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BPO industry growth in SA

Factors at work that inhibit and uplift the telecommunications market

Abstract

The cost of telecommunications prevails as a primary inhibitor for the growth of the BPO industry in South Africa. Despite this however, South Africa has established itself as a lucrative outsourcing hub on the strength of overall quality of services delivered. Expanding undersea cable networks, increased Government support, increased broadband bandwidth capacity, use of robotics, increased skills development and access to growing skills pools as well as lower business broadband costs required to boost this industry further. This paper examines some of these factors and provides recommendations to grow the BPO industry in South Africa.

Background

As the global economy increasingly shifts towards a digital economy, it becomes very important for telcos to provide competitive voice and data services. The cost of business broadband connectivity and associated services are quite high in the Africa region when compared to other parts of the world. There are a number of factors behind this which are inextricably linked to the growth of the Business Process Outsourcing (BPO) business in South Africa. Although, the cost of telecoms for consumers in South Africa has reduced significantly in the past few years; in order to compete with well-established outsourcing destinations such as India, increased lowering of telecom's pricing in the business sector would place South Africa on a solid footing to attract more growth to the BPO industry.

South Africa has been able to successfully position itself as an emerging offshoring destination for voice as well as non-voice services. The South African BPO industry accounted for 1% of the global BPO revenue in 2014 and is expected to account for 4% of global revenues by 2030[1]. In addition, three South African cities feature in the top 100 global outsourcing destinations. Johannesburg leads the pack (#20), followed by Cape Town (#56) and Durban (#100)[2]. The number of international jobs in South Africa increased by 23%, from 21 700 in 2014 to 26 700 in 2015. These captive centres account for close to 64.1% of the total Business Process Management (BPM) market dominated by the Gauteng Province.

In addition to Call Centre solutions, the most sought after service from a vertical perspective in South Africa, has been in the finance and accounting sector which accounts for 50% of the market. Talent also plays a key role in the growth of the outsourcing industry e.g. with the focus on Artificial Intelligence (AI) and analytics driven solutions, South Africa has a larger number of actuarial resources when compared to India, and can provide support in a number of languages including French and Spanish. The use of AI and robotics as a complementary strategy to human resources can help the South African BPO industry pull away from it's competitors in the EMEA region.

[1] South Africa's Big Five - Bold priorities for inclusive growth by McKinsey
[2] Tholons 2016 Top 100 Outsourcing Destinations

South Africa's position as an outsourcing destination is strengthening

A number of studies indicate that extended telecom's reach is essential for growth and business viability within an information-focused global economy. Accessibility and affordability of telecoms is pivotal to the success of the BPO industry in South Africa. The South African BPO industry is a significant GDP contributor and employment creator in the country. As per Business Process Enabling South Africa (BPeSA), the BPO sector contributes ZAR50 million to the country's national annual GDP and provides employment to approximately 215 000 people.

However, the overall cost of wireless and fixed line tariffs is an inhibitor, impeding the growth of the BPO industry in South Africa. Alongside this, factors such as Government support, availability of the labour pool, linguistic capabilities, cultural compatibility, and legal structure also play an important role in establishing overall differentiation in terms of destination advantage. While South Africa is performing relatively well within it's EMEA peer group, much **more has to be done to make South Africa globally competitive** while India remains entrenched as a firm leader in the BPO space.

South Africa has been able to succesfully establish itself as an emerging outsourcing destination not only for Call Centres but also for high-end BPO services such as analytics and Legal Processes Outsourcing (LPO). South Africa's BPO industry grew 18% Year-on-Year (YoY) between 2010 and 2012, on an estimated base revenue of $825 million in 2010, to $1.1 billion in 2012. In 2014, South Africa accounted for 1% of the global Business Process and Information Technology outsourcing market ($151 billion, 2010 prices) and has the potential to increase its market share by an additional 3% through to 2030[3].

While this expected growth benefits from, amongst other factors, a positive business environment and infrastructure, it is challenged by cost and labour pool availability for higher-end services. These challenges can hamper South Africa's prospects when compared to other emerging outsourcing destinations such as Brazil, Ghana, Kenya etc., where some of these factors are more favourable. In India, the Government introduced attractive policies for the BPO industry, along with providing Special Economic Zones (SEZ) and industrial parks with various tax relaxations. These pro-IT government interventions continue to focus on developing higher-quality infrastructure and communication systems that act as a primer for the overall growth of the industry.

