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Support Center Opportunities in the sub-Sahara-region

For support centers there is a new kid on the block: Africa. Many languages are available in large numbers at attractive cost levels. Is Africa an alternative for more expensive European countries? Can Africa be a near shore alternative for companies who want to re-shore back from Asia for quality and labour market competition reasons?

Sofficially, the geographical region of sub-Saharan Africa consists of 48 countries and the total land mass of this geographical region is 3 times that of the USA. It is also a very diversified continent with a large diversity in languages and cultures. Due to the colonial legacy there is a strong language and cultural affinity with many of the former European colonizers (including the British, French, Portuguese and Italian and to a lesser extent German, Belgium

and Dutch). North Africa is not formally part of the sub-Saharan region, hence the distinction in the figures below.

Strong GDP growth and urbanization trend

It is projected that 11 of the world's fastest growing economies until 2017 will be African. Sub-Saharan African economic output (measured in GDP growth rates) has tripled in the last 10 years and is expected

Overview of the most populous countries and cities in sub-Saharan Africa

Country	Population 2012 (mln)	Growth rate 2012 (%)	Largest city	Population city (mln)
Nigeria	163.1	2.55	Lagos	8.0
Ethiopia	85.1	2.90	Addis Ababa	3.3
South Africa	50.8	-0.41	Johannesburg	4.0
Tanzania	46.4	2.85	Dar es Salaam	2.5
Kenya	41.8	2.44	Nairobi	3.0
Uganda	34.6	3.30	Kampala	1.2
Ghana	25.1	2.20	Accra	2.0
Mozambique	24.0	2.44	Maputo	1.8
Madagascar	21.4	2.68	Antananarivo	1.4
Côte d'Ivoire	20.2	2.04	Abidjan	4.5
Cameroon	20.1	2.08	Douala	2.5
Burkina Faso	17.0	3.07	Ouagadougou	1.0
Mali	15.9	3.02	Bamako	1.8
Malawi	15.4	2.76	Lilongwe	0.6



to almost double again in the coming 5 years. In sub-Saharan Africa especially telecom, banking, retail and construction are flourishing. However, note that services currently already account for almost 60% of GDP, with natural resources around 18% and agriculture and manufacturing at around 12% each. Another striking characteristic of the sub-Saharan region is that it is nearly as urbanized as China. In Africa about 40% of the population is urban, where in India for example this number is only 30%. As a result there are many reasonably sized cities and growing in the region.

Foreign Direct Investment flows

The total foreign direct investments (FDI) into Africa increased the last years. South Africa remains the most popular destination receiving most foreign direct investment projects, followed by Egypt, Nigeria and Kenya. Also Ghana, Tanzania, Angola and Mozambique in sub-Saharan Africa attract new projects predominately in financial services, business services and communications. While the US, French and Indian investment in Africa decreased, the investment from the UK, China, UAE and Finland grew in 2012. Worth noting is the fact that South Africa is an important investor in the African continent, but that also Kenya is investing significantly in other African countries.

Support Centers in sub-Saharan Africa

North Africa (especially Morocco, Tunisia and Egypt) already have a well-developed support center industry with many of the leading international BPO services providers but also larger captive centers for many multinational companies. South Africa is on a similar development path: the support center industry is well established there, with impressive captive centers such as Amazon, HP, Lufthansa, Shell, Siemens and Virgin and leading BPO service providers such as Serco, Sykes, Teleperformance, Teletech and WNS. Ghana also has some strong case studies for amongst others Xerox (ex ACS), Ericsson and Nestlé's pan-African Shared Services Center. Kenya is a runner up, with several local support centers including KennCall and Airtel, but also international BPO service providers such as Digital Divide Data and more recently Genpact's investment in Nairobi.

Based on the recent back office investments, the national development agencies and governments now embrace the BPO potential of their countries. In Nairobi, Kenya, the government and the University of Nairobi established a training center for BPO & IT services, where 5,000 students are expected to graduate every year. This initiative will be rolled out to other East African countries. In Kampala, Uganda, the government recognized that the outsourcing industry is a strategic sector to enhance economic growth and reduce youth unemployment. As a result 3,000 students are trained in BPO skills and a

Top Ten FDI

African FDI destinations	Countries FDI origin				
	2011	2012	2011	2012	
South Africa	159	154	UK	90	98
Egypt	52	60	USA	124	97
Nigeria	50	60	South Africa	61	75
Kenya	58	54	UAE	25	56
Morocco	95	51	India	64	41
Ghana	47	39	France	64	39
Tunisia	40	31	China	29	37
Tanzania	35	31	Germany	32	30
Angola	37	28	Kenya	20	21
Mozambique	26	25	Finland	3	19

(nr. of new FDI projects, 2011-2012)

Source: fDi Markets, 2013

250 seat incubator BPO call center has been created. At the same time the government developed guidelines for provision of government incentives including IT infrastructure to BPO and KPO operators.

