



# INDUSTRY NEWS

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# Industry update

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# Industry update

## 1 FOREWORD

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This is our fourth industry update; one more to go for the calendar year! In this edition I'd like to include one extra item at the end: the changes we have made at Paladin, to structure for the future.

Let me start with comments on some of the articles in this edition.

On the international front there are a couple of articles that address the general trends in the BPO&O sector. The first article "BPO exports grow 21.4 percent" highlights how the Indian market for BPO&O exports has risen over the past year to the value of Rs263.2 billion. Unsurprisingly, 74% of the revenue is generated by the top 20 operators some of whom have seen exponential growth during the last year e.g.: Intellenet (groth of 128%).

The European Market appears to be increasingly embracing the principles and benefits of outsourcing: read the article "Now, Europeans are more open to outsourcing". There are mixed opinions about the impact the American Presidential race could have on outsourcing, with industry leaders in India dismissing the risk of a drastic slow down or reversal of outsourcing jobs (read "Indian IT honchos shrug off Obama threat to outsourcing"). Then there is contradictory article titled "Trouble for BPOs" which talks to the negative impact that the global financial crisis is having, particularly on the outsourcing of IT jobs.

Meanwhile, back at home, we seem to be marking time (apart from the Western Cape, who increased employment in the BPO&O sector by 26% last year)! Aside from the industry workshop, hosted by **the dti** in Durban, to review the BPO&O Strategy, there has been little visible evidence of new progress in the execution of the sector growth strategy and in the development and communication of provincial strategies for this sector. The 2<sup>nd</sup> Economy Programme also appears to have a way to go before it gets any traction and makes a real difference to skills development and job creation in non-metro areas. At this rate of progress, we are either going to miss our opportunities completely or take much longer than planned to realise our goals: both outcomes are inexcusable, since there is more than enough evidence of how effective and relevant our proposition is (in BPO operations across the country e.g.: read the article " Absa sets up in coega IDZ); enough for us to mobilise around and to sell effectively to the global market. Much has been said about our strength in Financial Services; with the current downturn in the global Financial Services market, SA is well placed to support countries like the USA and the UK in providing alternative lower cost destinations that can assist turnaround strategies for ailing institutions.



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For updates on international trends and practices you should read the article titled “Study finds growing demand for self service in contact centres”. Findings of the research conducted by Forrester in 2008 and published in their report “2008 Contact Centre Technology Trends,” are presented in this article. They address the take up of self service, the migration to IP Contact Centres and ROI on IT investments, amongst other things. While on the subject of research, I strongly recommend that you get hold of a copy of the latest Merchants Global Contact Centre Benchmarking report, 2008! You can get it for US\$1,500 (email [ccBenchmarking@za.didata.com](mailto:ccBenchmarking@za.didata.com)). This report compares last year’s state of the Contact Centre industry with that of 1997. There are some striking observations (some of which we commented on in our last update): overall service performance has deteriorated; people performance has got worse; interest in CRM has waned; while contact centres are generally more mature / developed, and they are better equipped technically; they are still viewed primarily as cost centres; and self service and outsourcing have increased.

Much of our work is focussed on achieving alignment between the contact centre and the customers it services; and on achieving alignment within internal operating model elements (frontline, support and enablement, and back office / fulfilment areas) – as this is where efficiency and effectiveness is driven from. Apart from lack of alignment within their value chains, a key challenge we observe contact centres facing is that they do not have suitable integration between their interaction management applications and their business applications, so while they might be properly organised they are limited in their ability to effectively manage each interaction end-to-end. Until you can measure FCR, conversion rates on sales, retentions and collections, service types; and link them to customer interactions, costs and revenues – you will be severely handicapped in the journey to become a profit centre.

There are a few articles on the local telco environment. It is worth noting in the article titled “Intellecta, Unisys, CosmoCom power telkom hosted contact centre”, the progress of the contact centre on demand offering; Telcom, Intellecta and Unisys have teamed to deliver the Hosted IP Contact Centre (HIPCC); we have always been strong advocates of this type of offering (particularly for the growing small and medium sized contact centre market in SA) because it addresses so many of the day to day infrastructure and functional issues that contact centre operators face. It enables best cost routing; overflow and virtual routing by skills; offers flexibility to scale up or down cost effectively; manages interactions centrally in the cloud; provides easy to use and complete management information; and it offers the flexibility to add or remove front office functional and to pay only for what you use etc. etc.

The ten key elements of a dynamic contact centre are presented in the article titled “The dynamic contact centre”. It serves to show how far ahead technology is of business! Integration with branches and remote agents is one of the elements, and the evidence suggest that this trend (remote agents) has simply not taken up as forecast many years back (read the Merchants report). Multimedia integration is another element that has not been



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widely adopted, while operations still struggle to handle voice based interactions effectively and the costs of multi-media management still outweigh the benefits. We have always maintained that the state of readiness and the requirements of business should drive the technology roadmap of any contact centre, and not the availability of technologies, to avoid over-capitalisation of under-utilised assets and to ensure fit for purpose IT capabilities.

Good news for Interactive Intelligence product users: the new I3 offering integrates with MS OCS to provide an all-in-one IP software platform (with SIP connection): read the article "Contact centre and IP telephony capabilities added to Microsoft office communications server environments".

Also in section 4 is a very interesting article titled "The end of outbound call centres?" by Andy Quinan. He addresses the regulatory environment (current and future) as it affects the use of customer data, discussing the impact on outbound calling of: the NCA; the Consumer Protection Bill; and the Protection of Personal Information Bill. Sobering reading! Of course there will always be a need for and acceptance of some outbound customer contact (collections; retentions; follow up and feedback etc) so the outbound call centre is not at risk of extinction!

The retail banking section covers some very interesting developments: FNB's extension of their inContact offering to include transactional type services (at no charge); Absa's partnership with Telkom to upgrade and maintain their WAN infrastructure with latest technology; Absa Capitals 10% stake in Dark Fibre Africa (Pty) Ltd – signalling their confidence in the African Market for broadband services; and the risk mentorship programme with PIC Solutions (on demand expertise on risk management).

The insurance section features a number of articles that cover developments in the short term and life insurance industry: the Road Accident Fund Amendment Act will force underwriters to design new offerings to address changes in needs and shortages in cover (read "Implications for the insurance industry"); issues pertaining to the regulation of standards in the after product market for vehicle tracking devices (read "The vehicle security association is in deep trouble"); and the evolution of the "preferred life" concept, as it affects consumers with the price and cover for life policies addressing the issues of equity versus equality in cover (read "Complete insurance equity as opposed to complete insurance equality").

The logistics section includes the last of three articles by Supplychainforesight on their 2008 research into the local market. The article titled "Outsourcing increasingly becoming route to competitive advantage", looks at the trend to outsource assets and services to 3PL providers and services to 4PL providers in an effort to improve efficiencies and to address critical skills issues at Strategy, Management and Operational levels. Interesting to note in this article is the trend to train operational staff in-house, rather than recruit new staff, in order to build skills.

Finally, it gives me great pleasure to communicate to you that Ruhling Herbst, a director at Paladin Consulting for the past two years, takes over from me as Managing Director of the company on the 1st October 2008. I will remain as a director.



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This role change signals a new milestone in the six year history of our dynamic consultancy business, which has evolved to become a highly credible player in the Contact Centre Industry in South Africa. We have built great intellectual capital value through our extensive work in the BPO & O environment across the public and private sectors and spanning key industries: Financial Services; Transport and Logistics; Telecommunications; and ITES.

A key aspect of our medium term strategy has been our ability to develop highly relevant skill development programmes; using the business insights acquired from the consultancy. These programmes have found great traction in the local market; giving rise to the need to restructure the business with two distinctive, yet interdependent, focus areas: business consulting; and skills development.

A separate company, Paladin People Solutions (Pty) Ltd, was recently established to provide the delivery reach and capacity to service the growing skills development needs in the local BPO & O Sector. This company is a collaboration between Paladin Consulting, People Solutions and TL Consulting. People Solutions and TL Consulting are both established providers of training solutions to the local BPO & O market.

I will fulfil the role of Managing Director of Paladin People Solutions, starting in this capacity on the 1st October 2008. Ruhling has also been co-opted onto this board of directors together with Nita Goodall and Thembela Masuku. This cross directorship will ensure that the two companies maintain close ties to exploit operational synergies and market opportunities for mutual benefit.

We look forward to continuing our relationship with you and to communicating with you on a regular basis about the burning issues facing our industry; we will be doing so with the two hats of our consultancy and skills development businesses.

Regards  
Andy and the Paladin Team



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## 2 INTERNATIONAL HAPPENINGS

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### 2.1 Contact Centres benefit from speech analytics

Contact center managers rely greatly on the performance of their agents to drive the overall performance of the contact center. While disparate solutions have traditionally been in place to drive performance, it wasn't until contact center performance management (CCPM) solutions became available that these managers were able to measure a difference.

Speech analytics have also gotten a great deal of attention as of late as such solutions can offer significant benefits to the contact center, management, staff and even customers. And, while speech analytics and CCPM deliver measurable benefits, it is challenging for many contact center managers to evaluate the solutions and discern one from the other.

Rob Berry, with Enkata, shared his opinions in Connections Magazine that while it is true that speech analytics and CCPM offer many of the same benefits, they each solve different business problems. Plus, there is a difference in the degree and source of the benefits they deliver and the deployment risks of each are significantly different.

Gartner Research, an industry analyst firm for the contact center market, has found that CCPM solutions are used most often when contact center management is seeking to automate the supervision and coaching of an agent, and to improve the overall performance of the organization.

According to a Gartner January 2008 report, "These solutions integrate an organization's established contact center technologies, CRM systems, and other data sources to provide a transparent picture of performance through role-specific dashboards and reports, and they drive actions through embedded alerting and workflow capabilities."

For speech analytics tools, they are primary used by quality management (QM) analysts and, even some contact center supervisors. Such solutions can search for examples of calls that meet specific criteria, including dead time, mention of a competitor or an antagonistic or frustrated tone.

While recording calls can deliver significant benefits within the contact center, few organizations actually record every call. Some industries report that they record as much as 30 percent of their calls, but even that is a generous number.



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At the same time, these calls are purged regularly and such activity minimizes the usefulness of speech analytics. Therefore, to be effective, speech analytics must be properly designed to fit the practices of the contact center.

When right-fitted for the contact center, CCPM can be used as a management tool that uses multiple systems to create agent-level key performance indicators (KPIs) and enables supervisors to rate agent performance while identifying opportunities for improvement. Best-in-class systems enable supervisors to identify those agents who are struggling in order to address the issues and make necessary changes.

To best determine whether the contact center should invest in a CCPM solution or speech analytics or both, it is important first to understand the business problems that need to be addressed and then make the selection based on the strategic goals of the contact center. In doing so, the center will be able to experience measurable benefits and an overall improved performance.

LINK:

<http://ivr.tmcnet.com/topics/ivr-voicexml/articles/41076-contact-centers-benefitting-from-speech-analytics.htm>

### 2.2 BPO exports grow 21.4 percent

NEW DELHI: India's third party business process outsourcing (BPO) services exports in 2007-08 grew 21.4 per cent to Rs.264.23 billion, up from Rs.217.60 billion in the previous fiscal, according to a new study.

In dollar terms, the growth was even more impressive at 36.6 per cent to \$6.6 billion, up from \$4.8 billion last fiscal, said the study. It ranked Genpact as the No. 1 export revenue earner with revenues of Rs.26.59 billion, up by 19.8 per cent from Rs.22.20 billion that the company earned last fiscal.

Aditya Birla Minacs, the second ranking revenue earning company last fiscal, maintained its rank this year as well. Its revenues grew 3.1 per cent to Rs.15.63 billion up from Rs.15.16 billion last fiscal.

Apart from these two top rankers, the other companies that managed to maintain their ranks this year were Wipro BPO and HCL BPO. Wipro BPO maintained its 7th rank by growing 22.7 per cent to Rs.11.47 billion up from Rs.9.35 billion last fiscal.

Similarly, HCL BPO maintained its 10th rank by growing 18.1 per cent to Rs.8.8 billion up from Rs.7.45 billion last fiscal. TCS BPO improved its ranking from 4th last fiscal to 3rd this fiscal by growing 38.6 per cent to Rs.13.64 billion, up from Rs.9.84 billion.



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In terms of rankings, the most dramatic improvement has been achieved by Intelenet Global which has moved up six places to come into the top 20 at rank 15. Last fiscal at rank 21 it was not in the list at all. Intelenet Global has grown a whopping 128.1 per cent - the highest among the top 20 - to Rs.6.57 billion up from Rs.2.88 billion last fiscal.

The other companies to have improved their rankings this year were Infosys BPO which moved up four places to rank eight from rank 12 last fiscal. Its revenues grew 49.3 per cent to Rs.10.02 billion up from Rs.6.71 billion last fiscal.

Firstsource Solutions moved up three places to rank six from rank nine last fiscal by growing 45.7 per cent to Rs.11.64 billion against Rs.7.99 billion last year. WNS Global Services and Mphasis were the other two companies to have improved their rankings. Both moved up one place to 5th and 19th respectively.

Two companies - Aptara and Evene4e - moved out of the top 20 rankings. They were ranked 18th and 19th last year. Their places have been taken by Accenture India - an absolutely new entrant - and Intelenet Global.

Among the sliders, Cambridge Solutions slid the most to rank nine from rank five last fiscal. In fact, it was the only company that showed negative growth of 10.3 per cent with revenues coming down to Rs.8.97 billion from Rs.10 billion last fiscal.

Covergys India fell three ranks from eight to rank 11. Its revenues, however, just managed to show positive growth of 2.5 per cent to Rs.8.78 billion from Rs.8.57 billion last fiscal. VCustomer too slid three ranks to 18 from 15 last fiscal. Its revenues grew 9.5 per cent to Rs.4.85 billion from Rs.4.43 billion last year.

24/7 Customer also slid three ranks to 20 from 17 despite growing 17.3 per cent to Rs.4.06 billion from Rs.3.46 billion last year. IBM Daksh, Aegis BPO, EXL Service and HTMT Global all slid by one rank this year compared to last year.

The top 20 companies accounted for 74.2 per cent of the total industry revenue down from 77.4 per cent in the last fiscal.

LINK:

[http://economictimes.indiatimes.com/Infotech/ITeS/BPO\\_exports\\_grow\\_214\\_per\\_cent/articleshow/3454855.cms](http://economictimes.indiatimes.com/Infotech/ITeS/BPO_exports_grow_214_per_cent/articleshow/3454855.cms)



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## 2.3 Indian IT honchos shrug off Obama threat to outsourcing

BANGALORE: The Indian IT industry remains unfazed by the threat to outsourcing sounded by US Democratic presidential nominee Barack Obama. "Companies that ship jobs overseas will not get tax breaks," he said in his nomination address at the Denver democratic national convention last week.

Having survived the campaign of former US Democratic presidential candidate John Kerry four years ago on jobs being "Bangalored" because of outsourcing, head honchos of leading IT firms here say: "Don't read much into what Obama said in a poll campaign. He didn't say either that firms creating jobs in America will get tax breaks.

"The reference may have more to do with the loss or lack of jobs in sectors like manufacturing than IT services," Som Mittal, chairman of Indian software services' trade body Nasscom, said.

Though the US market remains the best bet for the Indian IT services sector, contributing over 60 percent of the total revenue for bellwethers such as TCS, Infosys, Wipro and Satyam, Obama's passing reference against outsourcing does not rattle them as it did in the past due to changing market/industry dynamics and advent of globalisation.

"Democratic governments in the past were in support of free trade as the US has been all along. We don't think that practice will go when a new administration takes over early next year. The stakeholders are well aware of the advantages of outsourcing, especially in the service industry," Mittal observed.

