

CAPE TOWN SHINES IN GLOBAL BUSINESS SERVICES



March 2023



Cape Town is already a well-established hub for global business services, thanks to its large English-speaking talent pool, cost advantages, time-zone alignment, and rich ecosystem. Now though, its value proposition is improving. A growing set of companies from North America are establishing operations in the city. Direct flights from the United States to Cape Town enhance the city's accessibility. These trends promise a wealth of benefits for enterprises seeking to diversify their geographic footprints and draw on one of the world's most competitive workforces for CX excellence.

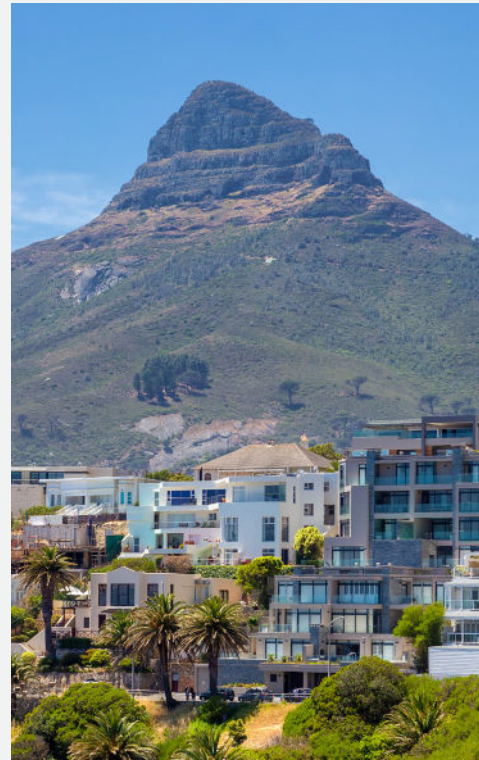
As outsourcing of business services matured over the years, an industry once rooted in India has spread out across every region. Roughly four dozen nations host international contact centers; over a dozen of them are found in Africa. A combination of factors converged to facilitate the growth of Africa's outsourcing markets, including time-zone alignment with the United Kingdom and Western Europe, a 6–9-hour difference with the United States to facilitate 24/7 service delivery there, large pools of linguistically talented agents, and a favorable operational cost base.

Still, outsourcers must make careful decisions. Rising levels of digitization have become vital to CX delivery. Clients also require a scalable workforce, reliable infrastructure, and expertise across a range of business verticals, from telecoms and banking to e-commerce to renewables—elements that not all locations can accommodate.

Even amid these shifts, one African delivery point has stood out: South Africa.

Indeed, according to the 2022 Ryan Strategic Advisory Front Office CX Omnibus Survey, which polled 668 CX decision-makers across all major contact center demand markets, South Africa tied with India as the most desirable destination for offshore services. With an outsourcing sector valued at \$5.26bn in revenue, the country accounted for an estimated 28% of total business services delivered from the African continent in 2022.¹

And within South Africa, the city of Cape Town offers a unique bounty of talent and potential. Presently the Western Cape—centered on Cape Town and including the nearby cities of Stellenbosch and Somerset West—hosts hundreds of international businesses, spanning manufacturing, tourism, banking and other industries. And a key element of this global orientation is Cape Town's standing as a center of outsourcing excellence.

