

Cogencis WorkStation - [C] INTERVIEW: Mphasis' Bhatia says future of call centres is "virtual" (Workspace10.mm)

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[C] INTERVIEW: Mphasis' Bhatia says future of call centres is "virtual"

Cogencis, Tuesday, Jul 8

Companies	Topics	Countries	Other
MPHAS	416.80	▼	-3.29%

By Sreejiraj Eluvangal

MUMBAI - It is common for analysts to predict the doom of business models, and major disruptions, but rare to hear such comments from companies themselves. However, Anurag Bhatia, senior vice-president and head of business process outsourcing services at Mphasis Ltd, is an exception to the rule. Bhatia points out that rapid advancements in automation and information technology is making some of the labour-intensive models of traditional business process outsourcing redundant, and there is a need for companies to change their strategies quickly.

"BPO, in its traditional form, will not exist (in future)," Bhatia said, in an interview with Cogencis, adding that his was not a "five-year view or a 10-year view", but a prediction based on direction of technology change.

Software replacing people is not a new theme. Just like machines replaced human labour in manufacturing industries, computers are expected to replace human beings in many services industries like banking and finance and customer support. With the transition, the key advantage of India-based providers of such services--cheap human capital--is also at the risk of being nullified.

"We ourselves are getting away from lower value operations and just automating it for our clients. It just doesn't make any sense to do any data entry anymore through people. It doesn't make sense to do any indexing type of work."

The only exceptions are when dealing with archaic clients systems that don't lend themselves to modern methods of automation or where regulations require a human presence, he said.

The Indian outsourcing industry provides services such as customer support, IT support, marketing support, human resource management, payments processing, medical transcription and so on.

In the current financial year, India is estimated to generate export revenue of around \$84 bln, or about 5% of its gross domestic product, from outsourcing services. Of this, \$52 bln will be from the information technology services, \$12 bln from engineering, and research and development space, and \$20 bln from the classic business process outsourcing space. With the exception of R&D and engineering, a substantial chunk of such services could be automated as software becomes more sophisticated to be able to handle 'human' jobs better.

Even something that is uniquely human--holding an intelligent conversation--will one day be done by machines, and Bhatia's company is already taking steps towards it.

"Barring the absence of any regulations, even voice human interaction is moving at a fast percentage to intelligent voice solutions," he said.

"There is a big initiative we will be launching in next two quarters. A lot of your voice contact centres are moving to an intelligent virtual agent."

This type of automated delivery of business process outsourcing is largely known as business process as a service (BpaaS). While software as a service does away with the 'purchase' model of software products, BpaaS does away with the per-head billing model of the BPO industry.

As Gartner puts it, in BpaaS, "where human process actors are required, there is no overly dedicated labour pool per client. The pricing models are consumption-based or subscription-based commercial terms."

That said, revenue from business process management platforms are extremely low at present. For Infosys, one of the few companies that disclose it, they were only 1.2% of total revenue.

General / Digest Money Market SLR NON-SLR

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Equity Cogencis Benchmark Personal

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15 May 14 (9)

20:59 [C] Mphasis sees strong deal pipeline from emerging markets in FY15

19:01 --[C] Mphasis CFO: Wage hike effective July, decision yet to be taken

19:01 --[C] Mphasis CEO: Current deal pipeline extremely healthy

13:00 [C] Earnings Review: Mphasis Feb-Mar PAT 1.22 bln rupees; co changes FY

10:32 [C] Mphasis Feb-Mar consolidated earnings detailed table

08:32 --[C] Mphasis to pay 7 rupees/share dividend

08:31 --[C] Mphasis Feb-Mar consol net sales 10.3 bln rupees

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07:36 --[C] B3i Corp, Mphasis to be in MSCI Global Small Cap Indices Jun 2

09 May 14 (4)

12:10 [C] Mphasis CFO Murthy resigns from co; Suryanarayanan to takeover

11:35 --[C] Mphasis shares fall more down 2.2% as CFO Murthy resigns

11:32 --[C] Mphasis CFO Ganesh Murthy resigns, to hold office till Jun 3

11:31 --[C] Mphasis appoints V Suryanarayanan as interim CFO effective Jun 4

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25 Mar 14 (3)

11:09 --[C] TV: Sources: HP may want to exit Mphasis; may restart stake sale


11:08 --[C] Mphasis shr up 1.6%; report HP to remain main client post shr sale

11:06 --[C] TV: Sources: HP to remain as anchor client post Mphasis shr sale

14 Mar 14 (5)

19:47 [C] Equity Research: Emkay Global on Mphasis' Nov-Jan earnings

MPHAS 15 Minutes - No Time Period C:416.80 O:420.85 H:420.85 L:416.05 - 08 Jul 14 15:00



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International exchange data provided by SunGard

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That said, revenue from business process management platforms are extremely low at present. For Infosys, one of the few companies that disclose it, they were only 1.2% of total revenue.

For Mphasis, which launched its first BPaaS service two years ago, the revenue percentage is less than 5%, he said. Among the outsourcing services that Mphasis delivers on the BPaaS model are billing and fulfilling know-your-client requirements.

In finance and accounting, it has already launched procurement management on the new model, and plans to launch the remaining two finance and accounting services--order fulfilment and record-to-report--in the coming months.

The launches have been associated with gains in efficiency, Bhatia said. "The kind of efficiencies that you see today from a reduction of human workforce perspective are in the 25-30%. It could get to about 50% elimination of human intervention."

BEST OF BREED

At the heart of BPaaS lies software, and in Mphasis' case, the company will go with a best-of-breed approach, blending in-house solutions with those sourced from third parties.

Often, said Bhatia, certain products and software are well entrenched in certain functions and services, and it would make more sense for service providers to preserve continuity and familiarity by basing its service offering around the product.

Bhatia explained the strategy behind Mphasis' first finance and accounting platform-based offering--procurement management--based on the popular procurement software called Basware.

"It is an industry-recognised product...In that case, we went with an industry-recognised company, to be able to tap into their base of a thousand customers from a services perspective."

Similarly, in know-your-customer services, the company offers services around third party solutions. "There are different industry standards for different regions. So a Thomson Reuters product may be better suited for the UK market than an Actimize product that could be better suited for the US market."

However, the downside of building your own offering around a third party business is dependency, and possibly lower margins. Where possible, he said, Mphasis develops its own software to help with the delivery and processing.

"If you look at BAS (billing as a service), that's a home-grown solution. We acquired Wyde Services, which was a software company in the insurance space. Of that, we took the billing module and changed the billing module as a service-based offering, and we put the model on the cloud."

"So our strategy is both to stay product agnostic and to develop in-house products, coupled with services (around third-party products)."

LIMITS OF AUTOMATION

However, not everything will be, or can be, automated, he said. The most obvious factor that can restrict automation is legal requirement.

"Whether it is in the insurance industry or the banking industry, a product can only be sold by a certified financial analyst. A claim can only be processed by a certified claims adjudicator. A policy can only be sold by a certified underwriter."

All this change will require both companies and people to change their strategies over the next five to seven years. While outsourcing companies will need to invest more in technology, especially information technology, people who are currently employed in processes like call centre support and data entry will need to re-train themselves.

"There is convergence between technology services and BPO...The firms will change the way in which they operate. People will need to be upskilled to do the more higher value analytics and work that will come out of all the data that gets churned because of the automation of processes."

At 1444 IST, shares of Mphasis were traded at 419.50 rupees on the National Stock Exchange, down 2.7% from the previous close. End

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