Echoing Mittal, Infosys director and human resources department head T.V. Mohandas Pai said outsourcing was inevitable in a globalised world, as there was no going back considering its benefits for companies, employees and the US economy at large.

LINK:

[http://economictimes.indiatimes.com/Infotech/ITeS/Indian\\_IT\\_honchos\\_shrug\\_off\\_Obama\\_threat\\_to\\_outsourcing/articleshow/3446262.cms](http://economictimes.indiatimes.com/Infotech/ITeS/Indian_IT_honchos_shrug_off_Obama_threat_to_outsourcing/articleshow/3446262.cms)



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## 2.4 Now, Europeans are more open to outsourcing

MUMBAI: Infosys Technologies' acquisition of UK's Axon couldn't have been better timed as a new study finds that Europeans are becoming more open to outsourcing. The French, however, are likely to be more reserved than their English counterparts when it comes to adoption of outsourcing, according to a Ernst & Young study completed last month. The study found outsourcing was being used by 70% of the European firms surveyed.

The study is the first in recent times that analyses European openness towards outsourcing. An earlier study by research firm Gartner had said Europeans continued to show a strong preference for local vendors. Part of the reason behind the reluctance of some of the European firms may be tough labour laws in countries such as Germany and France, according to the study. Despite a growing recognition of the quality advantage, the primary motivation to outsource still comes from cost savings, and this, according to study's authors, Thierry Muller and Paul Young, is not easy to achieve.

In order to achieve an overall reduction in costs, employers must be able to either successfully reallocate internally those staff whose operations have been externalised, or carry out redundancies. The options available to employers vary according to each country's legal framework. European countries such as France and Germany have less room for maneuver than countries such as the UK, where labor laws are more liberal," according to Mr Muller and Mr Young.

The British are, however, likely to outsource only a few standard functions, while the French and Belgians are open to outsourcing a wide range of functions.

Also, compared to 70% of respondents that had at least one outsourcing relationship, only 49% of respondents cited cost savings and higher productivity (revenue earned per employee) as the advantage of outsourcing for their organisation. About 33% identified better quality through use of specialised skills.

"French companies attribute less importance to cost-saving benefits, with improvements in quality and strategic organization being the key advantages identified. Belgian companies are also strong proponents of the improved quality brought by outsourcing, while in the UK, quality considerations are rated on a par with cost savings," the study said.

The higher emphasis on quality among some of the EU nations may help Infosys, which positions itself as a premium player rather than a low-cost player. In the past, it has let go of some large clients such as GE because it wanted to maintain its pricing. It has also not participated in some large projects with lower margins.



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In the recent past, however, there are some indications that Infosys may review some of these measures. The recession is making it harder for IT firms to get more business as many of their clients are facing huge losses and write-downs.

LINK:

[http://economictimes.indiatimes.com/Infotech/ITeS/Now\\_Europeans\\_are\\_more\\_open\\_to\\_outsourcing\\_EY/articleshow/3429178.cms](http://economictimes.indiatimes.com/Infotech/ITeS/Now_Europeans_are_more_open_to_outsourcing_EY/articleshow/3429178.cms)

## 2.5 Study finds growing demand for self service in contact centres

As companies throughout the world continue to grow in size, consumers contacting those companies are less likely to talk to someone inside the company and instead will interact with a contact center agent. Sure, that agent could technically be an employee of that company, but it is increasingly more likely that the agent will be an outsourced individual.

To help control the cost of supporting customers around the world, many of these companies are turning to self-service options that allow consumers to gather information at any time and from any location. Such flexibility lends to the trend for more mobility among consumers and business professionals, improving the overall customer experience.

According to recent research by Forrester ([News - Alert](#)), contact centers in 2008 are leaning toward an increased emphasis on self-service and applications that provide greater insight into the customer experience. Much of this move has been driven by consumer demand, as well as the drive of the company to differentiate itself in the marketplace.

Organizations are also taking into consideration how to best support their customers through proactive means and to reach beyond the walls of traditional centers to include remote experts and home agents. Such initiatives are being taken to also reduce operating costs, while increasing the labor pool options for the contact center.

The 2008 survey completed by Forrester, "2008 Contact Center Technology Trends," examines the attitudes and actions of decision makers within the industry and finds an increased interest in services that are delivered as hosted or software-as-a-service to reduce upfront expenses, without relinquishing control.

In addition, more companies are turning to outsourced and managed services for their operations as they are seeking to improve customer service deliverables, while also reducing overall spend for operations. The controversy over such practices is settling down as consumers have come to expect the practice.



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The study also found that IP adoption continues to expand as more than 30 percent of companies have indicated that they have deployed or are rolling out IP contact centers. This is a significant increase over previous years and demonstrates that organizations are learning the benefits that IP can provide.

Forrester found that IT infrastructure and operations (I&O) managers need to demonstrate a positive ROI to justify contact center upgrades and investments, support more efficient operations, and improve customer support. In doing so, they will create a more efficient environment overall that will drive performance and productivity.

LINK: <http://call-center-software.tmcnet.com/topics/call-center-software/articles/37742-study-finds-growing-demand-self-service-contact-centers.htm>

### 2.6 Demystifying enterprise call recording for Avaya platform

As more and more enterprises are seeing their workforces disperse remotely, executives continue to search for ways to implement a centralized call recording solution while keeping costs of ownership down.

Enterprises today are moving in so many directions that it is important for any CFO to continually leverage new technologies. While implementations with servers in each and every center were the norm in the past, advancing technologies have now rendered such heavy lifting obsolete, as VoIP has enabled calls to be recorded without hardware, says Richard Marcia, marketing director of Coordinated Systems, Inc.

“Many popular phone systems offer APIs for direct integration within their phone system software,” said Marcia. “In many cases this also allows businesses to capture important business data along with the audio; removing the need to add CTI or SMDR integration.”

In the coming months, says Marcia, it is likely many companies with legacy Avaya phone systems will be opting to move to VoIP phone systems, and thus will be in a position to record calls directly from the phone system API.. Avaya is one of the phone system vendors leading the way with API recording through their DMCC offering.

Perhaps the initial challenge for some companies is clarifying exactly what is DMCC and how it works. DMCC is an Application Programming Interface (API) which gives users the ability to record calls directly from Avaya Communication Manager. Avaya defines it as “Device Media Call Control”, which was formerly known as CMAPI, or Communication Manager Application Programming Interface.



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DMCC works by allowing software vendors to create soft phones in memory on a recording server and use them to monitor and record other phones. "This is purely a software solution and does not require telephony boards or any wiring beyond your typical network infrastructure," said Marcia.

Of course, implementation of DMCC has a list of Avaya requirements including the Avaya AES 4.1 or higher, TSAPI licenses for monitoring agents, skills, queues, VDN's etc and IP\_API\_A licenses for creating the soft phones that do the actual recording, according to Marcia.

While any list of technical requirements are certain to give some initial pause, the DMCC could have substantial benefit to the right businesses.

First off, it integrates with Avaya Communication Manager as well as the Virtual Observer quality monitoring solution. The DMCC also removes the need for CTI and is capable of working with Avaya Interaction Center. Other benefits include: Bringing in many call data fields that allows for intelligent search; Records Analog, DCP or IP sets; and Supports remote call center agents.

Of course, IT must be able to show the boss that the return on investment delivered by DMCC is worth it. But, says Marcia, there are several factors likely to sway the check writers. For example, DMCC decreases operating expenses while reducing a company's footprint.

The fact that there is zero hardware to deploy or maintain; zero cabling, extension or trunk lines to deploy or maintain; and zero requirement for CTI, helps immediately reduce a company's TCO. In addition, there the single point admin for multi-location implementation and the Seamless upgrade path from TDM to IP is an attractive option for companies.

Of course, there are key functions to the DMCC, including the Virtual Observe solution from CSI; an Avaya compliant method of recording which is entirely software-based. There is no additional hardware needed, even as users scale their organizations. This recording method supports TDM, IP or hybrid telephony environments. The Virtual Observer DMCC recording solution can flatten and expand your network, allowing you to reach out to all phones in a virtual environment, from a single location, regardless of where the phones are located.

Virtual Observer offers three types of DMCC-based recording: The Logger Edition, which provides blanket, or full time, recording of every call; The Professional Edition, providing schedule driven recording for random sampling; and an Agent or Supervisor On-Demand recording so anyone in the enterprise can perform 1-off ad-hoc recording when necessary. All options include the ability to record full-time or select screen capture.



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“It is possible to obtain a robust, centralized call recording system for your multiple location enterprise with a low cost of ownership – zero hardware requirements, for example,” said Marcia.

LINK: <http://www.tmcnet.com/channels/call-monitoring/articles/36485-demystifying-enterprise-call-recording-the-avaya-platform.htm>



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### 3 TELKOM & MACROENVIROMENATL NEWS

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#### 3.1 Experience, strong partnerships key to public sector delivery

Governments across the world face challenges that are growing more complex each day. Limited resources, budget constraints and the need to communicate with many diverse stakeholder groups mean that any government is always under significant pressure to grow citizen-centric services and to visibly deliver on policies and strategies.

In this context, the partnerships government agencies form with private sector businesses are crucial to an ability to not only meet public expectations, but to continue evolving positively in terms of strategic vision and the operational reality on the ground.

“Nowhere is this more true than in the realm of business processes and systems – a paradigm that defines the experience of citizens on a day-to-day level,” said Pule Mokeona, Group Executive at the Innovation Group, one of the country’s leading business process consulting and administration companies.

“Technological advances occur daily and the key to success is an ongoing ability to manage the interplay between new tools, the people who control them and the end-user,” says Pule Mokoena, Group Executive at Innovation Group, one of the country’s leading business process consulting and administration companies. “The ability of government and its partners to successfully negotiate this landscape and to ensure that sophisticated systems are in place and effectively managed over the long term impacts on the very fabric of society – so it’s important that strong partnerships are in place.”

Innovation Group has become one of the leading solution providers to the global insurance industry through the development of a flexible combination of business process outsourcing, supply chain management and technology solutions. Innovation Group’s solution offering operates across the continuum between enterprise software and specialised business process outsourcing solutions, developed and executed according to the client’s specific business requirements. Sound business partnerships and long standing client relationships have formed the heart of the company’s business, which has been particularly successful in South Africa, where Innovation Group is recognised as an industry leader.

“We are not a sole product retailer. We provide independent, objective solutions based on design, specification and technologies to be deployed for the clients needs,” says Mokoena. “Our primary role in the Public Sector is to implement and manage service level based contracts and solutions on behalf of the public sector



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(local, provincial and national government). Every solution is specifically developed to take into account the local context. By coupling our IT management and business process outsourcing services with in-depth, industry-specific knowledge, we provide business-focused solutions tailored to the public sector's strategic goals.”

Although government has embraced change in the area of technology, many of their operational systems are still paper-based and not backed by the best available technologies, leading to a scenario where customer service levels are under significant, ongoing pressure. By upgrading the technical environment and building partnerships based on mutually aligned interests, however, government can position itself to meet its delivery mandate over the medium and long term, to cater for growth in the number of constituents it is serving and to embrace emerging technologies and systems as they become relevant. The quality of its partnerships will, of course, be crucial to government's success in this area.

“Strong partnerships are crucial,” confirms Mokoena. “In such a complex area strong relationships that are in place for a sustained period of time and that are guided by a common strategy are central to ensuring that short term successes create a foundation for ongoing growth.”

Aside from its foundation of industry expertise and experience, Innovation Group's national footprint (the company works across the entire IT services market with significant presence in the eight major sectors: financial, manufacturing, government, healthcare, energy, retail, communications and transportation) means it has a detailed understanding of the needs and applications required to drive Government's long term sustainability of service provision.

“We have grown as successfully as we have thanks to our focus on combining innovative thinking with practical implementation – in other words, on ensuring that solutions must work in the field across all users,” says Mokoena. “We are able to fully assess how to both transform an organisation's operations and streamline existing operations to make them more cost effective and to improve service delivery. Regardless, however, our key reference point is always the over-arching strategy. Our mission is always to make sure the strategy is turned into reality and is brought to life over the long term.”

LINK:

[http://www.contactindustryhub.co.za/news\\_item.php?news\\_id=457&news\\_headline=Experience,%20strong%20partnerships%20key%20to%20Public%20Sector%20delivery](http://www.contactindustryhub.co.za/news_item.php?news_id=457&news_headline=Experience,%20strong%20partnerships%20key%20to%20Public%20Sector%20delivery)



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## 3.2 Has telkom jumped the gun?

Telkom's controversial "capability management scheme" starts this week in earnest, with the utility issuing requests for proposals (RFP). However, an insider says the process is a sham.

The scheme, which will allow Telkom to effectively outsource 90% of its operations, has the unions and high-level employees enraged. Industry has questioned the timing of the planned outsourcing, particularly since it runs parallel to Mvelaphanda's R90 billion bid for Telkom.

Group executive for capability management Theo Hess says the company has already received several expressions of interest through a "closed process". Telkom has now moved onto the next phase of the bidding process and issued a request for proposals to bidders, he adds.

Telkom says it hopes to save R1.3 billion per year through its new scheme.

According to Hess, Ericsson, Nokia Siemens **Networks**, Alcatel-Lucent and Cisco Systems have shown interest in the network operational outsource process. Accenture, Unisys, TechMahindra, HP and Amdocs are interested in information operations, he adds.

### Window dressing

A high-level source at Telkom says the entire RFP process is a "smokescreen" as Telkom has already chosen its preferred bidders.

According to the source, HP and Amdocs have close ties with Telkom executives and are only participating in the RFP process as a formality. The source claims HP and Amdocs enjoy preferential treatment from Telkom and will likely win the tenders they are bidding for.

However, Telkom has rubbished this claim, saying there are no preferred bidders in this process.

The outsourcing tenders are speculated to be worth between R5 billion and R10 billion each, although Telkom says no value has yet been set. The fixed-line giant says the process that will quantify the value has only just started and will only show a clear financial figure after it is complete.

### Ulterior motives?

Media speculation has it that the outsourcing process may have both a political and



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business objective.

The source at Telkom alleges executives are trying to get as much out of Telkom as possible before the next administration comes into power. The source believes Telkom management will change under a new government.

Telkom is rushing the outsourcing and sale process to ensure it happens before the elections, the source claims.

However, Hess stands firm that the outsourcing and potential equity deal is transparent and definitely not a hasty decision. "The capability management process is neither rushed nor politically motivated."

## Union battles

Meanwhile, Telkom is starting to feel the pressure from unions, particularly the Communication Workers Union (CWU) and the South African **Communications** Union (SACU), which have both expressed concern about the telco's outsourcing moves.

Solidarity initially exposed Telkom's outsourcing plans and expressed concern over the 19 000 employees that may be affected. However, it has subsequently withdrawn all concerns.

Telkom confirms that CWU and SACU declared a dispute on 26 August. "In terms of the dispute resolution process of the collective agreement on recognition, a written response was given to organised labour on 1 September. A meeting with organised labour was held on 4 September, in which the dispute was discussed and it was agreed that the unions will reply to the company's proposal in writing."

According to Telkom, the negotiations are ongoing.

The company confirms it is taking all possible steps to maintain employees' jobs. "It is important to understand that the employability of Telkom employees is a major objective of this process. As such, potential managed services partners will be required to ensure **continued** employment at levels equal or better than what Telkom offers currently."

LINK:

<http://www.itweb.co.za/sections/telecoms/2008/0809111100.asp?A=TEL&S=Telecoms&T=News&O=ST>



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## 3.3 Telkom, Mvelaphanda suspend talks

After months of protracted discussions around the sale of Telkom to Mvelaphanda and its consortium, the talks have been “suspended”. However, talks with Vodafone are ongoing.