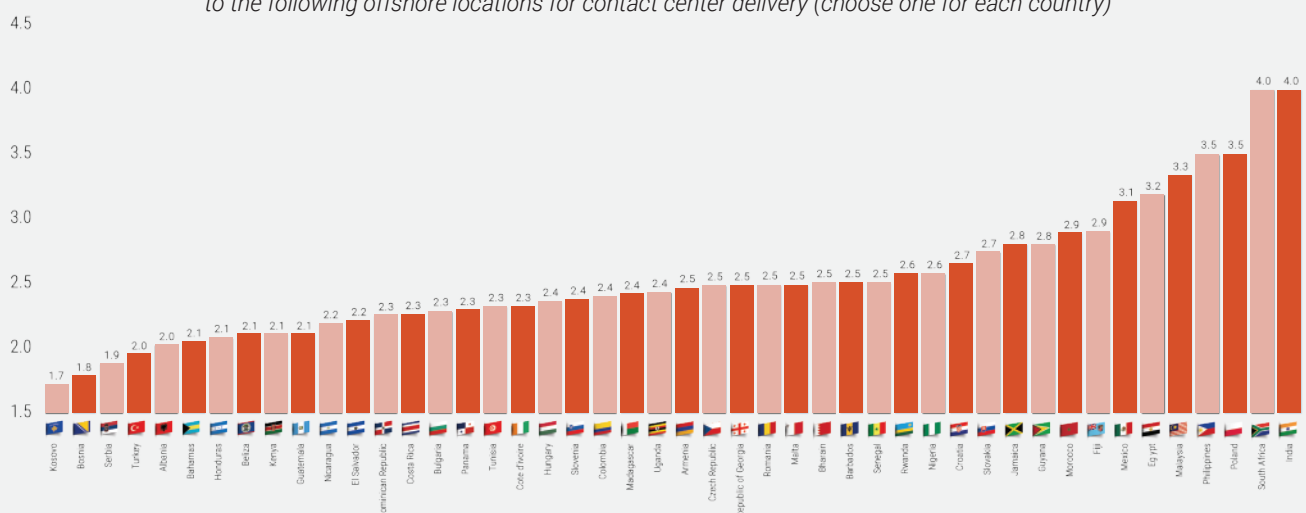


Lion's Head Mountain, Cape Town

Offshore Location Favorability

Cross-Sample Ranking of CX Decision-Makers

Using a scale of 1 – 8 (1 = not at all favorable, 8 = very favorable), please provide your degree of favorability to the following offshore locations for contact center delivery (choose one for each country)



Source: Ryan Strategic Advisory, Front Office CX Omnibus Survey, March 2022, p. 94. n=668

¹ "Genesis Global Business Services, 2023 Africa GBS Benchmarking and Market Report (Abridged), pp. 8, 14.

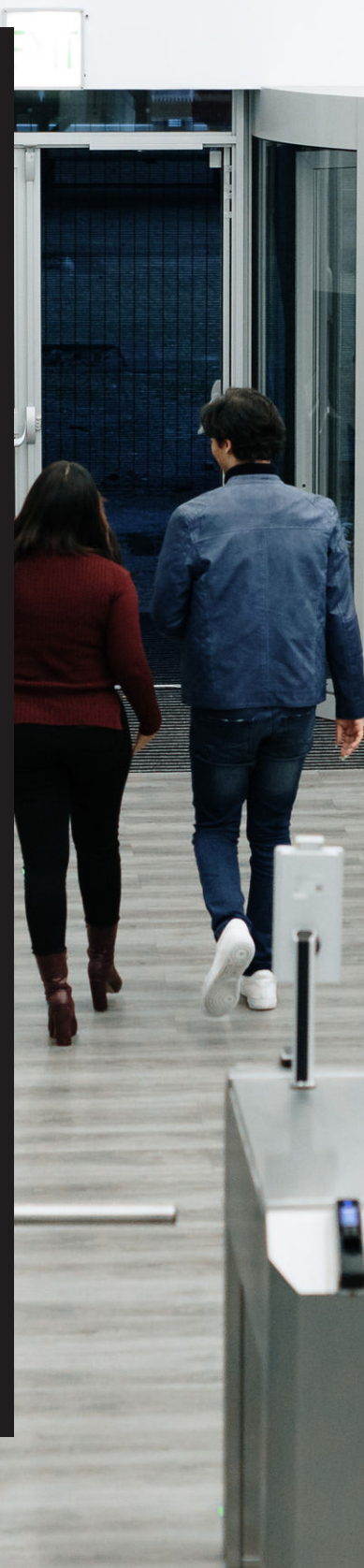
SOUTH AFRICA'S EMERGENCE AS A GLOBAL LEADER IN OUTSOURCING

About 20 years ago, outsourcers seized upon South Africa because of the nation's plentiful supply of English-language speakers. Two hours ahead of Great Britain, South Africa offers a continuity in work hours that synchs with the business needs of firms and end-users based in Western Europe. Meanwhile, time-zone differences with the world's other demand markets positions South Africa to offer round-the-clock care for firms in the United States, Canada, and Australia. Businesses seeking CX excellence can deliver it 24/7 with delivery from South Africa.

Outsourced Role	 United States*	 South Africa*
Contact Centre Agent	\$2,330 per month	\$420 per month
Team Leader/Supervisor	\$3,800 per month	\$941 per month
Contact Centre Manager	\$5,520 per month	\$1,971 per month
Quality Assurance	\$2,890 per month	\$688 per month

Outsourced Role	 United Kingdom*	 South Africa*
Contact Centre Agent	£1,400 per month	£354 per month
Team Leader/Supervisor	£2,080 per month	£794 per month
Contact Centre Manager	£3,300 per month	£1,663 per month
Quality Assurance	£1,750 per month	£580 per month

Source: Genesis Global Business Services, South Africa National GBS and Source Market Value Propositions 2022/2023, p. 17. Note: Based on an exchange of R17 to US1.



Moreover, wages in South Africa are lower than in Britain, the United States and elsewhere, affording outsourcers more affordable operational costs through wage arbitrage.

