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Talent Acquisition

Tech companies set up shops in tier-2, tier-3 cities to access untapped talent pool

Setting up full-fledged workspaces in smaller towns not only allows companies to gain access to under-tapped talent but it also helps them expand their footprint at lower costs than in bigger cities.

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Companies usually set up only sales and marketing offices in smaller cities/towns. However, an increasing number of tech companies are now seeing merit in moving to, and employing staff from, Tier 2 and Tier 3 cities, for not only does this allow them access to untapped talent but also helps in expanding their footprint at a lower cost than in metros/bigger cities.

People Matters spoke to leaders of tech companies who chose to set up full-fledged workspaces across verticals in smaller cities on the benefits to them as an employer, and for the employee.

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Availability of a wider talent pool

Opening centres across smaller cities takes the companies closer to a wider talent pool that is still untapped and is seeking opportunities.

Global technology company, Zoho Corporation, intensified efforts to open satellite offices in suburban and rural areas in 2020, especially to avoid bringing more people into the metros from Tier 2 and 3 cities.

"We are, instead, focusing on taking opportunities where the talent is. This means that employees don't have to uproot themselves or move away from their families. The employees' income also contributes directly to wealth creation as they support the local economy and its surrounding areas," says Rajendran Dandapani, Director of Technology, Zoho Corporation and President, Zoho Schools of Learning.

Zoho, which is headquartered in Chennai, and Austin, Texas, currently has 25-30 satellite offices in India and plans to open more of these across the nation, and around the world.

Hiring from outside metro cities is not a new approach for the company, as it opened its first rural office in 2011 in Tenkasi, and also started a branch of Zoho Schools of Learning (ZSL) there. "In 2016, we were able to build and globally launch one of our flagship products from our Tenkasi office, with a team that also included locally hired talent and ZSL graduates," says Dandapani.

He says once they open a satellite office, they usually begin hiring locally and train the recruits in-house for required industry skills. "We also have the ZSL programme that we have been conducting for the past two decades, through which high school and diploma graduates are trained in various industry skills including software programming, design and business management for 18 months, after which they are hired as full-time employees," he adds.

Expecting Zoho's headcount to double by 2025, Dandapani says: "We want to have a minimum 50 per cent of those work from our suburban and rural offices. So most of our expansion is planned across these areas."

Larger space with real estate cost saving

The growth in real estate in Tier 2 and 3 cities give tech companies a huge cost advantage without compromising on quality of infrastructure. Companies benefit from setting up offices in smaller cities and rural areas by avoiding exorbitant real estate costs in bigger cities or metros, and these savings give them more leeway.

"The relatively larger spaces available in these locations allows us to build and design offices that are sustainable, better-provisioned, and spacious," says Dandapani.

Apurva Mankad, CEO and Founder of the Mumbai-based global transportation and logistics SaaS provider WebXpress, says: "The rents are easily one third of Mumbai. Also, in growing cities - we get newer properties with good facilities. Next is people. They are open to commute between cities - thus our talent pool is larger. For example, we have people from Valsad, Bharuch and Ankleshwar - all of them at a distance of 50-75 km - who work at our Surat office."

He says WebXpress carries out its entire technology development at its Surat Development Centre, where the 45-strong team will be supplemented to support expanding business and develop new sets of products.

"We see more hunger for better work. WebXpress offers cutting edge work in Cloud, IoT and Analytics - not easily available in Tier 2 cities. We also find that there is a very good latent talent- and good training and exposure can create gems. We have also developed good relationships with many local educational institutions, and they help us to recruit brightest," adds Mankad.

Born in the Tier 2 city of Coimbatore in southern India. Kovai.co's Founder and CEO Saravana Kumar.

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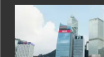
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strongly believes that world-class software products can be created and sold from small cities, and one need not always be in a big city or in Silicon Valley.

"When our first product started to grow organically and I felt it would be the best time to start expanding the team there by expanding the business, I chose Coimbatore from bigger Indian cities like Chennai, Bengaluru, or Hyderabad," he says.

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Kovai.co recently inaugurated a 40,000 square feet new office in Coimbatore. "We have grown from a 60-member company in 2019 to 250 plus in 2021, and are looking to hire 40-50 people across multiple departments in 2022," Kumar adds.

