



Philippines Outsourcing: Tipping Point Reached

Presented by:
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For:



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Offshore Outsourcing Stages

First, there was Manufacturing.
Now there is Services.

Everyone in this room knows the tremendously positive impact of the semiconductor manufacturing industry on the economy of Philippines.

Today, we need to get ready for a new stage in Offshoring. Services Outsourcing will have as great an impact as the semiconductor industry but over a shorter period of time.



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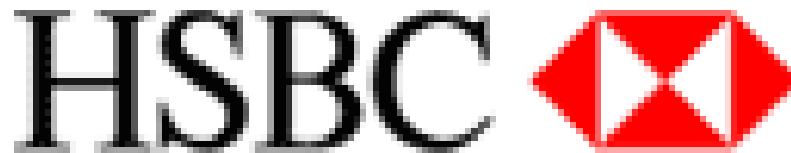
Some Examples

Here is some data on what real decision makers are doing and experiencing in Philippines.



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Actions of Leading Outsourcing Organizations:



Top Performing Delivery Unit in the World

Comments:

Less than 2 years ago, HSBC's BPO delivery center in Philippines employed one 50-year old white man. Today it employs 2500 people and is ranked #1 in the world for quality among 8 Global Delivery Centers operated by the company.

This achievement in such a short time is remarkable because big old banks usually don't do anything very quickly (or very efficiently). They were able to grow their center to such a size despite being located next door to Convergys, considered by many as the world's most ruthless recruiting organization. Apparently, successful BPO managers don't need to be 35-year old workaholics in Philippines.



Actions of Leading Outsourcing Organizations:



Doubling This Year to 6000 people

Comments:

People in the industry know that IBM is growing much faster in Philippines than in India. Last year, they had a large site in Bangalore that was shut down due to bad quality performance. The majority of these jobs were moved to Philippines. Industry sources say they are targeting to employ 10,000 people in Philippine over the next couple of years.



Actions of Leading Outsourcing Organizations:

A Passion to Perform.

Deutsche Bank



Starting at the Top of the Value-Chain

Comments:

This company's situation is interesting for 2 reasons. First of all, most companies when they enter Philippines start by doing low-skilled functions and later move up the value chain. Deutsche Bank isn't doing this. They are hiring high-end financial people to support the company's CFO's throughout the world.

Secondly, big German companies (and especially banks) are usually slow to move because they spend a lot of time in the planning stage. Deutsche Bank started their operation only a short time ago and already employ 300 people. Industry sources say they will reach 500 by the end of the year. Apparently, they are pleased with progress and are moving ahead quickly as a result.



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Actions of Leading Outsourcing Organizations:



Growing in Philippines, Slowing in India

Comments:

Many people in the IT sector will remember Dell's announcements of 2 years ago that it was pulling 1000 jobs back to the US from India due to substandard quality. Less well known is that during that same period, Dell added more than 1000 jobs in Philippines through third party providers.

More recently, the company announced that it would set up captive facilities in Philippines (in addition to keeping its 3rd party relationships). The company is now proceeding with an aggressive hiring campaign that will add up to 5000 positions in Manila alone. It seems clear that Philippines is their priority to the exclusion of India.



Actions of Leading Outsourcing Organizations:



Performance in Philippines Exceeds Australia

Comments:

The company started a BPO in Philippines a year-and-a-half ago out of necessity – some say because Citigroup was receiving resistance to the Indian accent in Australia. Today, the company is already receiving better quality performance ratings in Philippines than at its much more experienced Australia Delivery Center based in Brisbane. Industry sources close to the action now say that the Brisbane-based delivery center is being closed and all the jobs are being moved to Philippines.



Actions of Leading Outsourcing Organizations:

SYKES[®]

Pulled Jobs Out of India

Comments:

Sykes spent millions to setup capacity in India, only to shut it all down because performance was lacking. All 1500 jobs were transferred to Philippines.



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Actions of Leading Outsourcing Organizations:



Global eXchange Services
(formerly GE Information Systems)

Centralized Worldwide Application Maintenance & Support in Philippines

Comments:

GXS has operated in both Philippines and India for some time doing a range of IT functions. It is expanding quickly in Philippines after making the decision to centralize all functions with a customer interfacing component to Philippines because of “better results and economics.” GXS reported an increase in roughly all of its quality metrics within just a few months of moving the work to Philippines from its various world-wide locations.

Most people with experience say that jobs with a customer interaction component are better done in Philippines. India is said to be more experienced with application development but Filipinos are better at maintaining and supporting the software once its created.



Actions of Leading Outsourcing Organizations:

CLIENTLOGIC

Growing Faster in Philippines

Comments:

ClientLogic is among the top 5 call center/BPO's in the world. Industry sources say that the company has experienced much faster growth and quality performance in Philippines. The company recently moved its head of India operations to Philippines because it anticipates significantly faster rates of growth.



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Actions of Leading Outsourcing Organizations:



Opportunity is in the Thousands

Comments:

I attended the recent opening of HP's second facility in Philippines. I was told that the company has 10,000 employees in India and it replaces 2500 of these every year. The company has recently has better overall results in Philippines and it is focusing on this country for future growth.

