

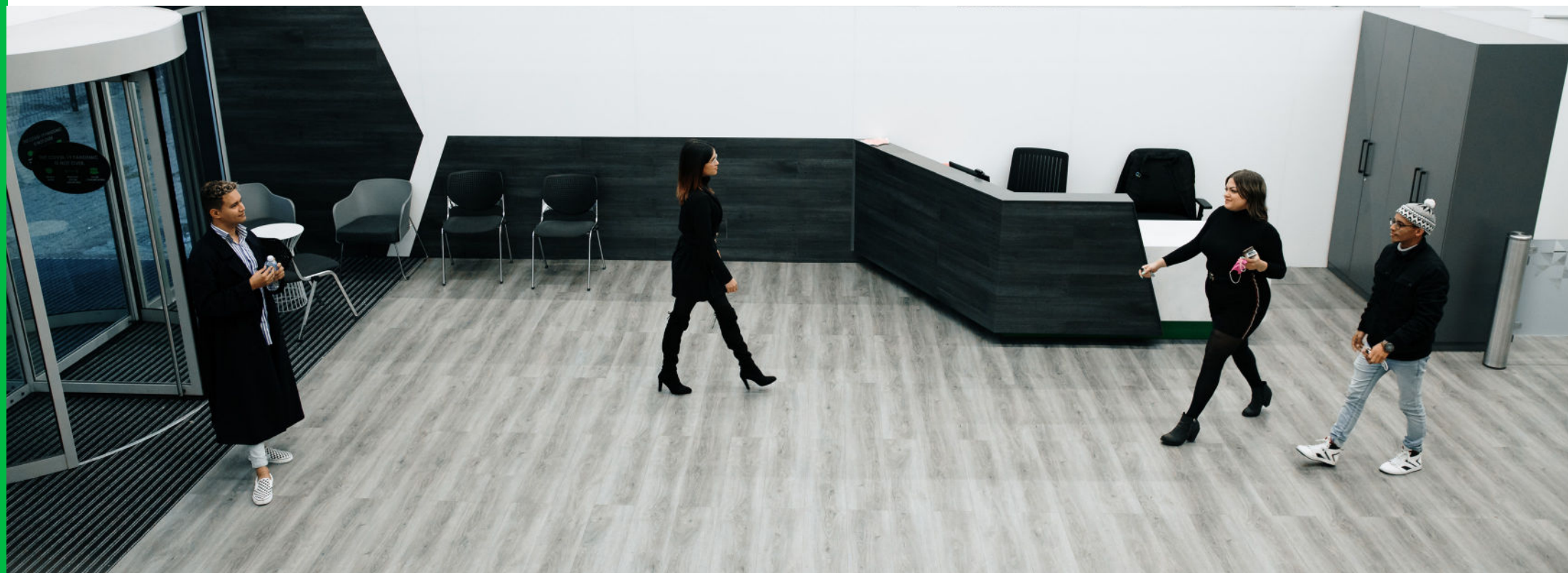


Offshoring in **SOUTH AFRICA**

The ideal offshore customer service location

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An introduction to offshoring

The world seems much smaller these days, thanks to the internet and remote working technologies. Covid-19 has normalised working from home, from pretty much anywhere, and now we don't so much as bat an eyelid at (virtually) working with people from all over the world.

So it's natural that this relaxed attitude towards global hiring is starting to extend to the concept of offshoring too, which is becoming increasingly popular.

In fact, studies show that the offshoring industry grew from [\\$92 billion](#) in 2019 to [\\$246 billion](#) at the end of 2021– a 165% increase in global revenue in three years. Experts predict that growth within the global business process outsourcing (BPO) industry will continue. The customer service outsourcing sector alone is expected to be worth [\\$178 billion](#) by 2030.

This eBook will act as a guide for business leaders who are considering offshoring aspects of their customer service to a country like South Africa (which is a world-renowned centre for offshoring). We will try to debunk some myths surrounding offshoring, such as cultural and communication differences, quality issues, and more. And, finally, we'll explore what gives our company (Sigma Connected) a unique edge against both international and domestic outsourcing competitors.



Why is offshoring growing in popularity?

Outsourcing is a familiar concept, emerging in the 1950s, and soaring in popularity in the 80s. And for good reason. It delivers cost savings and efficiency, improves services and gives access to state-of-the-art infrastructure and technology. Outsourcing swiftly extended to offshoring, with many IT and back office functions – then contact centre services – being outsourced to India in the 90s and early 2000s, due to much cheaper labour costs.

However, by the mid 2000s there was a backlash brewing against offshoring. Customers were complaining that they had trouble understanding the English spoken by overseas agents, and there was a lot of negative press around offshoring taking jobs away from the UK. As a result, many contact centre services were repatriated.