Based on Gartner studies[4] conducted earlier this year, more than 85% of enterprises select more than one location to provide offshore, nearshore or onshore outsourced solutions. South Africa is categorised as a primary location within the EMEA region whereby South Africa is an attractive option based on overall value, cost and risk. This study comparatively examined Language, Government Support, Labour pool, Infrastructrure, Educational System, Political and Economic Environment, Cost[5] (Labour), Cultural Compatibility, Global and Legal Maturity as well as Data/IP Security and Privacy.

In addition to the cost of labour, the following factors play a crucial role in establishing a location as an outsourcing hub of choice:

- Telecommunications costs
- Talent pool
- Cultural affinity
- Legal system
- Linguistic capabilities
- Government support
- Infrastructure e.g. electricity, roads etc.

[3] Souce: BPeSA
[4] Source: Gartner – Evaluate Offshore/ Nearshore countries for outsourcing, Shared Servces and Captives Worldwide, 2016; – Evaluate Offshore/ Nearshore countries for outsourcing, Shared Servces and Captives in EMEA, 2016
[5] Indicative cost of labour based on the cost of the Application Developer role in the US market

Introduction

South Africa's country comparison versus established BPO competitors in the APAC region

The Gartner study stated that the cost of telecoms in South Africa is less competitive than that of global competing destinations such as the Phillipines and India and described this as a risk factor. South Africa can also do much more to enhance its ranking by addressing factors such as increased Government Support, Labour as well as Educational System interventions. An elaboration of some of these factors is presented below.

	Language	Governance Support	Labour Pool	Infrustructure	Educational System	Cost	Political and Economic Environment	Cultural Compatibility	Global and Legal Maturity	Data/IP Security and Privacy
South Africa	9	6	4	5	4	5	4	9	6	4
India	8	9	9	5	7	8	8	7	5	5
Philippines	9	6	8	5	5	8	6	7	4	4

(Source: Excerpt from Gartner Evaluate Offshore/Nearshore countries for outsourcing, Shared Servces and Captives in EMEA, 2016)

Cost of telecoms in South Africa –

a prevailing concern for the growth of the South African BPO industry

South Africa's telecoms industry, particularly the mobile segment, has grown rapidly in the last one and half decades amidst aggressive market competition. According to the Economist Intelligence Unit (EIU) forecasts, mobile subscriptions are expected to grow by an annual average of 1.2% during 2015-19, resulting in over 84 million mobile subscribers by 2019. This high penetration can be attributed to individual ownership of multiple mobile phones and devices and a continued increase in disposable income. As per market estimates, the Average Revenue Per User (ARPU) is set to decline steadily towards 2020, although this declining trend will not be sharp. This soft ARPU decline is expected to be supported by a strong growth in 4G/LTE connections and the ARPU is projected to reach ZAR82 by the end of 2020 from ZAR88.8 in 2014[6].

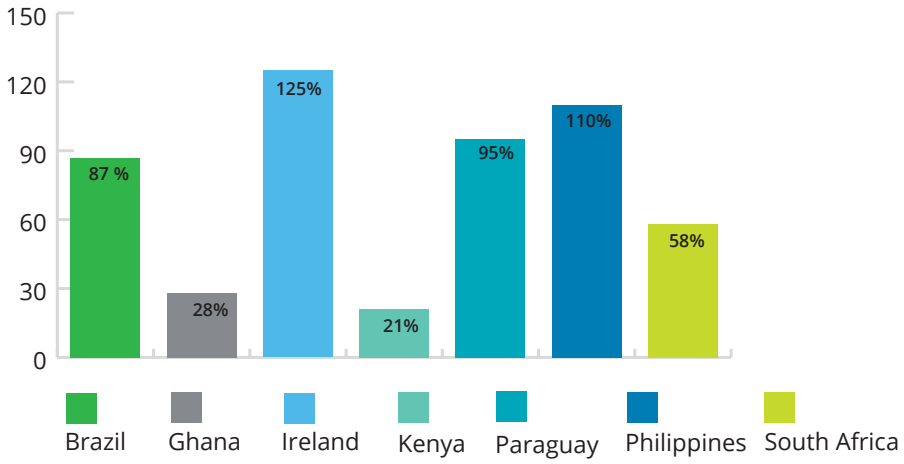
[6] BMI South Africa Telecommunications Report 3Q2016

