CBaySystems

**Header: Marketing whizkids**

**Strap: Core competence: Outsourcing the outsourced.** This company has clearly turned the rules of the game upside down. CBay India appoints, develops, trains and supports the franchisee base of Medical Language Specialists (MLS) in India for CBay USA.

McDonalds operates through franchisees. NIIT operates through franchisees. IOC and other oil companies operate through franchisees. Why can’t BPO companies operate through franchisees? Why not indeed? Sure, there are risks. But there are benefits as well. For one, investment required for expansion is reduced. The management load is reduced and due attention can be devoted to marketing.

That is the CBay model. CBay Systems was set up in 1998 for providing healthcare services. Then it got into medical transcription. Remember this is the slippery area. Many companies have entered into this area and slipped themselves silly. Quality is very essential. And this is a tough business to be in and grow. Healthscribe has grown to just 1,200 people in almost 10 years. And CBay wanted to grow fast. Sure it got considerable venture capital. But then, Mr Raman Kumar, founder, CBay wanted to grow fast - very fast. He had to use the money for two purposes – set up the marketing team in the United States and set up operations in India. But hey, what if somebody else invests and manages the operations in India. Either one focuses on back end or one focuses on front end operation. And Mr Raman Kumar chose to focus on front end and set up an excellent marketing team at the US, getting the best talent from the top medical transcription companies. For the back end, he set up infrastructure to manage franchisee operations.

The strategy has paid off. Within five years, CBay has grown to be able to provide medical transcription services of almost 2,500 transcriptionists spread over 35 franchisees. CBay is among the top five transcription companies in the US. It hopes to increase the number of people providing services to almost 10,000 within the next two years. Clearly the focus on marketing has paid off and is providing rich dividend in established branding and recognised quality of services.

Off late, CBay India has started to provide some services within its own umbrella rather than franchisees – this is as per customer requests. CBay India has almost 150-200 transcriptionists and a recently incorporated
company – Ckars Systems – entirely owned by CBay Systems, but managed by Karvy Consultants, would provide services of almost 500 consultants.

CBay Systems, USA, manages the front-end operations mainly marketing. CBay India is a wholly-owned subsidiary of CBay Systems, USA. CBay India appoints, develops, trains and supports the franchisee base of Medical Language Specialists (MLS) in India for CBay USA. CBay India also provides other BPO services to CBay Systems, USA. The work from hospitals is provided to CBay Systems and this is put on various servers dedicated to various franchisees. CBay India might re-allocate work depending on exigencies. The franchisees have to turn in the work. The quality of work is supervised by CBay Systems.

How does this system of franchises work anyway? Initially, CBay India did advertise for franchisees. Now the prospective franchisee is given the information on project costs, investment details, the operational details and the quality aspects. The entrepreneur could come up with questions and these would provide indications as to the sincerity and the ability of the entrepreneur. After due diligence has been done, CBay India would give the entrepreneur, a go-ahead to make the necessary investments. Investments for infrastructure, including training, have to be provided by the entrepreneur. CBay India would assist the entrepreneur in the recruitment process to ensure that the quality of the selected staff meets CBay standards. After the recruitment, CBay India would provide training to the selected at costs to the entrepreneur. It is only after the six-month training that the medical transcriptionists become productive.

How much investment does the entrepreneur have to make and how profitable is the venture? Usually the operations planned could be anywhere between a 60-seater to 120-seater. The investments could range from Rs 1 crore to Rs 1.5 crore, though economies are known to be possible. This would include the training cost, the office space, the machines. How profitable is it? Remember, even after setting up the infrastructure – which could take up to three months, there is the initial six months of training. Even after nine months the productivity levels are likely to be so low, that the working capital expenditure could exceed the revenues for the month. It is only after about 14-15 months from beginning the operations that the company would break even. Recovering the initial capital expenses and working capital could take as many as three years.

But it is about productivity. It is about how quickly a franchisee can improve the productivity of members. While the initial level of productivity is around 150 lines of transcription per transcriptionist per day, some franchisees
manage to grow this to up to 600 lines per transcriptionist per day. Clearly the revenues, and indeed the profitability, of those franchisees who manage productive operations are likely to be significantly higher than those who lag behind.

Start-up Year: 1998  
Area of Operations: Medical Transcription  
Locations: Mumbai, Bangalore  
CEO: Raman Kumar  
Approximate Headcount: 2,500  
Approximate Revenues: NA