The utility released the announcement on the JSE yesterday, saying the talks had been suspended because of “market conditions and pricing considerations”.

Telkom's group executive of investor relations Nicola White says the talks have been suspended and not terminated. “The current economic climate and the price of credit have put a damper on the offer from the consortium.”

She says Telkom would like to get the best deal it can for its shareholders and the current economy will not allow for that for the time being. “However, should things change, we would welcome a renewal of talks.”

Neither company has confirmed the possible value of the sale and even now Telkom is unwilling to disclose that information; however, it has been speculated to be valued at around R90 billion for the entire share issue.

### Taking a beating

Telkom first acknowledged a bid from a consortium, made up of Tokyo Sexwale's Mvelaphanda Holdings, affiliated funds of Och-Ziff Capital Management Group and “other strategic funders”, at the beginning of June. In line with JSE regulations, Telkom subsequently re-issued its cautionary on 15 July.

At the time, a source close to the deal said discussions were progressing well. While the talks between the companies had to some extent lost the market's interest, **continued** cautionary notices indicated the deal could go through.

However, a Telkom spokesperson, who asked to remain unnamed, said the fallout from the bankruptcy of international investment bank, Lehman Brothers, has affected Telkom's share price, which would drive down the value of the deal with Mvelaphanda.

The fall of the international investment bank has had an impact on most local businesses, Telkom and Mvelaphanda not the least of them. Telkom's share value took a consistent beating during August and it has been in even sharper decline since Lehman Brothers announced bankruptcy on Monday.

Telkom lost 12.6% of its market cap this week, closing at R114.50 on the JSE yesterday, compared with a R131 close last Friday. Since the talks started in June,



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Telkom's share price has lost a total of 24.2%.

Mvelaphanda has also been trading steadily down since June, losing 23.84% of its share value.

## Low confidence

Senior Econometrix economist Tony Twine says it is not surprising that the deal did not go through. "It is understandable in these times and you will see many large capital deals on hold. It is because the uncertain global capital environment does not lend itself to making colossal decisions."

He says companies are shying away from deals, because the risk of doing nothing is smaller than the risk of making a possible costly mistake. He says it is unlikely any new deals will surface until the global financial markets regain some confidence.

MD of Kaplan Equity Analysts, Irnest Kaplan, agrees that global markets, including SA's, are under tremendous strain. "The financial markets over the last two weeks have been at their worst since 9/11."

He is not surprised that Mvelaphanda "choked" and believes it is unlikely there will be any new moves towards Telkom in the next few months.

## Political motive?

Global Research Partners director Paul Booth believes there may be more underlying the deal than has been expressed.

"Behind Mvelaphanda is Tokyo Sexwale, who is a Zacob Zuma supporter, and with the political environment the way it currently is, there may well be a political angle to the break-off."

He says a political directive could be evident from either the Jacob Zuma camp or the followers of current South African president, Thabo Mbeki. "This might be the last chance for Mbeki supporters to make a little money from Telkom before they have to leave office. They could probably make more money and faster from Telkom selling off Vodacom than from the sale of the fixed-line business. They may simply not want to conclude a deal with any Zuma supporters."

However, he adds that Jacob Zuma may well prefer to have the deal listed under his own belt and called Sexwale away from the talks. "He may want to wait until he gets into office."

## Look to Vodacom



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Booth adds that talks with Mvelaphanda may be clouding the discussions between Telkom and Vodafone. Vodafone plans to acquire a portion of Telkom's stake in Vodacom and has asked Telkom to distribute remaining shares back to Telkom shareholders.

Telkom's SENS announcement yesterday reassured shareholders that talks with the Vodafone group over the sale of part of Telkom's stake in Vodacom are ongoing. White says talks with Vodafone are progressing nicely and the company will release more information around the deal "shortly".

"The deal with Mvelaphanda was dependant on the sale of Vodacom shares anyway; it way well be that they are going to complete them one at a time," adds Booth.

LINK:

<http://www.itweb.co.za/sections/business/2008/0809191100.asp?A=COV&S=Cover&T=News&O=C>

### **3.4 Intellecta, Unisys, CosmoCom power telkom hosted contact centre**

Intellecta, a division of the Bytes Technology Group and South Africa's fastest growing contact centre solutions provider, has implemented the CosmoCall Universe platform at Telkom to power Telkom's new hosted contact centre on-demand service offering.

Intellecta partnered with Unisys Africa, the prime contractor, and CosmoCom, the global leader in call centre consolidation 2.0 for which Intellecta is the master VAR in South Africa, to deliver the new offering. The CosmoCom platform enables Telkom to offer dedicated or shared hosted contact centre services to enterprises of every size.

According to researcher Frost & Sullivan, the number of contact centre agent seats in South Africa will grow 74% over the next five years.

Until now, Telkom has offered traditional premise-based contact centres. The multi-tenant CosmoCall Universe platform now enables Telkom to offer hosted contact centre solutions as a flexible and cost-effective on-demand service. This allows customers to quickly adjust their contact centre resource levels as demand increases or decreases, while paying only for the services they actually use.

In addition to a robust market of both local and multinational companies, South Africa is also well positioned to serve the European market.



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"Telkom's hosted IP contact centre offering (HIPCC) is a service provider managed solution for completing calls and monitoring and managing contact centre activity without the need for costly equipment on a customer's premises," says [Godfrey Ntoele](#), group executive, National Sales and Marketing Operations at Telkom.

"Instead of customer premise equipment, Telkom hosts the contact centre management system and applications within its network and extends this capability to a customer virtually, over a broadband connection."

"The HIPCC product suite will differentiate Telkom by adding unique value in the growing South African contact centre market, while extending its portfolio of next-generation multimedia services in a converged environment." The new contact centre system is expected to quickly expand into thousands of agents. The local project team members have extensive experience and history of working with Telkom.

Unisys Africa will provide project management, network and systems integration, and Intellica will provide contact centre deployment services. CosmoCom will provide the contact centre platform software, licences and ongoing software support and maintenance.

"Hosted IP contact centres represent a revolution in the provisioning of contact centre technology. The dream of a virtualised, multimedia, function-rich, high-capacity, telco-grade, on-demand contact centre technology solution has finally arrived," says [Michael Renzon](#), MD of Intellica.

"Intellica's extensive experience with the CosmoCall Universe platform complements our expertise in system integration within Telkom's communications and network infrastructure, making this an optimal project team," adds Gerald Naidoo, Global Industries executive at Unisys Africa.

"CosmoCom is very pleased to be part of this strong team for a customer of Telkom's stature," says [Ari Sonesh](#), CEO of CosmoCom. "Our CosmoCall Universe platform will facilitate growth for Telkom in its new hosted contact centre on-demand services, and will provide enterprises and outsource customers with the latest in advanced contact centre features and capabilities."

"Innovation has been a characteristic of Intellica since our inception," adds Intellica director [Shaun Cochrane](#). "In 2007 we won two industry innovation awards for our work at Telkom, acknowledging the work that Intellica has done in bringing hosted IP contact centre technology to market."

LINK:

<http://www.itweb.co.za/sections/industrysolutions/2008/0808250748.asp?A=COV&S=Cover&T=Section&O=C>



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## 3.5 Telkom welcomes GNP

Neotel's geographic number portability (GNP) announcement has been met by a vague response from Telkom.

Earlier this week, Neotel announced it had completed the test phase of porting large block numbers to its own **network** from Telkom's.

At the time, Rajeev Sinha, Neotel's products senior manager, said: "While they are currently still executing the test cases to check routing, billing, and so on, it is a massive step toward giving SA corporate customers the freedom to choose."

In response to a query from ITWeb, regarding number portability, Telkom says it welcomes the competition. "Telkom has consistently welcomed the liberalisation of the telecommunications landscape, which has brought about increased competition."

Telkom also confirmed the fixed-line operators did work closely on the project and will "**continue** to work closely with other industry stakeholders to the benefit of the ICT sector in the SA market at large".

Testing of number portability started between Telkom and Neotel in March and, after this week's announcement, Neotel is convinced fixed-line porting will be more effective and have a better response than the **mobile** operators experienced.

According to Sinha, enterprise clients have shown a keen interest in porting Telkom numbers to Neotel's services. "The primary interest is that customers are looking at a better price point, which we can offer. They are also hoping to keep the current business contact details they have."

He says porting in a fixed-line environment can be better controlled than in the mobile space, adding that fixed-line number changes could have a heftier impact on business operations.

LINK:

<http://www.itweb.co.za/sections/telecoms/2008/0808081044.asp?O=FPTOP&S=Business&A=BUS>



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## 4 CONTACT CENTRES, BPO AND SKILLS

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### 4.1 People vital to process improvement

Skills shortages and staff retention a key focus in process improvement in South Africa.

The Joburg Centre for Software Engineering (JCSE) at Wits University and Dimension Data on Tuesday hosted a Process Improvement briefing, focusing on Managing Organisational Change and how the Capability Maturity Model Integration (CMMI) process improvement product suite can support the effectiveness and competitiveness of local organisations.

Professor Barry Dwolatzky, JCSE CEO and Director, says the message that came out loud and clear is that people are central to process improvement and moving organisations forward.

“This is particularly true in a sector like ICT where we have such a skills shortage and where staff retention is a real problem. The key for most organisations is therefore how to manage people to make them more effective within the organisation,” he says.

John Megannon, CTO of the GijimaAST subsidiary GMSI, spoke on why the company had decided to initiate a process improvement programme.

“When Gijima and AST merged we realised that the company had a very viable but challenging business case. The key was to include the efficiencies of the two companies and leave the inefficiencies behind. The company needed to create momentum with 3500 employees, which proved to be a big challenge,” he says.

GMSI was therefore chosen to do a targeted implementation of CMMI and other process improvement frameworks as a test case on behalf of the broader organisation. The aim was to use process improvement as a way to provide innovative, value adding solutions to its clients and provide superior returns to shareholders.

“To do this we needed a workforce that was energised, which enjoyed working for the company and was productive. What we realised upfront was that people process was vital and we faced huge skills and retention challenges,” he says.



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Estimates by GMSI and others have shown that it costs a company approximately R500 000 when an employee of five years experience of local knowledge leaves and a further R500 000 to train an employee to replace them.

“We therefore needed to ensure that we had the right people; that we equipped them for the task they were required to do; and that they were energised to do this task. With this as a platform, we were able to introduce process improvement initiatives,” he says.

Other important factors for the success of process improvement using CMMI were the right partners and good leadership, he adds. “The strong support we’ve received from the JCSE as the local CMMI partner has been a key factor,” he says. By improving staff retention, GMSI was able to pay for the cost of implementing process improvement for the next three years and GijimaAST is now looking to capitalise on the lessons learnt and roll out CMMI to the rest of its organisation.

“The benefits of process improvement for GMSI included an improvement in client satisfaction, improved staff retention, increased innovation, and an improvement in efficiency, with 98 percent of projects being completed on time and to budget,” he says.

### **Focusing on people:**

Dr. Palma Buttles-Valdez, technical staff member at the Software Engineering Institute in the USA, addressed the briefing on the challenges of change management with employees in an organisation.

“Organisations generally have four types of people culture: traditionalist (born prior to 1945); Baby boomers (post World War II to the mid 60s) who are used to working hard; Generation X (mid 60s to 1980), who are technically savvy and communication focused; and Generation Y, who prefer informality and embrace diversity.

“The challenge is that organisations have behaviours, norms, values and cultures and each of these cultural generations respond differently to each of these different elements,” she says.

The SEI has therefore developed People CMM, which assists organisations with ‘enculturing’ their workforces to be more effective within their organisation.

“What People CMM does is take organisations through seven steps to motivate the workforce including providing a vision; resources; having a capable workforce; capable processes; a culture that supports change; incentives for employees and an action plan for process change,” she says.



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The problem of a lack of skills and staff retention is a global problem across sectors, Buttles-Valdez says. This means that managing people has become even more critical in assisting organisations to continue to innovate, acquire customers and grow.

### **Pilots speak out about process improvement:**

The briefing included two panel discussions, where companies participating in the JCSE's CMMI pilot programme and the various speakers took questions from the more than a 100 or so people who attended, Dwolatzky says. The companies represented on the panel were asked why they had decided to adopt CMMI.

"GMSI, BSG Africa and African Defence Systems were all able to give very positive report backs on how being on the JCSE's CMMI pilot has benefited their organisations.

"BSG Africa commented that it aimed to use CMMI to position it for international contracts while ADS said the company intended to align with its shareholder, the Thales Group International's CMMI process improvement policy and use the lessons learnt during appraisals to implement effective changes to technology," Dwolatzky says.

The JCSE was also able to elaborate on its planned TSP (Team Software Process) and PSP (Personal Software Process) adoption plans. Dwolatzky commented that these relatively new CMMI-based methodologies offered South African companies the opportunity to become internationally competitive in software development by developing very high quality software and running projects on-time and within budget.

"These methodologies add the 'how' to the 'what' provided by the CMMI framework. The recent trip to Mexico and the USA had introduced the JCSE and some of its partners to companies showing dramatic improvements in productivity and effectiveness of their software development activities through the adoption of TSP and PSP principles, painting a bright picture for their possible adoption in South Africa," he says.

### **About the JCSE:**

The Joburg Centre for Software Engineering (JCSE) is a three way partnership between government, academia and industry. Based at Wits University, the JCSE is multifaceted with various programmes and facilities positioning it as a focal point of a software development industry in Gauteng.

The JCSE strongly supports the City's "Joburg 2030 Vision", which sees Johannesburg as the hub of Africa's software development sector. It supports this



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goal by promoting best practice in software development within an African context; growing the country's capacity to deliver world class software; and developing research and training initiatives to strengthen the local software development industry.

This is done practically by offering various courses to industry, hosting laboratories, housing start-up companies in its pre-incubator, hosting SPIN (Software Process Improvement Network) meetings and promoting the adoption of the Capability Maturity Model Integration (CMMI) rating in South Africa.

LINK:

[http://www.contactindustryhub.co.za/news\\_item.php?news\\_id=456&news\\_headline=People%20Vital%20to%20Process%20Improvement](http://www.contactindustryhub.co.za/news_item.php?news_id=456&news_headline=People%20Vital%20to%20Process%20Improvement)

### **4.2 Spescom datafusion and presence technology's call centre success in SA leads to focus on Africa**

Joint contact centre offering delivers a powerful solution to the rest of Africa

Spescom Limited, a JSE-listed integrated business communications solution provider, and Presence Technology, a provider of contact centre performance optimisation software, have achieved significant successes with their combined call centre offering in the local market. Based on this, Spescom DataFusion is increasing its efforts to drive market share and awareness of Presence's solutions elsewhere in Africa.

Using South Africa as a springboard into the rest of the continent, Spescom DataFusion is developing a strategy to exploit opportunities in Africa. The market for contact centre solutions is growing and Spescom is thus focussing on specific geographical areas where high growth and strong demand is expected. The strategy incorporates a strong focus on partnerships with established in-country partners.

Says Paul Fick, CEO of Spescom DataFusion: "In all, Spescom has completed a significant number of installations since 2004, mostly in South Africa. We also doubled Presence license sales in South Africa during 2007 and see demand growing for contact centre solutions on the rest of the African continent. Numerous South African financial services institutions, mobile service providers and various other international companies are expanding into Africa and require communications and customer contact solutions.

Together, Spescom and Presence Technology are poised to meet these requirements. Spescom expects to improve its African revenues twofold from this increased focus on Africa.



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"Spescom will initially target neighbouring countries, East Africa and surrounding islands. Kenya and Tanzania are actively adopting call centre outsource models and it is therefore viable to focus on these countries," notes Fick.

