

## IT and IT-enabled/ Bus. Process Outsourcing (BPO) Services Sector

### Briefing

#### DTI's Priority Sectors

- (1) Contact Center
- (2) Back-Office BPO (HR, Financial & Accounting, Administrative Services)
- (3) Medical Transcription
- (4) Animation
- (5) Software Development
- (6) Engineering Design

#### Sector Performance

	2004	2005	2006	2007	2008	2009	2010
Customer Care	64,000	112,000	168,000	218,000	262,000	301,000	331,000
Back Office	15,000	22,500	36,000	61,000	110,000	187,000	299,000
Medical Transcription	3,000	5,000	9,000	17,000	34,000	68,000	122,000
Legal Transcription	300	450	675	1,013	1,519	2,126	2,764
Other Data Trans	2,000	3,000	4,000	6,000	8,000	10,000	13,000
Animation	2,800	4,000	6,000	10,000	17,000	27,000	41,000
SW Devt (Export)	10,000	12,000	16,000	22,000	33,000	50,000	75,000
Engineering Design	2,000	2,800	4,000	6,000	10,000	15,000	21,000
Digital Content	200	500	1,000	2,000	4,000	8,000	16,000
<b>Workforce</b>	<b>99,300</b>	<b>162,250</b>	<b>244,675</b>	<b>343,013</b>	<b>479,519</b>	<b>668,126</b>	<b>920,764</b>
	2004	2005	2006	2007	2008	2009	2010
Customer Care	1,024	1,792	2,688	3,488	4,192	4,816	5,296
Back Office	120	180	288	488	880	1,496	2,392
Medical Transcription	42	70	126	238	476	952	1,708
Legal Transcription	4	6	9	13	20	28	36
Other Data Trans	26	39	52	78	104	130	169
Animation	52	74	111	185	315	500	759
SW Devt (Export)	170	204	272	374	561	850	1,275
Engineering Design	34	48	68	102	170	255	357
Digital Content	3	7	13	26	52	104	208
<b>Revenues in US \$ M</b>	<b>\$ 1,474</b>	<b>\$ 2,419</b>	<b>\$ 3,627</b>	<b>\$ 4,992</b>	<b>\$ 6,769</b>	<b>\$ 9,130</b>	<b>\$ 12,199</b>
<b>Investments PhP' M</b>	<b>8,074</b>	<b>11,000</b>	<b>15,400</b>	<b>20,020</b>	<b>24,024</b>	<b>31,231</b>	<b>40,601</b>

## Sources of Growth

**Tremendous growth momentum continues from CY2003 – 2005 due to the following:**

- ❖ Expansion of the early locators (e.g. AOL, PeopleSupport, Sykes, eTelecare, PLDT, ClientLogic, Infonxx, Citibank, Ambergris, Amex, Accenture, IBM, Caltex)
- ❖ Entry of new global players and their immediate ramp up/ expansion/ addition of sites (e.g. AIG, Convergys, VXI, Daksh, APAC, Six Continents, Sitel, ICT, TeleTech, Emerson, Sutherland, Clientlogic, TRG)
- ❖ Next entry wave of global players (e.g. Dell, Siemens, HSBC, JP Morgan, Deutsche Bank )

**... the industry is currently hiring 3,000 contact center agents and 300 supervisors monthly**

## Value Propositions

Among the reasons cited for choosing the Philippines as the location for e-services operations, are as follows:

### 1. Human Resources

#### **Quality Manpower Resources**

- i. **World-class English Proficiency** - 3<sup>rd</sup> largest English-speaking country in the world with 72% of the population fluent in American English. English is the basic language used in business, government and schools.

***“...Verbal skills in the Philippines with regard to clarity and understandability are superior to that of India, Ireland or other offshore destinations.” (GARTNER Research & Advisory Services Study - IT & Outsourcing Opportunities in the Philippines, March 2002)***

- ii. **Strong Affinity for Western Culture** – this special characteristic among Filipinos is an added advantage because they could easily “relate” with the Western culture. The Philippine educational, legal, political, financial and accounting system is patterned after the US, which is internationally-accepted, thus, reducing learning curves and increasing speed of implementation for companies planning to outsource IT-services (e.g. BPO, Call Centers, Applications Development).
- iii. **Highly Trainable, Flexible, Productive, High Level of Loyalty / Dedication and Strong Work Ethic** - As an enthusiastic young workforce, they have been regarded as highly trainable, flexible, productive, computer-literate and have a strong work ethic. This provides the employers the benefit of having a committed workforce, higher proportions of appropriately experienced personnel, which positively results to:
  - **Low turnover rates** – about 10-15%
  - **Significant cost savings** – in terms of recruiting and training cost
  - **Retained organizational knowledge**

***“Filipinos have an excellent work ethic. They work long hours with high levels of productivity.”*** By: GARTNER Research & Advisory Services Study - IT & Outsourcing Opportunities in the Philippines, March 2002

Cost Competitive – labor rates are the most competitive in Asia, minimum daily wage at P250.00 (US\$ 4.80), wage cost for white-collar employees is on the average, 10%-20% that of the US. Specifically for IT-enabled services, the labor cost savings for value-added service is more than 50%.

