoints

Support multiple channels in collaboration with agents

Company case study
- A leading staffing solutions and BPO service provider built a specialized team for providing English language training through omnichannel to clients in East Asian countries (China, Taiwan, Japan, etc.)
    - It has trained a team of ~800 FTEs that teaches students / clients through the media of video, voice, chat, and email
    - The tutors engage one to six clients in one session which ranges from 25-45 minutes
    - Tutors are expected to familiarize themselves with the course content before the start of the session – this content varies according to the class
    - Additionally, they also provide technical helpdesk support in case of any issues
- This program has been very successful, with 1 million clients availing these services per year. 95% of the language consultants achieve greater than 95% customer satisfaction rating. Additionally, the complaints index ratio is only 1:125 whereas the compliments index ratio is 1:10

Source: Interviews with market players; Everest Group (2019)

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Strong foundation in contact centers and niche work areas
South Africa has carved a strong niche for itself in delivering complex financial services within the BFSI sector

- South Africa has been known as a **financial services destination** and this has attracted large banks such as Barclays, First National Bank, BNP Paribas, JP Morgan, Citibank, Standard Bank, Nedbank, and Mercantile Bank
- The banking sector is **sophisticated and very tightly controlled by legislation** to provide maximum protection to depositors. The Registrar of Financial Institutions polices the system under the Banks Act
- Digitalization and enhanced use of technology is becoming prevalent in the finance sector with improved regulations for **cybersecurity**
- Due to the **availability of high quality talent** (including CAs, CFAs, and actuaries), global banks are increasingly leveraging this country for delivery of asset management, life insurance, and fund accounting processes to the UK, Australia and now, the US
- Additionally, South Africa has witnessed **great leverage for the delivery of insurance services**, specifically in the voice domain, due to high levels of empathy, good quality English language skills, and neutral accent

Functions typically outsourced/ offshored to South Africa	Process
Life insurance	- New business capture - Premium collections - Policy administration - Claims processing - Commission handling
Fund administration	- Investment & portfolio administration - Client reporting - Finance
Asset management	- Fund accounting - Business analysis - Client services

Finance Process	Adoption[1]
Procure-to-Pay (P2P)	High-Medium
Procurement or e-procurement	High-Medium
Order-to-cash (O2C)	Medium
Analytical financial planning & accounting	Medium
Strategic & knowledge process F&A	High-Medium
Record-to-Report (R2R)	Medium-Low

- High
- Medium
- Low

1   Based on evidence of players delivering these functions

Source: Interviews with market players, Finance and Accounting Market Intelligence Report, Everest Group (2019)

Strong foundation in contact centers and niche work areas
Multiple companies have expanded their BFSI operations in the country and have achieved success with global and regional clients

Company case studies

A large multinational financial institution created a banking solution for micro and small enterprises (MSE) in South Africa, to change them from being 'unbanked'
- **Key Challenges**
  - Implementing an agile way of working, in a structured, complex banking environment
  - MSE business owners' lack of trust towards financial institutions
  - Managing banking rules, regulations and limitations, while delivering a first-to-market solution

- South African service provider implemented an app based solution, which enabled business owners to better manage their finances
- Further, employees could now be paid in cash which removed the risk they faced when it came to walking around with their salary in cash
- By attracting a new market (unbanked MSEs), the bank's brand name and influence grew in an untapped market with high potential
- Created APIs related to MSE banking solution which enabled third parties to use the bank's capabilities, further expanding the bank's client reach
- Through running an agile approach to the project, the app solution was implemented ahead of schedule, and, this was the first specialized MSE banking solution in the market

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A leading UK merchant banking group leverages South Africa for the delivery of fund accounting and administration work
- The South African in-house center serves third party asset managers and corporate clients in both the UK and Europe. Processes include fund accounting, financial reporting, and client relationship management
- The Cape Town center is not just a cost center for this group, but has its own business development personnel and follows a broader agenda:
  - It provides a third-party asset manager, supporting 17 of their investment funds
  - It also supports the entire finance function for a UK-based wealth manager

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A UK insurance services provider is delivering a variety of voice and non-voice services, ranging from insurance to roadside assistance to countries across the globe from South Africa
- This company provides a range of insurance services related to automotive care and individual health insurance. One of the key services that it provides is voice-based roadside assistance for clients not only in the UK and Australia but also in the United States and Canada

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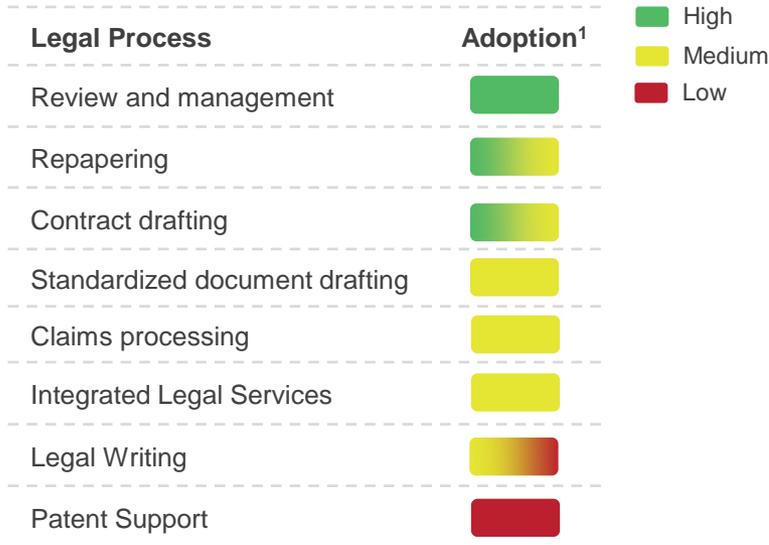Source: Interviews with market players; Everest Group (2019)

Strong foundation in contact centers and niche work areas
South Africa's legal sector has traditionally been its strong suit and plays a key role in the global legal services market

The legal process services industry in South Africa comprises more than 25,000 lawyers and paralegals; for many years, companies have been leveraging this large talent pool for international delivery. Some of the key characteristics that work in its favor are:

- **Similarities of South African law with Commonwealth law**
- **Large talent pool** of lawyers with superior language skills
- **Cultural compatibility** and empathy
- **Time zone** advantages

Legal Process — **Adoption**[1]

Legend: High (green), Medium (yellow), Low (red)

- Review and management — High
- Repapering — High/Medium
- Contract drafting — High/Medium
- Standardized document drafting — Medium
- Claims processing — Medium
- Integrated Legal Services — Medium
- Legal Writing — Medium/Low
- Patent Support — Low

Company case studies

A leading UK-based law firm shifted delivery of certain paralegal activities from India to South Africa
- In 2012, this company chose an Indian legal service provider for outsourcing certain paralegal activities. However, the experience was less than satisfactory and it moved to a South African provider
- The law firm did not treat the provider as a vendor but more like a partner with which it could resolve issues together. Additionally, they worked together to build its technological capabilities and develop contract automation solutions

Another UK-based law firm took a conscious decision to set up a global in-house center in South Africa rather than in Northern Ireland or Poland
- The company found that South Africa had the necessary skills for complex or judgment-intensive legal work, such as commercial contract management, litigation documents review, and investigations review
- Additionally, due to the large presence of the financial sector, South Africa had certain unique skills for loan documentation, structuring products for investment banks, etc., that could not be found easily in other offshore/nearshore locations

1   Based on evidence of players delivering these functions

Source: Interviews with market players, Alternative Legal Services (ALS) Market Intelligence Report, Case Studies of Success 2013, LSE; Everest Group (2019)

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Strong foundation in contact centers and niche work areas
The healthcare industry in South Africa offers many hidden opportunities for global companies to invest in

- As of March 2019, there were ~**252,650 registered practitioners** providing essential services through 790 public healthcare facilities and 524 private healthcare facilities
- Expenditure on human health activities and services exceeded ZAR 400 billion in the 2017-18 financial year, with **private healthcare accounting for approximately 53% of total spend**
- With an allocation of **12.3% of the total budget**, health expenditure represents the third largest item of consolidated state expenditure

- Large domestic healthcare companies have set up operations across multiple locations in South Africa. Apart from Gauteng and the Western Cape, the provinces of KwaZulu Natal and Eastern Cape are increasingly being leveraged for quality talent
- Particularly for the healthcare BPO sector, locations such as **Port Elizabeth** are becoming relevant as they **offer talent with graduate degrees in nursing and clinical specialists**, which are not as easily available in bigger cities

- In August 2018, South Africa's Department of Health announced that the new **National Health Insurance (NHI)** plan will guarantee the provision of quality healthcare for more than 60% of the population unable to afford medical coverage
- South Africa's Department of Trade and Industry (dti) recently published its **Intellectual Property Policy (IP)** of the Republic of South Africa, Phase I, covering intellectual property and public healthcare

Company case study
- One of South Africa's leading medical insurance providers delivers insurance, wealth planning, care management, and a variety of related clinical services for the local market; it has ~4,000 resources
- It is one of the pioneers in terms of adoption of digitization in the healthcare industry through virtual platform-based customer experience and other digital marketing tools, and is building centers of excellence for digital innovation. For instance, it has one of the largest data science teams (~35 FTEs) in the country for building analytics tools in-house that help better serve customers
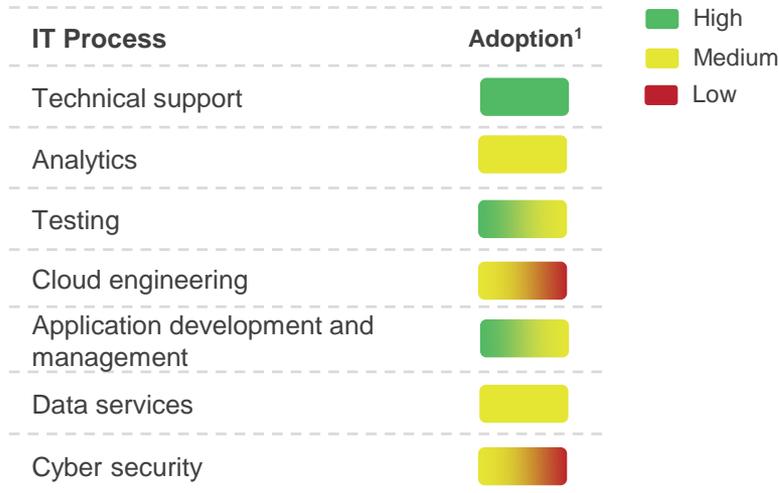
Note Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: Interviews with market players, Everest Group (2019)

Strong foundation in contact centers and niche work areas
The ICT industry in South Africa is one of the fastest-growing sector and offers strong potential for global companies to leverage

- ICT in South Africa is a fast-growing sector with significant evidences and huge potential for global delivery
- Solid capabilities for **technical helpdesk and service desk** services due to superior voice skills
- There has been a substantial growth in the cluster of companies providing website architecture and development, application and platform development, big data analytics, automation, and cyber security solutions
- There has been a widespread digital adoption in various fields
  - **Robotic Process Automation** in finance and accounting for manual and repetitive tasks
  - Advent of **digital banks**, e.g., Time Bank, Capitech Bank
  - **Game development** with exciting features and fast processing
  - Development of **innovative Integrated Learning Management** tool in collaboration with tech giants

IT Process	Adoption[1]
	High
	Medium
	Low
Technical support	High
Analytics	Medium
Testing	High/Medium
Cloud engineering	Medium/Low
Application development and management	High/Medium
Data services	Medium
Cyber security	Medium/Low

Company case study
A large UK challenger bank wanted to innovate their mortgage application submission process to make it easier for customers to apply, and to make it easier for third party brokers to manage document submissions, without invoking a large cost
- A South African technology firm developed a web and mobile document scanning and submissions system to manage the document submission process
- Brokers and branch staff could scan a customer's documents immediately – even in low / no bandwidth situations (for example at property development locations with no internet connections)
- The client achieved the objective of innovating at low cost and in a short time – a competitor took the same time to prepare a quotation as it took our team to release the first version into production
- Customers of the bank now receive an answer to their mortgage application in shorter timeframes

1 Based on evidence of players delivering these functions
Source: Interviews with market players, Everest Group (2019)

Strengthening ICT and digital capabilities

South Africa is keeping pace with the increasing global demand for digitalization and offers evolving capabilities for next-generation services

The emerging digitalization wave in South Africa is supported by a conducive broader ecosystem

Growth rate for next-gen technologies (including artificial intelligence, blockchain, machine learning, and IOT) is **almost double** that of South African ICT sector

Traditionally, the focus of ICT was on service desk and end-user support; now its moving towards testing, data services, analytics, and other next-gen capabilities

Multiple examples of **domestic and international companies**,(e.g., Amazon, Computacenter) providing software development and maintenance support

Large talent pool with ~86,000 engineering graduates as one of the source, apart from impact sourcing and other trainable youth population

Concerted efforts by central and provincial governments to build more complex IT skills through **industry-academia collaboration**

Companies are also partnering with universities and training institutes for sourcing their IT talent requirements at a fraction of the recruitment cost

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Company case study
An academy focusing on data science, set up in 2017, is driving critical digital skills at scale into South Africa, with self-funded full time courses over 3 campuses in the country and with plans to launch them globally

- The academy has doubled the size of their cohorts year on year. The 2020 cohort is planned to have 500 fully sponsored learnerships in South Africa
- **Business outcomes:**
  - Built a pipeline of digital talent
  - Maximize BBBEE Points
  - Deliver significant ROI
- **Student outcomes**: 97% graduate, 95% placement, ZAR 360,000 average starting salary, 45 days to get hired
- **Impact by 2020**: 685 graduates placed in jobs, 6900 lives impacted, ZAR 246 million in average salaries earned by previously disadvantaged youths

"
The academy has truly surpassed our expectations in terms of the quality of the data science graduates that it has produced. The group that joined our team fitted in seamlessly and could very quickly start to add value. I look forward to seeing the future impact of the academy on the Telkom Group and on our country
- Lead Data Scientist, Telkom Group
"

Note   Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: Interviews with market players, Everest Group (2019)

Strengthening ICT and digital capabilities
South Africa is offering a conducive digital business environment and multiple companies have achieved success in next-gen technologies

- South Africa has been ranked amongst the **top 20 digital nations** in the Tholons Globalization Index, consecutively for 2018 and 2019
  - It ranked **4th in the innovation/digital score** amongst the top 50 nations
- **Cloud engineering, cyber security, data services, and analytics** are amongst the top areas in the **Green Target** plan for development of digital/ICT outsourcing in South Africa
- There are several evidences of companies exploring the next-gen capabilities in technology, e.g., Artificial Intelligence (AI), Machine Learning (ML), Blockchain, Internet of Things (IOT), Robotic Process Automation (RPA)