Spescom DataFusion provides a broad range of integrated turnkey contact centre and enterprise telephony solutions to the corporate market. "Presence Technology's offering, which includes powerful inbound multi-media contact routing and outbound voice contact automation and optimisation has become an important component of the comprehensive platforms we offer to our customers," says Fick.

"Optimisation within the call centre environment is a key focus for both Spescom and Presence, enabled through tight alignment of the technology with typical business processes. Presence's solutions are powerful and easily implemented, allowing changes to be made by non-technical staff. This provides our clients with greater operational efficiency and flexibility."

Presence's contact centre performance optimisation software augments Spescom's performance management, customer relationship management, voice recording and speech analysis software and hardware solutions.

Says Araceli Aranda, CEO of Presence Technology: "This initiative further solidifies the relationship between Spescom and Presence, aligning our goals and strategies, allowing both companies to expand its offering to under-serviced regions. The African market is ready for our combined offering and we plan to meet its requirement for integrated business communication solutions."

Spescom DataFusion provides its clients with services ranging from assessment to consulting and design, system integration, project management, maintenance and support. Spescom's intimate understanding of the communications market, business requirements and emphasis on technical know-how allows the organisation to respond to client communication needs with innovative business solutions. Products used are, without exception, from reliable world-class technology vendors.

Explains Fick: "Our comprehensive solutions, from basic connectivity and technology infrastructure to customised business solutions are built to meet the specific communications needs of organisations. A critical success factor is our use of proven technologies - and our ability to provide our customers with the support they need throughout the life cycle of the deployed solutions. This is achieved through our centralised helpdesk and countrywide service organisation which is staffed with highly skilled sales and technical professionals. By growing our Presence skills base and expanding the reach of Presence Technology's products, we are delivering world-class technologies with the necessary technical skills and 'know how', making business communications more effective and efficient in Africa. "



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[http://www.contactindustryhub.co.za/news\\_item.php?news\\_id=458&news\\_headline=Spescom%20DataFusion%20and%20Presence%20Technology](http://www.contactindustryhub.co.za/news_item.php?news_id=458&news_headline=Spescom%20DataFusion%20and%20Presence%20Technology)

## 4.3 Contact centre and IP telephony capabilities added to Microsoft office communications server environments

Interactive Intelligence Inc. is releasing an integrated solution that combines its all-in-one IP communications software platform with Microsoft Office Communications Server 2007.

The integration is designed to help organisations communicate more effectively by adding contact centre and IP telephony functionality to OCS environments. The Interactive Intelligence all-in-one IP communications software platform adds features such as multi-channel skills-based routing, call and screen recording, an operator console interface, workforce management, and cradle-to-grave reporting. The integration also offers the ability to exchange instant messages (IM) between the two systems using OCS's secure IM engine through a common enterprise-wide user directory. "We've gone beyond the basic integration of simply connecting audio calls between systems," said Interactive Intelligence founder and CEO, Dr. Donald E. Brown. "Combined with OCS, our solution provides a broad set of contact centre and IP telephony applications, a common company directory, and simplified administration for user provisioning. "The beauty of this combined solution is that all users can share information and communicate with one another in real-time even though they are running desktop software from two different vendors. For instance, an engineer in California running an Office Communicator Client using a PC as a soft phone can call or 'IM' a product manager in New York running our Interaction Client®. In addition, because our integration to OCS uses a direct SIP connection, customers don't have to purchase pricey gateways." "Interactive Intelligence has taken OCS integration a step forward by enabling customers to more easily take advantage of both the collaboration capabilities in OCS, and the contact centre and IP telephony functionality in CIC – all while giving users the choice of which client to run at the desktop," said Yankee Group enterprise research group analyst, Vanessa Alvarez. "From an industry perspective, this move pushes unified communications forward, which Yankee believes is critical for achieving the Anywhere Enterprise™ where employees, customers, assets and partners can easily connect to applications, information and services whenever and wherever they need them." Microsoft Office Communications Server 2007 manages real-time communications, including instant messaging, voice over IP, audio and video conferencing. It works with existing telecommunications systems so businesses can deploy advanced VoIP and conferencing without tearing out their legacy phone networks. Microsoft OCS also powers presence, a key benefit of Microsoft unified communications that unites all the contact information stored in Active Directory with the ways people communicate.



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In 1997 Interactive Intelligence launched its first product based on the company's all-in-one IP communications software platform called Interaction Center Platform®. This platform was designed to deliver comprehensive applications minus the cost and complexity introduced by multi-point products. Today it serves as the basis for all the Interactive Intelligence products, including Customer Interaction Center® (CIC) for contact centre automation and Vonexus Enterprise Interaction Center™ (Vonexus EIC) for enterprise IP telephony. The Interactive Intelligence integration to OCS is planned for general availability in Q3 2008. It will be offered through the Interactive Intelligence channel of approximately 300 value-added resellers worldwide.

LINK:

[http://www.contactindustryhub.co.za/news\\_item.php?news\\_id=459&news\\_headline=Contact%20centre%20and%20IP%20telephony%20capabilities%20added%20to%20Microsoft%20Office%20Communications%20Server%20environments](http://www.contactindustryhub.co.za/news_item.php?news_id=459&news_headline=Contact%20centre%20and%20IP%20telephony%20capabilities%20added%20to%20Microsoft%20Office%20Communications%20Server%20environments)

### 4.4 The dynamic contact centre

In the previous [Industry Insight](#) in this series, it was discussed how the mutual but distinctly separate interests of customers and management could be addressed through the dynamic contact centre. In this column, the key attributes of the dynamic contact centre will take centre stage. It is important to note the dynamic contact centre is not another technology fad, but rather a genuine vendor response to customer requirements. Companies that implement these 10 capabilities will soon enjoy significant competitive advantage. Many organisations are struggling to contend with the seemingly contradictory requirements of efficiency as management requires, and world-class service, which is what customers expect. As with any new technology offering, there will be a great deal of confusion - some of it being created by vendors - as to just what the dynamic contact centre is.

Here are the 10 capabilities to look for if a vendor tells the company he can offer a dynamic contact centre:

1. Customer-centric routing: This is the ability to route any interaction to the right resource with the right information, regardless of location. It forms the very backbone of the dynamic contact centre.
2. Workforce management and optimisation: Effectively managing resources is right up there as a priority with the dynamic contact centre. Workforce management and optimisation give managers control over their operations: traffic volumes, skills levels and availability, resourcing, and performance management.
3. Business process routing: In most companies, the front office and back office are managed separately, with the result that customer interactions are uneven. Business process routing integrates back-office activities with contact centre activities to



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improve customer service and overall productivity. This is instrumental in delivering first-call resolution, decreasing hold times, and driving customer satisfaction.

4. Real-time recommendation: The best contact centres mix sales and service with a combined focus to give the customer the best of both worlds. This capability empowers agents by anticipating customer needs at the ideal time, and makes the right products available to customers as and when they might need them.

5. Consolidation and virtualisation of resources: This allows management to unify disparate technologies and contact centre resources through a common software platform.

6. Proactive contact management: Being proactive is the essence of the dynamic contact centre. It means anticipating customer needs, reaching out to them before they expect it, and creating unexpected value for customers.

7. Reporting and analytics: Contact centres generate huge volumes of data, which should be analysed and reported on so as to improve customer service and provide insight into operations. Reporting and analytics allow management to assess the health of their contact centre by providing both historical and real-time views.

8. Branch, remote and expert integration: This allows the organisation to use specialised resources outside of the contact centre, and manage interactions based on business strategies and objectives. For instance, instead of a caller waiting five minutes for a contact centre agent, and then being routed to a domain expert, or to a branch, the dynamic contact centre can anticipate needs, reducing wait times and enhancing the overall customer experience.

9. Internet and multimedia integration: This permits the integration of voice and non-voice interactions with a consistent experience and outcome. Customers should have the right to choose their channel of interaction, and the dynamic contact centre permits just that.

10. Integrated self-service: Such a capability provides a superior customer experience while reducing handling times and service delivery costs. The dynamic contact centre uses touch-tone or speech applications to identify and resolve customer requests and transfer complex calls to the right resource.

Any company can begin to incorporate dynamic contact centre capabilities into their operations, regardless of their level of maturity or sophistication. The key to implementing a dynamic contact centre is based on assessing a contact centre's state and maturity. An existing contact centre can gradually incorporate one or more capabilities to gradually evolve into a dynamic contact centre.



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LINK:

<http://www.itweb.co.za/sections/industryinsight/contactcentresandcrm/flanagan080922.asp?A=CAC&S=Contact%20Centres%20and%20CRM&T=Section&O=ST>

## 4.5 The end of outbound call centres?

The contact centre industry needs to face up to the use and misuse of consumer data. With new legislation imminent, the very existence of the outbound telemarketing sector is in real danger. Andy Quinan looks at the lie of the land.

### "Heading into the Danger Zone at speed"

My view is that the current situation in outbound telemarketing is quite dangerous. We have...

- Helter skelter selling of financial services, retail accounts and cellular products on a vast scale
- Often a complete lack of analysis of call results and sales results and lapses
- The problem of corrupt agents with middle management "in cahoots"
- The buying of stolen prospect data and the illegal re-use of client data
- Rapidly rising costs **plus** declining responses **plus** increased lapses

Frankly this part of the industry is a disaster waiting to happen (and some big cracks are already beginning to show).

On the inbound/ customer service/CRM side we have the challenges of:

- Lack of knowledge about our customers - out of date contact information and no lifestyle and product usage information is the norm  
(As an example, most motor manufacturers have records of their customers but really don't know whether or when the vehicle has been sold, stolen or smashed)
- On the contrary, often we have too much information about a customer and their spending patterns, but we don't use the knowledge we have to cross sell and upgrade our customers, or provide them with better service using this data

The issue that we have to face is all currently about the use and misuse of consumer data and that is what our legislators are looking at with their new legislation, which present some real dangers to the outbound telemarketing sector particularly.



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## But what are these dangers?

To get a better understanding of them we need to clearly understand the issues the way the legislators look at them:

First off there are some definitions we need to be clear on, and these are the definitions of Opt-Out vs Opt-In Direct Marketing

- **Opt-Out:** A marketer can make unsolicited direct contact with a prospect or consumer; the consumer can request to opt-out from any further communications (this is the current situation in SA with mail and telemarketing and technically the way it will be in the future, but with many limitations)
- **Opt-In:** A marketer cannot make contact with a prospect or consumer who has not, at a prior stage, consented to their being contacted for the purpose of marketing goods or services.  
(this is the current situation in SA with electronic media and the limitations will increase in the future)

These definitions were supplied by Michalsons, a law firm in Cape Town who are experts on data privacy.

## Let's take a look at new & current legislation that affects our industry

- The National Credit Act has been with us since June 1 2007. Most of us are coming to grips with the privacy issues here
- The Consumer Protection Bill is going through the parliamentary process and then regulations need to be drafted. We guess a start date of early 2010
- The Protection of Personal Information Bill is crawling towards us - a final draft is with the Department of Justice. We guess a start date of early 2011

You might think, "What's the panic?" The fact is that there is real danger ahead so let's analyse the facts and do some forward planning

First off ... two points about the National Credit Act:

### Point 1 about the National Credit Act:

#### Section 74 (6)



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"When entering into a consumer credit agreement, the credit provider must give the consumer the option to opt out from telemarketing, email or sms campaigns or from being excluded from any list that is being shared or sold to other marketers."

This section affects the financial services and retail credit industry practice of "affinity marketing", ie swopping customer data in order to cross sell products.

You do need to inform customers that you plan to do affinity marketing. Interestingly postal direct mail marketing is exempt?

## **Point 2 about the National Credit Act:**

### **Section 68 - The right to confidential treatment**

"Any person who compiles or reports any confidential information pertaining to a consumer must protect the confidentiality of that information and must only use that information for a purpose permitted or required in terms of this Act and report or release that information only as directed by the consumer or an order of a court or the Tribunal."

- This clause reinforces the need to get permission from the customer at every opportunity.
- But it seems this clause only comes into play once an agreement has been made with a prospect who now becomes a customer, because the Regulator has confirmed that you can credit check a prospect prior to contacting them with an offer

### **Key points from a statement on the Consumer Protection Bill by the DTI regarding Sections 11 - 13:**

"The general concern with this section was that it was duplicating both the ECT Act and the proposed Privacy Bill. After further consultations with the SA Law Commission and the Justice Department it was agreed that the section would be revised as follows:

1. Section 11 would be deleted; (this section demanded that a marketer must have permission from a consumer to do telemarketing or to build prospect database)
2. Consumers can either register a preemptive block or request to be removed from a marketing list on request; (eg Companies must keep Do Not Contact records on their own customer databases)



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3. The Commission can establish or recognize a register for preemptive blocks. (The DTI has approved the DMA Do Not Contact Database as the place to register)

The Bill will not deal with the collection, retention and distribution of personal information. These issues will be addressed by the Privacy Bill."

Recent pronouncements from the DTI make it clear that there is no data privacy threat in this Bill that will affect outbound telemarketing, but there are many other issues raised by the Bill, such as the issue of the return of goods (there is the example of returning a 500SL after a week because you don't like the colour) and then the 11 languages issue has been recently raised in the Parliament Portfolio Committee. When running an inbound national campaign you may need to have full 11 language capability. Let's wait and see.

The Protection of Personal Information Bill - the Key Issues #1

### Principle 2

The Act states that personal information may only be processed where the data subject has given consent for the processing. This means that you need a person's consent in advance to contact them, but there is one exception to this principle that makes the bill vaguely opt-out in intent. Clause (f) says its OK if the processing is necessary for pursuing one's legitimate interests, for example as a business. This is tenuous at best and could easily be misinterpreted in the courts.

### Principle 3

Personal information must be collected for a specific purpose and the data subject must be aware of the purpose of collection. This means that a list owner or corporate customer database owner must inform anyone on their database about how their personal data will be used and register all opt-outs. This is a major undertaking for many consumer database owners, and needs to be done otherwise you are basically in deep trouble.

**The Protection of Personal Information Bill - the key issues #2**

### **SECTION 65: UNSOLICITED ELECTRONIC COMMUNICATIONS**

65. (1) The processing of personal information of a data subject for the purposes of direct marketing through automatic calling machines, facsimile machines, SMS's or electronic mail is prohibited except where the data subject -



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- a) has given his or her consent; or
- b) is a customer of the responsible party, subject to the provisions set out in section 65 (2).

## Interpretation in the Act

2. In this act, unless the context otherwise indicates -  
"**automatic calling machine**" means an automated calling system without human intervention;

## Conclusion

This is an Opt-in ruling inserted in the Act to comply with EU regulations and the need to promote our BPO industry internationally, but it has strong repercussions on our ability as contact centres to use all communication channels to market our products. Plus it won't stop the e-mail spam which is 99% foreign. Plus we have the "What if" situation if a court rules that the definition of an "Automatic calling machine" includes any kind of predictive or power dialer, rather than just an IVR system as envisaged by the law makers.

To sum up, we have some restrictive legislation in the pipeline that brings challenges to our industry within two to three years time. I would suggest that now is the time to take action:

- Take up the privacy challenge personally by reading all the legislation
- Get legal advice on how it will affect your business
- Join the DMA and your relevant contact centre industry association and get involved (The DMA has established a Do Not Contact database and is drafting a Telemarketing Code of Best Practice, together with BPeSA).
- Relook at your systems, at your marketing and CRM strategy, at your ads and all your communications - do they invite contact and consent?
- Make permission marketing one of your key goals. Ask for permission to market your full product range and your client's products at every opportunity and record and archive the permission.
- Act with integrity. Follow the Codes of Practice, adhere to the SABS Standards and don't buy stolen/borrowed data

If you think anything I have said may affect your business then please do as I suggest, but do it NOW, not later! These laws will suddenly be upon us, like icebergs or dense fog, and let's not be barreling on at full speed like the Titanic, without a proper lookout or enough lifeboats.



