Prudential

Header: The smart set

Intro: Some make mistakes. There are some who wait for others to make mistakes…and learn from them. And when they get going, they are faster and better. What’s more they do exactly what they must

Prudential plc is a leading international financial group with operations in UK, Europe, Asia and United States. Prudential is a leading life and pension provider in the UK. Prudential’s UK Insurance operations provide a range of financial products and services including annuities, corporate and individual pensions, with-profit bonds, savings and investment products and individual savings accounts (ISAs) to around seven million customers.

Prudential seriously considered setting up India BPO only in September 2002. They started recruiting people in January 2003. For three months they set up a small division at the premises of a third party BPO, while they were building their own infrastructure. By June 2003, Prudential had its own infrastructure ready and by October 2003 it had recruited up to 700 people. That may be late, but it sure ain’t slow.

The objectives for going the outsourcing way were very clear. Cost reduction, of course, was high up on the agenda. The second objective was to improve processes while the third was to improve flexibility.

But why go for captive, why not go the third party way? R K Rangan, Managing Director, Prudential Process Management, offers sound analysis to justify the decision. For one, there is a huge amount of investment in specialised training for employees. One would not want these employees to be part of a third-party organisation to be deployed for other clients. Secondly, one loses flexibility. A trained person within a captive BPO unit could be deployed anywhere for any operations. Finally, the financial services industry is highly regulated in UK and the captive model is a better one for fitting into the laws. It is also important to remember that third party vendors would have to make 15-25% margins as also invest in marketing.

Currently, Prudential process management has 700-odd people. Around 300 of them are in transaction processing, managing the life cycle of insurance – restructuring policy, changing customer details and so on and 400 of them are in contact operations involving communication with clients about their concerns.
The best part about having a captive BPO unit is being able to organise internal training with the best staff from the UK. At any point of time, Prudential Process Management, Mumbai, has 30-40 people from Prudential UK providing training and hand holding.

Mr Rangan who was with Axa Business Services, says that the agents operating out of Prudential Process Management are directly in touch with customers and do not have to go through service level agreements with executives at Prudential UK. This is different from other captives inasmuch as there is closer integration and a greater level of confidence placed on the outsourced operations.

Currently almost one third of work for Prudential UK is being done out of India. However, the redundancy – voluntary or persuaded – has not been too heavy – about 200. But this needed close coordination with union members of Prudential UK as they had to be convinced that the work would still be part of the Prudential Group and that the company could not grow if the cost cutting needed for business efficacy was not achieved in the immediate time frame. And the cost cutting goals are ambitious – over 17 million pounds.

Unlike other captives that are considering third-party activities, Prudential Process Management is not contemplating growth in that direction. Apart from marketing, the advantage in going the third-party way would be a margin of 25% compared to cost savings of up to 50% in the captive units.

Mr Rangan says that the debate between captives and third party could go another way. Have best of both the worlds. Carry out complex processes within captives while outsourcing the simpler ones to third-party vendors.

Start-Up Year: 2003
Area of Operations: Contact centre and Insurance Operations
Location: Mumbai
CEO : Mr Rangan
Ownership: Prudential
Approximate Headcount: 700
Approximate Revenues: NA