Company case studies

• A South African technology firm developed a P2P payment solution, using **Blockchain** for a leading Swedish Cryptocurrency firm • It helped the company in lowering the overall cost significantly • Developed the app in 3 months • Implemented on both web and mobile application	• Market data aggregator using **Machine Learning (ML)** was developed by a South African technology company • It processes data about a product, such as price, volume, description, and presents a market comparison as sold by various agents • Helps a customer get a comparative view	• Contact center analytics tool, that collects data and using **advanced analytics,** processes them to indicate sales pattern, competitors, demand variations, prediction models for customer behavior • Helped Coca Cola to identify its close competitor and draft a strategy to mitigate the competition	• **AI and ML** based platform developed for skills mapping to job requirements • It channelizes people with the correct the set of skills to the respective job/skill requirements by various companies • Helped an US client, planning to scale up, to get the right talent; and witnessed **lower attrition rates**	• Various drone systems are developed using **Internet of Things (IOT)** • Drone and satellite variation investigations GIS terrain analysis and mapping is being used in agriculture • Drone technology is deployed in DID for construction

Source: BPeSA, Interviews with market players; Everest Group (2019)

Strengthening ICT and digital capabilities
There are multiple instances of companies developing their own analytics solutions through quality in-house talent in South Africa

- Various type of data analytics is being used across multiple sectors
- Most contact centers and business process delivery hubs in South Africa have the capabilities to provide **big data, customer feedback, social media analytics**, along with monitoring customer buying patterns and predicting what they will buy/prefer next
- South African **finance and accounting (F&A)** operators and service providers utilize **big data analytics, text analytics, web/online analytics and credit/spend analytics** amongst others to augment their F&A services and provide deeper intelligence and insights

Company case study: A technology start-up in Cape Town is in the business of improving the global contact center industry with its analytics products

- This start-up provides a suite of services, amongst which measuring quality of agents on the basis of a number of performance indicators is the most sought after, followed by building prediction models/algorithms using machine learning
  - These models help determine the source of customer churn and future demand by analyzing various complaints and pain points
  - In analytics parlance, it helps measure the conflict DNA and predict end-pattern behaviour of customers by using sentiment analysis; this has also been useful for upselling, renewing contracts with clients, etc.
- The primary motivation behind these platforms and models is to improve the end-customer experience and reduce the number of calls – for many clients, these solutions have resulted in 10-15% reduction in calls
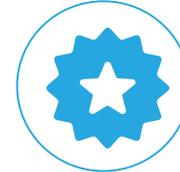
Types of analytics solutions delivered from South Africa

Root-cause analysis for call center agents

Prediction models / algorithms to determine customer behavior; social media analytics

Text-to-speech analytics for quality assurance or tracking performance for call center agents

Knowledge process outsourcing or KPO

Digital investment services platforms that generate analytical insights for customers and help them choose the right investment vehicle
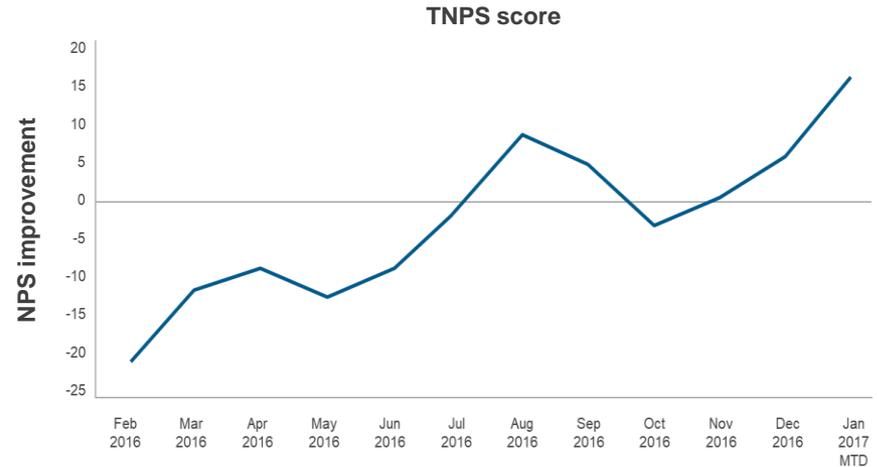
Strengthening ICT and digital capabilities

These analytics solutions have resulted in improving quality, agent performance and generating insights for increased customer satisfaction
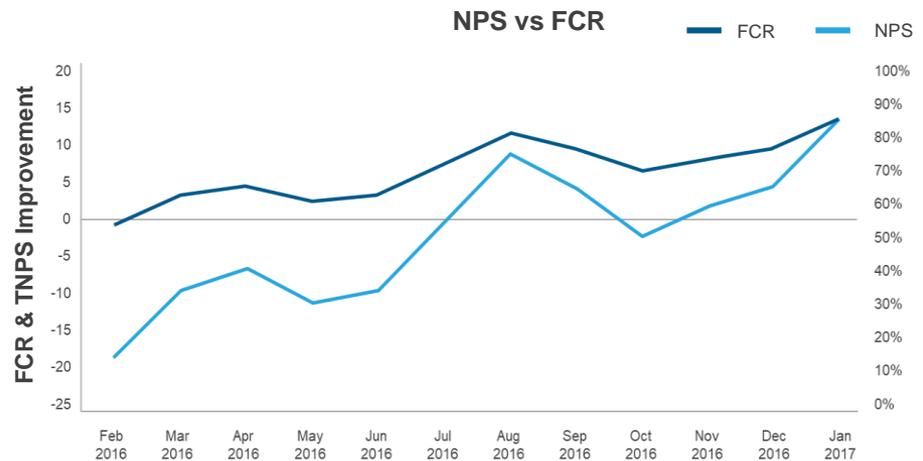
Case study: Large UK-based mobile operator

- **Problem statement**: The company was suffering from low Transactional Net Promoter Scores (tNPS), despite high agent QA scores. It needed root cause analysis for service improvements

- **Solution:** The mobile operator implemented a leading analytics company's analytical quality assurance solution to generate customer experience insights that were used by different operating functions to improve sales, service, supply chain, and operations. Agent performance was correlated to tNPS

- **Result:** Improvement of over 37 points in Net Promoter Score (NPS). Overall improvement in customer satisfaction of 43%

TNPS score

Case study: Large telecom provider based out of the UK

- **Problem statement**: The company was suffering from high call volumes and looking to improve the First Call Resolution (FCR), thus reducing the number of repeat calls into the center

- **Solution:** The company implemented an analytics solution to generate customer experience insights that were used by the different operating functions over a 12 month period; this resulted in a net saving of GBP 8.1 million over three years with a return on investment of 330%

- **Result:** Improvement of 35% on FCR; improvement of 15% on repeat calls and the performance of the agent population also improved

NPS vs FCR

Source: Interviews with market players; Everest Group (2019)

Strengthening ICT and digital capabilities
Encouraging ecosystem for start-ups and innovation in South Africa is also supporting the country's transition into a digital economy

- The South African **start-up ecosystem** is one of the **most robust and developed in Africa**, owing to several strengths, including significant consumer and business markets, sophisticated entrepreneurial talent, and strong corporate sector
- South Africa has access to **local capital and ties to a growing number of international investors**. High tech start-ups thrive in the midst of a growing number of start-up support organizations active in the ecosystem
- Companies are increasingly **building local capabilities** in South Africa for developing innovative ideas and digital solutions for their domestic and international clients
- There are **government support** and funds, with schemes like **Incubation Support Programme (ISP)** to support innovation at various levels

Company case studies

A technology start-up, having a ride sharing platform that connects drivers with passengers traveling the same way, came out of an incubator environment with plans for the future of their start-up idea, looking for the right technology partner
- They collaborated with a South African digital company as a technology partner to rebuild their systems
- The firm decided to get skin in the game, and so offered reduced rates in exchange for equity in the start-up
- Along with technology, the firm supported in operations and project management, branding and marketing
- The firm has actively driven the start-up's desire to expand beyond South Africa's borders, starting with Mauritius

A global technology services provider set up a digital lab in Johannesburg in 2017 to help clients with digital business transformation

- The digital lab accelerates innovation by applying rapid development approaches including Agile methodologies and DevOps. Clients can also experiment with disruptive technologies such as artificial intelligence, blockchain, and cloud architectures
- Additionally, the Johannesburg lab is one of the only studios in offshore locations which collaborates with other studios in Sydney, Singapore, Silicon Valley, Paris, Milan, London, Kronburg, and other key locations

"
The South African firm has been an incredible partner in taking over our technology. The team worked hard in delivering a strong and scalable product. They are always prompt and willing to go the extra mile

- CEO, Technology start-up "

"
The next wave of South African growth and competitiveness will come from continuous innovation, and I am proud that we are working closely with our clients to fuel innovation and solve critical business problems at speed and scale

- Accenture "

Source: Interviews with market players; Everest Group (2019)

Strengthening ICT and digital capabilities
As an industry, Edtech is witnessing booming growth across the globe and South Africa is becoming a key participant in this space

- Edtech started off with the concern that students in today's world were besieged by difficulties in the classroom, which included the lack of sufficient and capable teachers and a motivating classroom learning experience. This resulted in the growth of a large number of **education technology start-ups** which aimed to close this gap by offering creative, digital learning solutions to students
- Education as a sector in the international outsourcer market has increased tremendously in the recent years, which can be attributed to the teaching of **Chinese and English language in the Asian countries**
- Activities related to **education stands second** in the list of activities individuals perform on the internet, as per a survey done in South Africa

Traditional training mechanisms	Gamified training mechanisms
- Companies are increasingly looking to **train their employees through digital mechanisms** that range from in-person to e-learning tools - One such provider in South Africa **offers blended and online learning solutions** through platforms, apps, and analytics - The core team comprises learning experience designers, instruction engineers, and software developers who are building augmented/virtual reality and gamification content, especially for technical training purposes - It has clients across Dubai, Saudi Arabia, and Sub-Saharan Africa; most of these are European or American companies that have centers in these regions - These companies are increasingly becoming popular for training in comparison to those that provide contact learning solutions	- Human resources and BPO companies in South Africa often provide English language training to students (both employed and unemployed) in the East Asian region through **video and voice chat-based learning** - One of these companies has 1,500 agents which tutor ~400,000 clients in East Asia through 100,000 sessions in a month. They have six sites in South Africa and are now considering expanding delivery to Russia and South America - The South African agents **contribute to 10-15% of the existing teaching base** in these countries - Another South African digital training company provides **training to working professionals across the United States, Europe and Asia** - They develop short courses or curricula in conjunction with global institutes (MIT, LSE, Oxford, Harvard, Cambridge, etc.) on analytics, fintech, and other next-generation skills

Strengthening ICT and digital capabilities
High potential of next-generation services is supported by best-in-class ICT and digital infrastructure in the country

Named as the **"Global Sourcing Destination of the Year"** at the 2018 GSA awards ceremony

Analytics, cyber security, and cloud are in the top 5 pillars of job creation

South Africa's customer oriented legislation, **Protection of Personal Information Act (POPI)** regulates data protection

Featured in top 3 African markets in **"ICT development index of ITU"**

Featured in **Top 5** African markets for **AI readiness**

Houses two Azure datacenters by Microsoft and one by Huawei. Amazon plans on opening a center by 2020

Ranked 1st in **"Technological Readiness"** for digital revolution, in Africa[2]

Everest Group®

Sizable regional and domestic market opportunity
In addition to global services delivery, South Africa presents substantial opportunity to tap into regional and domestic markets

Growing domestic market	Gateway to the African continent

Growing domestic market

- **High domestic demand** for ICT and business services also strengthens the proposition for global service providers to establish delivery centers in South Africa
  - Domestic market is almost four times the global market size (in terms of headcount)
- Continuous development in the field of technology, leading to an increased demand for IT services across healthcare, BFSI and telecom industries
- Industry demand is equally strong for traditional solutions (such as ERP systems) as well as **digital solutions**, such as mobile payment systems or big data and analytics, to drive process optimization in the telecom sector
- Multiple domestic players in the region are providing IT solutions across sectors
- South Africa's **thriving start-up community** further supports innovation and advancement in emerging fields such as Fintech, EdTech, InsurTech, and HealthTech
  - There are **government support** and funds to support innovation at various levels

Gateway to the African continent

- Geographically well-positioned, **one of the most developed and advanced ICT markets** in the African continent
- Companies leverage their South African delivery, enters as **regional hubs to support wide spectrum of services**, including contact center, software development, datacenter support, and banking services
- **Proximity in culture, time zone, and geographical location** to major locations pave a strong base for a global team structure
- Delivery to the global markets cover a vast range of services including telecom, IT, finance and insurance, healthcare, education

> *South Africa's digital landscape is evolving rapidly. If this evolution continues at its current rate, South Africa has the potential to grow into a strong digital economy. It is a prime candidate for becoming a "Stand Out" nation in the future*
> *- A burgeoning start-up*

> *The greater Cape Town area has proved itself to have the best start-up ecosystem in Africa. This is in part due to the mature and well-established technology clusters, hubs and incubators*
> *- Ian Merrington, CEO of the Cape IT Initiative*

> *South Africa has the most number of fintech start-ups as well as fintech projects in development, compared to the rest of Africa*
> *- The FinTech Times*

Note   Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: Interviews with market players, Everest Group (2019)

Sizable regional and domestic market opportunity
Case studies

A UK-based retail company involved a South African company to have a 40-seat contact center operation. However, as the success of Home Shopping grew, demand began to outpace and the facility was expanded to accommodate increased call volumes

- To deliver a premium and cost-effective solution, an offshore contact center operation was proposed. Review of the existing operations in UK was conducted and thereafter, a phased migration was implemented

- Cape Town, was selected as the site for the new facility, based on a number of important factors, including time zone considerations and synergies in language and culture

- The first phase of the migration was completed, with 65 agents in place in Cape Town, while a base of 10 FTEs remained in Milton Keynes

- The second phase increased the size of the FTEs base in Cape Town to 100, with full responsibility for service delivery

- Within two years, the Cape Town operation had expanded to include a number of additional services with the addition of an entirely new contact center with about 400 FTEs

An insurance company deployed workforce management (WFM) services to align the multiple lines of business to achieve improved operational outputs

- A range of WFM services were deployed including the development of a WFM methodology & framework, WFM benchmark analysis and WFM 101 training for management staff

- The WFM training service provided the clients with access to best practice training solutions that supported the competency development of deployed WFM staff

- The WFM training programme had very positive results that resulted in a **86% efficiency improvement** and a ZAR 4.9 million opportunity was identified from the analysis

A South Africa-based firm deployed benchmarked quality assessment results in their Credit Control department

- The firm implemented *Quality Solution* **within an accelerated timeframe of 3 weeks.** This resulted in monthly benchmarked results, operational improvement plans across 3 critical accuracy attributes, a first call resolution and agent related score that provides feedback on an agent, operational and organizational level