Win-win for employees, employer

Kumar says the affordable lifestyle and proximity to family or being closer to the hometown is also an additional bonus that is greatly valued by employees.

Rangarajan Seshadri, CEO, Neeyamo, a global company providing payroll and EOR services, concurs.

"Staying close to family is the biggest plus point for young talent. Nothing beats working for a global organisation with a high-end job from the comfort of their hometown. Financial advantage is another big factor that drives this decision – the cost of living in these cities is considerably lower. With the development in the infrastructure and e-commerce, the young talent is now enjoying a high standard of living," he says.

Dandapani of Zoho Corporation, adds that apart from a better quality of life in terms of lower cost of living compared to cities, there is the ability to contribute to the development and wellness of their native towns and villages.

Seshadri also says people in these Tier 2/3 cities are eager to learn, they adjust quite quickly and the best of all – are humble and grounded, while not lagging when it comes to using digital platforms/courses to stay current and relevant in today's market.

With an aim to develop young talent in India, Neeyamo started centres in Tier-2 and 3 cities that have high potential and less job opportunities.

"Another motive is to ensure that employees do not need to leave their hometowns in search of jobs. We are very happy with the talent we have discovered in towns such as Madurai and Nagpur. Our employees working out of these cities are servicing our international clients including Fortune 500s, demonstrating the talent that these cities have," says Seshadri.

Currently, Neeyamo has two delivery centres in Madurai, each with a capacity of 2,000 and currently employing over 1,300. It is opening its all-women's centre in Nagpur, while having employees working on product development in Tier 3 cities like Thanjavur, Belgaum, Aurangabad, and Erode as part of its plan for centres in 20 cities across India.

It continues to aggressively hire for its centres in Madurai and Nagpur in 2022, while also establishing Remote Development Centres in such cities.

Emerging customer hubs

Chennai-based Gofrugal, a cloud-based enterprise resource planning company, has over over 2,000 customers from small and medium-sized businesses to enterprises in Madurai.

"Merchants here wished to be abreast of new innovations and were longing for a technology consultant who could guide them. Having closely worked with business organisations like Young Entrepreneur School, we realised they needed personal hand-holding to digitise their businesses. Hence, we decided to get close to them. We have also set up an exclusive experience centre for our customers so they could see, feel and experience the future. And get there with our little help," says CEO and Founder Kumar Vembu.

Gofrugal's Madurai office is currently about 15,000 square feet and can accommodate over 150 employees. It also has a walk-in experience centre to let customers get a first-hand understanding of a digital store. "This will give them the confidence to automate their processes and transform their businesses with technology," Vembu adds.

The company plans to hire across verticals in Madurai and more such towns and establish full-fledged offices everywhere.

"We see a huge potential in these markets and aim to double our employee strength by 2022 with most hiring from Tier 2 markets. Expanding in these locations helps not only strengthen our presence in these regions, but also to acquire potential talent in these markets. We will continue to hire local talent since we believe these hires can understand SMB businesses and market better and also communicate with them clearly and with clarity. More than 60 per cent of our new hires are freshers and we plan to scale and grow our customer-facing teams in Tier2/3 cities even more," says Vembu.

The work-from-anywhere flexibility, afforded by technology and prompted by Covid-19 pandemic, and new job opportunities are also bumping up salaries in Tier 2 cities.

According to the Randstad Salary Trends Report 2021, Chandigarh tops in salaries paid at the junior and mid-levels. In fact, at the junior level, its average CTC of Rs 5.67 lakh per annum surpasses the national average for the same level among Tier-1 cities (Rs 5.52 lakh per annum), as per the report.

Thiruvananthapuram comes a close second, with a variance of 3.5 and 1.9 per cent, respectively. Kochi ranks third in salaries in the junior-level, fourth in the mid-level, and second in the senior level – underscoring its importance in the years to come.

The top ten Tier-2 cities that featured as a first-time addition in the Randstad Salary Trends Report also include Jaipur, Nagpur, Lucknow, Bhubaneswar, Indore, Coimbatore, and Vadodara.

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