



SOUTH
AFRICA

Factsheet

2020

Investing in South Africa's Global Business Services Sector

The next generation outsourcing frontier



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

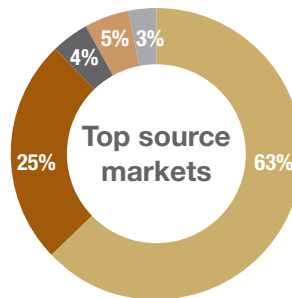
investSA

Global Business Services in South Africa

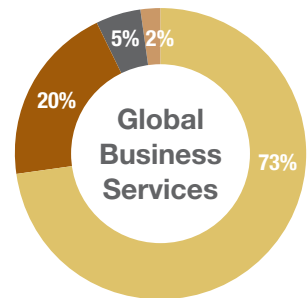
- > South Africa has a mature market for Global Business Services, supported by world-class business infrastructure.
- > Growing at 22% annually and faster than its industry peers, the sector continues to attract international investments in industry verticals such as technology and communications, financial services, legal and healthcare, creating quality jobs.
- > The UK has been the biggest source market for the industry, with Australia and the US among the fastest-growing.
- > As a globally-competitive player in the sector, South Africa has been winning multiple awards on the international stage.

22% Growth over 2014-18

x3 Higher growth than India and the Philippines



United Kingdom
Australia
United States
Rest of Europe
Others



Contact centre
Non-voice business process services
IT
Legal process services

Key companies providing global and regional services delivery from South Africa:



Why invest?

Cost competitiveness

Operating costs are 50-60% lower than in England and Australia, with key supporting incentives reducing these to similar cost ranges as India.

Up to **60%** lower costs

Evolving next-gen services capabilities

There is a move towards delivery of next-generation contact centre and digital services, with a core strength being high quality multichannel customer experience, supplemented by deep analytics.

#1

digital economy in Africa

Pipeline of talent

South Africa has a large pool of qualified, English-speaking talent with a strong focus on customer service, a more neutral accent and the key advantage of niche skill availability: >100 000 students graduate in IT, engineering and commerce per annum.

600k

annual supply of new talent

Strong contact centre and niche areas foundation

Contact centre delivery has been a key strength, yet international delivery has expanded to areas such as financial services, legal process services and healthcare based on high skills availability in these sectors.

First world operating environment

A variety of government support in areas such as skills development and other incentives exist, further supported by high quality business and operating infrastructure.

Best

overall infrastructure in Africa

#1

in staff training among offshore peers

Where to invest?

- > The Western Cape, Gauteng and KwaZulu-Natal are key hubs for Global Business Services operations, and account for about 97% of all Global Business Services related employment. With two-thirds, Gauteng accounts for the largest number of jobs.
- > These hubs have lead to the development of conducive Global Business Services ecosystems around Cape Town, Johannesburg and Durban, with emerging locations in Port Elizabeth and Tshwane.

JOHANNESBURG

- 3.13m working age population
- 3 universities
- Growing talent pool



KEY:

- Ease of doing business
- Quality of life
- Key companies
- 60-70% lower cost than Tier 2 cities in England
- Tech development focus
- Digital delivery
- Delivery of various functions

