Efunds

Header: Blueprint for success
Strap: Its rather unusual. It takes the brave and enterprising to do this. And Efunds certainly makes the grade on this score.

There is this captive BPO v/s third-party BPO debate. After all big transnational companies can set up their own BPO units and this would obviate the need for going to third-party companies. But how about a captive BPO firm going one step ahead and offering its services to other clients and thus forming a third-party company. Many may have thought about it, but it takes a maverick company to think this up and execute a strategy before you said BPO.

Efunds International India has done it. This is very unusual. But just imagine what if other captive BPOs started to offer third party services. And you thought that the war was between captive BPOs and third-party BPO firms. Actually the battle could be a lot more interesting. It could be captive BPOs v/s third party BPOs v/s IT companies turned into BPOs v/s captive companies turned into third party BPOs.

Welcome to the BPO wars.

Founded in 1915, Deluxe Corporation is the largest check printer in the world. Deluxe also offers many other products and services to consumers, small business owners, and financial institutions. Deluxe set up its internal outsourcing company – IDLX – with initial 50% ownership by HCL in India in 1998. The operations were from Gurgaon and the company was into providing financial and accounting services for Deluxe. Now from 1999 the idea was obvious that if IDLX could offer services to Deluxe, why not for others.

In 2000, Deluxe hived off its electronic work to a new company – Efunds Corporation. IDLX, since the work fell in the area of electronic transactions, was converted to Efunds International India, a wholly-owned subsidiary of Efunds Corporation.

Efunds Corporation is into providing ATM services, electronic fund transfer services and risk-management services. One would think that Efunds International India is the captive BPO for Efunds Corporation with some third-party work, since we warned you. But this may come as a shock. Efunds International has diversified so much that almost 80% of its revenues come from third-party work. Again, while IDLX - the parent of Efund
International - started of in finance and accounting, Efunds International has significant call centre work. Around 60% of the work is voice-based and only about 40% is transaction-oriented. Some of the voice-related work is for Efunds Corporation.

Efunds International has three centres – Mumbai, Gurgaon and Chennai. Out of almost 3,000 people, the Mumbai centre has around 1,800 people, Gurgaon has around 800 people and Chennai has around 500 people. The Chennai centre is mainly into IT services where solutions are built around EFT, ATMs and so on. Though till last year Mumbai offered voice-based services and Gurgaon offered transaction-processing services, over the last year the mix has diversified with Mumbai offering significant transaction processing services and Gurgaon offering some voice-based services.

So what are the differences between a captive BPO and third party BPO company? Since the competitive pressures are absent in a captive BPO, the cost pressures are absent in such BPO. There are too many cost overheads in a captive BPO firm. Hence, the cost leverage is lesser in a captive BPO. Third party BPO firms, on the other hand, are more cost effective.

So this could be a lesson for any MNC planning to set up a captive BPO firm. Apart from the headache of managing your own operations, you may miss the entire philosophy driving outsourcing. Firstly, outsourcing is done so that you may be able to concentrate on core competency. Setting up a captive BPO firm militates against this philosophy. Secondly, setting up a captive BPO company is pointless, when you could get lower costs working with a third party BPO set up.

But isn’t this a great business model? Start with a captive BPO unit and then offer services to other clients. After all if you have brand recognition in the markets – US, UK – you could compete better than a third-party BPO company with no brand recognition. Sounds fine. But the brand recognition can only help you get the initial entry through the door and performance alone would enable you to increase size.

So the BPO wars can’t be divided between captive BPOs and third-party BPOs. The wars are better understood in terms of cost-efficiency and the quality of services offered by the BPO companies.
Start-up Year: 1998
Area of Operations: Call centre, getting into transaction processing
Location: Mumbai
Managing Director: Atul Kunwar, Global Outsourcing Operations
Promoters/Owners: Efunds Corporation
Approximate Headcount: 3,000
Approximate Revenues: Not Available