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LINK:

[http://www.contactindustryhub.co.za/news\\_item.php?news\\_id=461&news\\_headline=The%20end%20of%20outbound%20call%20centres?](http://www.contactindustryhub.co.za/news_item.php?news_id=461&news_headline=The%20end%20of%20outbound%20call%20centres?)

## 4.6 Trouble for BPOs

Technology companies, already buffeted by strong headwinds from a worsening economic outlook in key markets, could be in for more trouble as a new anti-outsourcing backlash gathers momentum in the US, says [Live Mint](#).

Several states in the US, which accounted for more than 60% of the \$40.4 billion India earned in software and service exports in the last fiscal, are proposing legislation that would restrict market access for Indian IT firms.

Industry and policy analysts are concerned that rising focus on economic recession and unemployment could boost the anti-outsourcing campaign by legislators following this year's US presidential election.

### Infosys to buy Axon

Infosys Technologies launched the biggest overseas acquisition by an Indian information technology outsourcing company yesterday, with a £407.1 million cash deal for UK-based consultancy Axon Group, says [FT.com](#).

The deal, which was agreed by Axon's board and supported by founding and large shareholders, follows longstanding speculation that India's burgeoning **computer** services firms would use their strong cash balances to make big acquisitions in Europe.

The acquisition values Axon at £6 per share, representing a 19.4% premium over the company's Friday close on the London Stock Exchange.

### Outsourcing cuts bills

As many companies outsource the running of their **computing** infrastructures, growing numbers are adopting a similar approach to their printing equipment, says [Australian IT](#).

Already popular among Australia's largest organisations, the tactic is finding favour with mid-sized firms.

Keen to reduce costs and improve efficiencies, they're signing multi-year contracts with vendors and washing their hands of printer procurement and maintenance hassles.

LINK:

<http://www.itweb.co.za/sections/enterprise/2008/0808270937.asp?A=COV&S=Cover&T=Section&O=C>



# Industry update

## 4.7 Absa sets up in Coega IDZ

Banking giant Absa has opened a contact centre at the Coega Industrial Development Zone (IDZ), around the Nquru harbour development, on the eastern outskirts of Port Elizabeth.

The IDZ is supported by Satyam **Computer** Services and has been looking for outsourcing business for a business process outsourcing park planned for the area.

Absa established a proof of concept at Coega, in January. The outbound facility employs 105 people, mostly from Port Elizabeth's north-eastern townships of Motherwell, Zwide, Kwazakhele and New Brighton.

The majority of these residents were previously unemployed or had little work experience.

Business development executive Khwezi Tiya says the IDZ provided the necessary infrastructure for the contact centre, including **recruiting** and "world-class ICT facilities".

Absa contact centre head Andy Rigg says the project combines business with social imperatives.

The initiative was aimed at doing business in a responsible way that enables people to uplift themselves through employment and business opportunities. The key focus is on affording work experience to unemployed individuals, Rigg adds.

"This project delivers hugely on customer-centricity as well," he notes. "The operation enhances Absa's offerings by using a **skills** profile that customers can relate to with regards to language, accessibility, maturity and excellent service standards."

LINK:

<http://www.itweb.co.za/sections/business/2008/0808061032.asp?A=CAC&S=Contact%20Centres%20and%20CRM&T=Section&O=ST>

## 4.8 Converged or cobbled together?

According to Dave Paulding, Interactive Intelligence's regional sales director for UK and Africa, it is important to check that the call centre solution you are offered is truly converged, rather than just a mishmash of different systems.

The advent of converged communications offers significant opportunities for consumers and businesses. For consumers, the utopia lies in having all



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communication services available under one contract. Mobile phone companies are buying cable companies and vice versa to make this utopia a reality for consumers - and to ensure they retain a significant portion of the revenue pie.

For businesses, the key benefit of convergence of communications across media types - wireless, wireline or cable - is flexibility. Employees are able to access and deliver voice, video and data regardless of location, meaning that people don't have to be in the office to be part of the business.

For businesses looking to move to an IP-based network that offers converged communications, it is critical that they investigate and evaluate how truly converged and integrated the service provider's offerings are.

In South Africa, many local businesses have acquired companies to fill gaps in their solutions. On the surface the solution offered may appear to be converged and integrated; however, this may not be the case. This may result in multiple management systems, different reporting methods, and a high cost of ownership.

This is particularly relevant in the call centre environment. Building and managing an effective contact centre is complex and, according to a recent research report by BenchmarkPortal, the simplicity of the technology plays a significant role in the success and cost structure of the centre.

Total cost of ownership of an all-in-one converged system is significantly less due to system purchase prices, maintenance costs, establishment of vendor relationships, the time taken to evaluate new technologies and system administration and training needs.

Contact centre managers are increasingly recognising this and adjusting to single vendor solutions. However, in the process they must take care not to take-on a multi-point system which appears to be converged merely because it is bought from a single vendor. All-in-one centres are more easily able to integrate new technologies, and this is becoming increasingly critical with the development of convergence.

LINK:

<http://www.itweb.co.za/sections/techforum/2008/0809051032.asp?A=CAC&S=Contact%20Centres%20and%20CRM&T=Section&O=ST>

### **4.9 The dynamic contact centre helps business respond to the changing dynamics of customer service and sales**

Imagine a world where contact centres provide both superior customer service and outstanding management metrics.



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In this world, agents are fully utilised, maximising every interaction for its revenue potential. In those inevitable times when the contact centre is seriously stressed and the overall atmosphere is one of chaos, it automatically and calmly - without management intervention - adjusts its resource pool to continue providing a superior and consistent experience to customers.

Well, stop imagining. The dynamic contact centre is here, and it makes such a world not just a possibility, but a reality.

The dynamic contact centre helps businesses respond to the ever-changing dynamics of customer service and sales by orchestrating resources and contact centre capabilities to align with customer needs and business objectives.

For example, how can an airline best respond to increased customer call volumes during weather delays, while improving cross-sell rates for a travel promotion during lulls in traffic?

## **Fine-tuning on the move**

While traditional contact centres manually adjust to changing conditions, the dynamic contact centre has the know-how, technology and built-in processes to make adjustments in real-time.

Ultimately, the dynamic contact centre has a dramatic impact on the overall business by improving the customer service experience, increasing agent productivity and satisfaction, and driving revenue with efforts to enhance loyalty and up-sell customers.

The dynamic contact centre leverages basic capabilities and, based on business rules and requirements, sets and assigns priorities in real-time to address prevailing contact centre circumstances.

The dynamic contact centre enables organisations to meet all their objectives: cost reduction and containment, customer satisfaction and revenue generation.

The dynamic contact centre integrates the three pillars of business - people, process and technology - to manage the three levers that affect contact centres:

\* Traffic: This is the volume of calls, e-mails and other interactions handled by the contact centre. Encompassing both inbound and outbound interactions, traffic also refers to the choices made by contact centre managers about how interactions should be managed.

\* Resources: This refers to the efficiency, availability and capability of the contact



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centre's human resources (agents) and automated systems (such as IVRs) that handle interactions.

\* Call outcomes: The desired result of interactions. This variable tends to focus on efficiency metrics such as queue length (answering all service calls in under 60 seconds), handle time (completing calls in less than 45 seconds), and outcomes such as sales results, referrals and customer satisfaction ratings.

Each of these variables or levers is inter-related. So, an unexpected traffic peak will impact and change outcomes. Similarly, in a high traffic environment, a contact centre cannot raise its call outcomes without raising the level of available resources.

### No pipedream

A contact centre's ability to harmonise its three parameters determines its cost, quality and revenue performance. Yet, under the current model, decisions about these three levers are generally taken haphazardly. In the dynamic contact centre, the three levers of resource management, traffic management and outcome management are in harmony and perfectly optimised.

In such a scenario, every agent handling interactions would have at their fingertips the full customer interaction history and current data, as well as information about current sales offers and products matched to that customer's profile.

Agents would be more satisfied, because their capabilities would be used to the fullest. Queues would be shorter and the quality of interactions improved, which translates into happy customers. In addition, agent productivity would be maximised, eliminating agent idle time and associated costs.

Addressing all of these requirements through one platform may seem like a pipedream, but it is entirely doable with the dynamic contact centre.

All elements of the contact centre would operate in perfect harmony at every moment: call handling times, queue length, resource availability and outcome focus. Adjustments would take place dynamically and in real-time to ensure the contact centre delivers on the organisation's key business objectives.

LINK:

<http://www.itweb.co.za/sections/industryinsight/contactcentresandcrm/flanagan080904.asp?A=CAC&S=Contact%20Centres%20and%20CRM&T=Section&O=ST>



# Industry update

## 5 RETAIL BANKING

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### 5.1 Bank crisis increases cyber-squatting

Domain name speculators are buying up internet addresses relating to banks at the heart of recent acquisition speculation with a view to selling them or monetising them through online advertising, reports [Vnunet](#).

Bank of America's acquisition of Merrill Lynch led to bankofamericamerrillynch.com being snapped up by the speculators. Lloydstsbhbos.com was bought up soon after speculation of a merger between Lloyds and HBOS became public.

Such incidents highlight the need for businesses to manage their domain name portfolios more efficiently and act quickly to ensure that brands are protected.

#### Call for mobile banking after attacks

A proposal to introduce mobile banking in Guyana was one of the ideas discussed when businessmen and bankers committed to pursue non-cash financial transactions in the light of increased armed attacks on residents, says [Caribbeannetnews](#).

The pledge was made at a forum at which several of the services available at banks including the point-of-sale, e-banking and payroll systems were promoted.

The increased use of Internet banking and the possible introduction of mobile banking were also highlighted as potential solutions to the problem.

#### Zanaco introduces mobile banking

The Zambia National Commercial Bank (Zanaco) has launched a mobile banking service called Xapit, which allows customers to make payments via cellphone, states [Networkworld](#).

The facility will initially be made available only to the bank's customers but will later be extended to over two million people who have mobile phones but no bank accounts.

The launch of the mobile banking service is part of Zanaco's initiative to improve the business activities of the bank and its customers.

LINK:

<http://www.itweb.co.za/sections/business/2008/0809220903.asp?A=ITB&S=IT%20in%20Banking&T=Section&O=ST>



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## 5.2 FNB upgrades inContact

FNB has enhanced its SMS bank account notification service, inContact, to give users the ability to transact on their cellphones, free of bank charges, says Michael Jordaan, CEO of FNB.

The move, says Jordaan, will transform inContact from being a simple notification service to an interactive **channel** that provides FNB customers direct access to their banking information, including buying prepaid airtime.

In the past, inContact had a limited service of only allowing customers to receive SMS or e-mail notifications of their account activities. But now the extended service gives users the ability to check account balances and purchase prepaid airtime.

According to Jordaan, this has resulted in a boom of cellphone-based transactions. Within three months of going live with the new inContact service, FNB has seen 289 000 transactions coming in within one month. "In comparison, it took FNB's cellphone banking nine months to reach the 289 000 transactions per month mark. Moreover, the new and improved service was able to attract over 117 000 active customers in 72 days, while cellphone banking only achieved this after two years," says Jordaan.

FNB has made a significant step towards **mobile** commerce, says Sizwe Nxasana, CEO of FirstRand Bank: "The evolution of technology, coupled with increased **convergence** of banking and telecommunications, is creating cost-effective ways for FNB to service its customers, while at the same time lowering costs for end-users to do banking."

FNB has waived MOPIN requirements, which is normally used in cellphone banking, while the service is limited to the value of R200 worth of transactions per month. Jordaan points out that FNB has noticed a growing trend where users are registering for the full cellphone banking service after sampling the inContact service. The full features of cellphone banking allows users to conduct more banking transactions, online purchases, account money transfer and buying prepaid for others.

Len Pienaar, CEO for FNB Mobile Solutions and Transact, predicts that mobile transactions are the future of banking. "The enhanced inContact service allows four million qualifying inContact customers to use their cellphone as a mobile wallet. Customers can interactively access their account on their cellphone by dialing \*120\*321#."



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FNB has already seen 18 000 customers upgrading to the full banking services after working with inContact, Pienaar adds.

LINK:

<http://www.itweb.co.za/sections/telecoms/2008/0809180930.asp?A=ITB&S=IT%20in%20Banking&T=Section&O=ST>

## 5.3 Absa banks on Dark Fibre Africa

Absa Capital has taken a 10% stake in Dark Fibre Africa (DFA).

It says this is the beginning of an infrastructure play into the rest of Africa, whose **broadband** needs are greater than this country's.

The value of the investment was not disclosed, but it is understood that the deal was financed in the form of a cash payment, as well as debt facilities totalling R950 million.

This takes the form of a R700 million senior debt facility, plus a further R250 million in mezzanine debt – a form of financing that carries a higher interest rate because it is less secured than the senior debt. This is being facilitated by another Absa subsidiary, Absa Corporate and Business Bank.

### Versatile infrastructure

DFA's financing arrangements make it one of the more aggressive infrastructure players in the country. Its financing arrangements overshadow the R600 million government has allocated as direct funding to get Broadband Infraco operational through the rolling out of its national fibre-optic **network**.

Government has also said it will raise another R700 million through debt financing to **help** Broadband Infraco achieve its objective of participating in an undersea cable project.

Sollie Nortjé, Absa Capital's head of infrastructure equity investments, says the liberalisation of the telecommunications market in SA means more companies will need fibre-optic connectivity to deliver their services.

“We like Dark Fibre Africa because of its model to provide infrastructure that anyone can use. Neotel, for instance, is laying fibre only for its own use,” he says.

### Right business model



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Nortjé expects a plethora of infrastructure investments by various companies into a number of different connectivity technologies, such as WiFi and WiMax, but notes that fibre-optic cables will be essential for the backhaul.

“We have had an understanding of the broadband needs of the market for a long time. While it has been constrained in SA, the need for connectivity in most of African, and particularly sub-Saharan African countries, is really great.”

Nortjé says since the Independent Communications Authority of SA indicated it would not oppose the High Court ruling that value-added network services be allowed to build their own networks, Dark Fibre Africa has the right business model and the advantage of being a first mover.

“Dark Fibre Africa already has eight cable-laying machines in operation and is planning to double that number. It has laid more than 200km of cable in the Johannesburg area, and is starting to lay more in Pretoria, Durban and Cape Town,” he says.

This is not Absa's first foray outside of the financial sector. Absa Capital's infrastructure equity investments team has made recent investments in the Gautrain; Zambian Energy Corporation; Southern African Development Community headquarters, in Gaborone, Botswana; and the Pan African Infrastructure Development Fund, which is championed by the Public Investment Corporation.

LINK:

<http://www.itweb.co.za/sections/business/2008/0809121100.asp?A=TEL&S=Telecoms&O=FPLEAD>

### 5.4 Absa bank selects PIC solutions support for SME banking

Absa Bank, one of Africa's largest financial services organisations, has signed a new and expanded RiskMentor contract with PIC Solutions.

Absa serves personal, commercial and corporate customers in South Africa. The group also provides products and services to selected markets in Angola, Mozambique, Namibia and Tanzania in Africa.

This RiskMentor contract provides Absa with a specified number of consulting support hours, over a 12-month period, that can be utilised as and when it is most required. The RiskMentor consulting contract ensures resources can be used from any area of PIC expertise, including credit risk management consulting and support, analytics, project management and software services. This ensures maximum productivity and flexibility in achieving business objectives, combined with optimising



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business profitability and fixed monthly budgeting.