Cost of Telecoms

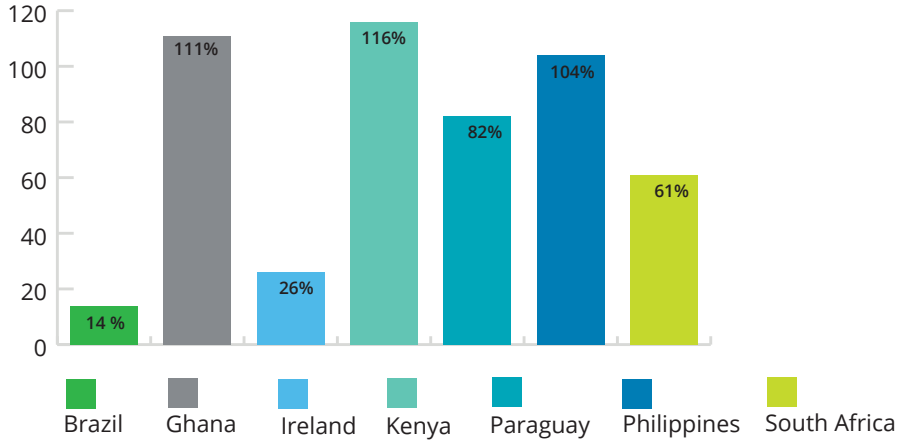
- As per the Global IT Report 2016 published by the World Economic Forum (WEF), South Africa ranks 58 and 61 (out of 139 countries) in terms of prepaid mobile cellular tariffs and fixed broadband internet tariffs, PPP USD per minute, respectively. Based on this ranking, the cost of telecoms is still much higher when compared to leading outsourcing destinations such as India and the Philippines.
- Lower telecoms tariffs are recognised as a major success factor for the growth of the BPO/BPM industry, along with the other factors cited above. India, for instance, ranks 5 and 36 in terms of mobile cellular tariffs and fixed broadband internet tariffs respectively[7].

Affordability of Telecommunications (Ranks out of 139 countries)

Prepaid mobile cellular tariffs, PPP $/min



Fixed broadband Internet tariffs, PPP $/month



(Source: World Economic Forum, Global IT Report 2016)

[7] World Economic Forum Global IT Report 2016

While it has been widely recognised that there is a continued decline in fixed-line services in South Africa, this is in keeping with global trends. The cost of fixed-line subscriptions in terms of Gross National Income per capita (GNI p.c.) is nevertheless higher than that in competing outsourcing destinations like Ireland and Brazil, as seen in the Table below.

Comparative view: Affordability of fixed line telephones in terms of GN:

Fixed Line Telephone prices, 2014				
Country	Rank	As % of GNI p.c	USD	PPP$
Brazil	98	1.90	18.50	24.28
Ghana	108	2.24	3.30	10.79
Ireland	69	1.21	43.38	33.62
Kenya	155	13.19	12.74	28.31
Paraguay	114	2.52	8.42	15.83
Philippines	140	5.79	15.77	36.15
South Africa	120	2.70	17.23	36.19

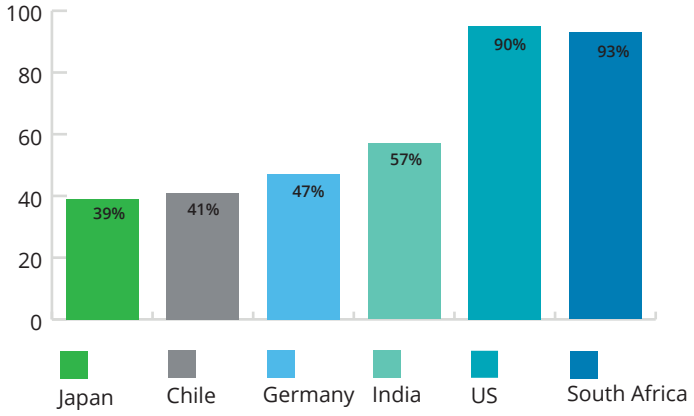
(Source: Measuring the Information Society Report, 2015, ITU)

Shifting to broadband, South Africa remains one of the more expensive destinations. Most of the competitive markets are in Western Europe where broadband plans with 10-16 Mbps of downstream bandwidth costs less than $50. Also, similar plans are cheaper in a number of East Asian countries (i.e. Taiwan, Japan and Vietnam).