- It also lead to a positive customer experience and **86% improvement** in quality outcomes within 4 months
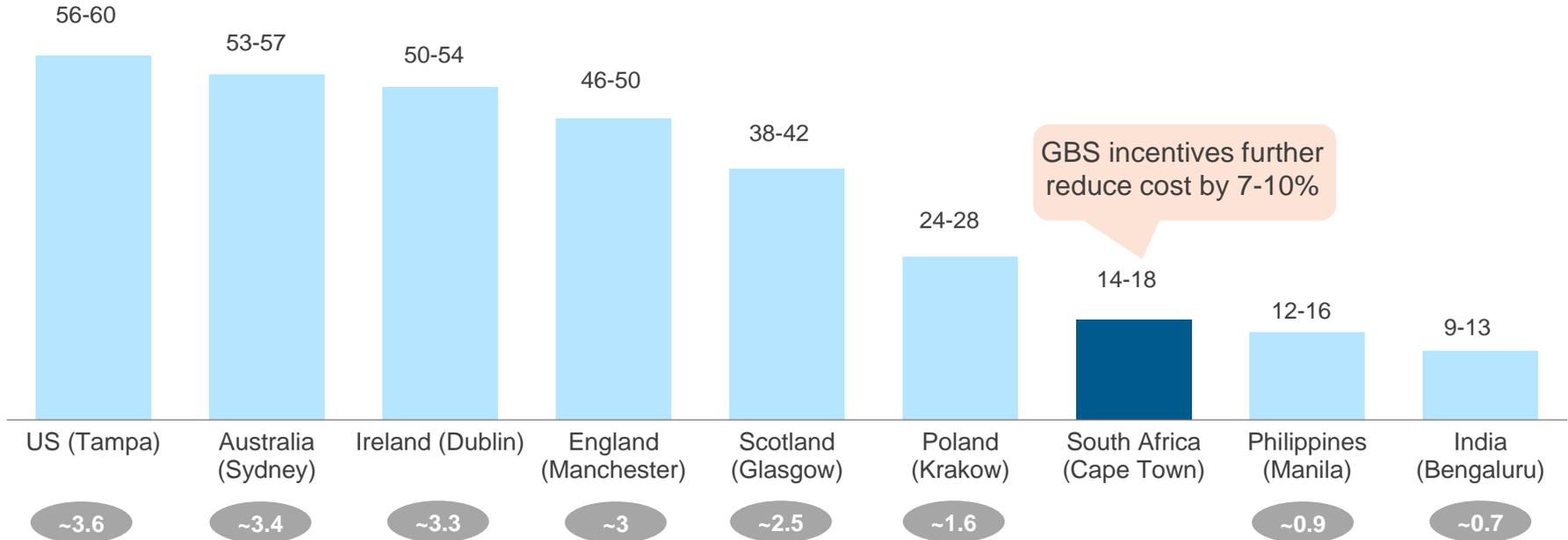
Everest Group®

Significant cost savings
South Africa offers attractive cost arbitrage for contact center and other services

Operating cost per FTE for Contact Center[1]
2019 US$ '000s per annum per FTE

xx Indexed cost w.r.t South Africa (Cape Town)

56-60 (US (Tampa))
53-57 (Australia (Sydney))
50-54 (Ireland (Dublin))
46-50 (England (Manchester))
38-42 (Scotland (Glasgow))
24-28 (Poland (Krakow))
14-18 (South Africa (Cape Town))
12-16 (Philippines (Manila))
9-13 (India (Bengaluru))

GBS incentives further reduce cost by 7-10%

US (Tampa)	Australia (Sydney)	Ireland (Dublin)	England (Manchester)	Scotland (Glasgow)	Poland (Krakow)	South Africa (Cape Town)	Philippines (Manila)	India (Bengaluru)
~3.6	~3.4	~3.3	~3	~2.5	~1.6		~0.9	~0.7

- Operating cost is driven by people cost (salaries and benefits), facilities costs, telecom costs and other miscellaneous costs
- South Africa has one of the lowest cost of operations as compared to onshore locations. Delivery-related operating costs in South Africa are **~65% lower than those in tier-2 UK cities.** This is primarily driven by low salaries (lower cost of living and lower competitive intensity for talent) and real estate costs

1 Operating costs reflective of market average delivery costs which include salaries, facilities, technology, etc. Experiences may differ from company to company. Costs exclude senior management costs, sales and corporate overheads, and impact of government incentives
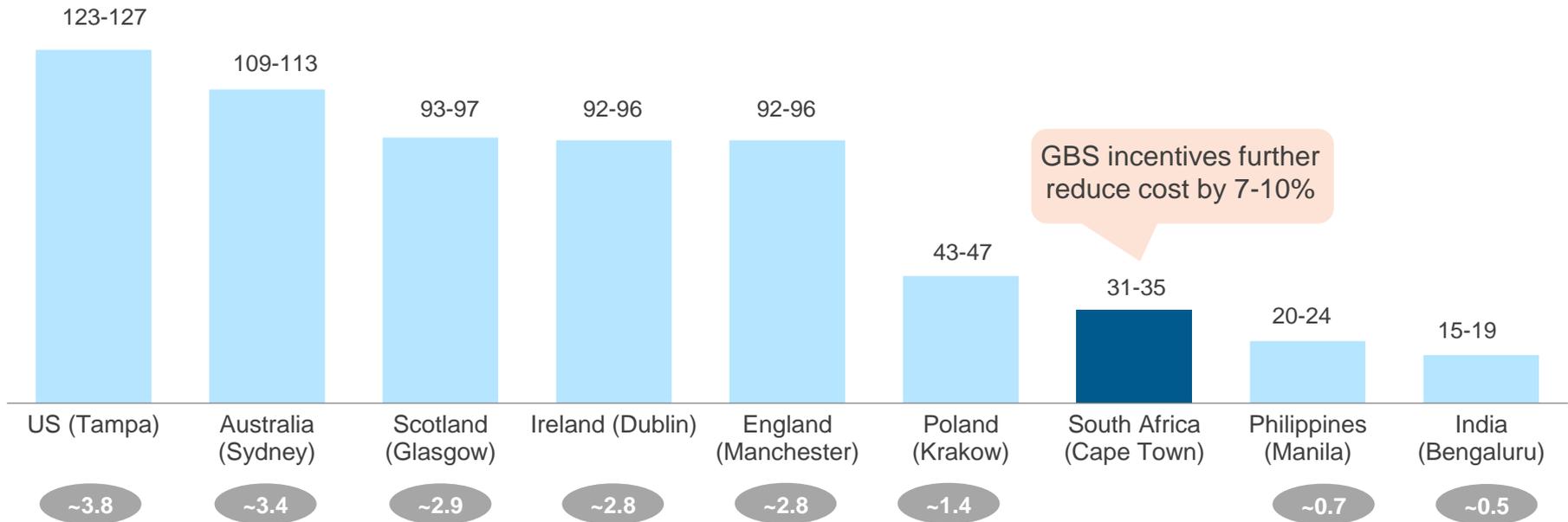
Source: Everest Group (2019)

Significant cost savings
Cost arbitrage for ICT delivery with respect to onshore and competing CEE locations like Poland is supported by lesser attrition rate

Operating cost per FTE for ICT[1]
2019; US$ '000s per annum per FTE

xx Indexed cost w.r.t South Africa (Cape Town)

Bar chart values:
- US (Tampa): 123-127, ~3.8
- Australia (Sydney): 109-113, ~3.4
- Scotland (Glasgow): 93-97, ~2.9
- Ireland (Dublin): 92-96, ~2.8
- England (Manchester): 92-96, ~2.8
- Poland (Krakow): 43-47, ~1.4
- South Africa (Cape Town): 31-35
- Philippines (Manila): 20-24, ~0.7
- India (Bengaluru): 15-19, ~0.5

GBS incentives further reduce cost by 7-10%

- South Africa has one of the lowest cost for ICT delivery as compared to other onshore and CEE locations. The overall cost is **25-35% lower than CEE locations like Poland**
  - Lower attrition rate in ICT (11-15%) as compared to locations like India, decreases the cost of recruitment which in turn reduces the overall cost

1 Operating costs reflective of market average delivery costs which include salaries, facilities, technology, etc. Experiences may differ from company to company. Costs exclude senior management costs, sales and corporate overheads, and impact of government incentives
   Costs for IT services are reflective of costs for IT application development and maintenance
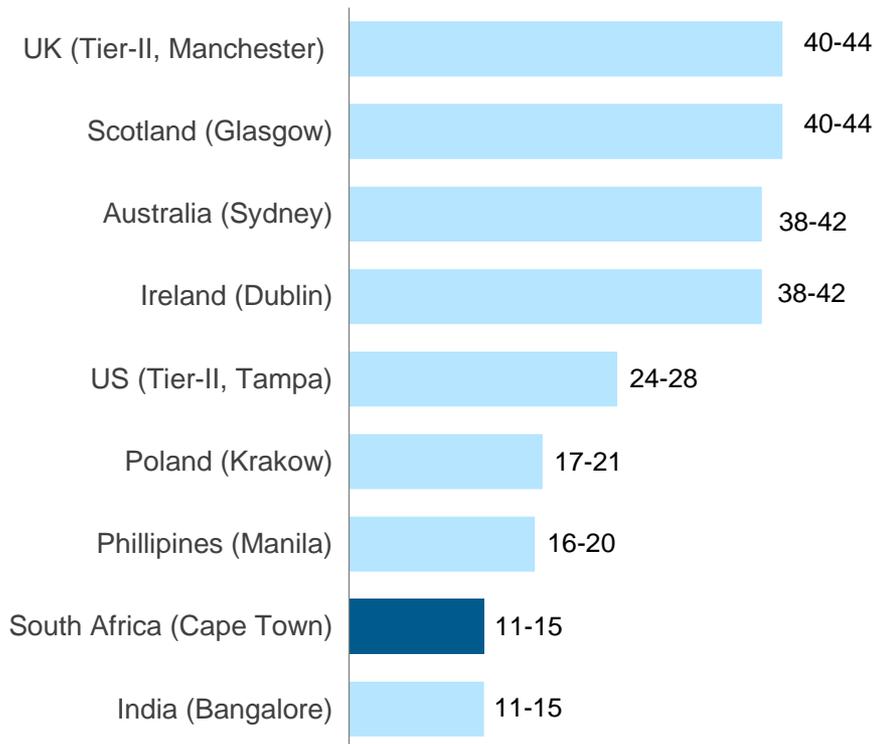
Source: Everest Group (2019)

Everest Group®

Significant cost savings
South Africa offers quality infrastructure at low rental rates as compared to other locations

Rentals per square feet per month
2019; US$

Location	Rate
UK (Tier-II, Manchester)	40-44
Scotland (Glasgow)	40-44
Australia (Sydney)	38-42
Ireland (Dublin)	38-42
US (Tier-II, Tampa)	24-28
Poland (Krakow)	17-21
Phillipines (Manila)	16-20
South Africa (Cape Town)	11-15
India (Bangalore)	11-15

- South Africa's economy moved out of recession in 2017 which resulted in growth in the financial and business services sector. The government has also undertaken **further expansions in the real estate sector** to match the increasing demand for quality office space
- South Africa has been ranked amongst the top African countries in parameters like *'Dealing with Construction Permits'* and *'Registering Property'*
- **New office developments** are being added to the pipeline which have led to decline in vacancy rates, indicating **overall confidence in the business climate** of South Africa
- Rentals for Cape Town is comparable to that of Johannesburg; rentals for Durban are relatively lower

Source: Real estate publications, Everest Group (2019)

Significant cost savings
Favorable sentiment in the market for the lower cost of operations, which is supported by government incentives and lower cost of infrastructure

" *Our South African center offers at least 40-50% cost savings over our UK operations; combined with cost savings, customer engagement and empathy make a strong case for offshoring to South Africa*
- A UK-based contact center company "

" *Cost of labour is favourable in the country and government also offers incentives that make it attractive for companies to establish businesses in the local market*
- A global financial services firm "

" *The dti incentive scheme is helping us to compete favorably against mature competitors like India and the Philippines cost wise*
- Minister of Trade and Industry "

" *South Africa offers talent at very low cost without a comprise on the infrastructure which is world class, making it a lucrative proposition for companies to explore the country*
-A leading IT service provider "

" *Lower absenteeism and lower attrition rate for ICT delivery helps us save on recruitment costs*
- A leading insurance services provider "

" *BPS incentives played a critical role in reducing the cost gap between South Africa and its competitors. The South African value proposition is now even more compelling, as it enabled local companies bidding for UK contracts to offer a more cost-competitive proposal when compared with other offshore destinations*
- A South African BPO provider "

" *While recruitment costs are 10-15% of salary cost in South Africa, hiring through training institutes has brought down this cost significantly; that is one of the vital aspects of its value proposition*
- A leading global BPO company "

" *In the field of recruitment and training, South Africa is at least 45% cheaper than the UK and 75-80% cheaper than Australia – the savings are phenomenal here"*
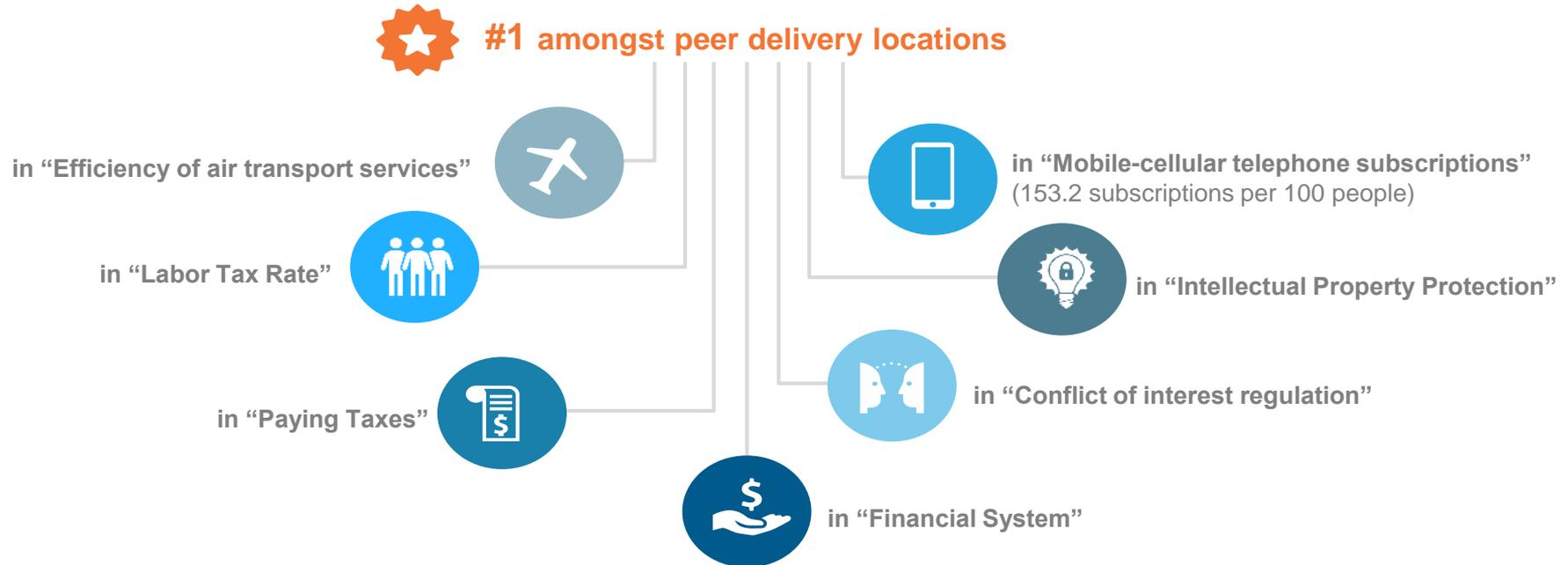*- A leading recruitment and training solutions provider* "