Frederick Fouche, Head of Small Business at Absa Bank Limited: "We are working extensively with PIC Solutions to refine our credit risk policies and systems. This RiskMentor contract provides us with a flexible way of obtaining specialist consulting expertise, which can be used as and when it is needed."

Stephen J Leonard, Chief Executive Officer of PIC Solutions, adds: "This consulting relationship offers Absa flexibility in terms of timing and a wide range of deliverables. PIC resources will provide consulting support to Absa across the entire range of the credit life cycle to identify opportunities that will realise measurable business benefits for the bank. In particular, our consultants shall be focusing on assisting with the SME portfolio and ensuring best practice policies and strategies are in place during these trying economic times."

LINK:

<http://www.itweb.co.za/sections/business/2008/0809090956.asp?A=CON&S=Consulting%20and%20IT%20Services&T=Section&O=ST>

### 5.5 Absa to finance student PCs

Retail bank Absa has teamed with Intel and Microsoft to offer students PC and notebook finance packages.

The three, in a joint statement, added that Dell, HP and Mustek have been identified as the hardware suppliers for this programme.

They say the financing and repayment options "will be exactly like that of a generic student loan".

Students will be able to finance the computer equipment as part of an existing student loan, or by taking out a new student loan solely to purchase a laptop.

Absa head of student banking solutions Shannon Timothy says local research has shown the penetration of PCs into higher education in SA is still below 4%, due mainly to high interest rates that impact the affordability of a PC.

As a result, many students lack the requisite IT skills to empower them while at university, or effectively enter the job market.

"Owning a laptop gives students the opportunity to exponentially increase their learning potential – it gives them mobility and access to global knowledge, and literally opens up the world for them," says Timothy.



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LINK:

<http://www.itweb.co.za/sections/business/2008/0808261031.asp?A=COV&S=Cover&T=Section&O=C>

## 5.6 Absa debuts cardless ATM

Absa is targeting a large group of potential clients with its new cardless ATM service, CashSend.

According to a company statement, the service is aimed at benefitting both banked and unbanked South Africans.

Research conducted by FinScope, a company that establishes benchmarks for the use of local financial services, shows that while the number of banked South Africans increased by 20% over the 2006/7 financial year, 49% of the population still has no accounts.

Absa's CashSend will allow the bank's customers to electronically transfer funds from an Absa ATM, self-service kiosk, **mobile** or Internet banking, to either a banked, or unbanked recipient.

### How it works

According to Absa **retail** executive director Venete Klein, a sender can transfer up to R3 000 from an Absa ATM or self-service kiosk, and R1 000 from Absa Mobile and Internet Banking to a recipient.

"The sender will enter the cellphone number of the recipient, as well as select a six-digit access code. A system-generated 10-digit withdrawal number will then be automatically sent to the cellphone number provided. The system also generates a 10-digit number, which is provided to the sender for reference purposes."

The sender then contacts the person who will receive the transfer and provides them with the access code and the amount to be transferred. The recipient uses the code at an Absa ATM to withdraw the amount.

"We have equipped our first ATM screen with an icon, which reads 'CashSend Withdrawal'. All the recipient needs to do is press this icon, which will automatically activate the ATM for a CashSend transaction," says Klein.

### All or nothing



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She says the withdrawal amount must be requested in full, because the service does not allow partial withdrawals. "Unclaimed funds are automatically returned to the sender's account after a period of 30 days."

Klein says there are a number of potential users who could benefit from the service. Customers who may have lost a card can have money transferred through to them, she explains. "Employers can send money to domestic workers, or parents to their children at university or boarding school, breadwinners can send money to family members in other provinces or by tourists who enter SA."

The bank is adamant the service is aligned to customer needs. "We are proud to be the first bank on the continent to offer cardless ATM transactions. In fact, only a few countries around the world have banks which offer this kind of service."

LINK:

<http://www.itweb.co.za/sections/business/2008/0808151224.asp?A=COV&S=Cover&T=Section&O=C>

### 5.7 Telkom, Absa sign R1.7bn deal

Absa and Telkom are officially signing a five-year R1.7 billion deal today, for the fixed-line operator to supply one of SA's largest **retail** banks with integrated **connectivity**.

According to Telkom CEO Reuben September, the utility will provide Absa with full **virtual private network** (VPN) services linking 2548 branches, ATMs and data centres.

The deal also includes a redundancy strategy and a disaster recovery system.

Absa CEO Steve Booysen says the bank's wide area network (WAN) was analysed and needed a revamp, adding that the new design will help align Absa with the technology of its parent company, Barclays.

"We turned to a company that has a proven track record. This is an integral aspect of modernising the group's internal information technology systems and keeping abreast with the industry."

Absa's new Telkom WAN will be on the utility's next-generation network. Absa is also one of the larger customers to have access to Telkom's R30 billion network.

"The deal represents a coup to us. It shows that the NGN is now showing a return on investment," adds September.



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## Managed roll-out

The frontload of the network rollout, which will be the link to Telkom's core network, will take place over the next 18 months. "After that it will be growth and enhancements to the network. However, this is not a hard and fast rule," says September. He says, while Absa may be upgrading or changing existing WAN equipment, it will not follow a rip and replace model. "There will also not be a one-for-one replacement system; there will be ongoing enhancements and changes."

He says the roll-out depends entirely on a timeframe set by Absa. "We will follow Absa's lead on the roll-out. If they find a particular branch needs to be connected faster than the others, then we will facilitate that." Part of the handover will require Telkom to switch from its Nortel communications services to Cisco's technology, to facilitate the migration to the MPLS network.

September says the most important aspect of the network will be the fact that Telkom will be dealing with networks that require a "failsafe" transfer. "The banks all deal with mission critical information and we are guaranteeing Absa an environment with the smoothest transition possible. "After the change over, we will also guarantee data redundancy."

The project is expected to facilitate the expansion of Absa's branches, and provide connectivity in real-time. The primary network technology will include a multi-protocol label switching network (MPLS), and end-to-end VPN and disaster recovery.

The utility says the project will facilitate job growth. "There is a governance structure in place at Telkom to help manage which employees will work on which accounts. It's about managing delivery, operations maintenance and surveillance of the network." September says there are several aspects that will include management bringing on outside partners to manage third-party products, Cisco being one such partner.

"To be a successful telecommunications provider, you have to do more than just lay cable. It's about the service level agreements and a strong knowledge base. We believe we have all of this in place, and the Absa contract really validates that," says September.

While September says there are discussions with other SA big four banks, the deals may be completely different from the one signed with Absa today.

LINK:

<http://www.itweb.co.za/sections/telecoms/2008/0808041200.asp?A=ITB&S=IT%20in%20Banking&T=Section&O=ST>



# Industry update

## 6 INSURANCE

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### 6.1 Complete insurance equity as opposed to complete insurance equality

Risk transfer and pooling form the backbone of life insurance, as these factors allow the insurer to cover claims out of a common pool.

However, in order to maintain some degree of equity among individuals exhibiting different mortality risks, insurers have classified and charged insured lives according to statistically credible and well-accepted characteristics, through the process commonly referred to in the industry as underwriting.

In South Africa, most companies vary standard terms according to age, gender, smoker status and socio-economic class (a combination of income and education).

In South Africa, blood tests are required for almost all underwritten policies, primarily due to the high prevalence of HIV in the country.

As a result, insurance companies have the opportunity to test blood for cholesterol and cotinine, which determines smoking status, in addition to testing for HIV.

At the same time as the blood is drawn, both blood pressure and Body Mass Index (BMI) can also be recorded.

Most insurers currently only use this information to determine whether the client will be accepted at standard rates or whether the premium will be loaded.

'Preferred underwriting' is a common underwriting approach in the United States and Canada that looks primarily at various risk factors such as blood pressure, BMI, cholesterol levels, family history and motor vehicle reports (driving record).

The use of these factors aims to stratify the standard risk pool fairly and accurately.

Preferred underwriting therefore makes use of much of the same information generally collected in South Africa to split the standard rates pool of lives into those clients who are eligible for lower premiums, due to being better risks, and those who require higher premiums, as they are worse risks.

This is commonly done in North America for most life cover policies, but the concept of preferred lives can theoretically also be applied to, and may have an even more

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significant effect on other forms of cover, such as disability and critical illness (dread disease).

The first form of preferred underwriting was the introduction of lower rates for non-smokers in the 1960s.

In South Africa, for a given product with a specific underwriting process, this has already become part of standard rates, as these rates have already been set by age, gender, smoker status, occupation, income and education.

This allows approximately nine-tenths of applicants to be accepted at the standard rate, with the remainder either rated or declined.

At its most elementary level, the 'preferred lives' concept divides a standard sex and smoker-distinct class into more sub-classes through the use of additional rating criteria which are objectively defined and measured and are known to be predictive of relative mortality.

The extreme application of the preferred life insurance concept results in a unique rate charged to a particular individual based on that individual's unique mortality risk profile.

As long as death remains haphazard, the principle of insurance is left intact.

By removing any existing mortality cross-subsidy in the insured pool, this ultimate preferred life insurance represents the philosophical opposite of charging all insured lives an identical rate.

In effect, such insurance promotes complete insurance equity as opposed to complete insurance equality.

The preferred lives concept can also in certain circumstance be considered likely to encourage healthier and safer lifestyles, an effect that had previously been noted within the much smaller group of rated insured lives.

However, in reality the preferred lives concept was not introduced for the principal benefit of encouraging healthier lives but rather used as a way to reduce premium rates for better risks in a highly competitive insurance market.

It appears that the continued development of preferred life insurance is inevitable as the insurance industry continues to gain knowledge and experience about the link between various conditions and mortality, and due to further pressure from increased competition in the industry.



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From a consumer perspective, it may be argued that preferred life insurance is welcomed because it represents a fairer pricing system, as it sets rates using a more accurate assessment of a life's relative mortality risk.

Grete Kritzinger is Business Development Executive, RGA Reinsurance Company of South Africa Limited

LINK:

<http://www.itinews.co.za/companyview.aspx?cocategoryid=22&companyid=356&itemid=9981AC12-E444-4F2F-B67F-24D9D5EF59CD>

### 6.2 Implications for the insurance industry

The Road Accident Fund Amendment Act, 2005 introduces fundamental and far-reaching changes to the Road Accident Fund Act, 1996, and the system of compensation of the victims of motor vehicle accidents, which has endured in South Africa since 1942.

The Amendment Act was brought into effect on 1st August 2008.

Writing in the firm's gildmail newsletter, David Kapelus (pictured right) of Deneys Reitz, explains that the material changes introduced by the Amendment Act include:

- all claimants who claim non-pecuniary (general) damages are subject to an assessment by a registered medical practitioner, to determine the severity of the injuries suffered by the claimant, and whether or not the injury is to be classified as a "serious injury" in relation to the circumstances of the claimant;
- according to the new Regulations, a "serious injury" is one that results in 30% or more of total body impairment. Failing this the injury may still be assessed as serious if it results in 'serious long term impairment or loss of a body function', constitutes permanent and serious disfigurement, results in severe long term mental or a severe long term behavioural disturbance or disorder or results in a loss of a foetus;
- general damages (for pain and suffering, disablement, disfigurement, loss of amenities of life) are excluded in all cases save for injuries classified as serious;
- damages for loss of income are capped at a maximum amount of R160 000.00 per year;
- damages for loss of support are capped at a maximum amount of R160 000.00 per year in respect of each deceased breadwinner, i.e. irrespective of the number of dependants claiming loss of support as a result of the death of the deceased breadwinner;



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- the maximum amount upon which claims for loss of income and loss of support are calculated (R160 000.00) is subject to a quarterly inflationary adjustment;
- future medical expenses are payable by the RAF in terms of an Undertaking to pay such future expenses as and when incurred, subject to the proviso that such expenses are now based on the tariff for health services provided by public health establishments;
- claims against the RAF for damages as a result of emotional shock suffered by secondary victims (those who merely witness or observe an accident or are informed about another person having suffered injury or death in an accident) are excluded;
- the most significant consequence is the extent of the continued abolition of a claimant's common law right to claim any damages that are not recoverable from the RAF, from the negligent owner or driver of the vehicle that caused the accident, or the employer of such negligent driver. The Act now significantly limits the damages recoverable by an injured person from the RAF and gives no right to claim the remaining loss from the guilty party. In general terms under the previous RAF legislation the quantum of damages recoverable from the RAF was not limited, except in claims by passengers, so that the effects of the limitation were not so drastic;
- the limit of R25 000.00 placed on the claim of a passenger in a motor vehicle, where the driver of the vehicle in which the claimant was a passenger was the sole cause of the accident, has been removed;
- the exclusion of claims by members of the same household as the driver of the motor vehicle has been removed, and such claims are now permissible.

Kapelus says the Amendment Act does not have retrospective effect, and relates only to those motor vehicle accidents occurring as from 1st August 2008.

### Claims by Foreigners

There has been much speculation about the possible exclusion of claims against the RAF by foreigners, he adds.

But the Act does not exclude such claims, which remain enforceable, although obviously subject to the limitations set out above.

### The Need for Insurance Cover

The effect of the amendments is that:

- a person's full common law damages (in respect of loss of earnings, medical expenses insofar as such exceed the public health tariff, general damages and



## Industry update

- loss of support) are not recoverable in terms of the Act, in circumstances where:
- such person earns more than R160 000.00 per year;
  - such person undergoes medical treatment in the private sector at a cost in excess of the public health tariff;
  - such person does not suffer a serious injury, therefore excluding general damages:
  - the total loss of all dependants exceeds R160 000.00 per year.
- there is no right of action by such injured person, or a dependant of a deceased breadwinner, against the wrongdoer, namely the negligent owner or driver of a motor vehicle, or the vicariously liable employer of the negligent driver of such motor vehicle, for those damages not claimable against the RAF, except in circumstances where the RAF is unable to pay any compensation. This abolition of a right of action does not apply to claims for emotional shock by secondary victims who merely witness or observe an accident or are informed about another person having suffered injury in an accident;
  - the Act will substantially limit the need for owners or drivers of motor vehicles to take out liability insurance cover for personal injury. That would be necessary only to cover the possibility of a claim for damages for emotional shock suffered by secondary victims unless motorists over-cautiously wish to insure against the insolvency of the RAF, or a foreign claim (see below);
  - the Act effectively shifts the responsibility onto every individual to ensure that he or she has adequate personal accident insurance cover, disability insurance, life insurance and health insurance;
  - there is considerable scope for insurers to develop appropriate insurance products to fill these gaps in cover;
  - there may be an increased risk for insurers in instances where a policy provided cover subject to any damages claimable in terms of any third party legislation being taken into account. As the damages claimable from the RAF are now limited, this may result in increased payments by insurers in terms of such policies;
  - there is a possibility that a foreign claimant will get a substantial award overseas against a local negligent motorist. Although the judgment may not be enforceable here, it may preclude the defendant owner or driver from travelling to or having assets in that jurisdiction without risk of attachment.

LINK:

<http://www.itinews.co.za/news.aspx?categoryid=44&subcategoryid=1233&itemid=471345e6-d4cc-4504-bf8c-76506a2e0a39>



# Industry update

## 6.3 The vehicle security association is in deep trouble

To understand the origins of the crisis one needs to understand the origins of VESA

In 1998 a number of electronic immobilizer and gearlock device manufacturers formed the association and then in the heyday of vehicle theft and rampant hijacking there was a surge in the membership from vehicle tracking and recovery service providers as the emphasis shifted from prevention to recovery.

VESA members actually cornered the vehicle security after market. "VESA Approved" was even written into many motor vehicle insurance policies and may still be found there today.