Almost 20 years on, the tide is turning once again and we're seeing more and more businesses offshoring their business processes and contact centres. But why?

Access to talent and skills

We're currently experiencing a considerably volatile job market around the world – with plenty of jobs, but not enough workers. Over half of employers have hard-to-fill vacancies and a third anticipate significant problems in filling roles. And a labour shortage can have irrevocable impact on your business, affecting productivity, manufacturing, logistics and, of course customer care.

Outsourcing offers businesses an easier way to control their staffing costs, without worrying about their service level 'dipping' if they struggle to hire the right people in-house. Adding an offshore angle opens up a wider resource pool and, quite often, a wage arbitrage reducing the overall cost to serve customers.

Cost effective

While other factors may have a huge impact on the decision, it's likely that the cost benefits of offshoring will be the thing that tips the balance one way or another. Offshoring can offer businesses top-class services that work for you and your customers, at a price that's affordable and easy to scale as your business grows, or to temporarily cover seasonal spikes in demand.

Offers flexibility

Both onshoring and offshoring mean you can invest in more services at short notice (for instance, to cover seasonal customer service demand). No need to recruit or train staff, as outsourcing allows you to hire an existing, trained workforce. You'll have access to a larger team of skilled operatives, when you need it, increasing your ability to handle calls, deal with complaints, action collections, and even acquire new business.

Easy access to business expertise

Experienced teams are already recruited, trained and ready, offering specialised skills that may be difficult – and costly – for business owners to recruit for themselves.

Improved business focus

When everyday business functions (such as customer service or collections) are taken care of, businesses can free up creative resources and concentrate on profit-generating tasks. It allows businesses to innovate and steadily increase value by enlisting the help of talented professionals.



Why South Africa?

In recent years, South Africa has become a highly competitive location for BPO. The South Africa BPO market size was valued at USD 1.4 billion in 2019 and is expected to grow at a compound annual growth rate of 13.2% from 2020 to 2027. For the last three years, South Africa has been rated in the top 5 best countries for offshore CX delivery, based on survey data from Ryan Strategic Advisory (a world-leading BPO and CX research organisation), tying in first place with India in 2022.



➤ A large talent pool

South Africa has a high number of university graduates – approximately 237,875 graduates per year (source ©2022 BPESA and Genesis Global Business Services). The youth population (aged 18 - 35 years) is estimated to be 17.6 million. In Cape Town alone, there are over 69,000 BPO employees with over 5,500 BPO roles created in the city in 2021. South African people are also ranked as having high empathy and emotional intelligence (EQ) levels, with South Africa one of the top 5 (out of 122) countries for highest positive emotional experiences.

TOP 5 Global Positive Emotions Ranking

➤ Low costs = higher customer LTV

Contact centre costs in South Africa are generally around 65% lower than Australia, the UK and the US, while offering 18% better customer experience with greater customer lifetime value (source: @2022 BPESA and Genesis Global Business Services).

Lower costs of **UP TO 65%** when compared to source markets

South Africa also tends to have lower living and labour costs than countries like the UK, due to economic factors like inflation, housing demand etc. Therefore, wage arbitrage enables overseas business owners to make significant savings on establishing highly educated customer service teams abroad.

➤ Sophisticated IT and infrastructure

South Africa is one of the most technologically advanced countries in Africa, with highly developed IT infrastructure platforms and telecommunications networks. South Africa was also named an emerging country for both technology and data science in the [2020 Coursera Global Skills Index](#).

➤ Impact sourcing

The contact centre industry is very well placed to practice impact sourcing – ie, providing opportunities for unemployed people, particularly youth, from disadvantaged areas. Impact sourcing now consists of more than one third of the global services market in the country (*source: [BPESA](#)*).

110,000–130,000

impact sourcing workers
in South Africa

Businesses have the opportunity to do a lot of good within South African communities through impact sourcing initiatives. From a business investment standpoint, partnering with firms that use impact sourcing can form part of your organisation's CSR strategies, and help ensure the continual development of South Africa's BPO industry. What's more, by creating not just jobs, but careers, for people who otherwise have limited prospects, you're also building a happy, loyal, hardworking and dedicated workforce.



➤ Proficiency in English

The South African workforce has considerable experience interacting with people of different nationalities and cultures. In a customer service environment, this is immensely helpful. But it's proficiency in English that is often the main prerequisite for many BPO positions worldwide. Many countries like Poland and the Philippines invest in accent neutralization training for BPO employees.

However, in South Africa, little to no accent neutralisation training is required, as the differences in dialect are easy enough for most people in the UK, US, Australia, and other English-speaking countries to understand. The current population of English speakers in the country is around 16.5 million, with 410,000 English speaking individuals added to the national workforce each year.