Sophisticated infrastructure & robust enabling environment
South Africa has been performing consistently well in terms of its business and operating environment amongst peer delivery locations

#1 amongst peer delivery locations

in "Efficiency of air transport services"

in "Mobile-cellular telephone subscriptions"
(153.2 subscriptions per 100 people)

in "Labor Tax Rate"

in "Intellectual Property Protection"

in "Paying Taxes"

in "Conflict of interest regulation"

in "Financial System"

Companies and professionals in the services domain have achieved internationally recognized certifications

- Multiple companies are compliant with the **General Data Protection Regulation (or GDPR)** are **Protection of Personal Information Act (POPI),** which ensures data protection and safety. Over 34% of the companies are already compliant to the POPI regulations
- Global contact center standards – International Organization for Standardization **(ISO) 18295 is based on South African standards**
- Various ISO certifications have been obtained by multiple companies in the country ensuring standardization and quality assurance. There are about **4,500 valid ISO certificates** obtained by various firms across sectors

Note: Peer delivery locations include Egypt, India, the Philippines, Poland, and Mauritius
Source: Everest Group (2019)

Sophisticated infrastructure & robust enabling environment
The South African government has undertaken a concerted effort to build industrial development clusters to promote growth

Infrastructure development programs

- The **Critical Infrastructure Programme (CIP)** aims to leverage investment by supporting infrastructure that is deemed to be critical, thus lowering the cost of doing business. The South African Government is implementing the CIP to stimulate investment growth in line with the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plan (IPAP)
- The **Coega Industrial Development Zone (IDZ)** established in 1999, situated near Port Elizabeth, aims to drive local and foreign direct investments in export-oriented industries by offering global competitiveness through superior infrastructure, tax incentives, rebates and a duty-free zone
- One of its key attractions is a 9,000 square metre "BPO Park" facility, which has robust power and telecommunication infrastructure, a database of over 4,000 skilled workers who have direct telephony skills, training and development support, a thriving data center for managing, monitoring and operating ICT infrastructure as well as reporting and performance management
- **Dube TradePort Special Economic Zone** is another industrial cluster which is located close to Durban. It encompasses the King Shaka International Airport and is positioned close to the Durban Harbour and Richards Bay Harbour. Apart from the airport, it supports an ecosystem of warehouses, offices, retail, hotels, and agriculture. While currently focused on global manufacturing and air logistics, this SEZ is slated to attract foreign and local investment in the BPO space in the near future
- The **Tshwane BPO park** is another initiative which provides a globally competitive infrastructure (high speed fibre optic link, Voice Over Internet Protocol, high redundancy servers, on-site technical support, etc.), with a BPO training facility. It aims to serve both the public and private sector and is poised to become the center of excellence for BPO/M in South Africa, providing a one-stop shop for all BPO needs. This park is the first rural BPO park in South Africa
- **The dti continues to plan for the new SEZs** in several provinces with a view to expand the industrialization in South Africa. There are multiple other SEZs proposed which include Bojanala SEZ in North West and Namakwa SEZ in Northern Cape, Science and High-Tech and Automotive SEZs in Gauteng, Tubatse SEZ in Limpopo as well as Wild Coast SEZ in the Eastern Cape

> *(After setting up a center in Coega IDZ) Based on the unique merits of the location, as well as our strategic objectives, it makes business sense to invest heavily in the city's local economy and we look forward to positively impacting the surrounding communities as a result*
> *- WNS*

Source: the dti, BPESA, industry-specific websites, Everest Group (2019)

Sophisticated infrastructure & robust enabling environment
South Africa provides a robust enabling environment with incentives and other support for the various industries

National-level incentives programs
- **Global Business Services incentives[1]** are primarily aimed at creating employment (mainly for the youth) through servicing offshore activities, and contributing to the country's export revenue from offshoring services. The incentive offers a percentage bonus for each job type (i.e., non-complex, complex and highly complex)
- **Employment tax incentives** are aimed at encouraging employers to hire young work seekers through a cost-sharing mechanism with the government
- **Jobs Fund** co-finances various organizations (public, private, NGOS, etc.) for projects that are expected to result in subsequent job creation. E.g., Harambee Youth Accelerator which is an impact sourcing project
- **Export Marketing and Investment Assistance (EMIA)** scheme develops export markets for South African products and services and to recruit new foreign direct investment into the country
- **Sector Specific Assistance Scheme (SSAS)** is a reimbursable cost-sharing incentive scheme whereby financial support is granted to organizations supporting the development of industry sectors and those contributing to the growth of exports

Provisions for small enterprises and start-ups
- **Seda Technology Programme** offers grants to provide technology services to small enterprises; and specific technology support to women-owned enterprises
- **Incubation Support Programme (ISP)** aims at developing incubators and creating successful enterprises with the potential to revitalize communities and strengthen local and national economies
- **Support Programme for Industrial Innovation (SPII)** promotes technology development through provision of financial assistance for the development of innovative products and/or processes

> *BPS (now GBS) incentive played a critical role in reducing the cost gap between South Africa and its competitors and South African value proposition is now even more compelling, as it enabled local companies bidding for UK contracts to offer a more cost- competitive proposal when compared with other offshore destinations*
>
> *- Dr Rob Davieswe, Former Trade and Industry Minister*

Source: the dti, BPESA, industry-specific websites, Everest Group (2019)

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Sophisticated infrastructure & robust enabling environment

The government has taken up multiple initiatives to develop the skill pool available for domestic and global companies to leverage

Skills development programs

- **Learnership programmes (disbursed by SETAs)** are work-based learning programmes related to specific fields of work, comprising both theoretical and practical training. While these are available at the national level, some cities and private sector companies (with training institutes) have developed their own programmes
- **Monyetla Work Readiness Programme** is focused on the domestic BPS and offshoring sector, which is accredited by either BankSETA, FASSETT, MICT SETA, IN SETA or Services SETA. The training programme is led by employers to ensure that at least 70% of successful beneficiaries are employed for at least one year
- **Skills supply chain programmes** are instituted at the city-level (Tshwane, Durban, and Cape Town) and provide funding support for targeted skills supply chain capacitation
- **Leadership trainings** are increasingly becoming prevalent in the BPO industry which focus on building team leaders with knowledge on operational roles and responsibilities, performance measurement and management, workforce management, attrition, business continuity management, etc.
- **Impact sourcing programmes** have been introduced by training institutes such as Harambee, Career Box, WeThinkCode, and Maharishi, in collaboration with private sector companies
- **Industry-wide initiatives led by BPeSA**
  - **Facilitating collaboration** between the private and public sector across the skills supply chain to share knowledge and work on targeted projects to gear it for future skill requirements
  - **Development of a skills portal,** brings BPO operators and suppliers of skills development services to interact via a single platform
  - **Skills forums** wherein BPeSA facilitates country-level quarterly forums for skills practitioners to create a networking and knowledge sharing forum regarding the skill development and resource allocation
- **Digital-specific support initiatives**
  - **Work readiness and tech skills development** programmes have been instituted through a collaborative effort between academia (universities and training institutes) and private industry
  - **Digital Innovation Precinct and ImpaCT** are initiatives in Johannesburg that focus on providing additional training and education for software engineering, game development, data science, and other digital skills
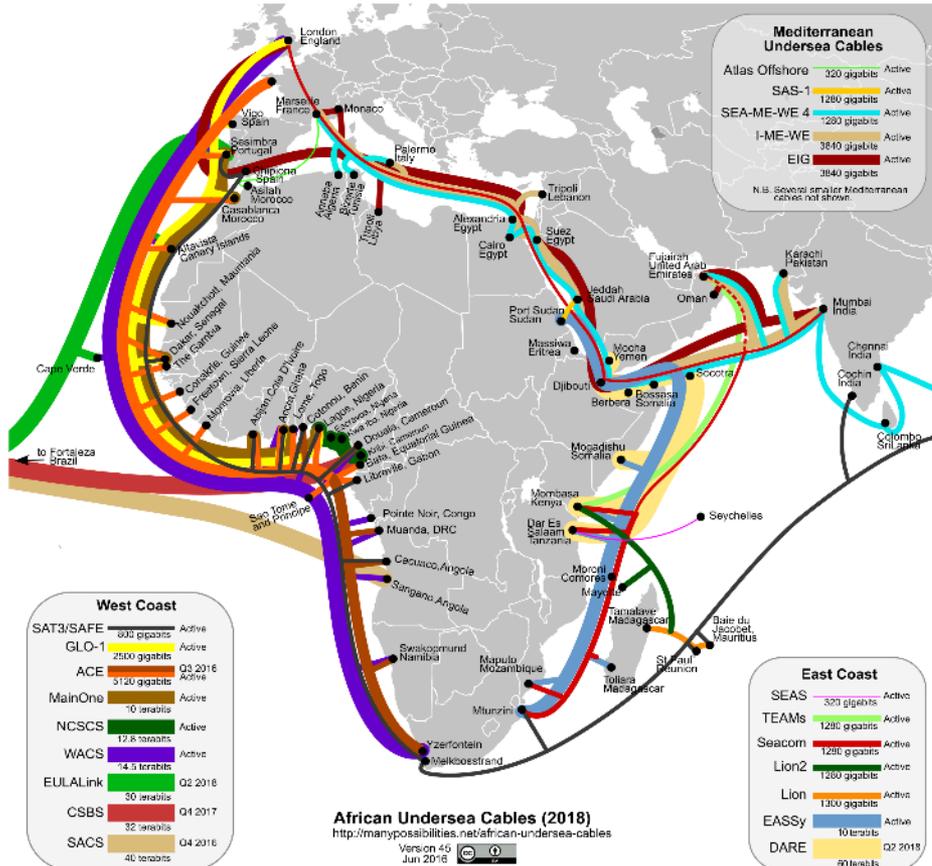
> *The new government seems to be more proactive. They are devising several policies and awareness programs for companies to better leverage the existing incentive and skill development program*
>
> *- CEO, South African technology player*

Source: the dti, BPESA, industry-specific websites, Everest Group (2019)

Sophisticated infrastructure & robust enabling environment
South Africa offers one of the best telecom and BPO-friendly infrastructure in the African continent

South Africa's telecom sector is continually being improved with multiple initiatives undertaken by the telecom authorities

- South Africa's telecommunications infrastructure is considered to be the best in the continent with a network that is 99.9% digital and includes the latest in fixed-line, wireless, and satellite communication
- The **telecom authorities** in South Africa have been proactively working towards making the economy **digital-ready**:
  - **Nanosatellites** are to be deployed in the country
  - Two new **high capacity undersea cables** are being set up, which will connect South Africa to different parts of the world
  - The telecom regulator and the USAASA[1] seeks to **raise ZAR 100 billion for ICT projects** by increasing USAF levy to 1% of operator revenue
- Government has launched certain national broadband policy, such as, "**South Africa Connect**" with a vision for a seamless information infrastructure by 2030, including a 100% and 80% penetration at 10MBPO and 100MBPO respectively
- Additionally, there has been a focus on transition to **digital broadcasting** and the reassignment of **digital dividend spectrum** for mobile broadband use, ensuring last mile connectivity, and the reduction of interconnect charges

1   Universal Service and Access Agency of South Africa
Note   Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: Interviews with market players, Everest Group (2019)
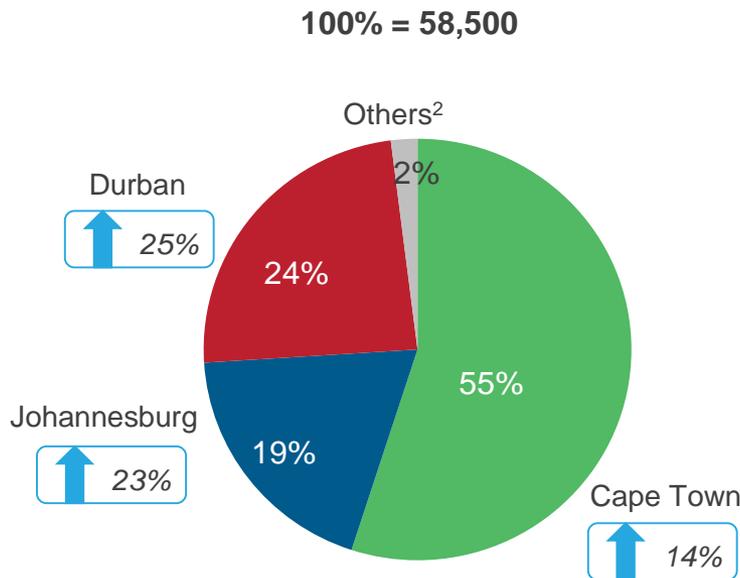
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- Summary of South Africa's GBS value proposition

- Current South Africa GBS landscape

- Details of South Africa's GBS value proposition

- **Key locations leveraged for global services delivery**

- Appendix

While the majority of the global business services headcount is concentrated in Cape Town, other locations are growing at a fast pace

Global business services headcount | Breakup of headcount by delivery locations
2019[1]; Number

XX% — Compound annual growth rate from 2016 - 2019

100% = 58,500

Pie chart:
- Cape Town: 55% (↑ 14%)
- Durban: 24% (↑ 25%)
- Johannesburg: 19% (↑ 23%)
- Others[2]: 2%

- All delivery locations in South Africa have been showcasing **growth in the range of 10-30%,** over the past five years from 2014 to 2019
- **Cape Town** has traditionally been the **leading location for GBS delivery** due to its large and varied talent pool, superior infrastructure, and high quality of life. The city hosts big brands and is evolving as the country's entrepreneurial hub
- However, many service providers and even enterprises have set up global delivery centers in Johannesburg, and Durban which have their unique value propositions
  - **Johannesburg** is considered to be the **economic hub of the country** with most of the company's head offices located there
  - **Durban** has talent fit for both domestic and international business, especially sales, as the talent pool there is considered to have **higher level of empathy**
- Given increasing levels of concentration risk in the more established locations, companies are now looking to locations such as **Tshwane and Port Elizabeth** which are heavily investing in infrastructure and skill development programmes targeted towards this sector