However there were problems with the way the bigger players controlled VESA and sought to exclude smaller competitors.

According to VESA the members set standards that were required by SAIA and this made it difficult for smaller players who could not meet these and did not have adequate manpower and resources.

A confrontation with the Competition Commission in 2005 between VESA and a bit player called Tracetec resulted in the commission referring the matter to the Competition Tribunal.

"The Competition Commission alleged the respondents are engaging in prohibited practices in contravention of sections 4(l)(a), 4(l)(b)(i) and 8(c) of the Competition Act 89 of 1998."

In addition the

"Commission initiated an investigation against 15 members of the VESA Mechanical Committee and the VESA Electronic Committee respectively for possibly colluding by agreeing within their committees in implementing agreements to fix minimum prices for VESA electronic alarm/immobilizer products and mechanical gear-lock products."

The result of this was that the [commission recommended](#) to the tribunal that these 15 members of the association be given hefty fines.

The tribunal hears this matter on the 10 November this year.

Fleeing the scene of the accident and because there was no longer any direct benefit in being members of the association, the 3 biggest players, Tracker, Netstar and Matrix quit and withdrew their support of the association in 2006 and this is where the VESA decline really set in.



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According to VESA,

“A door was now open for tracking companies to bypass the VESA standards and operate based upon being “Insurance Approved” or just “Approved” without really adhering to a minimum standard.”

Content that their real accreditation lay with the insurers the big three tracking companies walked away from the association.

Unfortunately the composition of VESA gives the lie to the claim that it is a **independent** regulatory body that formulates and enforces standards and regulates quality of products and installation through an accreditation process.

Too many vested interests and not enough independence called into question its ability to operate in the interests of consumers rather than its constituent members.

Although the insurance industry has undoubtedly benefitted from the peace of mind that “VESA Approved” gave to the service and fitment of aftermarket products, the insurance industry does not contribute in any way to support VESA or any other accreditation agency.

In a parallel development, the SAIA sought to provide a systematic evaluation of the security devices, in part a basis for evaluating the quality of after market devices, through SAIA-Approved.

This project was canned mainly because of the realization that SAIA had no business in this commercial space.

Negotiations in 1996 between NAAMSA and SAIA had however encouraged motor vehicle manufacturers to fit better security systems to new cars and the VSS (Vehicle Security System) list originated through this relationship.

According to VESA an important aspect of this was that NAAMSA was not happy with aftermarket installers cutting into harnesses of brand new vehicles and realized to avoid this and to retain insurance approval they had to fit the security at factory level.

However the factory fitted systems were not always approved by the Insurers resulting in a factory fitted system being removed and replaced by a very similar product in the aftermarket.

SAIA then realized they will have to rate and approve the factory fitted systems and this resulted in the so called SAIA VSS list.



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The demand therefore for after-market products such as the tracking devices and services accredited by VESA therefore declined because the fitment of OEM security devices by manufacturers that conform to the VSS vehicle security rating system.

It is also true that over the last five years the relative percentage of insurable losses due to vehicle theft has declined when compared with other factors such as vehicle repair costs.

Where once vehicle theft represented 60-70% of insurance claim values, it has dropped to about 10% today.

Says Barry Scott, CEO of SAIA, "Vehicle theft is therefore not such a big bogey for insurers as it once was."

With the business under stress, infighting then lead to several defections from VESA in the last two years. This included Allen Harrington (Orbtech Holdings Ltd and Celtrac), previously chairman of VESA.

Enter stage left a company with the clever acronym SAIAS (South African Independent Accreditation Services) – but no relation to SAIA – registered by Harrington in 2006 and run by Chris Bezuidenhout.

Chris's name comes up whenever you talk to someone in the vehicle security industry. He was intimately involved in the operations of SAIA Approved.

His technical knowledge, experience and expertise are widely respected and he had maintained the VSS list in the past.

There is a great deal of resentment by VESA that SAIA has outsourced the maintenance of the VSS list to SAIAS. Barry Scott is quite open about this transaction. SAIA and NAAMSA put the maintenance of the VSS list out to tender.

NAAMSA were uncomfortable about VESA managing the VSS project, given the after market nature of the association, and a decision was made to award same to SAIAS. (There was another company in the running so it wasn't a slam dunk for SAIAS)

According to VESA they were not even given an opportunity to submit a formal proposal.

Chris Bezuidenhout maintains that VESA accreditation is too expensive and subject to lengthy processes. But the mud slinging is mutual with both organisations questioning the other's technical capabilities and testing facilities.



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There is one thing on which both SAIAS and VESA do agree however, and that is that there is no independent standards body that can verify the accreditation agencies standards. This is something that SAIA Approved attempted to do but was unable to accomplish.

The current problems that beset VESA are born of expensive testing and accreditation processes in a shrinking and competitive market.

According to VESA the process is very expensive

“Because of the harsh vehicle environment the products have to be tested against international environmental and EMC standards, this to ensure that the products will remain functioning and do not affect other electronic systems in the vehicle.

These are stringent standards complied with by all international vehicle manufacturers (OEM's).

No OEM wants his vehicle to break down because of a “cheap and nasty untested aftermarket product”. This in turn implies stringent standards without cutting corners to gain customers. VESA not only test the product to be fitted but in the case of tracking the control rooms are audited as well as the actual recovery in the field.

It is necessary to conduct full field evaluations since most tracking companies have operations on a national basis”

An insider source revealed that the VESA directors no longer take salaries and that qualified personnel are leaving.

VESA supports the infrastructure to accredit manufacturers, set standards for tracking, accrediting fitment centres and mechanical testing facilities.

It is doubtful that the operational overhead can be sustained for much longer.

Barry Scott, CEO of SAIA, and Louise Taljaard, Office Manager for VESA, both confirmed that a recent meeting with SAIA contemplated a vehicle security industry without VESA.

The implications of this for the consumer are that the accreditation given to security devices and their fitment will be in question.

There will be even greater confusion for the consumer.

For the insurance industry it means that each product manufacturer, supplier, service provider and fitment centre will have to accredit specifically with each insurer.



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This will be a costly exercise and one which the insurance industry should look to avoid.

It will also mean the bigger players will have a distinct advantage with smaller players unable to enter the market at all.

For unscrupulous and possibly ineffectual vehicle security products and service providers: Welcome to Africa.

LINK: <http://www.itinews.co.za/news.aspx?categoryid=15>

### 6.4 Actuarial exercise – Part 1

A two-part discussion about the various insurance needs of those partaking in sport, recreational pursuits and hazardous activities

When he skated down the snowy slope in just his shoes he was having a ball. “It is such fun,” he told a passer by, “why not try it?”

The place was Matroosberg’ Conical Peak in Ceres and it was mid-August. Setting off in normal walking gear he did not think twice of the dangers of mountain climbing. A combination of heavy snowfalls and perhaps unstable ground beneath conspired to make his impromptu skating escapade his last.

A witness saw his body somersault and tumble wildly before disappearing over the edge. Three weeks later, due to the treacherous terrain and continuing bad weather, rescuers had still to reach his body trapped 350 metres below the southern, lea side of the peak, in a narrow gully at the foot of an overhang.

It was a terrible tragic mistake, literally a slip in common sense that expunged a young breadwinner and deprived a family of a father.

According to statistics in just the first eight months of this year there have been 12 fatalities in Western Cape mountains alone and there were 20 reported for the whole of last year. But these are just from hiking and climbing activities.

**The range of sporting pursuits and hazardous activities, be they occupational, professional or casual, is as varied as life itself.**

A construction labourer falls to his death; yet another mining accident takes the lives of a group of workers; a helicopter pilot spins out of control; a young rugby player suffers a serious spine injury at school; and a marathon runner dies of a heart attack.



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Then there is damage or loss of expensive belongings. For example a pack of muggers leech watches, cellphones and sporting equipment from a team of joggers. A school boy loses his bicycle, or a competitor's canoe cracks up in the Duzi.

Accidents resulting in injuries and fatalities can and do happen all the time. By their nature they are unexpected, and yet people need to anticipate the worst and make certain they have insurance and protection against the financial burden of unforeseen medical bills, repatriation costs, or the costs for repairs or replacement of stolen or damaged equipment.

Underwriters need to anticipate these risks both to ensure the necessary cover is offered and that such dangers are properly rated in terms of accident, theft, death and lifestyle.

Is an obese person who does no sport a better or worse risk than a fit and healthy person who goes abseiling every week? Or does a week-end hang glider present a greater risk of injury than, say, a Boeing 747 pilot who flies every day of the week?

The risk, of course, needs to be assessed in context. It depends on the skills of the insured, certain lifestyle factors, and the mortality or general claims experience in the category of risk concerned.

Increasing numbers of people are getting involved in sports activities: just watch the annual Comrades Marathon, or the Argus Cycle Race, for instance. Climbing Clubs are mushrooming; everyone seems to be 'walking for life'; to say nothing of the burgeoning gym and fitness clubs.

The vast majority of occupations, sports and hobbies can be accepted at standard rates, although there are a few where the health and accident risk is sufficiently increased to involve a rating or refusal. The number will be greater where paralysis is an additional dread disease.

Typically, asbestos workers, mining, diving and motor racing are activities that warrant further investigation.

A far greater percentage of motorists suffer fatal accidents in comparison with sport scuba divers. This, together with the fact that those indulging in leisure diving are required to undergo a medical examination (which is a lot more thorough than a standard life assurance medical), means there is little reason for loading the premiums on a sport diver's life policy.

### The range of risks



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Insurable risks in hazardous activities require life, non-life and medical insurances of various types, rated according to occupation, health, general life style and level of involvement in the particular sport or pursuit:

**Nature of activity:** is it part of one's occupation, a professional sport, amateur pursuit, or a casual activity?

**Nature of risk:** is it a common, well understood activity; a typical occupational hazard; or an extreme sport? What does actuarial research indicate?

**Level of skill:** is the person an amateur or professional; does he or she have qualifications; what is the experience of the insured?

**Type of cover required:** it is not always possible to 'pigeon-hole' hazardous activities. Some may enjoy cover under various types of insurance, either as standard practice or special riders.

Consideration would be given under

- **Short term insurance:** in respect of Personal Accident\*, Disability, Medical Costs, Travel Insurance, and Indemnity and Liability covers;
- **Long term assurance:** in respect of Death; Injury Compensation; Dread Disease, possibly; and Hospital Plans;
- **Medical insurance:** in respect of Medical Aid, and Healthcare Policies; and,
- **Retirement Provision:** in respect of early maturity, loss of earnings and so on.

*\* Personal accident can be found in both life policies and short term insurance policies such as motor and householders', so the client needs to consider avoiding where possible duplication, and therefore costs, of cover.*

### Life assurance

In life assurance parlance, due to variable degrees of hazardous activities, there cannot be a clear definition - although the principle may be straightforward enough.

Life actuaries set premium rates for standard lives, and then apply 'loadings', or additional rates for non-standard lives. These would include persons with a poor medical condition, for instance. But a hazardous activity is also one that materially increases the basic risk to the extent the actuary will have to load an additional rate.

The activity will range from slightly hazardous or dangerous occupations through to 'hazardous pursuits', which are hobbies or leisure activities pursued in addition to one's basic occupation.



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The actuary needs to know sufficient about your life style to make a reasonable premium rate assessment. He may apply a loading, exclude a specific risk from the cover, or confirm your particular activities are covered at the standard rates.

His starting point is the basic application form. Obviously, you have to answer this honestly. But even that may not be enough because one underwriter's definition of a hazardous activity may not be another's. Difficulties and disagreement in definition means that even completion of the policy application form itself can be hazardous!

Underwriters and reassurers have built up statistics over the years which provide an indication of the probability of death in respect of sports, occupational hazards and dangerous pursuits. Ratings exist for the more common risks.

Although, as for new age sports like bungi jumping, existing statistics are a bit thin. People who try that out for a week-end dare will have to complete the organiser's indemnity form. That should alert them to the dangers sufficiently to question whether their existing life polices cover such chances.

Policyholders indulging in what the life assurance industry terms "a hazardous activity" may find their premiums are as much as double those rates that are applied to their less adventurous counterparts.

Underwriters consider sports like mountain climbing, hang gliding, scuba diving, aviation and motor racing as dangerous. Such sports materially increase the basic risk to the extent that the actuary feels justified in loading an additional rate. However, the extent to which the policyholder's premium is increased will depend on a number of other specific factors.

Divers, for example, will be asked where, how often and how deep they dive, if they dive alone and whether they have been involved in any accidents. Depending on the answers to these questions the company may impose an extra premium. It may not.

For example, if the insured does not go below a certain depth and always dives with someone else, it's quite possible there will be no loading of the premium.

Also pertinent in assessing the rate to be charged is whether the insured is a member of a relevant sporting club, and whether it offers training and applies safety standards. This kind of information would be especially appropriate in the case of sky-divers and scuba divers.

Determining life assurance rates for people involved in dangerous sports is sometimes more of an art than a science and is reflected in the fact that rugby players, for example, are generally not faced with any additional premium. This, despite the fact that, as a result of the sheer number of players if nothing else, the



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game of rugby experiences far more fatalities than other sports such as mountain climbing or scuba diving.

But the issue of loaded premiums is cause for complaint from some. Private pilots, for example, argue that statistics show they have more chance of being killed crossing the street than they have in the air.

Of course, an insured faced with a loaded premium can always opt to have an exclusion clause inserted in his policy document. Obviously this means his beneficiaries would not receive compensation in the event he died while partaking in the given sport. But if he thinks his risk is far less than as considered by the actuary then he can choose to take that chance.

### Health cover

Life insurers also provide medical related covers such as hospital benefits and for major medical expenses. They are usually sold as additional benefits to the basic life cover.

The hospital benefit pays out a daily amount if you are hospitalised as a result of an accident or illness. It pays out regardless of occupation. For major medical expenses you might have to buy a separate benefit.

There are special exclusions as far as hazardous pursuits are concerned. For example, injuries through aviation, other than as a fare-paying passenger, and participation in any speed contest other than by foot, are excluded.

By inference, mountaineering and rugby would be covered. But here again it is important to get a ruling from the underwriter when in doubt.

Dread disease is a form of life cover which pays out the sum assured, not on death, but in the event of a dread disease, as defined in the policy. The list is quite long and might run to 35 items, say, including coronary heart disease, kidney failure, paraplegia, cancer and stroke, as examples. Kidney failure is one of several dread diseases that could arise from a strenuous or hazardous sport: dehydration can cause kidney failure.

Occupational disability benefits (lump sum and premium waiver) are subject to an insurer's standard exclusions and, unless stated otherwise, are permanently exclusion-free in respect of all pursuits, but not in respect of change of occupation.

Life assurance rates are based on mortality tables and vary with: age at next birthday after the inception of the policy; medical reports; the precise nature of the policy conditions; and, the scope of cover. A typical whole life policy might cost, say, R1,50



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per R1 000 of cover per month.

### Accident insurance

Personal accident can usually be added as a rider benefit to include accidental death and injury. It might cost another R1,50 and will compensate according to a schedule listing the loss of limbs, feet, eyes, etc. Another add on is disability benefit at R0,80 a month, which will provide a monthly income in the event the insured is unable to pursue his or her normal occupation.

These are basic rates and they exclude certain occupations or hazardous pursuits for which additional premiums would be loaded by the actuary. Some assurers might call them 'category II' risks: for example, a barman, big-game hunter, diver, fisherman, and security guard, those in professional sports, and aviation and mining.

Local mountaineering might be loaded up to R2 per R10 000 of cover per month depending on the specific nature of the risk. Under life cover, while there may be no loading for an amateur boxer, there could be a loading of R4,80 per month per R10 000 of cover for a professional.