**RANKED
12TH**

out of 112 in the Education First
2021 English Proficiency Index (EPI)



Dispelling offshoring myths

Over the years, several pervasive myths may have held enterprises back from exploring the advantages of offshoring. Here are some of the most common concerns businesses have – and how developments in the industry have dispelled them.

➤ Myth 1:

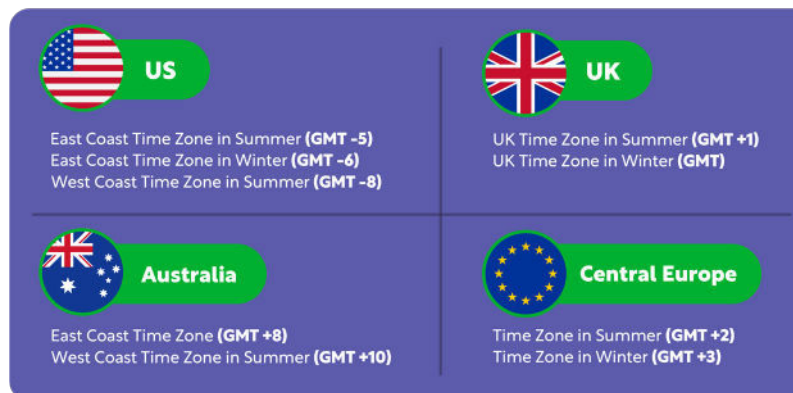
Time zone differences can hinder business collaboration

Many organisations choose offshoring because they need staff that can operate outside their country's business hours. However, for companies that are looking for a higher level of communication and collaboration with offshore teams, time zone differences can be a big obstacle, and even cause costly delays to business operations.

To manage the time differences of offshore teams effectively, companies could look for outsourced teams operating in complementary time zones. For example, South Africa is two hours ahead of GMT, allowing for easy scheduling with UK-based headquarters.

Similarly, the USA is six hours behind, and Australia is eight hours ahead of South Africa's time zone, making South Africa the ideal location for offshoring CX delivery overnight for brands offering 24-hour services. Or, with the introduction of shift patterns, the time difference becomes pretty much irrelevant.

TIME ZONE DIFFERENCES



Source: ©2022 BPESA and Genesis Global Business Services

➤ Myth 2:

Language barriers present an issue

English is the primary language used in business, so offshoring teams looking to maximise their profitability need to have a high level of proficiency in the language. Organisations may shy away from offshoring because they believe that BPO contractors offshore may not be fluent in English, and customers may complain about their communication skills as a result.

However, the truth is that offshoring companies recruit for job candidates with exceptional language skills. As we've already discussed, South Africa is ranked higher in the world in the [EF English Proficiency Index](#) than other popular offshoring locations like India and the Philippines, and the accent is easy for native English speakers to understand.

c762,000

**total B2 English-speaking
addressable talent pool potential**



➤ **Myth 3:** **There are cultural differences that make communication difficult**

Some business owners may also believe that cultural differences between nations cause challenges when it comes to communications and customer services.

Thankfully, many worries about cultural mismatches between countries are gradually dissipating thanks to the internet, streaming services and other media. Technology goes a long way in bridging the cultural gaps between nations by making it easier for people to connect with others worldwide and enjoy other cultures via the internet.

South Africa is a hub of many African and Western cultures. There are Dutch, Portuguese, and British cultural influences due to colonisation; and multiple African ethnic groups exist in South Africa (eg, Xhosa and Zulu peoples, which also act as two of the country's primary languages). Living in such an environment means South African workers (and countries with similarly diverse populations) can communicate and empathise effectively with people from many different walks of life.

CULTURAL AFFINITY TO THE UK



SHARED
communications
styles, language &
law, financial &
regulation systems



1.6 million South Africans with British ancestry

430,000 British tourists every year

200,000 British citizens living in South Africa

**Some of the key factors that align
South African & UK cultures**

Source: ©2022 BPESA and Genesis Global Business Services



➤ Myth 4: Other countries may not be customer-service oriented

There's also a common myth that offshore teams may not have a customer-first attitude in their work. This myth is particularly harmful to the offshoring industry and could not be further from the truth, with countries from Philippines and India to Ukraine providing great services to their clients.

South Africa tied with India as the most favoured customer experience offshore delivery points in 2022, after coming 1st in 2021 & 2nd in 2020, 2019 & 2018

(source: ©2022 BPESA and Genesis Global Business Services)

South Africans, and especially Cape Tonians, are particularly known for having a natural affinity to deliver excellent customer service. They consistently aim to deliver exemplary customer support on every call.