1   Headcount as on 30 June 2019
2   Includes Tshwane and Port Elizabeth
Source: BPESA, Everest Group (2019)

Key cities leveraged for global services delivery
Cape Town

Characteristics	Value
Population	4.6 million
Working age population	2.8 million
GDP (in billion rand)	4,329
Key universities/colleges	University of Cape Town, Cape Peninsula University of Technology, University of the Western Cape
Transport infrastructure	Extensive network of road/bus and air infrastructure with 115 international flights to London, Sydney and Tampa, daily
Others	• Cape Town is the capital of the Western Cape province and is also the legislative capital in South Africa • Located on the coast, this city offers a superior quality of life and is home to a large and multicultural community, including expatriates • Characterized by low poverty levels, easy access to schools and healthcare, and high levels of safety and security

Cape Town

IT-BP facts

Entry-level talent pool	More than 53,000 relevant degree holders are available for hire at the entry-level every year	**Cost savings**	Cape Town offers 60-70% lower costs than a tier-2 city in England for contact center and IT work
Employed talent pool	Cape Town has the highest employed talent pool in the global BPS sector at ~32,700 FTEs	**Names of key companies**	Amazon, Cognia Law, Computa Center, DigiOutsource, DXC Technology, Exigent, EXL, JTC Group, Lufthansa, Merchants, Mindpearl, Old Mutual Group, WNS

Sizeable and skilled talent pool along with superior business infrastructure, make Cape Town Cape the most mature location in South Africa for global business services

Cape Town's value proposition is underpinned by high quality standards, relevant skills and the potential to deliver complex and non-complex processes as well as cost savings

- Leading financial services player

The main reason for coming to Cape Town was the pool of talent, with regards to the employees that we could hire

-Global BPO service provider

Mature location for services delivery

Largest location in South Africa (represents 55% of total national headcount) for international BPS delivery & gaining global recognition for being a **start-up hub**. Significant strides are being made in the areas of Fintech, eHealth, Traveltech and education

Concerted skill development initiatives in the BPO space

Cape Town (and the Western Cape) is continually moving forward on the up-skilling/re-skilling agenda through the following:

- **Skills incubation programme** instituted by the City of Cape Town, the Department of Economic Development and EOH
- Be-spoke programmes for developing IT, cloud infrastructure and next-generational digital skills through the CapaCiti initiative

Ease of doing business

Has the highest rankings for **dealing with construction permits and getting electricity** amongst the key cities in South Africa

Business-ready infrastructure

- Development of superior infrastructure as compared to other cities since 2000 after institution of the Smart City strategy
- This has evolved into the **Digital City Strategy** focusing on broadband fiber networks, online municipal transactions, and setting up of open data portals for smooth business set up
- Highest rank in **best cities** for **start-ups** in Africa

Key cities leveraged for global business services delivery
Johannesburg

Johannesburg

Characteristics	Value
Population	5.7 million
Working age population	3.5 million
GDP (in billion rand)	6,961
Key universities/colleges	University of Johannesburg, University of Witswatersrand, University of Pretoria
Transport infrastructure	Superior quality transport infrastructure, particularly in the business district, characterized by cheap taxi cabs, increased rail connectivity through the Gautrain railway system, and international air connectivity (two airports and 141 flights to London, Sydney and Tampa, daily)
Others	• Johannesburg is the economic hub of South Africa, characterized by a booming financial services industry, large talent pool, and lowest percentage of NEA or Not Economically Active population in South Africa. It is also the seat of the constitutional court • Originally small, its international BPO industry is growing fast, given increasing concentration risk in Cape Town

IT-BP facts

Entry-level talent pool	More than 57,000 relevant degree holders are available for hire at the entry-level every year	**Cost savings**	Johannesburg offers 55-65% lower costs than a tier-2 city in England for contact center and IT work
Employed talent pool	Johannesburg has the second highest employed talent pool in the global BPS sector at ~11,300 FTEs	**Names of key companies**	Barclays, Five Friday, IQ Business, Genpact, Grant Thornton, Hogan Lovells, IBM, Infosys, Kornferry, Microsoft, Nedbank, Samsung, Tech Mahindra, Wipro, WNS,

Everest Group®

Johannesburg is increasingly becoming the new hub for international BPO delivery, driven by a large talent pool and substantial investment in digital skills

" … Johannesburg has a better talent pool as compared to other cities, to serve the global market, with better compatibility in culture, accent and voice neutrality to serve the global market
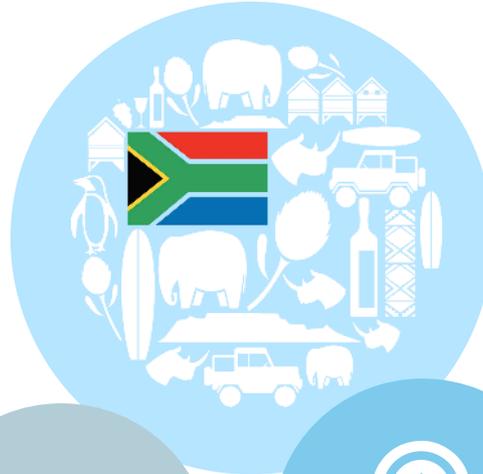
-Merchants

" Johannesburg offers a huge talent pool with varied delivery in the KPO, ITO and BPO space; there is massive potential for growth here

-Harambee

Growing talent pool for global BPO delivery

Johannesburg has the **largest relevant talent pool for BPO delivery** (including first degree holders) in South Africa; companies such as Accenture are increasingly tapping into this for delivery of next-generational skills

Concerted skill development initiatives for digital delivery

- **Digital learning programme** initiated by the Joburg Center for Software Engineering which focuses on developing games, applications and other ICT artifacts
- **Digital Innovation Precinct** set up by the University of Witswatersrand and ICT companies to promote entrepreneurship and innovation through skills training

Ease of doing business

Has second rank in **registering property** and third rank in getting electricity amongst the key cities in South Africa

Delivery of varied functions in the BPO space

- Due to the heavy focus on financial services, Johannesburg offers niche skills that are not readily available elsewhere in this domain
- This has developed an ecosystem conducive to growth in other functions, ranging from multilingual voice to social media analytics

Source: BPESA, Interviews with market players, Everest Group (2019)

Key cities leveraged for global business services delivery
Durban

Characteristics	Value
Population	3.8 million
Working age population	2.3 million
GDP (in billion rand)	3,807
Key universities/colleges	University of KwaZulu-Natal, Durban University of Technology
Transport infrastructure	Established and advanced transport infrastructure characterized by good quality roads and railway system, and international air and trade ports. Additionally, direct flights to London have been introduced by British Airways, complimenting the existing 84 flights to London, Sydney and Tampa
Others	• Durban has been one of the leading locations for manufacturing and trade purposes and this has has contributed to its growth as an international BPO location. It is characterized by a large talent pool and low cost • It offers good quality of life at a much lower cost as compared to Cape Town, and hence, is becoming a favored destination for expats

Durban ●

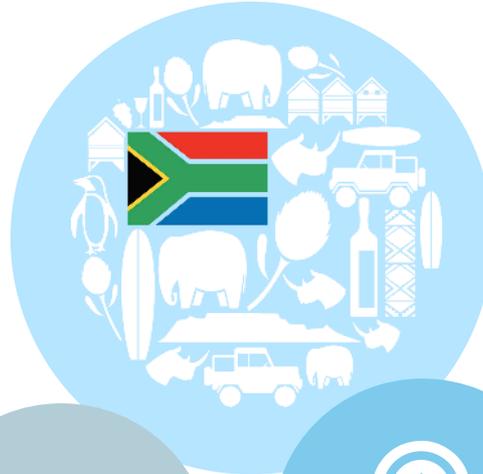## IT-BP facts

Entry-level talent pool	More than 55,000 relevant degree holders are available for hire at the entry-level every year	**Cost savings**	Durban offers the lowest cost of operations in South Africa and 65-75% lower than tier-2 city in England for contact center and IT work
Employed talent pool	Durban has the third largest employed talent pool in the global BPS sector at ~14,300 FTEs	**Names of key companies**	CCI, Capability BPO, Igniton Group, JD Group, Merchants, Nedbank, Outworx, Talksure, Wesbank, WNS

Source: BPeSA, Knowledge Executive, Everest Group (2019)

Durban offers quality skills in the contact center space, especially for sales work, but is also focusing on increasing growth in niche functions

> *For the UK, in particular, there has been a stigma around the Indian accent. South Africa, as a destination, because it has such a neutral accent, especially Durbanites have such a neutral accent, means the UK population is receptive to speaking to individuals from South Africa, and in particular, Durban*
> *-a UK-based contact center*

> *Durban has its act together in the BPO space and is expected to grow the fastest among all the cities in South Africa*
> *-Outsurance*

Concerted focus on development of the technology sector

- Development of an **Innovation and Technology Business Incubator** (InvoTech) funded by the Durban University of Technology and Small Enterprise Development Agency
- Set up of **Durban Technology Hub or SmartXchange** which provides enterprise development services to SMEs in the ICT sector
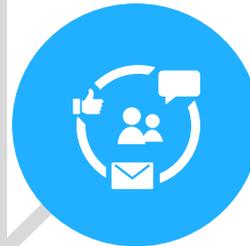
Superior quality of life

Durban offers the **best quality of life** in South Africa as per the Mercer Quality of Living Survey 2019. Additionally, it is ranked highly in terms of city **cleanliness**

Ease of doing business

Is ranked second in dealing with **construction permits and getting electricity** amongst the key cities in South Africa

Unique labor pool characteristics for contact center delivery

- The contact center industry has thrived in Durban, mainly due to the **neutral accent and superior English speaking skills**
- Additionally, the labor pool is characterized as being good at "**sales processes**", due to cultural reasons, which has made it an attractive choice for sales work in the voice space

There are other locations in South Africa that are attracting increased foreign investment in the GBS space (page 1 of 2)

Port Elizabeth

Characteristics	Value
Population	1.4 million
Working age population	0.8 million
GDP (in billion rand)	1,281
Key universities/colleges	Nelson Mandela University, Port Elizabeth University

Port Elizabeth

Key characteristics of the GBS industry

Entry-level talent pool

Availability of ~**15,000 graduates per year**. Due to higher unemployment levels as compared to the rest of the country, a greater percentage of the student population opts for higher education degrees implying that there is skilled talent to be found here
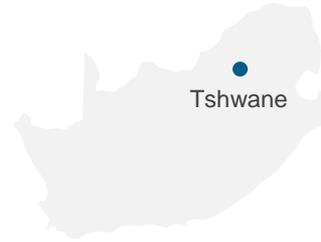
Industrial Development Zone

The **Coega Industrial Development Zone** has played an important role in contributing to Port Elizabeth's value proposition. It offers a self sustaining eco system and a BPO Park, complete with telecom infrastructure and training facilities geared towards services export. Already present in the BPO Park are WNS and Discovery Health

Quick fact

Port Elizabeth offers **superior clinical and nursing skills** which are not easily available in other cities in South Africa

Tshwane

Characteristics	Value
Population	3.3 million
Working age population	2.1 million
GDP (in billion rand)	2,451
Key universities/colleges	University of Pretoria, University of South Africa, Tshwane University of Technology

Tshwane

Key characteristics of the GBS industry

Entry-level talent pool

Availability of ~**100,000 graduates per year**. It has the largest entry-level talent pool among all locations in South Africa given the prevalence of a large number of universities and colleges. The Tshwane University of Technology has the largest number of students in South Africa

Tshwane BPO Park

The **Tshwane BPO Park** is a project slated to accelerate BPO industry growth by attracting public and private investment into the sector. It offers plug-and-play infrastructure, software capabilities, training facilities and can house ~3,000 agents

Quick fact

Skills development programmes are being aggressively developed in Tshwane in conjunction with BPESA that will boost the skills pipeline significantly in the near future

Source: BPeSA, Knowledge Executive, Everest Group (2019)

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East London

Characteristics	Value
Population	0.9 million
Working age population	0.5 million
GDP (in billion rand)	689
Key universities/colleges	University of Fort Hare, Walter Sisulu University, East London University

East London

Key characteristics of the GBS industry

Entry-level talent pool

Availability of ~**28,000 graduates per year**. The city has good number of universities with a good average lecturer to student ratio. It also has one of the highest adult literacy rates in the province

Industrial Development Zone

The **SEZ in East London** offer reduced cost of doing business in the province, tilting the investment advantage towards the Eastern Cape. Telecommunications has developed immensely over the past 15 years in the province. ICT infrastructure is being updated in the city including the catchment rural areas

Quick fact

The city is a part of the **government's broadband project** which aims at better digital connectivity

Source: BPeSA, Knowledge Executive, Everest Group (2019)

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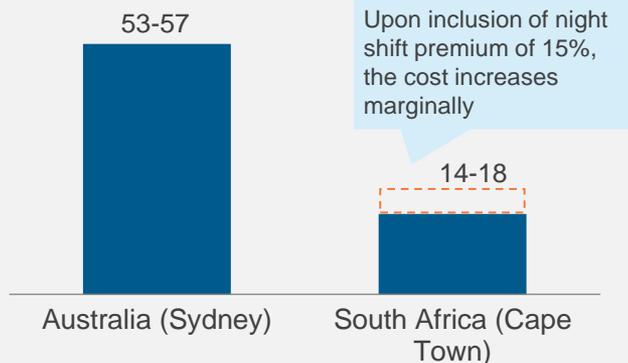 - National-level incentives
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South Africa offers a significant value proposition for delivery to Australia

Quick facts – GBS delivery to Australia from South Africa

- Number of people employed for Australian delivery: 6,450
- Export revenue through Australian clients: US$ 198 million+ (2017)

Delivery related operating cost per FTE for Contact Center[1]

2018; US$ '000s per annum per FTE

53-57

Upon inclusion of night shift premium of 15%, the cost increases marginally

14-18

Australia (Sydney)   South Africa (Cape Town)