For those who dive without breathing apparatus there is generally no extra charge (or loading on the basic rate). For divers who go below 20 metres the premium rate is loaded. Depending on the actual depth and the frequency of dives the additional premium could be as high as R2 per R10 000 of life cover per month.

With parachuting, explains one actuary, "a person who, for example, jumped once a year would face a much higher premium loading than a professional who jumped five times a week.

"Where a policyholder participates in motor racing," he adds, "we would also want extra premium because of the extraordinary risk. Even if he died of, say, pneumonia, he could not get a refund on the premium because he had already been classed as a higher risk."

LINK: <http://www.itinews.co.za/news.aspx?categoryid=37>



## 7 LOGISTICS

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### 7.1 Outsourcing increasingly becoming route to competitive advantage

The supplychainforesight report for 2008 seeks to demonstrate clearly and decisively what we have been arguing for five years now: that there is a significant correlation between supply chain reform and business success on many fronts, including both growth and profitability. In this year's research we have sought the answer to the key question: are South African companies who respond to the challenges of globalisation through strategic supply chain reform more successful than those who do not?

In the two previous issues containing the supplychainforesight 2008 findings, we explained the 'complexity masters' methodology in detail, and examined the supply chain capability and complexity profiles of SA companies. In this, our final instalment serialising the 2008 findings, we focus on the industry's view of the critical and longstanding skills shortage, and how it is being addressed by the companies with the most successful supply chains.

Creating Competitive advantage in a skills Crisis

The skills and capabilities of supply chain staff is one of the most consistent challenges of the entire sample group again this year. But how is it being addressed?

#### **The approach to outsourced service providers**

What we are seeing is a radical change to outsourcing practice in response to the skills shortage. It is still being used in the more traditional mode of a cost reduction through the outsourcing of non-core activities, but there is also a marked increase in the use of outsourcing as a route to competitive advantage.

In comparing this year's findings on outsourcing with last year's, we have stuck to the views of the supply chain and logistics managers, who have a more hands-on knowledge of the range of outsourcing activities going on in companies. In terms of using external service providers, 76 percent of respondents use outsourced outbound distribution, quite appreciably up on last year's 67 percent. Around 70 percent use forwarding and clearing companies, the same as last year. Use of outsourced warehousing is down to 48 percent from 52 percent last year.

These areas are largely the province of 3PL commodity service providers, so of more strategic interest is the increase in the use of 4PLs for the total sample. One in five companies (20 percent) is using 4PL service providers, compared with 11 percent

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last year. The number using supply chain consultants has stayed steady at just over 31 percent. In addition to the large current increase in the use of 4PL service providers, another 8 percent indicate they will be using 4PLs in the next year, coupled with a further 25 percent who say they will use supply chain consultants in the next year.

This shift in emphasis for the use of external skills is being driven by the quadrant four companies. Among them, the use of 4PL and supply chain consultants is at 35 percent for both. Clearly, these companies are seeing better results from outsourcing whole parts of their supply chains rather than the outsourcing of functions. But for quadrant four companies, the use of 4PLs and consultants is not limiting their use of 3PL service providers across the board.

A lesson here, especially for those companies with excellent capabilities and efficiencies in quadrant two, is that the achievement of functional excellence through using service providers is followed for quadrant four companies by the integration and sometimes the management of processes, using the skills of 4PLs and consultants. The greater success of the quadrant four companies indicates that their focus on improving visibility and integration may be enhanced by the holistic outsourcing of parts of the supply chain to 4PL service providers or to internal managers who seek to achieve similar ends.

We also asked respondents to provide their reasons for using external service providers. In the main analysis, the primary reason was to improve performance, at just over 35 percent of respondents, followed by cost reduction at 32 percent. For quadrant four companies, the main reason followed the main sample, but at a much higher level, with 65 percent of respondents claiming performance improvement as the key driver. Significantly, the quadrant four second most popular reason for outsourcing is to gain advantage over competitors (41 percent).

Since they are successful at doing so, we can assume that working with external service providers represents a strategic competitive advantage for quadrant four companies, rather than a focus on cost reduction, and that probably a constructive and integrated partnership approach is replacing the old outsource win-lose approach.

### Locating and filling the skills gap

When quizzed on the specifics of the skills shortages, the main sample group identified the biggest shortage of skills at a functional, operational supply chain level (64 percent), followed by supply chain management skills and finally skills to design and implement a supply chain strategy, at 59 percent and 51 percent respectively.



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At the strategy design and implementation level, the corrective action of 28 percent of the whole sample group is to train and educate existing resources, appoint external consultants (20 percent) and to recruit staff (13 percent). For the supply chain management level, fully 43 percent of the group will educate and train existing resources, followed by 20 percent who will recruit skills, and only 9 percent who would use consultants. Finally, at the operational level, 54 percent will focus on upskilling resources, and 13 percent on recruiting.

By strong contrast, the successful quadrant four companies take a very different view of coping with the skills gaps.

The biggest skills shortage perceived in quadrant four is exactly the opposite of the general sample, with 86 percent of respondents claiming a shortage of skills to design and implement a supply chain strategy. Fully 79 percent of the group feel supply chain management skills are in short supply, and 71,4 percent feel the lack of operational skills. Their approach to corrective action is also instructive. At the strategic design and implementation level, 40 percent feel that education and training is needed, followed by 20 percent who go for recruitment. None of the group wishes to appoint external consultants for this requirement. At the supply chain management level, education and training is the route for 62 percent of respondents. At operational level, 57 percent wish to train existing staff, and 14 percent wish to recruit.

What is most notable is the higher levels of the quadrant four responses who feel there is a skills shortage, and that they feel it most in the strategic area of their supply chain.

### **Conclusion: sustaining success**

It is clear in this year's analysis that the companies focusing on dealing with complexity through information visibility and process integration across their value chain are those who are reaping the profit and growth rewards. There is conclusive evidence that this approach, in the quadrant four companies, is leading to a virtuous cycle of effective and reliable supply chain activity, and a consequent ability to deal with the growth challenges and complexities inherent in a globalised sourcing and selling value chain scenario.

The lesson for SA as a country is clear: we do have the benefit of the relative efficiencies and capabilities our supply chain infrastructures exhibit in comparison with our peers in developing economies, as is clear from our rank of 24th in the world for trade logistics performance in the recent World Bank report. But there also needs to be a coherent strategic approach to dealing with the complexities of global competition in many different key industries.



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Where companies acquire the skills and infrastructure to compete in complex environments and also develop the requisite sophisticated capabilities, they will do well in both growth and profitability. But for many SA companies, achieving this is a worry given the seeming lack of constructive collaboration between government and private enterprise. The government's dominance in key infrastructural areas such as railways, ports and power provision requires an innovative and collaborative partnership between the public and private sectors if more SA companies are to move into quadrant four and offer more effective global competitiveness.

LINK: <http://www.logisticsnews.co.za/ArticleDetail.aspx?ID=81>

### 7.2 Don't forget that vital 'last mile' in your supply chain

In an increasingly flat world, managing the vital, but often neglected, 'last mile' in the supply chain can save companies money by increasing visibility, enforcing compliance and improving competitive positioning.

Recently, there's been a lot of talk about supply chain agility, on-demand supply chains and flexible supply chains. Yet, total supply chain excellence remains elusive. A recent report notes that 'despite heightened attention in recent years, many companies still do not have timely visibility into the critical processes involved in global supply chain management'. This lack of real-time visibility 'often prevents companies from accessing information quickly enough to be able to use it for decision making'. Supply chain managers who can't easily get the data they need or analyse it meaningfully will find it nearly impossible to deliver measurable gains.

In a flat world, an infinite number of partners engage in getting products across the globe. Understanding and reducing logistics costs requires visibility into all their activities, because quite apart from being necessary to getting the job done, these activities generate expense. While the data involved can be mind-boggling and concerns about data quality real, the task of the logistics team is to tease out the information most relevant to both daily operations and future planning – and then transform it into actionable business intelligence.

Forward-looking companies have attempted to address this disconnect and increase efficiency by adopting transportation management systems (TMS). A TMS typically produces highly detailed routing guides and brilliantly optimised operating plans, but these documents are largely paper-based and often impossible to enforce. Creating an accurate picture of costs, identifying excesses and determining how to solve problems is difficult.

Once you determine your need for more effective logistics management, what do you look for in a solution? In our world, four criteria are paramount:



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- Your solution must create and support a community consisting of players who don't necessarily spend their entire work day at a desk. These players knit together shipping arrangements with a 3PL, the 3PLs themselves, suppliers who ship to your specifications and customers. Your solution must reach them wherever they are.
- Your solution should automate logistics activities across all carriers, freight modes and regions. Whether delivered as a managed service, on-demand platform or combination, this solution should offer a flexible, workflow-based approach to enforcing optimised global shipping plans at the execution level.
- Your solution should create and enforce global logistics controls company-wide. A flexible, rules-based approach enables enterprises to transform optimised plans into consistently executed activities and refine them in real-time as experience dictates. Logistics or transportation managers create rules based on these optimised plans, giving employees and business partners a common platform for making day-to-day shipping decisions. A central data repository dramatically reduces the labour-intensiveness of managing shipments. Complete, standardised data shared across the supply chain reduce errors and costs.
- Your solution should provide the information required for effective business intelligence. Best-in-class companies are 30 percent more likely than other companies to be able to access global supply chain data in real time, and they use it in analytics that support smart marketing decisions.

By creating a central repository of rules, shipping transactions, and carrier information, an ideal logistics management solution bridges the divide between creating optimised plans and putting them to work in daily operations. The adopted technology helps enforce rules, streamline business processes, and gather the business intelligence that makes the final mile of the supply chain smooth sailing.

LINK: <http://www.logisticsnews.co.za/ArticleDetail.aspx?ID=83>

### 7.3 Is your data warehouse falling into disuse?

The need within businesses for a data warehouse that provides a single repository for information has become ever more apparent as data continues to proliferate and information from a variety of sources across multiple applications adds complexity.

However, as many organisations are discovering, once the data warehouse has been built it requires specific skills to support and maintain it. As a result, businesses are



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recognising the benefits of outsourcing non-core functions to specialists. Data warehousing is a critical function that fits well into this category.

Business processes, products, services, systems, strategies and reporting requirements change, therefore making it necessary to update these changes to the data warehouse system. However, the skills required to support and maintain a data warehouse are quite specialised. Since they are scarce and in high demand it is becoming near impossible for mid-sized and small organisations to cost-effectively employ these skills full time.

The requirement for a data warehouse in business is growing as data increases and more analysis becomes critical to planning and decision making. Organisations can use spreadsheets as long as the data volumes are low enough but they must eventually establish a repository that will allow them to order, store and retrieve the necessary information quickly. Industry trends bear this out. In the early 1990s and even early 2000s, the focus was on transactional systems. In the past few years, however, the focus of CIOs has moved to fully exploiting systems and data to discover new information. This has raised the requirement for analysis and reporting, as well as dashboards and scorecarding – all of which depend on the data warehouse.

However, it is not enough to simply build a data warehouse, which will evolve rapidly over the first year or two of its existence, the time when it is most important to have the right skills at hand. Once the data warehouse is in place and the business understands its value, information requirements evolve quickly, resulting in fundamental changes needing to be made to the warehouse. Failing to make these changes means the warehouse may fall into disuse.

For this reason it is wise for the organisation to partner with the service provider that built the data warehouse. Once the designers of the warehouse have moved on it will be up to in-house staff to maintain the warehouse or to contract in a service provider to do so – which can be costly since the new service provider will have to first acquaint itself with the business and the design of the data warehouse.

Maintaining a data warehouse and BI system would typically require someone to check the system once a day, peruse log files, write procedures and check identified problems, as well as receive and implement new system requirements and make necessary system adjustments.

Keeping this person on the company's IT payroll – with all the expenses associated with maintaining full time staff – makes it an expensive exercise. Organisations also have to deal with high levels of churn among technical staff that is exacerbated by the dearth of skills in this field, which is experienced for various reasons.



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Consistency is critical when dealing with a data warehouse, as is a deep understanding of data warehouse design principles. One of the key service philosophies for any service provider is to ensure staff are dedicated to servicing particular clients. This allows them to develop a true understanding of the business, the systems that enable it and the organisation's architecture.

As in all successful outsourced arrangements, the solution an organisation selects must have clear deliverables and provide definite benefits. The proper support and maintenance of the data warehouse is pivotal in any business that relies on reports and information to drive decision making and business performance.

An SLA is thus essential as is ensuring the selected outsourced service provider has the necessary experience and expertise, and a proven track record.

LINK: <http://www.logisticsnews.co.za/ArticleDetail.aspx?ID=86>



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## 8 LOCAL EVENTS

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Event location and description:	Contact information:
<p><b>14 - 16 October</b></p> <p><b>African Public Sector Service Delivery Solutions Event</b></p> <p>C3 Africa Events</p> <p>The Annual African Public Sector Event</p>	<p>Bookings - &lt;<a href="mailto:events@c3africa.com">mailto:events@c3africa.com</a>&gt; events@c3africa.com</p>
<p><b>November</b></p> <p><b>BPesa, National Conference</b></p> <p>BPesa The annual Industry Conference</p>	<p>Bookings - &lt;<a href="mailto:info@bpesa.org.za">mailto:info@bpesa.org.za</a>&gt; info@bpesa.org.za</p> <p><a href="http://www.experienceit.co.za/manager/images/EventImages/NewsLetter/Example/">http://www.experienceit.co.za/manager/images/EventImages/NewsLetter/Example/</a></p>
<p><b>November</b></p> <p><b>BPesa, National BPO Industry Awards</b></p> <p>BPesa &amp; CiG</p> <p>The Annual Industry Awards Banquet</p>	<p>Bookings - &lt;<a href="mailto:traci@contactingauteng.co.za">mailto:traci@contactingauteng.co.za</a>&gt; traci@contactingauteng.co.za</p> <p>Entries open this month!</p> <p><a href="http://www.experienceit.co.za/manager/images/EventImages/NewsLetter/Example/">http://www.experienceit.co.za/manager/images/EventImages/NewsLetter/Example/</a></p>
<p><b>28 November</b></p> <p><b>CiG Golf Day</b></p> <p>CiG Event</p> <p>The annual Gauteng networking event</p>	<p>Bookings - &lt;<a href="mailto:traci@contactingauteng.co.za">mailto:traci@contactingauteng.co.za</a>&gt; traci@contactingauteng.co.za</p> <p><a href="http://www.experienceit.co.za/manager/images/EventImages/NewsLetter/Example/">http://www.experienceit.co.za/manager/images/EventImages/NewsLetter/Example/</a></p>

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## 9 USEFULL WEBSITES

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### 9.1 Research sites

Website:	Description:
<a href="http://www.dti.gov.za">www.dti.gov.za</a>	Government policies
<a href="http://www.sacccom.co.za">www.sacccom.co.za</a>	Government news and research
<a href="http://www.itweb.co.za">www.itweb.co.za</a>	Local and international news
<a href="http://www.callcenters.co.za">www.callcenters.co.za</a>	Local news
<a href="http://www.contactingauteng.co.za">www.contactingauteng.co.za</a>	Government news and policies
<a href="http://www.geda.co.za">www.geda.co.za</a>	Gauteng economic news
<a href="http://www.contactindustryhub.co.za">www.contactindustryhub.co.za</a>	Contact center news
<a href="http://www.call-centres.com">www.call-centres.com</a>	Offshoring and outsourcing
<a href="http://www.callcentres.com.au">www.callcentres.com.au</a>	Call centre links and news articles
<a href="http://www.cca.org.uk">www.cca.org.uk</a>	Events and Call centre links
<a href="http://www.callcentersus.com">www.callcentersus.com</a>	Contact center news