Business broadband prices are specifically higher in African countries, where the 10-16 Mbps and equivalent plans cost $93 in South Africa, $161 in Nigeria and $352 in Kenya[8]. The price difference between countries is a clear indication of the broadband infrastructure, population density, the local cost of wholesale IP transit and competition. Price differences between countries within the same region are typically a function of upstream bandwidth, geography in respect of landlocked countries and configuration of international gateways, international connectivity, data limits and domain hosting.

[8] Business Broadband Prices vary widely by Geography - TeleGeography

Median monthly 10-16 Mbps business broadband price by country



With regard to mobile connectivity, rankings released by the ITU, there is a clear indication that mobile cellular affordability is still higher in the developed countries against that of their developing counterparts. Interestingly, from a GNI p.c. perspective, Africa still has prohibitive mobile cellular tariffs, largely due to its much lower level of GNI p.c. Yet, despite having a lower GNI p.c., countries such as Ghana, Kenya and Nigeria have been able to provide more affordable mobile cellular tariffs (less than $6.5 per month) as compared to South Africa. Within the sub-Saharan Africa region countries such as Mauritius, Seychelles and South Africa offer cheaper services. This trend suggests further scope for South Africa to reduce prices which may be achievable through more effective regulations and/or private sector initiatives working in partnership with Government. It must be borne in mind that the cost of connectivity affects both consumers as well as businesses linked to the BPO/BPM industry e.g. customers calling into Call Centres, online support being provided via connected devices, Cloud services etc.

Comparative view: Affordability of fixed broadband in terms of GNi

Fixed Line Telephone prices, 2014						
Country	Rank	As % of GNI p.c	USD	PPP$	Speed (Mbit/sec)	Cap/month (GB)
Brazil	45	1.30	12.66	16.62	1	Unlimited
Ghana	141	15.68	23.11	75.51	4	20
Ireland	11	0.76	23.88	18.51	100	30
Kenya	153	35.32	34.11	75.81	0.26	Unlimited
Paraguay	113	6.12	20.44	38.42	0.75	Unlimited
Philippines	122	8.27	22.50	51.59	3	Unlimited
South Africa	74	2.46	15.20	31.49	2	10

(Source: Measuring the Information Society Report, 2015, ITU)

State of telecoms infrastructure

Excluding satellite connectivity, South Africa is at present connected to the rest of the world mainly through five submarine cables, viz.; WACS, Seacom, SAT-3, SAFE and EASSy, which at a consolidated capacity level offer multiple terabits of bandwidth. The number of undersea cables has doubled in the last three years, and an additional three high-capacity cables are due to become active in the coming years viz.; MTN and Telkom have signed a Memorandum of Understanding (MoU) for a new submarine cable system referred to as Africa-1. The other participants in the MoU are Saudi Telecom Company (STC), Telecom Egypt and PCCW Global (Hong Kong). Plans refer to this cable as being 12 000 km long and runs along Africa's East Coast moving towards Saudi Arabia, Egypt and Pakistan. In addition to boosting capacity and linking in new markets, the new cable is also expected to lower the overall pricing of broadband and retail data services[9].

As of July 2015, the undersea cable capacity reached 87.54 terabits per second provided by 10 providers, viz.; Seacom, EASSy, TEAMs, WACS, MainOne, GLO1, ACE, SAex, WASACE, and BRICS. BRICS (planned optical fibre submarine communications cable) will connect all the BRICS nations (Brazil, Russia, India, China and South Africa). This cable project was announced in 2012 and awaits completion. With an approximate length of 34 000 km (Vladivostok in Russia to Miami in the US), this cable will be the third longest by the time of its intended completion. The BRICS cable will also be connected into the WACS cable on the West Coast of Africa, and the EASSy and SEACOM cables on the East Coast. This cable is expected to especially benefit South Africa as it will, after completion, serve as a gateway to the rest of Africa. The BRICS cable is also expected to lower costs for connectivity into and out of Africa, as most of the African countries at present use hubs located mainly in Europe.