HP is one of many companies that has experienced higher quality ratings in functions with a customer interface component. Some of these include: application maintenance & support, technical support, infrastructure support, database administration.



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What Business Leaders Say: About BPO in Philippines

Let's look at some
conclusions and trends.



What Business Leaders Say: About the Industry

Early Stage of Development

1. Direct Industry Employment is only 160,000
2. Most BPO's are small
3. Broad range of BPO services but voice dominates



What Business Leaders Say: About English

Better Communications Skills

1. Better English Communication Skills
2. Neutral accent
3. More Culturally Attuned to the West
4. Customer Service Mind-Set



What Business Leaders Say: About Staff Availability

Good Supply of Labour (so far)

1. Better “take-up” in Philippines over India
2. Call centers moving outside Manila
3. Back-Office workers in tremendous supply
4. Supply of senior management talent is constrained

What Business Leaders Say: About Salaries

Rates Are Holding (for Now)

1. Industry agreements are in place that no one will compete on price.
2. Increasing management salaries
3. There is starting to be competition on incentives.
4. BPO salaries lower than call center.



What Business Leaders Say: About Education

Better Liberal Arts, Not So for Technical Skills

1. Better at Liberal Arts
2. Not as Technically Skilled
3. Less Advanced Degree Holders

Conclusion:

Good “soft-skills.” Alleged to be less able at hardcore technical professions.



What Business Leaders Say: About Staff Turn Over

Better Retention

1. Less Competition for Employees
2. Retention Agreements Deemed Enforceable

Conclusion:

Keep your people longer in Philippines.



What Business Leaders Say: About Training

Unrealized Opportunity

1. Focus on training is just beginning
2. Successful BPO's have aligned with universities for training



As a result:

Philippines is growing the fastest of any outsourcing destination in the world.

Business Leaders feel Philippines will be the destination of choice for the next 3 to 4 years.



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Cyberservices Workforce Forecast (Based on Industry Reports for 2004-2005)

	2004	2005	2006	2007	2008	2009	2010
Customer Contact	64,000	112,000	179,200	259,800	337,700	422,100	506,500
<i>Growth</i>		75%	60%	45%	30%	25%	20%
Back Office	15,000	22,500	40,500	72,900	123,900	210,600	337,000
<i>Growth</i>		50%	80%	80%	70%	70%	60%
Software Development	10,000	12,000	15,600	20,300	26,400	34,300	44,600
<i>Growth</i>		20%	30%	30%	30%	30%	30%
Medical Transcription	4,000	5,500	13,800	24,800	42,200	71,700	114,700
<i>Growth</i>		38%	151%	80%	70%	70%	60%
Animation	3,000	4,500	6,800	9,900	13,900	18,800	24,400
<i>Growth</i>		50%	51%	46%	40%	35%	30%
Engineering Design	2,000	2,800	4,200	6,700	10,700	16,100	22,500
<i>Growth</i>		40%	50%	60%	60%	50%	40%
Other Data Transcription	2,000	3,000	4,200	5,900	8,300	10,800	14,000
<i>Growth</i>			40%	40%	40%	30%	30%
Legal Transcription	300	450	700	1,100	1,700	2,400	3,100
<i>Growth</i>			50%	50%	50%	40%	30%
Digital Content	200	500	1,000	2,000	4,000	8,000	16,000
<i>Growth</i>		150%	100%	100%	100%	100%	100%
TOTAL	101,000	163,000	266,000	403,000	569,000	795,000	1,083,000
<i>Growth</i>		61%	63%	52%	41%	40%	36%
<i>New Jobs Generated</i>		62,000	103,000	137,000	166,000	226,000	288,000

Source: CICT, BOI, BPAP and its Member Organizations

This is the Greatest Time to be in Philippines.

Business Process Outsourcing Sector

- Hiring growth rates are 60% per year
- Back-Office Processing (the Mother Lode) just beginning
- Projected to reach 1M employment in next 4 years

Comments:

The Dot-Com boom times in North America were exciting but employment growth rates never exceeded 20%-25%. Industry growth rates in Philippines are roughly double this and some sectors (notably call centers) are growing at 60%-70%. And, unlike the Dot-Com days, the jobs being created in Philippines are real ones being paid for by real clients.



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Impact on Economic Activity: Semiconductor Vs. BPO

Semiconductor

Larger Investment, Higher Multiplier Effect?

Business Process Outsourcing

Faster Growth, Higher Wages



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Impact on the Semiconductor Industry

1. Increased Demand for Managers
2. Increased General Development
3. Minimal Overall Impact



If improving value to your organization is important:

Business Process Outsourcing is an opportunity to make Philippines more important.

Boom Times like this:

- Typically happen only once per decade
- Usually don't repeat in the same sector



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Material
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- *“the local guru on outsourcing”* by Dr. Michael Clancy, President of Philippine Business Leader’s Forum, Economist Intelligence Unit.

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