Practical tips & tricks

During our projects we have experienced the following practicalities while doing business in sub-Saharan Africa:

- **Demographics:** there is a strong urbanization trend in the region and the population is very young. In some countries (like Tanzania) more than half of the population is below 15 years of age. However life expectancy is also relatively short with about 50 to 55 years. In addition there is a strong growing middle class of consumers in the region. At the moment 27 out of the 48 sub-Saharan African countries already have a middle in-come status, but in 2025 it is projected that 40 countries will have this status.

- **Labor cost:** Compared to Europe & the US attractive cost savings can be achieved, although within the sub-Saharan African region there is a wide salary spread. Highest salaries can be found in South Africa followed by West Africa (Senegal, Ghana and Ma-li). Eastern Africa (Uganda, Kenya and Mozambique) has lower salaries in general.

- **Labor regulations:** in general, the African countries have longer working weeks than in Europe, more flexible hiring and firing regulations, less women employment and summer working times (and where an Islamic influence is relevant: a Sunday till Thursday working week and shorter shifts during Ramadan). The unionization degree differs and is for example low in Kenya, Uganda and Mauritius and higher in Ghana.

- **Accessibility:** Intercontinental air connections are okay, as long as there are direct connections to your city of origin. Intra-African flight connections are



Make sure that you perform a risk assessment to understand these country specific risks in more detail

▶ inefficient, public transport is less developed (organized by bus companies for own employees) and there can be significant congestion within the larger cities seriously impacting local travel time.

- **IT infrastructure:** is of high quality (at relative high but quickly decreasing cost) in South Africa and of average quality in the sub-Saharan region (Ghana, Kenya, Tanzania, Mauritius). The larger and capital cities generally have fiber optics available to selected locations.

- **Real estate:** state-of-the-art office space is relative expensive and availability is not everywhere guaranteed. Especially for projects with a strict time line, checking the available office space early in the process is strongly advised.

- **Incentives:** there are various incentive programs for support centers (employment, training and tax incentives and in some cases also for real estate) available in the more mature and established countries. In the upcoming areas the incentive programs are under development and based on your negotiation skills.

- **Doing business:** 'everything has a price', also in Africa. Sub-Saharan Africa can offer a significant 'size of a price' if you locate your support center there, but you should always understand your own risk-reward ratio for any project in the region.

Africans are well educated, loyal and hardworking people, which are inspired by careers in the support center industry. Accessibility (physical and telecom) can be challenging especially outside the main cities in the center of the African continent. Also, there are specific risks involved with doing business in the region (such as climate risks including droughts and flooding but also a risk of doing business). Make sure that you perform a risk assessment to understand these country specific risks in more detail. ●

Conclusions & key take a ways

Subsaharian Africa is one of the regions in the world with a growing economy and market. It is still a relatively unexplored territory with growth, revenue and cost saving potential, especially for pioneers willing to invest with a long(er) term perspective. The region offers large cities with native language speakers (at least for English, French & Portuguese) in attractive labor markets with very attractive labor costs. The

High level analysis of selected African countries (sample)

	Language skills/former colonies*	Size Support Center Community	Cost level
South Africa	English, German	Mature/Large Size	Medium
Morocco	Arabic, French, Spanish	Mature/Large Size	Medium
Egypt	Arabic, English, French, German, Italian	Hindered/Large Size	Medium
Mauritius	English, French	Mature/Medium Size	Medium
Tunisia	Arabic, French, Italian	Mature/Medium Size	Medium
Senegal	French	Upcoming/Small Size	Low
Kenya	Swahili, English	Upcoming/Small Size	Low
Ghana	English	Upcoming/Small Size	Low
Ethiopia	Amharic, English	Immature/Very Small	Low

*The first language is the official language, followed by the other main languages spoken in a country

Source: experiences BCI, 2013