It is of interest to note that recently, due to an insurgence in volume of data generated at a global level, companies such as Microsoft, Google and Facebook have decided to develop their own marine cable systems. Facebook and Microsoft are laying massive cable infrastructure across the middle Atlantic which will connect Virginia, US to Bilbao, Spain (6 600 km)[10]. Google has invested in two undersea cables (one from the West Coast of the US to Japan and another which connects the US to Brazil, along with a network of cables connecting various parts of Asia. Therefore instead of typically leasing bandwidth on existing undersea cables and terrestrial connections operated by telcos, these companies are building their own networking infrastructure. Should these companies allow leasing of their bandwidth, this could provide alternative infrastructure and through competition result in an overall lower pricing of bandwidth or on the converse if not monitored and managed could lead to duplicate infrastructure investment.

A marked increase in undersea cable investment, as well as upgraded capacity within these cable facilities have positioned South Africa much higher than countries competing for global BPO/BPM market share. South Africa's ranking has improved substantially from #128 in 2015 to #18 in 2016[11]. Despite having a high quality of overall infrastructure and being elevated in position, South Africa still ranks poorly at #128 in terms of international internet bandwidth kbps per user. Pitted against other emerging outsourcing economies such as the Philippines, Brazil, Kenya, Ghana and Paraguay, South Africa ranks the lowest.

Lastly, South Africa has been relatively unsuccessful in following a dual fixed line and wireless strategy to harness the potential of broadband connectivity across the country. There has been a protracted delay in the freeing up and allocation of much needed spectrum in South Africa, a factor that is impeding the achievement of broadband coverage targets as defined in the South Africa Connect Policy. The Independent Communications Authority of South Africa (ICASA) has recently invited applications for 700MHz, 800Mhz and 2.6GHz spectrum licences via an auctioning process. This move has however triggered legal action[12] from the Department of Telecommunications and Postal Services (DTPS) with some of the reasons for concern being cited as a need for inter-Governmental support and planning alignment given that the spectrum is not entirely immediately available pending completion of the digital broadcasting migration programme and the achievement of

[9] IT Web – MTN, Telkom collaborate on new undersea cable
[10] Wired Business – Microsoft and Facebook are laying a giant cable across the Atlantic
[11] World Economic Forum Global IT Report 2016
[12] Source: Fin 24, ICASA's broadband spectrum sale hits another snag, 08 August 2016

Analogue Switch Off (ASO). Another reason being cited is that the process needs to cater for new market entrants. By way of comparison, BPO market leader, India, has been actively auctioning bandwidth for a few years now and linked to this, the overall telecoms, BPO and BPM industries in India have collectively gained multiple and enduring growth benefits.

By now, it is an established fact that increased broadband access along with higher-speed internet can be a windfall for a country's economic growth and job creation. Greater access and faster connections accelerate business development by providing new prospects for innovation and growth. Innovation in turn drives sustainable growth and competitive advantage. For fixed broadband internet tariffs (PPP $/month), South Africa interestingly scores better than a number of its competitors including the Philippines, Kenya, Ghana and Paraguay. South Africa has all the requisite infrastructure to make its telecoms based services favourable for the BPO sector; however, it has thus far been unable to leverage the infrastructure to drive quality telecoms at lower costs. Unless this is addressed, South Africa is losing out on a major growth opportunity due to broadband coverage and the affordability of broadband.