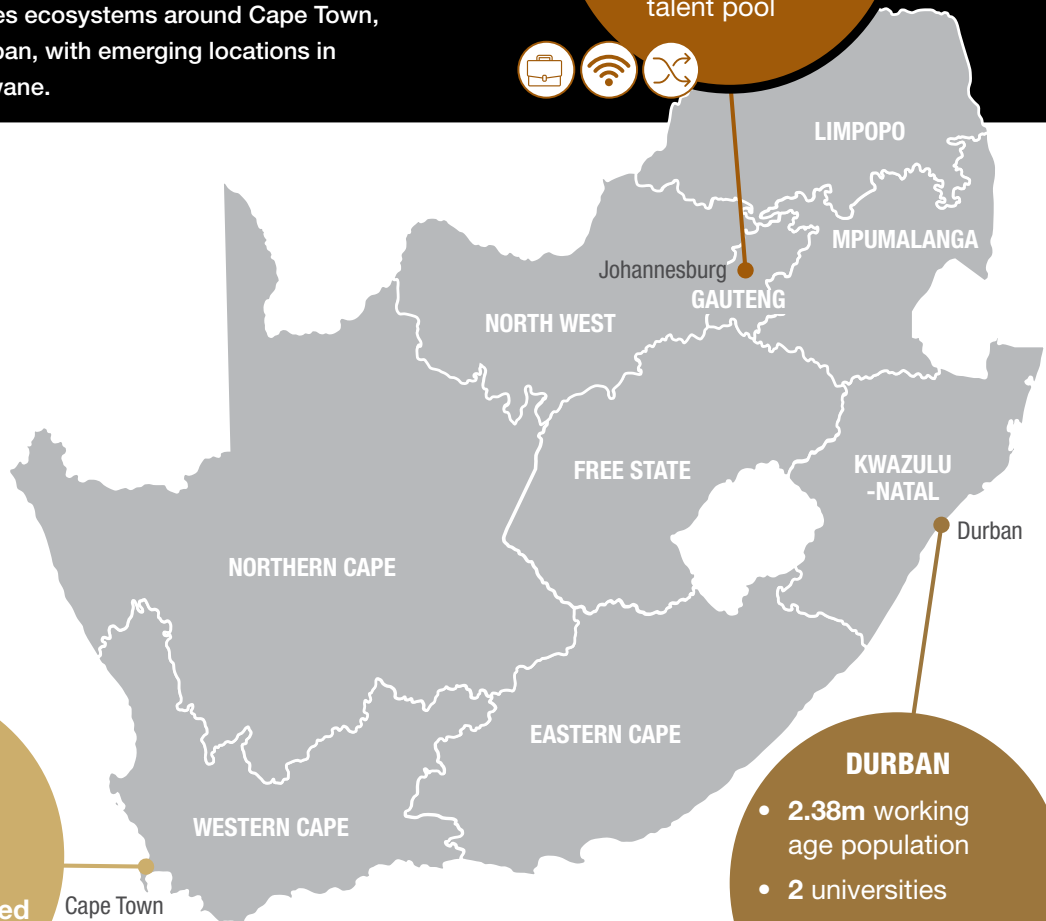
CAPE TOWN

- 2.63m working age population
- 3 universities
- Highest employed talent pool



DURBAN

- 2.38m working age population
- 2 universities
- Growing talent pool



JOHANNESBURG	Top Clusters	Concentration of Talent Pool	Major Transport
	Newtown and CBD, Randburg, Woodmead, Sandton, Midrand	Soweto, CBD, Parktown and Braamfontein, East Rand, Alexandra, West Rand	Gautrain, Metro Rail, Mini-bus Taxis
CAPE TOWN	Top Clusters	Concentration of Talent Pool	Major Transport
	CBD, Century City, Southern suburbs, Bellville	Mitchell's Plain, Northern suburbs, Athlone, Khayelitsha/ Gugulethu, Bonteheuwel/ Kensington	My Citi Bus, Metro Rail, Mini-bus Taxis
DURBAN	Top Clusters	Concentration of Talent Pool	Major Transport
	Umhlanga, CBD, Berea, Hillcrest, Cornubia	Chatsworth, Umlazi, Pinetown, Westville, Reservoir Hills, Umhlanga Rocks, Durban North, Phoenix, Newlands East/West KwaMashu, Inanda, Durban Central	Metro Rail, Mini-bus Taxis

What support exists?

- > South Africa is well connected via submarine cables to major economic hubs around the world and has among the best business and economic infrastructure in Africa.
- > South Africa provides a robust enabling environment for the Global Business Services industry, with various incentive programmes and key skills development initiatives to support the industry.



National-Level Incentive Programmes

- Business Process Services (BPS) Incentive Scheme
- Employment Tax Incentives
- Special Economic Zones Incentives.



Digital Specific Support Initiatives

- Work Readiness and Tech Skills Development Programmes
- Digital Innovation Precinct and Academies Programmes.



Skills Development Programmes

- Government Funded Work-Based Learning Programmes
- Skills Supply Chain Programmes
- Impact Sourcing Programmes.



Other Support

- Business Process Enabling South Africa (BPESA) (Industry Support)
- InvestSA (Government Support).

#1 in 2018: “Global Sourcing Destination of the Year” at the Global Sourcing Association (GSA) awards in Cape Town, South Africa.

#1 in 2016: “Offshoring Destination of the Year” at the GSA Awards in London, United Kingdom.

What are the opportunities?

- > With the anticipated drop in telecommunications costs, coupled with language skills capabilities and cultural compatibility, the offshoring services sector is expected to grow.

Investment opportunities include:

- Establishment of **call centres**
- **Back-office processing** facilities
- Provision of **shared corporate services**
- Enterprise solutions such as **fleet** and **asset management services**
- **Legal process outsourcing**
- Evolution of the industry from voice-driven towards **omni-channel delivery of services**
- **Analytics solutions services** enabled by South Africa’s skills capability, including root cause analysis, predictive analytics, knowledge process outsourcing and digital investment platforms

How to invest?

Opportunity identification

- 1 Conduct feasibility study for your service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

Investment preparation

- ✓ Decide on geographic location most suitable for investment
- ✓ Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ Conduct site visits of suitable locations
- Consult with HR/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers
- Determine corporate structure
- ✓ Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ Consult with InvestSA to identify eligibility for incentives, skills and other support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)
- Conduct interviews, hire staff
- ✓ Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set-up IT infrastructure/systems
- ✓ Register company
- ✓ Apply for licenses and permits
- ✓ Apply for National Level Incentives Schemes, Skills and Other Support Programmes

✓ InvestSA ready to assist

“Overall, availability of a large talent pool, world class infrastructure and support from the government and industry make South Africa the ideal outsourcing location over other offshoring destinations like the Philippines and India.”
– EXL South Africa (2019)

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Research partner | **Deloitte.**



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