The average contact center agent in South Africa earns about \$420 a month, far less than half the cost of domestic delivery from the UK (£1,400) and the US (\$2,330).² A similar percentage of cost savings exists for other roles as well, including team leaders, managers, and quality assurance supervisors. Remarkably, when all other major cost components involved are factored in—facilities, taxes, administration, etc.—the total 'loaded cost' of service delivery runs about 20% below that of Poland and Malaysia.



South Africa

Total fully loaded cost	US\$596
Salary cost	US\$420
IT costs	US\$134
Facility costs	US\$26
Admin costs	US\$17



Jamaica

Total fully loaded cost	US\$608
Salary cost	US\$440
IT costs	US\$125
Facility costs	US\$27
Admin costs	US\$18

South Africa's fully loaded cost is 2% less



Malaysia

Total fully loaded cost	US\$723
Salary cost	US\$567
IT costs	US\$111
Facility costs	US\$24
Admin costs	US\$21

South Africa's fully loaded cost is 18% less



Poland

Total fully loaded cost	US\$763
Salary cost	US\$595
IT costs	US\$108
Facility costs	US\$38
Admin costs	US\$22

South Africa's fully loaded cost is 22% less

Source: Genesis Global Business Services, South Africa National GBS and Source Market Value Propositions 2022/2023, p. 16.

High-speed undersea cables and other infrastructure investments, as well as a vibrant outsourcing ecosystem, also help position the country as "the gateway to Africa" for foreign investors.³

² BPESA, "2022 South Africa National GBS Value Proposition," p. 17.

³ Fiberoptic cables installed by Japan's NTT and Britain's Vodafone were instrumental in this process. South Africa's outsourcing ecosystem for outsourcers has been encouraged by a strong nationwide industry lobby emerged, BPESA, as well as regional body for the Western Cape known as CapeBPO.

CAPE TOWN—AT THE HEART OF SOUTH AFRICAN BPO

Within South Africa, domestic companies and foreign investors began shifting their sights toward Cape Town due in part to “the high level of technical skills available.”⁴ Capetonians have also proven themselves adept not only at voice support for customer service and sales campaigns, but an array of more complex voice services.⁵

Today, Cape Town boasts one of the most vibrant contact center ecosystems of any metropolitan area in the world. Leading and globally recognized third-party outsourcers operate alongside a host of captive operations, serving many of the world’s marquis brands.

The city also enjoys a cultural vibe that infuses the business climate, affording it a look and feel unique from other destinations. “What differentiates Cape Town and the Western Cape is the authenticity of all the people in the region,” says Gareth Pritchard, Chief Marketing Officer at CapeBPO. He recalls that one outsourcer recently came to Cape Town in search of a slightly brighter, more upbeat version of another popular center of outsourcing in South Africa. Even though the outsourcer had operated in the country for years, it was still pleasantly surprised by “the authenticity of the people” around Cape Town.



Camps Bay, Cape Town



Capetonians’ approach to work and life is infectious and readily on display in casual conversation. “It’s very dynamic and unique, with its own style,” says Sigma Connected agent Matthew Kleinsmidt of Cape Town. “When we are having conversations with the customers, our lifestyle and attitude are evident.”

How is this possible? Located along the sea, and surrounded by nature preserves and the Cape Winelands, natural beauty abounds around Cape Town. “There’s endless scenery and nature here,” Matthew says, “and it makes a difference.”

Matthew Kleinsmidt
Sigma Connected agent
Cape Town

⁴ Samantha Perry, “Cape Town Becomes Outsourcing Destination” *Computer World*, 25 April 2005:

<https://www.computerworld.com/article/2555580/cape-town-becomes-outsourcing-destination.html>

⁵ South African agents are known for their resilience and empathy, two traits that help explain why the nation ranked fifth in Gallup’s 2022 Global Emotions Report.



If tech skills were the first welcome surprise found by outsourcers investing in Cape Town, then agent authenticity is the city's hidden secret. And fortunately, it remains in ample supply. For over a decade, training academies for youth like Harambee Youth Employment Accelerator have worked to ensure that Cape Town enjoys legions of well-trained youth for service sector jobs. The result of this effort is a young talent pool that is continually replenished by tailored training programs, numerous universities, and government support.

Western Cape province, principally driven by Cape Town, employed 46,530 agents at the end of 2022, accounting for nearly half of the national total. Remarkably, the Western Cape could expand by another 100,000 seats before it would threaten to exhaust the local talent supply, according to estimates by BPESA.