Few examples of companies serving Australia

accenture   AEGIS   CALLFORCE   ECCI SOUTH AFRICA

EXL   merchants   OUT   Outworx

telesure   TRAINING ROOM ONLINE   webhelp   WNS

- ***Overview:*** Over the past five years, the South African BPO market has witnessed increasing leverage of local BPO providers for Australian delivery from an outsourcing perspective. Australia is now the second largest geography that is served from South Africa after the UK, both in terms of the number of people employed and the revenue generated
- ***Type of work delivered:*** In essence, there is no difference in the type of work delivered to Australia and the UK; the spectrum of work spreads across both voice and non voice-based work, primarily in the financial services and technology & communications space
- ***Cost of operations:*** South Africa offers a significant cost advantage over Australia (60-70%). Even on including corporate and leadership overheads, the cost advantage is more than 50%. Some companies have managed to further reduce costs by optimizing the late shift into a multiple short shifts format
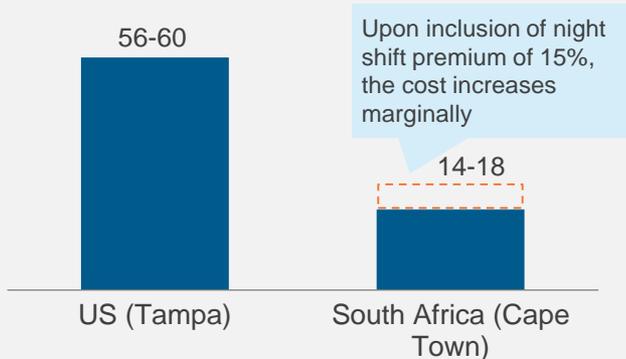
Case example

- One of the largest Australian multi-line general insurance service provider set up a partnership with a South African contact center company for delivering insurance sales processes (inbound, outbound, and chat), underwriting operations, customer services, claims management, etc.
- The objective was to deliver enhanced / improved NPS for all customer interactions
- The South African provider achieved a top **NPS score of 30** as compared to market competitors in Australia. Apart from that, it achieved:
  - **50%** reduction in early life churn through improvements to customer onboarding process
  - **30%** improvement in sales conversion from original onshore performance
  - **30%** increase in allocation rate to preferred repairer networks significantly reducing customer turnaround times and costs

Note   Exchange rate: 1 US$ = 14.37 ZAR; 1 US$ = 1.426 AUD (yearly average from 20 October 2018 - 20 October 2019)
Source: Interviews with market players, Everest Group (2019)

South Africa offers a significant value proposition for delivery to the United States

Quick facts – GBS delivery to the United States from South Africa

- Number of people employed for US delivery: 600
- Export revenue through US clients: US$ 30 million+ (2017)

Operating cost per FTE for Contact Center[1]
2018; US$ '000s per annum per FTE

56-60

Upon inclusion of night shift premium of 15%, the cost increases marginally

14-18

US (Tampa)   South Africa (Cape Town)

Few examples of companies serving the United States

accenture   amazon   CCI SOUTH AFRICA   cognia   Computacenter

EXL   GEN   IGNITION GROUP

TRAINING ROOM ONLINE   OUT   Outworx   webhelp   WNS

- **Overview:** Traditionally, the United States has not been a significant target geography for delivery from South Africa; however, this is slowly changing. Many global and South African BPO providers have small contracts with American companies, in spite of the time difference
- **Type of work delivered:** Apart from traditional voice and non-voice delivery in the banking and insurance space, US companies are leveraging South Africa for more niche work in the space of legal, analytics, and software development
- **Cost of operations:** South Africa offers a significant cost advantage over the United States (65-75%). Even with the inclusion of the corporate and leadership overheads, the cost advantage is more than 40%. This is one of the key aspects of its value proposition – that South Africa can provide high quality work at a low costs and also offer significant de-risking from US-focused and concentrated locations such as the Philippines

Case example
- One of the world's largest cloud computing company set up its Elastic Compute Cloud (EC2) Development Center in Cape Town in 2005
  - The Cape Town Development Center played a key role in developing and running the company's EC2 core, which is part of its cloud offering and provides developers with access to cloud infrastructure services based on its back-end technology platform
  - Additionally, this team owns the services and user interfaces required to deliver various support features to its customers. The team builds applications that encompass a variety of technical areas such as information retrieval, data mining, and building scalable systems
- The Cape Town center also houses the cloud support team, which provides global technical support to external customers, helping them build mission critical applications using cloud services
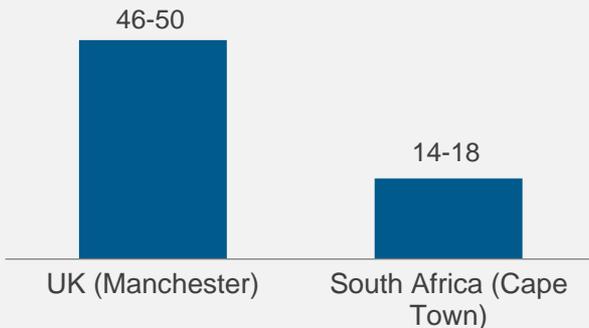
Note   Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: Interviews with market players, Everest Group (2019)

South Africa offers a significant value proposition for delivery to the UK

Quick facts – GBS delivery to the UK from South Africa

- Number of people employed for UK delivery: ~44,500

Operating cost per FTE for Contact Center[1]
2018; US$ '000s per annum per FTE

```
46-50
┌─────┐
│     │
│     │        14-18
│     │       ┌─────┐
│     │       │     │
│     │       │     │
UK (Manchester)  South Africa (Cape
                    Town)
```

Few examples of companies serving the UK

ALTRON | BYTES BOX LtE SOLUTIONS   amazon   BARCLAYS   fivefriday   EXL

GrantThornton   IGNITION GROUP   IQbusiness Our team. Your advantage.   merchants making digital human

OUT SURANCE   rocketseed   Tech Mahindra   wipro   WNS

- **Overview:** Traditionally, UK has been the major source market for South African GBS business with almost three-fourth of the total share of the market. It has been a significant target geography for delivery from South Africa. Cultural affinity, favorable time zone, accent neutral talent pool and lower cost of operations have favored the UK businesses
- **Type of work delivered:** Companies from UK leverage South Africa for **customer support work** along with other services; this work is evolving to include customer experience management (upskilling, retention, chats and social media interaction, customer analytics, etc.). The UK companies are also leveraging South Africa for niche work in the space of F&A, legal, analytics, and software development
- **Cost of operations:** South Africa offers a significant cost advantage over UK (55-65%). Even with the inclusion of the corporate and leadership overheads, the cost advantage is more than 30%

Case example
- One of the leading marketing software developing firm from the UK having centers in the US and the UK, has set up their sales center in Cape Town
- The center in Cape Town supports the UK arm of the business and includes activities such as below amongst others:
  – Manage new customer implementations and execute management strategy
  – Evaluate reporting and ROI for clients and schedule account review with clients
  – Maintaining key accounts, problematic accounts, which accounts generate which levels of revenue, and who is approaching contract renewal
  – Identify new opportunities via various products/solutions offered
  – Identify opportunities for customers to maximize the company's functionality and increase the ROI
- The prime reasons sited by them for their South Africa center is the cultural affinity towards the UK and a favorable time zone

Note   Exchange rate: 1 US$ = 14.37 ZAR; 1 US$ = 0.786 GBP (yearly average from 20 October 2018 - 20 October 2019)
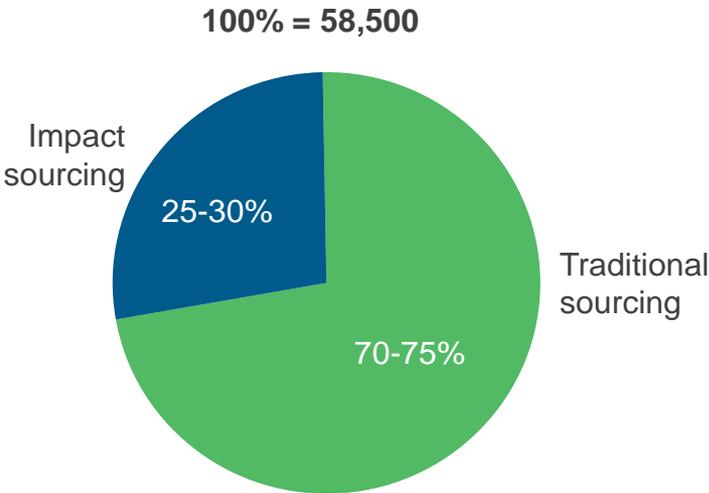Source: Interviews with market players, Everest Group (2019)

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Impact sourcing is an integral component of the South African BPO industry (page 1 of 4)

South Africa global services market size – breakup by talent sourcing model
2019[1]; Number of FTEs

100% = 58,500

Impact sourcing 25-30%

Traditional sourcing 70-75%

> " *There are a large number of unemployed youth out there who have the potential to deliver but do not get the opportunity. There is a need to bring these people into the system*
>
> *- WNS* "

- Impact sourcing is more than one-fourth of the global services market in South Africa. This is mainly driven by the contact center industry, which hires a large proportion of unemployed high school graduates (who qualify as IS workers)
- However, a great proportion of this is "unintentional", in the sense that companies often hire high school graduates in the normal course of business owing to the demographic background of the talent pool
- There has been an uptick in the number of companies hiring Impact Sourcing (IS) workers which is a reflection of the increasing number of programmes which the government is putting place. Additionally, companies are now aware that they have the opportunity to make a greater social impact and that the talent pool IS offers is usually more stable

Key services delivered by IS workers

Customer service

Inbound and outbound sales

Payment/debt collections

1   Headcount as on 30 June 2019
Source: BPeSA, Everest Group (2019)

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Impact sourcing in South Africa is supported by a strong ecosystem (page 2 of 4)

- Enterprise buyers and GICs that employ IS workers for BPO work
- They hire IS workers directly or through training academies (i.e. job readiness training or learnerships)
- Some companies have also set up learnership programs for BPO jobs

Examples
- Deloitte, Old Mutual, Metropolitan Health Group, and Discover

- Responsible for influencing government policies and regulations that promote and incentivize IS adoption. For example:
  - 21 SETA programs have been set up to conduct learnerships for different work streams (e.g., FASSET and services SETA also offer incentives for learnerships relevant for BPO sector)
  - Legislations such as the BBBEE Act mandate the inclusion of all socio-economic segments

Key government / industry associations
- BPeSA and **the dti**

Buyers

BPO service providers

South Africa impact sourcing ecosystem

Government and industry associations

Training academies

- Global/domestic BPO service providers that employ IS workers
- They hire IS workers directly or through training academies (i.e., job readiness training or learnerships)
- Some companies have also set up learnership programs for BPO jobs

Examples
- Aegis, CCI, Webhelp, and WNS

- Training academies support BPO companies/buyers in identification, training and recruitment of IS workers
- They provide specialized job readiness programs to make IS workers "employment ready"
- Instances of training academies supporting companies in planning and execution of learnership programs

Examples
- Maharishi Institute, Harambee, Careerbox, and EOH

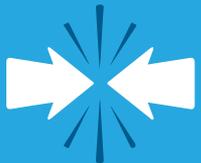Source: Interviews with market players, Everest Group (2019)

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- A global BPO provider began its impact sourcing journey in 2011. It realized early on that sourcing the right type of IS workers and providing training to make them "employment ready" for the BPO industry were vital aspects of successful impact sourcing adoption. The company decided to partner with Impact Sourcing Academy (ISA), a specialized IS training academy, to achieve these objectives

- ISA provided the candidates with a 12-16 week training program focused on fundamental life skills, basic office competencies, and behavioural training to prepare them for the BPO industry
- When hired after the completion of the training program, the impact workers went through the same standard internal training process as other new hires
- Although the company did not measure IS worker performance separately, these workers met all performance expectations and demonstrated a higher commitment level than that of traditional workers. Furthermore, the company has successfully leveraged these impact workers for voice-based international delivery

- While continuing to work with the ISA, the company established an in-house learnership program across its delivery centers in South Africa. The 12-month learnership program provides training on technical and soft skills. After 8-10 weeks of training, the learners begin to perform the duties of an entry-level employee
- Currently, this programme engages ~400 learners on an ongoing basis, 40-50% of which are IS workers

Impact: Driven by positive experience of working with these learners, this company now absorbs ~90% of these learners into its permanent workforce after the completion of the learnership program. This has actually helped it expand the availability of entry-level talent in South Africa for the BPO industry. The company relies on its learnership model not only to backfill most of the vacancies arising from attrition but to source talent to support incremental growth as well.

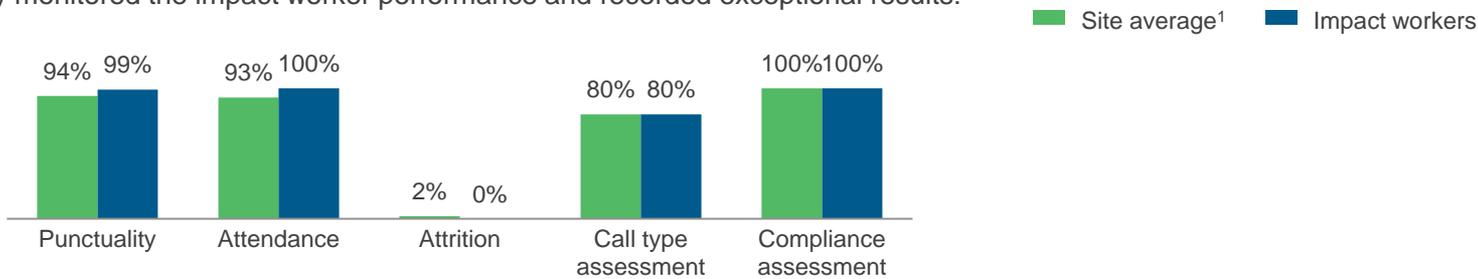Source: Interviews with market players, Everest Group (2019)

- A leading customer service and BPO company had identified impact sourcing as one of the key opportunities to engage unemployed youth in South Africa; however, it was concerned about the high up-front costs associated with targeted large scale impact sourcing hiring. To evaluate these concerns, the company decided to run a pilot programme by engaging Harambee Youth Accelerator for impact worker identification and training for its pilot program

- Candidates recruited from Harambee were treated on par with the regular workers; i.e., they were put through the company's standard training process and were paid the same compensation as traditional workers
- The company monitored the impact worker performance and recorded exceptional results:

Legend: Site average[1] · Impact workers

Metric	Site average[1]	Impact workers
Punctuality	94%	99%
Attendance	93%	100%
Attrition	2%	0%
Call type assessment	80%	80%
Compliance assessment	100%	100%

- The company was able to recover upfront costs within six to eight months of hiring impact workers, driven by a reduction in hiring and training costs for additional candidates, owing to the significantly lower attrition among impact workers
- As impact workers remain with the company for a longer time period, there are additional benefits in terms of stable service delivery and better client experience as well

Impact: Having tested the business case for impact sourcing, the company increased hiring of impact workers. Since 2016, the company has been hiring batches of impact workers from Harambee. The experience with these candidates has been positive and similar to the pilot program.