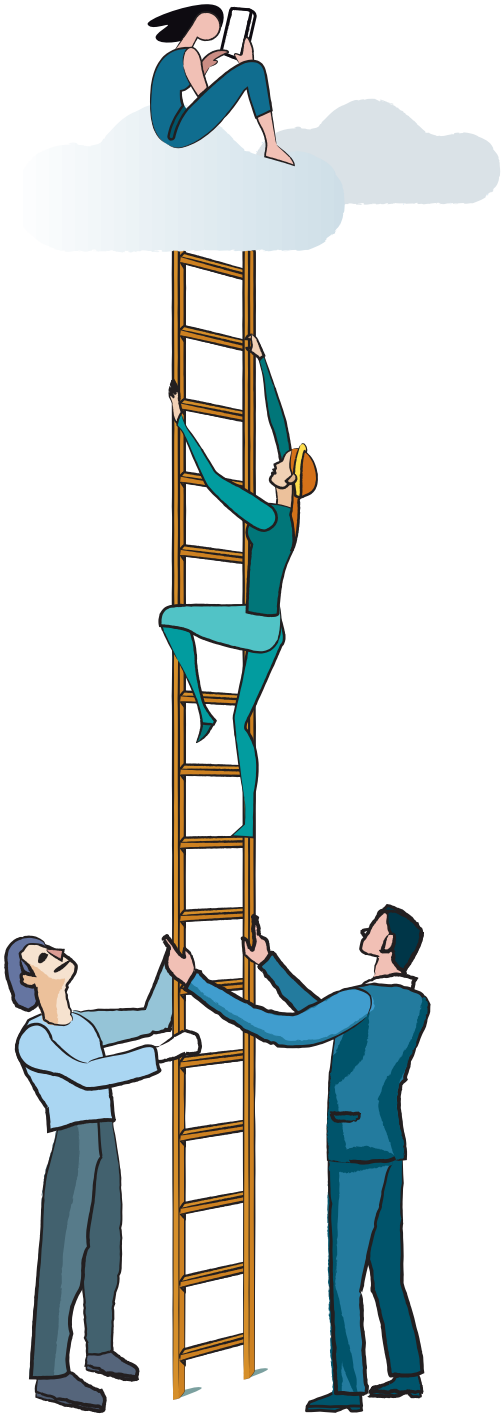
Status of overall infrastructure in South Africa

In reference to overall infrastructure, South Africa is better placed than Kenya, the Philippines, Ghana, Brazil and Paraguay, but lags behind Ireland, Norway, Sweden, the Netherlands, Singapore and Finland. South Africa boasts a good quality of overall infrastructure (road, railways, airport, electricity supply, etc.), with cities such as Johannesburg, Cape Town and Durban providing a first-world experience. During 2009-2014, the Government along with Public Agencies has invested more than ZAR1 trillion on infrastructure development projects. The Government has developed 18 Strategic Integrated Projects (SIPs). These SIPs include five geographically-focused SIPs, three energy SIPs, three spatial SIPs, three social infrastructure SIPs, two knowledge SIPs, one regional integration SIP along with one water and sanitation SIP.

South Africa is also progressing well to have a steady electricity supply. Eskom's large coal-fired plant Kusile, is under construction and expected to start commercial operation with full electricity generation by the second half of 2017. In terms of water infrastructure, the Government has increased its investment in recent years with firm plans for several large projects over the next two decades.

South Africa is also focusing on it's national transportation infrastructure with a number of investments in road, rail, ports and airports. Recent non-toll projects include the construction of the N4 Nelspruit bypass, rehabilitation of sections of the N2 (Eastern Cape, Western Cape and KwaZulu-Natal), upgrading of the R300 in the Western Cape, the N8 Bloemfontein airport interchange and N6 upgrades in the Eastern Cape. Thus the nine provinces in South Africa are already accessible via a good quality national highway, international and local airports as well as good provincial and metro road connectivity.

In the 2016 national budget, the South African Government further pledged billions of Rands to improve the existing quality of infrastructure. A few of the budget highlights include ZAR102 billion on water resources and bulk infrastructure, ZAR30.3 billion for national non-toll road network and ZAR13.5 billion for the Metrorail and Shosholoza Meyl projects - a division of the Passenger Rail Agency of South Africa (PRASA) that operates long-distance passenger rail services to subsidise passenger trips.



BPO Skills Pool

Quality of talent

South Africa has a relatively steady supply of quality labour as a result of its specialised training interventions and graduate output. The quality of accountants in South Africa is well-perceived in global communities where professional qualifications for accountants and actuaries are deemed similar to those in the UK. This factor becomes significant when considering high-end outsourcing work such as Back Office Finance Processing, Outsourced Procurement functions, Knowledge-as-a-Service etc.

South Africa also has a good talent pipeline of accountants and personnel with financial services capabilities, with 36 000 chartered accountants, 1 260 CFA charter holders and 920 qualified actuaries in the country. As per BPeSA estimates, 410 000 graduates are eligible to join the national BPO workforce every year. South Africa has been ranked third in terms of servicing clients in the English medium. Given the growth prospects for the BPO industry however, South Africa needs to churn out more talent with expertise to perform high-end services particularly for the Banking, Financial and Insurance sectors where South Africa is already operating off a position of strength.

