

## The Great Call Center Debate: India vs. the Philippines

By Chris Repholz

Panel discussions at call center conferences have debated for several years now, whether voice work should go offshore or remain in the U.S. This is perplexing. As Tom Friedman explained in *The World Is Flat*, trade barriers are gone, countries half the globe away are conducting business digitally, and India and the Philippines are now highly adept at providing high quality labor at a fraction of the cost.

The call center industry has been chasing low-cost options for most of its existence. When the need for growth and expansion presented itself to the industry's early pioneers, they didn't go looking for office space in lower Manhattan. Instead, they opted for places like Manhattan, Kansas. Why? Because jobs were easy to fill, labor was cost effective, and profit margins could be maintained and even fattened. Sound familiar?

Fast forward 20 years and we are now looking to the developing world to fatten those margins. Just like rural Kansas and Nebraska, India and the Philippines are proving ideal locales for call center operations.

Certain companies have drawn a line in the sand, firmly declaring they won't send any voice work offshore. Some even go as far as saying they won't outsource any work offshore, be it back-office, data entry, document management, or accounting. When I read about companies that make this decision, I am tempted to make sure their stocks are in not in my portfolio. These may be terrific companies, but they're leaving money on the table. It may make them feel good on July 4<sup>th</sup>, but it's not forward thinking, cost-effective, or competitive. Ultimately, it's going to impede growth.

So the new debate begins: India or the Philippines? Each takes a whole day of travel to reach, so it's not about the fastest plane ride. Most companies do not make the decision to go offshore simply for cost savings alone. Scalability, breadth of work that can be migrated, cultural fit, availability of resources, and an acceptable level of risk are other critical factors that enter into the decision.

When it comes to evaluating these factors, India, leads other offshore locations. With over 300 million English-speaking college graduates, India offers huge economies of scale. India has six large-scale cities and an equal number of second tier cities serving the U.S. in call center and BPO operations. The epicenter of offshore scalability for the Philippines is Manila. Approximately 75% of their offshore work is in the Manila Metroplex.

India also leads in the types of call center work that can be successful in an offshore environment. Sales and collections are a natural fit for Indians, primarily because of their system of commerce. In most cases, Indians haggle on price when making a purchase. The buyer always makes an offer of far less than the value and seller rebuts with a counteroffer. Much of their transactional buying takes place like this. I've often

remarked that the hardest thing to teach an American call center agent was to use two rebuttals. The hardest thing to teach an Indian agent is to stop after two! This ability to allow an objection to 'roll off their back' and keep asking for the sale or payment has made India a great success in customer acquisition, cross-sell/upsell programs, and soft and hard collections.

Culturally, India is less westernized than the Philippines. Philipinos speak idiomatic American English better than Indians, and their accent is more neutral. The Philippines is an outstanding destination for a wide variety of offshore services. They have gained great traction especially in voice work.

Certain companies have adhered to the concept of "Philippines for voice and India for back-office," but don't over emphasize the issue of an accent. There are many call center representatives in the US that have an accent. According to Contact Babel's *North American Contact Centers in 2006: the State of the Industry* study, states with the highest number of agent positions include Arizona, California, Florida, New York, and Texas. Four of these have huge Hispanic populations and the other is the U.S. immigration gateway. Many of these jobs are done by individuals for whom English is not their primary language. There doesn't seem to be an issue with their accent versus an Indian accent because they use idiomatic American English, fluency of which is the single most important factor to take into consideration when evaluating the ability of an offshore call center's ability to service your customers and prospects.

Some have said that they "tried off-shoring but India failed." This is a common error of anthropomorphizing India. If you placed work with a call center company in Texas and the results weren't what you wanted, would you say that Texas failed and you'll never work with Texans again?"

We're now in the third generation of the Indian call center industry. The first generation was the pioneer days of GE and American Express. The second generation was populated by the "me too" entrepreneurs who thought they could serve the U.S. markets, even though many of them had no experience in or exposure to it. Today, generation three is composed of U.S. call center companies that have taken their well-honed experience and best practices and built call center facilities in far-flung places like Mumbai, Delhi, and Bangalore. There is no dearth of knowledge or subject matter expertise at these organizations.

Not every Indian call center company is qualified to sell your products or talk to your customers. Neither is every Philippine or American company. Offshore outsourcing requires time and effort. Be thorough in your due diligence, outline your needs and expectations, and then provide the support needed to make the initiative successful. Choose your call center partner carefully. Ensure that they have the right processes and knowledge in place to succeed on your behalf.

*Chris Repholz is Senior Vice President at Zenta, [www.zenta.com](http://www.zenta.com).*