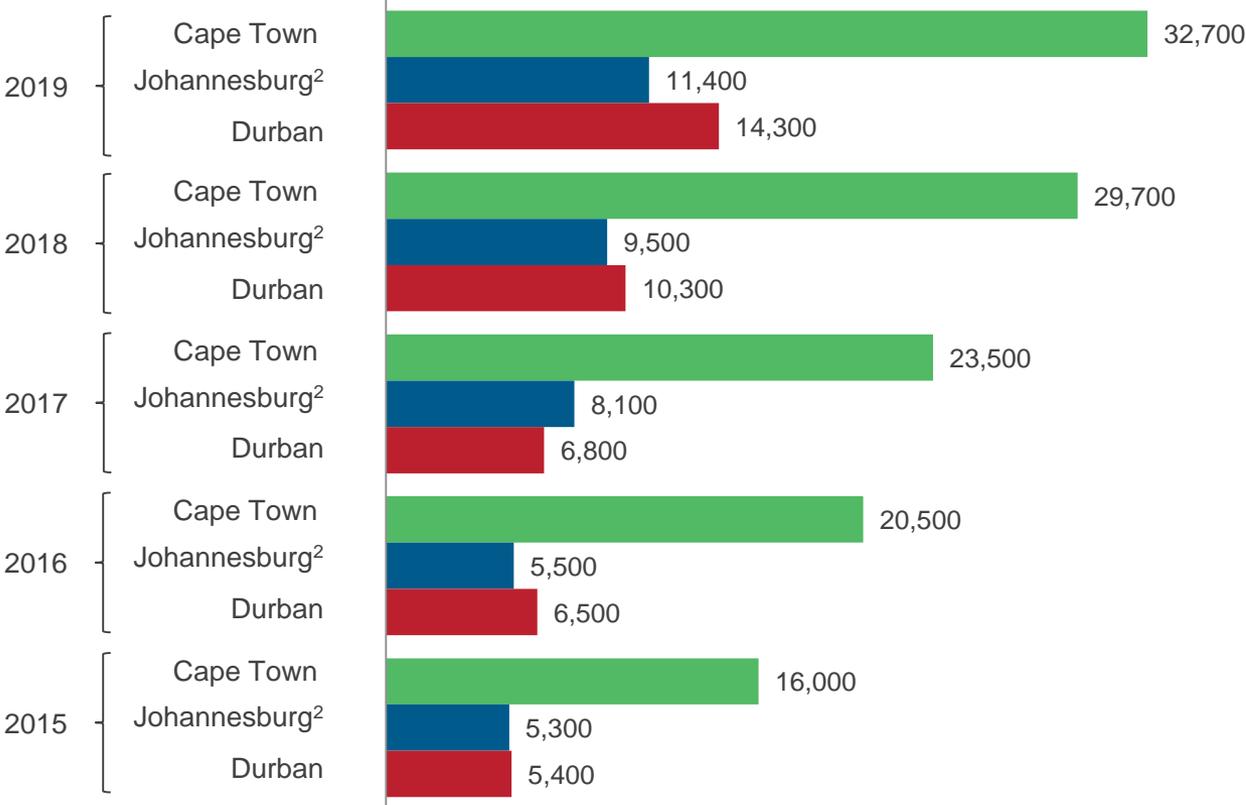Source: Interviews with market players, Everest Group (2019)

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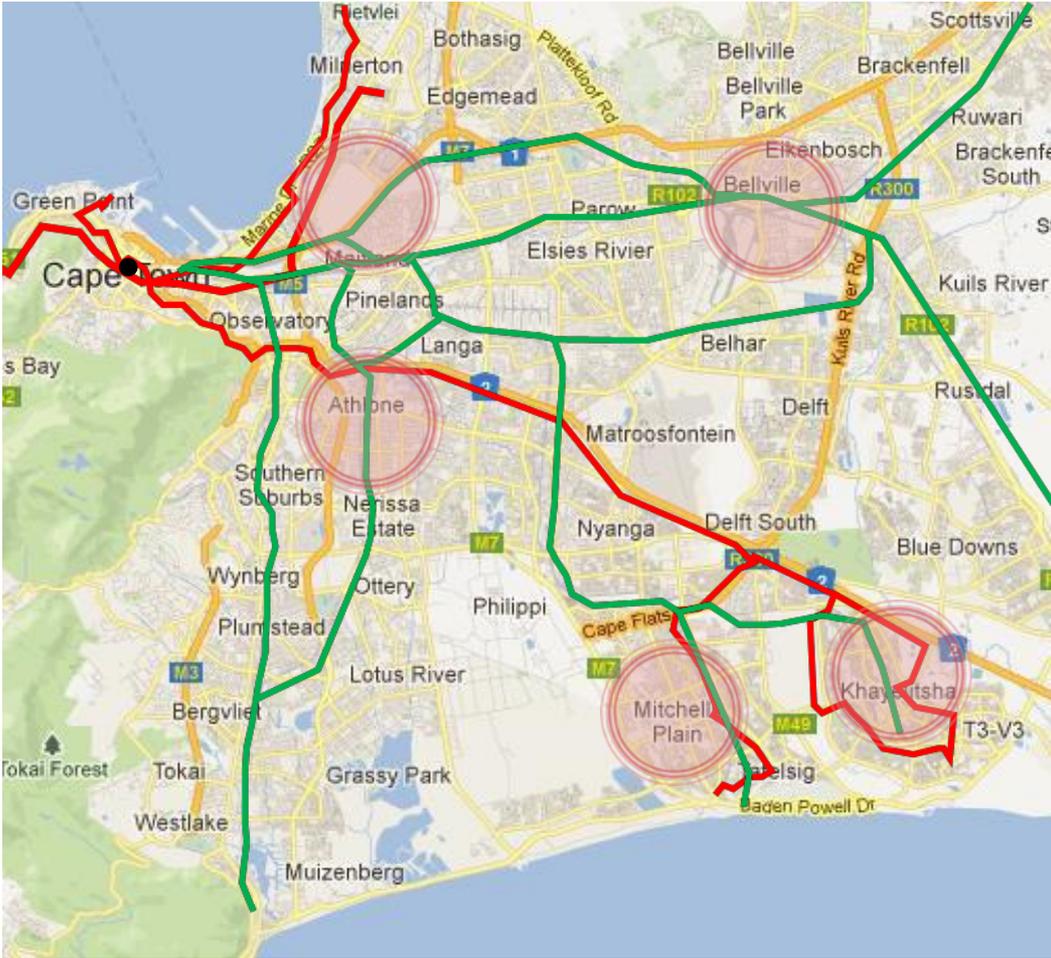# Johannesburg and Durban have great potential to absorb the demand for new talent in the BPO sector

Global business services headcount | Breakup of headcount by delivery locations
2019[1]; Number

Year	Location	Value
2019	Cape Town	32,700
2019	Johannesburg[2]	11,400
2019	Durban	14,300
2018	Cape Town	29,700
2018	Johannesburg[2]	9,500
2018	Durban	10,300
2017	Cape Town	23,500
2017	Johannesburg[2]	8,100
2017	Durban	6,800
2016	Cape Town	20,500
2016	Johannesburg[2]	5,500
2016	Durban	6,500
2015	Cape Town	16,000
2015	Johannesburg[2]	5,300
2015	Durban	5,400

1   Headcount as on 30 June 2019
2   Includes Tshwane
Source: BPESA, Everest Group (2019)

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Additional details on delivery locations
Cape Town

Talent pool hotspots

Concentration of talent pool in Cape Town
Mitchell's Plain
Northern suburbs
Athlone
Khayelitsha/Gugulethu
Bonteheuwel/Kensington

Top BPO clusters	Major transport links	
CBD	🔴	My Citi Bus
Century City	🟢	Metro rail
Southern suburbs	⚫	Major mini-bus taxi rank
Belville		

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Additional details on delivery locations
Johannesburg

Talent pool hotspots

Concentration of talent pool in Johannesburg	
Soweto	35%
Johannesburg CBD	15%
East Rand	14%
Alexandra	12%
West Rand	12%
Other areas	12%

Top BPO clusters
Newtown & CBD
Randburg
Parktown & Braamfontein
Midrand
Woodmead
Sandton

Major transport links

● (blue)	Gautrain station
● (green)	Metro rail
● (black)	Major mini-bus taxi rank

Additional details on delivery locations
Durban

Talent pool hotspots

Concentration of talent pool in Durban	
Chatsworth	Durban North
Umlazi	Phoenix
Pinetwon	Newlands East/West
Westville	KwaMashu
Reservoir Hills	Inanda
Umhlanga Rocks	Durban Central

Top BPO clusters	Major transport links	
Umhlanga		
CBD	🟢	Metro rail
Berea	🟡	Own transport
Hillcrest	⚫	Major mini-bus
Cornubia		taxi rank

Source: JLL (2017)

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South Africa offers a robust and enabling environment in terms of the development of skilled talent

Support programmes at the national level for skill development and job creation

Skills Development Act and Learnerships

- The Skills Development Act was promulgated by the government of South Africa in 1998 to develop the skills of the workforce, improve the quality of life of workers, and their prospects of work. The Sector Education and Training Authority (SETA) is responsible for the disbursement of the training levies payable by all employers
- Introduced in 1998, learnership is a work-based learning programme related to a specific field of work. SETAs oversee learnerships and ensure that they offer qualifications related to a specific occupation or sector of the economy
  - Learnerships are available for young people who have completed school, college or learning at other training institutions
  - In order to graduate, learnerships require the learner to complete a theoretical course and practical training which involves hands-on, practical learning in a workplace
- While learnership programmes are in place for multiple sectors across South Africa, the maximum uptake has been witnessed for IT (end-user computing, technical services) and banking related services (wealth management and insurance)

Jobs Fund

- The role of the Jobs Fund in South Africa is to co-finance various organizations (public, private, NGO, etc.) and their projects, which are expected to result in subsequent job creation
- This fund has contributed greatly in the areas of infrastructure development, institutional capacity building, and enterprise development. Additionally, it has helped directly create jobs by supporting training programmes, entrepreneurial development, and job placement services
  - One of the most successful examples is that of the Harambee Youth Accelerator project which aims to address youth unemployment challenges through personal development, skills enhancement, and formal job placement
  - As of now, Harambee has successfully placed more than 10,000 candidates with various project partners

Monyetla Work Readiness Programme

- The Monyetla Work Readiness Programme was piloted in 2008 by **the dti**. It is a demand-driven skills development programme that aims to increase the talent pool for the BPO and offshoring industry
- The implementation model of this programme is different in the sense that it is driven by employers, recruitment agencies and training providers to ensure that at least 70% of the trainees are employed for at least six months. Additionally, it focuses on getting young unemployed people work ready through formal accredited training
- Typically, 3,000 people are trained in every cohort. Currently, five phases of the programme have been introduced for subscription and more may be under way

Source: BPESA, Everest Group (2019)

South Africa offers a robust and enabling environment in terms of the development of skilled talent

Support programmes at the provincial / city level for skill development and job creation

Skills Supply Chain programmes

- City governments have instituted training programmes in line with the growing pressures for quality talent in the BPO sectors
  - The city of Tshwane has been investing in the capacitation of entry-level skills in the greater Tshwane region so as to ensure that there will be a suitable supply to the market as it grows organically
    - It introduced a skills supply chain in conjunction with BPESA and other industry role players by providing funding, work readiness training of eight weeks, and generic qualification training for three weeks. Thereafter, the work seekers were placed in a learnership programme for a year during which the employers provided workplace learning opportunities. At the end of the programme, trainees who were not given permanent placements were shifted into other BPO environments by BPESA
    - Through this programme, 98% of the people who started the programme finished the qualification and ~80% of them found permanent jobs in the BPO sector
    - This model will be applied for staffing in the new BPO park in Tshwane to support investors and will also be adopted as an integrated skills supply chain model in the region
  - A similar programme was introduced by the Ethekwini municipality
    - The initial investment was made into a shortened, 5-day work readiness programme in which impact sourcing candidates were given English language training to complement their more typical work readiness curriculum and were accordingly tested for employability and operational performance
    - The pilot proved very successful with all participants, demonstrating an increase in competence in their English reading and listening skills. The programme is being rolled out to more participating BPO companies and at a larger scale with a further 400 work seekers to undergo the same training over the next two years
  - Additionally, the city of Cape Town has also invested in various skills supply initiatives. Most recently, it has partnered with BPESA to implement a work readiness and workplace learning programme for international operators training 200 people for entry-level roles

Leadership academies

- While there are a large number of programmes focused on entry-level talent, leadership academies, such as Tula Leadership Academy supported by OnTrac, are more focused on bringing about an improved understanding of operational and performance metrics and how they impact an organization
- Such programmes arm the trainees with statistical tools to improve performance management, incentive management, attrition, team management, customer-centricity, coaching & training for junior resources, and other forms of people development

Source: BPESA, Everest Group (2019)

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South Africa offers a robust and enabling environment in terms of the development of skilled talent
Specific programmes aimed towards contact center skill development

Development of a community-based contact center in provinces across South Africa to build a skills pipeline

- In order to reduce the degree of unemployment in the country and promote the outsourcing industry, the city government, BPESA, call center companies and other industry stakeholders are planning to build contact center communities in nine provinces of the country
- The first community will be established in the form of a pilot programme in Delft in Cape Town. This will be a partnership between Zoe Incubation Center (NPO) and Zailab (software and communication device company)
  - The objective is to establish a state-of-the-art contact center and training academy which will provide theoretical and practical training in a state of the art contact center
  - The pilot will result in the employment/placement of 67-100 agents
  - The second phase of the model is expected to expand into the home-based agent model
- This project is expected to create employment opportunities that are closer to home. Additionally, it offers a training programme that covers core competencies, required skills for managing a business, call center training, marketing and sales, etc. The partnership with Zailab is expected to bring to the workplace high-end technology solutions that enhance communications
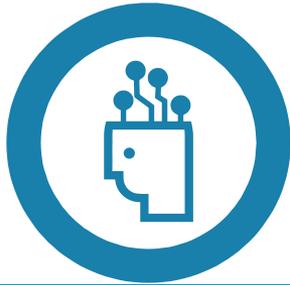
Implementation of 200 call center learnerships in the Western Cape through impact sourcing and skills incubation in May 2018

- The City of Cape Town, BPESA, the Department of Economic Development and EOH Digital have decided to collaborate in the implementation of 200 call center learnerships in the Western Cape as part of a pilot programme
- The learnerships will be conducted by EOH which will provide work readiness and a National Qualification Framework training, and ensure workplace practical training (through a host employer) for a period of one year
  - The work readiness training will focus on workplace coaching, soft skills training, and life skills training (verbal skills, relation skills, decision-making skills, etc.)
  - The NQF training is intended for people who are already working in the contact center or the broader BPO sector
- The trained members of the programme will spend 10 months with a host employer, i.e., an international captive/service provider. Additionally, the employer will hire at least 70% of the learners who complete the learnership in a permanent capacity
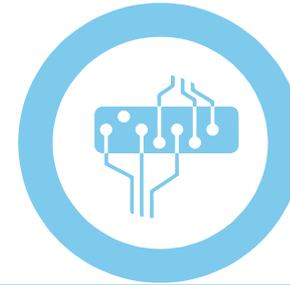
Source: BPESA, Everest Group (2019)