Government Support to expand BPO Talent Pool

To promote the BPO industry and to create an adequate supply of talent, the South African Government has launched a number of schemes and taxation incentives for the establishment of infrastructure and skills-related support. One of the prominent initiatives is the Monyetla Work Readiness Programme. The prime focus of this program is to **increase the pool of employable entry-level personnel.** Through the Monyetla Work Readiness Programme, BPO employers lead a consortia approach to recruit and train entry-level staff, and the Government provides ZAR21.24 for every unemployed person trained. Some 4 500 learners have thus far been trained under the Monyetla programme and in the ongoing third phase, a further 3 000 learners are being covered. Sector Education and Training Authorities via the various SETAs, which address key sectors such as Banking, Insurance, Services, Finance and Accounting, as well as IT, collectively aims to speed up the development of locally developed Supervisors and Managers for the BPO industry.

Government launched the Business Process Services (BPS) incentive scheme in January 2011. This was later replaced by a revised BPS scheme, which will be in effect until 31 March 2019. As per the Department of Trade and Industry (the dti) estimates, 9 000 offshoring jobs have been created through the BPS incentive scheme. The main objective of this incentive programme is to create employment by servicing offshoring activities. The scheme additionally **helps to create youth employment opportunities** and contributes to South Africa's export revenues from offshoring services.

The Square Kilometre Array (SKA) project, which attempts to build the world's largest radio telescope, also presents multifold opportunities for South Africa. Due to the constraints for radio signal to be present in the SKA designated areas, this drives up the need for fibre and satellite based connectivity. The large volumes of data collected via the listening telescopes will also lead to increased utilisation of fibre networks[13] and require international connectivity into the other SKA farms located in the eight partner countries. In turn, these collosal volumes of data will need to be analysed using sophisticated algorithms and comparative techniques, creating an urgent need for universities to produce more data scientists.

Several bursary programmes are underway to supply the required talent pool for this high profile SKA global project. The Department of Science and Technology (DST) and the Council for Scientific and Industrial Research (CSIR) are actively involved in these bursaries aimed at churning out a large number of data scientists at a graduate and postgraduate level. The future resource base for the BPO/BPM industry will consist of an array of human resouces and AI based robotic tools to replace repetitive and/or manually intensive processes. Given a similar operating context whereby other industry verticals will also become reliant on the outputs from data analytics, e.g. understanding trends in diseases for the health and insurance industries, the BPO/ BPM industry should look to leverage the data scientist bursary programme to create future skills to grow the outsourcing industry in South Africa.

[13] Square Kilometre Array South Africa, www.ska.ac.za

Recommendations to grow the BPO industry in South Africa

Working with some advantages, multiple constraints and challenges, South Africa has gained relative prominence as a global-outsourcing destination helped by Johannesburg, Cape Town and Durban featuring in the Top 100 global destinations for outsourcing. The declining Rand against US and Euro currencies can also play in South Africa's favour to attract global business. **In order for South Africa to entrench itself as a outsourcing destination of choice both at an EMEA and global level, much more has to be done, calling for an industry-wide effort with increased support from Government.** Recommendations on how to grow the BPO/BPM industry in South Africa by a further 3% and beyond are detailed below.

1 **The implementation of Government's own digitisation plan (eGov)** will create a critical mass uptake for both broadband connectivity as well as for outsourced and/or co-sourced "as-a-Service" based solutions. Over and above this, Government can still do more to propagate growth of the BPO industry in South Africa:

- Government owned broadband networks at both a Metro and Provincial level have created a solid foundation for growth. In parallel to working on the implementation of eGov projects, Metro and Provincial Governments must look to optimising the capacity on these networks by leasing surplus capacity to the commercial market. This additional capacity will boost the infrastructure requirements for the BPO/ BPM industry, enable the entry of new players as well as help drive down costs of connectivity. This surplus capacity can be easily packaged and enabled thereby assisting in speed to market. Market agility will be a key differentiator to attract additional foreign enterprises to select South Africa as an outsourcing destination.
- In order to rapidly expand eGov services, Metro and Provincial Governments must develop an Application Programming Interface (API) strategy. A combination of access through well defined APIs over an Open Access Network will catalyse growth of the BPM business and create space for new Tier 2 and Tier 3 IT/BPO/BPM players in South Africa.