That talent pool bodes well as enterprises, especially those in the United States, seek offshore delivery with renewed fervor. Appetite for offshore capacity has surged recently. As US enterprises grapple with stubborn levels of inflation and high wages stateside, they are developing a newfound appreciation of the merits of a diversified delivery footprint, factors that are driving interest in Cape Town.

These benefits are becoming more readily apparent first-hand. For their part, British Airlines and Virgin Atlantic have operated direct flights from London to Cape Town for many years. But in July 2022, as the COVID-19 pandemic receded, United Airlines inaugurated nonstop year-round direct flights from Washington DC to Cape Town. Then, Delta announced it would offer regular nonstop flights from Atlanta to Cape Town. Improving accessibility from the US promises to be another tailwind to Cape Town's growth as an outsourcing destination of choice.

⁶ BPESA, "2022 South Africa National GBS Value Proposition," p. 122.

⁷ Ryan Strategic Advisory, CX Front Office Omnibus Survey (March 2022), p. 59

⁸ BusinessTech, "Cape Town Gets Another Direct Flight to the USA," 1 Aug 2022:

<https://businesstech.co.za/news/lifestyle/612731/cape-town-gets-another-direct-flight-to-the-usa/>

FORGING NEW PATHS—AND FUELING NEW SUCCESS STORIES—IN CAPE TOWN

Amid Cape Town's rise as a leading metropolis for outsourcing, Sigma Connected moved into the city. A decade ago, the UK-based outsourcer established a presence in Cape Town with 100 agents, who focused mainly on customer services and billing for utilities and telecoms. By drawing on tech and soft business skills that abound among Capetonians, the company has expanded its vertical expertise and headcounts.

Today, Sigma Connected boasts a multi-site footprint, with over 3,000 agents in Cape Town. Many of these agents focus on telecoms and utilities, e-commerce, and travel and tourism. All its service delivery is done at the highest level of quality and security, a fact attested to by its growing base of clients not only in the UK, but aligned for consumers in the US, Canada, and Australia, as well as its certifications, including ISO 27001 (for information security management), ISO 9001 (quality management systems), FCA regulation, and PCI DSS compliance.



Sometimes we have to deal with tough customers. But even if I'm having a tough day, I can just look out the window or step outside. It's beautiful.

Christian Arendorff
Sigma Connected agent
Cape Town

Cape Town Downtown

By combining Capetonian talent with operational acumen, Sigma Connected has managed to deliver a global standard of excellence in service delivery. British, Australian, and North American callers routed to an agent in Cape Town have their needs met. They remain customers. And in so doing, Sigma Connected delivers lifetime value for its clients.

CONCLUSION

South Africa's ascent to becoming one of the world's preeminent destinations for outsourced business services originates from its large native-English-speaking population, persistent cost savings, and the ecosystem that ensures the industry remains healthy.

Yet, while a country vested with such strengths offers outsourcers the opportunity to launch operations from several cities, one clearly stands out: Cape Town. With the highest number of startups of any metropolitan region in Africa, Cape Town's business reputation was initially built around its pedigree as a tech hub.

Although dozens of outsourcers have flocked to the city, its unique character remains apparent. "Authenticity and years of experience have produced an environment of unique collaboration amongst all stakeholders, which will serve the Western Cape well for many years to come," CapeBPO's Pritchard explains. Among US enterprises in particular, these benefits resonate as they seek offshore capacity to build a diversified delivery footprint.

For all its development, Cape Town remains a place of potential. A place where businesses from Britain, America and around the globe still enjoy the opportunity to find talent eager to deliver world-class services.





ABOUT RYAN STRATEGIC ADVISORY

Peter Ryan has been at the forefront of the contact center services market advisory for two decades. Having begun his career in London at Datamonitor in 2003, he quickly established himself as one of the foremost experts in the burgeoning CRM sector.

Over the course of his career, he has advised contact center outsourcers, their clients, industry associations, and governments on matters ranging from vertical market penetration and service delivery to best practices in offshore positioning

Peter's expertise in outsourcing has been recognized multiple times. He received the prestigious Best Respected Contact Center Professional award in 2015 from callcentrehelper.com and was included in Fonolo's Top 16 Analysts Covering Customer Experience. He was also included in each iteration of the Nearshore Americas Power 50 influencers listings, identifying the most important outsourcing executives in the Western Hemisphere.

Throughout his career, Peter has been a much sought-after speaker, headlining multiple events. He is frequently quoted in the media on BPO and contact center trends.

The Ryan Strategic Advisory Front Office CX Omnibus Survey, conducted annually since it was first launched in 2017, is widely regarded as the most authoritative study of outsourcing trends.

Peter has degrees in Political Studies from the University of Saskatchewan and an MBA from Dalhousie University. He lives in Montreal, Quebec.

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For more information please visit www.ryanadvisory.com.