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Philippines Aims To Secure \$10 billion from Outsourcing

Registers steady growth in contact centers, BPO outfits

Jenalyn M Rubio

The Philippines outsourcing industry is expected to grow this year, as it targets to reach US\$10 billion in revenues by 2010.

According to The Philippines' Offshoring Opportunity, a September 2005 report by McKinsey and Company, the demand for global outsourcing services is expected to reach \$180 billion by 2010. The Philippines' outsourcing industry aims to acquire 5 percent of that market, making it a \$10 billion-industry, up from about \$1.5 billion in 2004.

The intensity of the recruitment efforts of contact centers, for one, can be described as a function of the unexpectedly rapid growth of the outsourcing industry over the past five years. In fact, high demand for skilled professionals holds true across all sectors of the industry. In animation alone, there is a need to train 25,000 new industry-ready animators by 2010 to meet global outsourced animation services requirements, said Animation Council of the Philippines Inc. (ACPI) executive director Joy Bacon.

This could be attributed to "better people, better business environment, better infrastructure, and better lifestyle and security," in the Philippines as opposed to other outsourcing hubs like India, according to a presentation by Richard Mills, chairman of Chalre Associates, an executive search firm serving multinationals throughout Asia Pacific. A growing number of companies continue to bank on the country's reputation for high-quality, cost-effective services.

The year 2005 saw large companies like computer manufacturer Dell Inc. set up its own contact center facility in the Philippines. Whereas Dell has been outsourcing to third-party providers in the country for years, the company finally decided to make the Philippines a dedicated global customer service center. One other global brand that is moving aggressively into the country is consumer electronics firm General Electric Company, which has begun shifting substantial resources from India.

"In terms of potential, business opportunities, and realized revenues, we know for a fact that we have only begun to scratch the surface of business process offshoring. There is much room for growth in the industry," said Peter Favila, secretary of the Department of Trade and Industry (DTI).

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"As far as the industry is concerned, 2005 has been a great year for e-Services in the Philippines. We would like to think we have increased and strengthened our competitive advantages, in terms of the capabilities of our e-Services workforce and overall industry cooperation," said Center for International Trade Expositions and Mission (CITEM) executive director and DTI assistant secretary Felicitas Agoncillo-Reyes.

"There's still a lot more room to grow," said Fermin Taruc, president of the Philippine Software Industry Association (PSIA) and managing director at software firm Gurango Software Corporation. The PSIA president said that 2006 will see higher value-added work as a function of our people's expertise and a function of market dynamics as well.

"We can probably expect more BPO companies. Hopefully we will make some progress and see some headway as we support the other members of the federation (Contact Federation of the Philippines)," said Liza Lamzon, director for strategic growth programs at contact center firm PeopleSupport Inc. "There's tremendous promise across all sectors -- in animation, transcription, software development, of course," said Lamzon.

"I believe we are in the right direction as we see companies investing in quality standards. The different sectors just need to work more closely," said Taruc, citing the government as one important sector and its two important roles as an enabler and as a consumer. Taruc believes that the government as a very large consumer would help spur domestic growth, but he stressed that its more important role is that of an enabler. "The government should make sure the support infrastructure is in place, that the private sector functions effectively, and help other industries to invest more in IT."

"We see more companies investing in improving their competence," said Taruc. While the market is fundamentally very hospitable for continued growth, he said that it is still up to us to make sure that we deliver the quality that is expected of us. He added that the industry is now past the stage of realizing its potential and the greater issue now is optimization and the challenge is to maximize this potential.

"There is an ongoing industry-wide move to organize the sectors into associations such as PSIA, ACPI, MTIAPI (Medical Transcription Industry Association of the Philippines Inc.), CCAP (Contact Center Association of the Philippines), and their umbrella association, BPA/P," said Agoncillo-Reyes, leading to a healthy exchange of ideas among the members and the sectors. "In addition, it has also facilitated the promotion of the industry's capabilities by providing representation of local firms to investors and in foreign trade shows," she said.

"We know that we have a very strong value proposition. What is important now is to continue to work aggressively to make investors and potential clients aware of the Philippines' capacity for supplying quality services. This will ensure that we are top-of-mind when outsourcing decisions are made," said Business Processing Association of the Philippines (BPA/P) executive director Mitchell Locsin.

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