➤ Myth 5: Businesses lose control over the delivery of their services

Some business owners worry they are handing over too much control to a third party. Business leaders want to be able to keep a close watch on the activities of outsourced teams to ensure they meet their company's high customer experience standards, in addition to ensuring they represent the brand values at all times.

To dispel this myth, it's helpful to consider that good outsourcing companies continually invest in the latest technologies and training for their advisory teams. These efforts help offshore professionals deliver a consistently high output standard.

For example, CRM systems mean teams can log information on previous communications with customers, allowing teams to access pertinent customer data in real-time. Technologies that integrate with existing business systems are a key component of modern BPO practices and help companies offer a more efficient and personalised service to their valued customers.

Moreover, developments in global technology infrastructure have vastly increased the value and speed of offshore service delivery. External teams can perform complicated customer support tasks remotely, such as diagnosing problems with in-home smart meters. In contrast, less than a decade ago, advanced remote diagnostics services like these were not widely available.

South Africa scores 18% better customer experience with 5% greater retention and customer lifetime value (CLV) compared to other comparator markets.

Finding the right offshoring partner

Finding the right offshoring partner for your business requires in-depth research into the industry and setting clear goals for what you want to achieve from the partnership.

In this section, we will outline some things to consider when hiring an outsourcing partner, like the technologies, recruitment strategies, and processes teams use to ensure that business leaders get the best possible experience working with offshore companies.



➤ Step 1: Look into the business benefits of offshoring

Research outsourcing companies in various countries to help you decide which regions best suit your business hours, service requirements, and budget constraints. For example, if you need teams that show a high level of engagement with customers, as well as the ability to build rapport and deal with complex queries, you may want to consider offshoring to South Africa.

South African workers are exceptionally skilled in connecting with people from a wide range of backgrounds. So, they are likely to offer highly-attentive staff to help businesses manage all different types of customer enquiries.

At Sigma Connected, we're customer service experts and have helped many companies – from big names to start ups – transform their customer service experiences. In particular, we focus on helping clients build loyalty through kindness, support, and care for your customers.

➤ Step 2: Find an outsourcing partner

After searching the market and deciding on the services you need to make outsourcing profitable for your brand, start enquiring with outsourcing companies that pique your interest.

As part of your due diligence, spend time checking that potential offshore partners have plenty of experience and strategies to consistently ensure they offer high-quality services.

We have over a decade of experience in the BPO sector. We also have a well-established presence in its home city of Cape Town and an HQ building in the UK, ensuring that our service quality matches the needs of customers in multiple regions.

➤ Step 3: Establish strong communications with your offshore partner

Once you've selected your ideal offshoring partner, set up regular meetings and ensure you are aligned on your processing requirements and key performance indicators.

A good outsourcing company will be more than happy to give you complete transparency in their operations, and will go out of their way to build trust and rapport with your team.

At Sigma Connected we don't see our offshoring teams as a separate entity from your internal operations – they're an extension of your business. To help you stay in full control, we provide hybrid solutions with delivery provided in South Africa, and managed in the UK.

➤ Step 4: Monitor the offshore onboarding process and make improvements

Continually monitoring and improving the relationship between you and your offshore teams is a two-way street. Outsourcers like Sigma Connected make the onboarding process as smooth as possible by investing in technologies that integrate with many different enterprise IT systems.

Likewise, ensure you provide all the information offshore teams need to live up to your brand's mission and values. Send your outsourcing teams company literature like your values, 'Tone of Voice' documents for brand communications and any customer service pointers you may have picked up from your inbound customer support teams.

Sigma Connected also offers additional services, like independent Quality Assurance teams, who can help you monitor the output of your offshore (and in-house) teams and provide suggestions in areas where staff can improve their services.





Discover the benefits of offshore teams with Sigma Connected in Cape Town

In summary, the offshoring and outsourcing industry is experiencing exponential growth. Countries like South Africa are heavily investing in BPO development, as its location and cultural makeup are the ideal fit for brands in UK, US, and Australia time zones.

Sigma Connected, with offices in Cape Town, offers a wide range of outsourcing services, including customer services, collections, complaint management and customer acquisition. The team also invests in call centre training and quality assurance which helps ensure the next generation of workers in South Africa have the skills they need to keep the BPO sector thriving.

Working with support agencies, we use impact sourcing as part of our recruitment process. We look to disadvantaged communities in South Africa, to identify high potential talent and support them into the workplace through specific training and dedicated support. This not only has a positive impact on the communities these individuals come from, but it provides access to an extended talent pool of highly committed individuals.

If you would like to learn more about the business benefits of offshoring through Sigma Connected, please [contact us today](#).



Where people



with people



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