ICICI One Source

Header: Different strokes
Strap: ICICI One Source has got it all right. A prudent mix of the just-the-right acquisitions along with a smartly charted out organic growth graph has seen the company going from strength to strength

Grace is doing something without too much apparent effort. Grace even seems like cheating. After all everybody else is killing himself or herself working like hell, and here comes some smart Alec who does it with such panache. Meet Ananda Mukerji, managing director and CEO, ICICI One Source, who obviously likes to work smart.

ICICI OneSource was started in January 2002. But it did not run into operations immediately. There was no point going to the market without having anything to offer. So ICICI OneSource started to search for acquisition targets and it found one. It acquired Customer Asset, a Bangalore-based call centre company, in May 2002. At that point of time ICICI One Source had 700 people. By May 2003, operations had grown to 2,700 people.

In August 2003, ICICI acquired First Ring - another call centre company with a focus on outbound calls - to complement the inbound offerings from ICICI OneSource. This acquisition added another 800 to the 2,700 employees at ICICI OneSource. The number of employees went up to 3,500.

ICICI OneSource has been growing since then at a scorching space and, according to Mr Mukerji, it is one of the top three BPO companies in India. All this was achieved in just one-and-a-half years.

Clearly, the acquisition has helped. But the growth has been organic as well as inorganic – inasmuch as ICICI Onesource has taken the 700 people in Customer Asset and grown the number to 2,700 within a space of one year. Mr Mukerji says that to grow, one needs good systems, processes and the ability to deliver consistently predictable and high quality of services. But there is no denying that the acquisition has been of tremendous help. And the fact that ICICI acquired First Ring recently is a clear indicator that ICICI Onesource attaches significant importance to inorganic growth. ICICI Onesource does not rule out any further acquisition. This inorganic-growth-propelled expansion, fuelled later by organic development, is a model that has served ICICI OneSource pretty well.

So what does ICICI OneSource look for in a possible acquisition target? The customer base is the most important aspect. The list of existing customers
and possible customers in the pipeline are the first priority. The systems, processes and delivery capabilities and the ability to replicate these at other locations come next. The mutual interest and price complete the mix. Why does it make good sense to be taken over by a big player like ICICI One Source? It may have been possible to set up a BPO company and acquire customers three years ago. But today you need branding and you need capital to be able to grow. For instance, it may have been possible to set up Customer Asset three years ago. But today, unless you have branding, you stand no chance.

So what is ICICI OneSource into? Basically, ICICI OneSource has increased the voice-based operations of Customer Asset. The acquisition of First Ring was meant to add outbound flavour to inbound capabilities of ICICI OneSource. Though there has been some foray into non-voice transaction work, almost 85% of the work is in the voice-offering segment. When asked that there are some in the industry who indeed consider transaction processing as a growth segment, Mr Mukerji says that currently the market wants voice capabilities and if a BPO firm wants to succeed, it must be ready to offer these. In fact, voice-based offering can be used to gain a stepping foot and this could be later leveraged to offer the entire gamut of services. He also disagrees with the hypothesis that transaction services have higher margins stating that it depends on the complexity of operations.

On the IT companies entering into the BPO space, Mr Mukerji says that the one significant advantage they would have is the ability to convert existing customers into BPO customers. However, he does not see a great deal of leverage in utilising technology for productivity gains and points out that to run a BPO operation you need to be able to use technology rather than develop it.

On the captive v/s third-party debate, he says that though initially the MNCs did not have any option but to set up their captive. However, this is no longer the case and MNCs now get their work done either through captives or third-party BPO companie. Though the third-party vendors have to incur marketing costs as they operate under cost competition, they are under constant pressure to significantly cut overheads. While the options are still open, the balance is slightly tilted in favour of using a third-party vendor because of the ability to enforce competition in quality and costs.
Start-Up Year: 2002
Area of Operations: Mainly call centre
Location: Mumbai
Managing Director and CEO: Ananda Mukerji
Ownership: ICICI
Headcount: 4,000
Approximate Revenues: N.A