2 Government, ICASA and affected parties need to speedily resolve the impasse on the award of spectrum. The DTPS working with the Department of Communications needs to achieve ASO, free up spectrum and **accelerate implementation of broadband rollout** in order to enable growth within the ICT, BPO and BPM industries. The implementation of SA Connect should not be left to follow the same fate as the Digital Migration project in South Africa as this impedes economic growth.

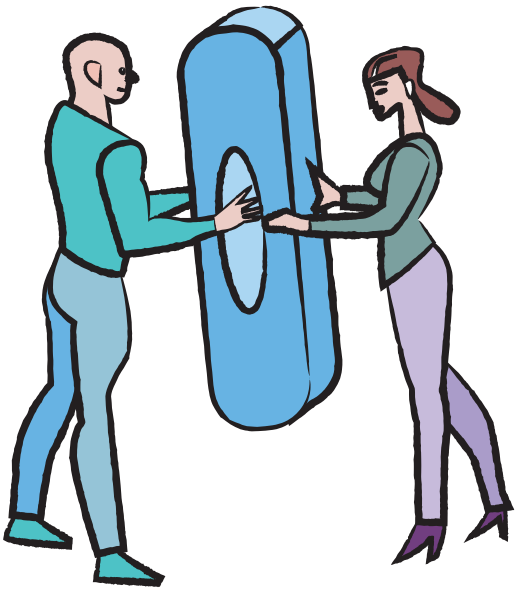
3 The relatively higher cost of telecoms in South Africa compared to preferred BPO/BPM destinations elsewhere in the world necessitates the Government, ICT and telco companies, local electronics and fibre manufacturers, as well as other industry role players and stakeholders to **work collaboratively** in order to increase local manufacturing, expand networks and further reduce connectivity tariffs to help drive the growth of a globally competitive BPO/BPM industry in the country. It must be remembered that broadband connectivity triggers economic growth both within the ICT industry as well as growth in other industries. Hence growth of the BPO/ BPM industry in the Financial, Health, Energy and Resources and other industry sectors hinges on affordable broadband connectivity.

The Fourth Industrial Revolution signals a critical juncture for Workforce Planning. While some fear a labour arbitrage between human resources and robotics driven processes, the need to define and develop the digital skills requirements for the Workforce of the Future cannot be delayed. Within the BPO/BPM industry, there is a gradual move towards high-end services deploying analytics and robotics for complex algorthims as well as to automate repetitive manual tasks e.g. manual data capture of invoices into Enterprise Resource Planning (ERP) systems. Similarly, the use of cognitive technologies can improve self-service solutions and overall Customer Experience in the digital domain.

4 South Africa needs to recognise that in order **to differentiate itself from its EMEA peers**, AI, cognitive computing and robotic process automation will gain in importance, to the point that these technologies will become a major criterion for selecting an outsourcing Service Provider. Thus South African BPO/BPM players need to expand the digital skills pool as well as increase the adoption of AI and robotics automation both within existing outsourced solutions as well as to look to establish new "as-a-Service" based solutions to expand the BPO/BPM offerings.

South African BPO/BPM companies must not take comfort in the strength of it's Financial Services Skills Pool. Instead, these companies need to take heed of the larger base of Science, Technology, Engineering and Mathematics(STEM) graduates in competing countries and where these STEM graduates will be used to sustain competitive advantage, underpinning growth in outsourcing services higher up the value chain e.g. software programming, AI and robotics automation, Knowledge-as-a-Service solution offerings etc.

5 Cultural Affinity, Proximity of Locations, Linguistic skills together with regionally harmonised policies across countries within a geographical zone creates significant growth accelerators for the BPO/BPM industry. Many of the European countries within the EMEA region worked well together at a policy level which geared their countries for growth in the outsourcing sector and also allowed for 'skills roaming' across the Euro zone. South Africa can look to other countries in the sub-Sahara region to also gear the outsourcing industry for growth by working on a set of policies that comprehensively addresses harmonised technology standards, approach to digital skills development, implementation of eGov programmes, IP and Data Security, Legal Maturity, Broadband Connectivity and Pricing as well as Government incentives for the BPO/BPM industry. Following models adopted by APAC countries, at a national level within South Africa, **Johannesburg, Cape Town and Durban should be incentivised to compete with each other** in order to attract global enterprises to select South Africa as an outsourcing destination.



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