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Next-generational skill development initiatives (page 1 of 2)

CapaCiTi tech skills and job readiness programme:
- Cape Innovation and Technology Initiative (CiTi) was established in 1999 in Cape Town to provide space for startups to grow. It now offers a variety of coding, tech, and soft skills to unemployed youth along with psychological and mentoring support
- Typical areas of work for placed students include IT infrastructure and networking, cloud architecture development, and big data analytics
  - More than 1,000 learners have been trained till date with 97% placed in internships and 82% in jobs
  - As of April 2018, CiTi has committed to train more than 3,000 unemployed youths in the next three years; it has received additional funding from BCX (R100m), the Jobs Fund (R75m) and other corporates for this purpose
- Key partners include PricewaterhouseCoopers, Old Mutual, T-Systems, Barclays, Thomson Reuters, Blockchain Academy, and Edro Robotics
- Citi is also partnering with Business Connexion Group (BCX) for developing courses and curricula in disruptive areas, such as geomatics, internet-of-things, cybersecurity, and artificial intelligence

University of Western Cape analytics programme:
- The University of Western Cape conducted a large research project in 2014 to determine the strategies of 80-odd companies with respect to digital skills and the perceived lack in training / upskilling and reskilling people for these skills through university degrees
- This resulted in thought leadership between the industry and academia to develop co-designed degrees for various digital skills
  - As part of this initiative, the University of Western Cape started offering a diploma for analytics and business intelligence since 2017. It comprises analytical and qualitative studies in the areas of business management, information systems, statistics, and computer science
  - It is one of the first programmes in the country which offers both online and campus learning for employed and unemployed students
  - As part of the first cohort of 33 students in 2017, six students found internships and five students were employed in the jobs of their choice
  - Additional Masters level programmes have been introduced in digital logistics, data science and virtual reality

Source: Interviews with CiTi, University of Western Cape, Everest Group (2019)

South Africa offers a robust and enabling environment in terms of the development of skilled talent

Next-generational skill development initiatives (page 2 of 2)

ImpaCT:
- ImpaCT is an initiative by the Johannesburg Center for Software Engineering that seeks to stimulate scholars' interests in the ICT industry
  - Learners are challenged to develop apps, games, programs, websites and other ICT artefacts. They are also exposed to the latest technological developments
- In 2017, ImpaCT's focus was on game development wherein the learners had to identify issues in the areas of defence, education, healthcare, emergency management, city planning, engineering, and politics and propose an innovative game that would help deal with the issue
- Since its inception, ImpaCT has affected over 1,000 students from over 40 schools. A large percentage of these students are currently enrolled in ICT-related degrees and approximately 120 students have developed marketable games, websites, designs, and apps

Tshimilogong Digital Innovation Precinct:
- The University of the Witwatersrand and its partners launched the Wits Tshimologong Digital Innovation Precinct in Johannesburg in 2016
- This precinct is a new-age software skills and innovation hub for providing an environment that will attract programmers, designers, developers, and entrepreneurs with an interest in digital innovation and entrepreneurship
  - It includes a suite of ICT-related offerings in research, courses and programmes in software engineering, data science, big data, digital business, and others
  - People can work in formal and informal membership-based groups, where they can connect, take courses, locate tutors and advisors, and access Wi-Fi zones & hot desks
- In 2017, Business Connexion Group announced its partnership with the Tshimologong Precinct to create a new innovation center aimed at building an ecosystem of support in business mentoring, coaching, technology, and funding for technology-focused small businesses

Source: Everest Group (2019)

South Africa offers a robust and enabling environment in terms of the development of skilled talent

Industry-wide initiatives introduced by BPESA

Collaboration for skills development

- BPESA facilitates collaboration among private and public sector companies across the skills supply chain (from high school to university and business school level) for the following:
  - To share knowledge and work together on targeted projects
  - Adopt standards or guidelines for work-readiness and work place learning that support the BPO sector and that will gear it for future skill requirements driven by RPA, IoT, analytics, etc.

Skills portal

- The BPESA skills portal enables BPO operators and suppliers of skills development services and products to interact via a single platform
- In its current state, this portal enables suppliers to list their services & products and map them to key competencies identified for priority roles in the BPO sector. Operators can then source programmes and providers for specific skill development interventions and engage them directly online
- In its future state, the portal will expand to an industry-wide LMS that work seekers and incumbent employees can use to reskill, upskill, and develop themselves

Skills forums

- BPESA facilitates quarterly forums across the country for skills practitioners. The short term goal of the forums is to facilitate technical inputs to the review and design of the BPO strategy that will align to the country's sector development strategy
- The secondary objective of the forums is to create a networking and knowledge sharing opportunity for skills practitioners across the skills supply chain

- BPESA helped shape and build the international Customer Contact Centers (CCC) standards for the world. The ISO 18295, parts 1 and 2, were launched in 2017 for adoption by both captive / in-house centers as well as BPOs / third-party operators and clients or users of CCCs
- These standards were modelled on those developed by BPESA, **the dti**, and numerous industry stakeholders in 2010 for domestic delivery in South Africa. BPESA continues to be the custodian for ISO 18295

Invest SA is a one-stop-shop that caters to prospective investors' and industry stakeholders' interests in the GBS space

Overview

- Invest SA is a division of the South African Department of Trade and Industry (**the dti**), providing a one-stop-shop service to investors. They provide investment promotion, facilitation, and aftercare which is geared towards fast-tracking projects and reducing government red tape
- Invest SA facilitates the increase in the quality and quantity of foreign and domestic direct investment by providing an investment recruitment, problem-solving, and information service in order to retain and expand investment in South Africa and Africa

Services offered

- **Investment information**
  – Economic environment
  – Regulatory environment
  – Legal environment and compliance
  – Industrial development and financial support
  – Investment guides

- **Investment facilitation**
  – Inter-governmental coordination and facilitation
  – Licensing, company registrations, and work permits
  – Municipal facilitation
  – Incentives facilitation
  – Location analysis and facilitation
  – Critical infrastructure and utilities
  – Introduction to financial institutions and funding opportunities
  – Priority sectors, designations, and localisation
  – Site visits and Business to Business programmes
  – Partnerships with stakeholders

  – Company verifications
  – Enterprise development and supplier development
  – Introduction to raw materials
  – Advice on customs clearing
  – Investment promotion and international investment missions
  – Facilitation by **the dti** representatives stationed world-wide

- **Aftercare services**
  – Advice in recruitment, talent and skills
  – Advice on lifestyle amenities (e.g., location of housing and schools)
  – Policy advocacy
  – Investor surveys
  – Business forums
  – Retention and expansion services

Source: InvestSA, Everest Group (2019)

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Base incentive:
- The base incentive component of the Global Business Services (GBS) incentive offers a differential incentive for non-complex jobs, complex jobs, and highly complex jobs and is paid for a period of five years from the date on which offshore jobs are created
- The base incentive will be determined at the application stage depending on the fully-loaded operating costs

Bonus Incentive:
- The bonus incentive for non-complex jobs is available to applicants that create and maintain more than 500 offshore jobs over a five-year period
- The bonus incentive for complex jobs is available to applicants that create and maintain more than 200 offshore jobs
- The bonus incentive for highly-complex jobs is only available to applicants that create and maintain more than 100 offshore jobs

Non-complex jobs (Tier-1/L1 jobs)
Defined as jobs where the fully-loaded operating cost is less than or equal to R300,000 per annum

Number of offshore jobs	Incentive	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025[1]
Up to 500	Base Incentive	ZAR 30,000	ZAR 30,000	ZAR 30,000	ZAR 26,000	ZAR 26,000	ZAR 26,000
> 500 but <= 1000	20% once-off bonus	Bonus calculated for each job created and maintained between 501 and 1000					
> 1000	30% once-off bonus	Bonus calculated for each job created and maintained in excess of 1000					

1   Same amount till 2027/2028
Note   Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: the dti, Everest Group (2019)

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South Africa offers a unique incentives programme for a variety of jobs created in the GBS sector (page 2 of 4)

Complex jobs (Tier-2/L2 jobs)
Defined as jobs where the fully-loaded operating cost is greater than R300,000 per annum per job with wages contributing at least 65% of the operating cost base for a steady state of operation

Number of offshore jobs	Incentive	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025[1]
Up to 200	Base Incentive	ZAR 45,000	ZAR 45,000	ZAR 45,000	ZAR 40,000	ZAR 40,000	ZAR 40,000
> 200 but <= 400	20% once-off bonus	Bonus calculated for each job created and maintained between 201 and 400					
> 400	30% once-off bonus	Bonus calculated for each job created and maintained in excess of 400					

Highly-complex jobs (Tier-3/L3 jobs)
Defined as jobs where the to fully-loaded operating cost is greater than R600 000 per annum per job and wages contributing at least 65% of operating cost base for a steady state of operation

Number of offshore jobs	Incentive	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025[1]
Up to 100	Base Incentive	ZAR 60,000	ZAR 60,000	ZAR 60,000	ZAR 55,000	ZAR 55,000	ZAR 55,000
> 100 but <= 200	20% once-off bonus	Bonus calculated for each job created and maintained between 101 and 200					
> 200	30% once-off bonus	Bonus calculated for each job created and maintained in excess of 200					

1   Same amount till 2027/2028
Note   Exchange rate: 1 US$ = 14.37 ZAR (yearly average from 20 October 2018 - 20 October 2019)
Source: the dti, Everest Group (2019)

Key Incentives	Description
Employment Tax Incentive (ETI)	- The ETI is an incentive aimed at encouraging employers to hire young work seekers - It reduces the employer's cost of hiring young people through a cost-sharing mechanism with the government - It allows the employer to reduce the amount of "Pay-As-You-Earn" (PAYE), which is the tax that employers must deduct from the income of employees as a form of advance payment on taxes due while leaving the wage of the employee unaffected - Employers will be able to claim the incentive for a 24-month period for all employees who qualify
SEZ Incentive	- SEZ incentives include: - Preferential 15% corporate tax: Reduced rate of corporate income taxation - Building Allowance: An accelerated 10-year tax allowance on buildings - Employment Incentive: Tax relief for employers employing low-salaried employees (below R60,000 per annum) - Customs Controlled Area: VAT & customs relief for businesses and operators located within a customs controlled area
Seda Technology Programme (STP)	- STP has two main objectives: - To provide technology transfer services to small enterprises - To provide specific technology support to women-owned enterprises - STP offers financial assistance in the form of a non-repayable grant up to a maximum of **ZAR 600,000 per project**

Key Incentives	Description

Support Programme for Industrial Innovation (SPII)	• The SPII is designed to promote technology development in South Africa's industry, through the provision of financial assistance for the development of innovative products and/or processes. SPII is focused specifically on the development phase, which begins at the conclusion of basic research and ends at the point when a pre-production prototype has been produced
	• The SPII offers two schemes:
	  – SPII Product Process Development (PPD) Scheme; and
	  – SPII Matching Scheme

Sector Specific Assistance Scheme (SSAS)	• The SSAS is a reimbursable cost-sharing incentive scheme whereby financial support is granted to organizations supporting the development of industry sectors and those contributing to the growth of South African exports. The objective of the scheme includes
	  – Developing an industry sector as a whole and a new export markets
	  – Stimulate job creation and broadening the export base
	  – Proposing solutions to factors inhibiting export growth
	  – Promote broader participation of black owned and SMME's to the economy

Export Marketing & Investment Assistance Scheme (EMIA)	• The EMIA scheme develops export markets for South African products and services and to recruit new foreign direct investment into the country
	• The objectives of the scheme is to
	  – Assist with facilitation to grow FDI through missions and FDI research
	  – Increase the contribution of black-owned businesses and SMMEs to South Africa's economy
	  – Assist with the identification of new export markets through market research
	  – Assist companies to increase their competitive by supporting patent registrations, quality marks and product marks

Source: the dti, Everest Group (2019)

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Details on operating cost
Contact center

Operating cost per FTE for contact center
2019; US$ '000s per annum per FTE

Location	Total salaries and benefits	Infrastructure, management and administration cost	Technology and other costs	Total operating cost
India (Bangalore)	4-8	2-4	2-4	9-13
Philippines (Manila)	4-8	3-5	3-5	12-16
South Africa (Cape Town)	7-11	2-3	3-5	14-18
Poland (Krakow)	16-20	3-5	2-4	24-28
Scotland (Glasgow)	28-32	6-8	3-5	38-42
England (Manchester)	30-34	9-11	6-8	46-50
Ireland (Dublin)	34-38	9-11	5-7	50-54
Australia (Sydney)	38-42	8-10	5-6	53-57
US (Tampa)	42-46	8-10	4-6	56-60

Note   Apart from South Africa, Poland offers certain incentive schemes; these are specific to the initial capital investment made by the company and the number of jobs created. They do not exceed ~US$ 4,000 per FTE
Source: Everest Group (2019)

Details on operating cost
IT

Operating cost per FTE for IT
2019; US$ '000s per annum per FTE

Location	Total salaries and benefits	Infrastructure, management and administration cost	Technology and other costs	Total operating cost
India (Bangalore)	9-13	2-4	2-4	15-19
Philippines (Manila)	11-15	3-5	3-5	20-24
South Africa (Cape Town)	23-27	2-3	3-5	31-35
Poland (Krakow)	31-35	4-6	5-7	43-47
England (Manchester)	70-74	14-16	6-8	92-96
Ireland (Dublin)	68-72	14-16	7-9	92-96
Scotland (Glasgow)	69-73	14-16	7-9	93-97
Australia (Sydney)	82-86	14-16	8-10	109-113
US (Tampa)	96-100	14-16	9-11	123-127

Note   Apart from South Africa, Poland offers certain incentive schemes; these are specific to the initial capital investment made by the company and the number of jobs created. They do not exceed ~US$ 4,000 per FTE

Source: Everest Group (2019)

Details on operating cost
Entry-level salaries for contact center and IT

Entry-level salary for 0-2 years work experience
2019; US$ '000s per annum per FTE

Location	Contact center	IT
India (Bangalore)	4-6	7-9
Philippines (Manila)	4-6	8-10
South Africa (Cape Town)	5-7	16-18
Poland (Krakow)	12-14	23-25
Scotland (Glasgow)	21-23	48-50
England (Manchester)	22-24	50-52
Ireland (Dublin)	28-30	50-52
Australia (Sydney)	34-36	66-68
US (Tampa)	38-40	80-82

Source: Everest Group (2019)

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