Readily Available – about 380,000 yearly university/college graduates of which 100,000 are Business Administration/Commerce Graduates (Accounting, Finance, Management and other Business-related subjects) and 50,000-70,000 IT/computer science and Mathematics graduates.

2. **Reliable Infrastructure Support** – Communication provides redundant international connectivity 24/7 with fiber optic cable as primary backbone network and satellite as backup. Economic reforms emphasize regional growth, converting remote areas into business centers. The landmark BOT legislation allows private investors to build and operate infrastructure, then turn it over to the Philippine government after a set period of time.

The Philippines offers state-of-the-art telecommunications facilities, adequate and uninterrupted power supply. There are ready-to-occupy offices and production facilities, computer security and building monitoring systems, as well as complete office services in specialized IT zones. With the government's focus on building up an IT-enabled economy, the Philippines is on its way to becoming the E-services Hub of Asia.

Another plus factor is ease of securing a place/office, in the country's business districts and in IT Parks and Zones. Added to this are as follows:

- Very good telecommunications structure: Good Telecommunication Support with redundant international connectivity and aggressive installation lead time (30-45 days for leased lines)
- Options for multiple service providers on-site: Telco carriers provide redundant telecom infrastructure.
- T1 & E1 lines between the US or Europe and the Philippines range from US\$4,000 to US\$6,000 per month.
- Power is reliable.
- Bandwidth cost declined by 70% over the last 4 years

3. **Strategic Location** - – The Philippines is strategically located right in the heart of Asia – today the fastest growing region. It is located within four hours flying time from major capitals of the region. Situated at the crossroads of the eastern and western business, it is a critical entry point to over 500 million people in the ASEAN market and a gateway of international shipping and air lanes suited for European and American businesses.
4. **First Class Lifestyle** – The Philippines is second home to expatriates who enjoy the company of the warmest people in the region, the country's openness to varied cultures and a decidedly global outlook. Expatriates enjoy accessible and affordable luxuries – business centers, housing, schools, hospitals, shopping malls, hotels and restaurants, beach resorts, and recreation centers.

It also offers first-rate educational institutions (International schools: British School, German school, Japanese school, Mandarin school, etc.) and luxury of access to household help.

In the Philippines, you will discover the best of sun, sea, sand and style in a tropical setting teeming with the best of western amenities.

5. Strong Government Support - committed to support the ICT industry, the government has formulated measures designed to improve the policy environment for doing ICT business in the country.

***Fiscal incentives to attract investments in IT and IT-enabled services***

- ❖ 4 to 8 years Income Tax Holiday
- ❖ Special 5% tax rate on gross income after the lapse of ITH (for IT Park locators)
- ❖ Tax and duty exemption on imported capital equipment (for IT Park locators)
- ❖ Unrestricted use of consigned equipment
- ❖ Deduction for labor expense up to 150%
- ❖ Deduction for training expense up to 150%
- ❖ Exemption from wharfage dues
- ❖ Employment of foreign nationals

**2003-2004 Top Markets**

Country	% Share
USA	75-85%
EU	10%
Asia	5%

**Value of World Market Demand**

Worldwide spending on BPO services totaled \$712 billion in 2001. IDC projects the worldwide BPO market will grow to \$1.2 trillion by 2006, with the following important notes:

- United States leads with 63% of the worldwide market across the 10 business functions.
- EMEA, with Europe at the helm, will be the second-largest market opportunity at 22%
- Asia/Pacific, though the smallest market across all business functions at 15%, also represents the fastest-growing market.

## *Industry Associations*

### **Animation Council of the Philippines, Inc. (ACPI)**

3F Bonifacio Technology Center  
31<sup>st</sup> cor 2<sup>nd</sup> Avenue, Crescent Park West, Taguig, Metro Manila  
Website : [www.animationcouncil.org](http://www.animationcouncil.org)  
Contact Person: Ms. Grace Dimaranan  
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Telephone : 871-1590 Fax : 687-7362, 871-1590  
Email : [grace@animationcouncil.org](mailto:grace@animationcouncil.org); joybacon@animationcouncil.org

### **Business Processing Association of the Philippines (BPAP)**

28F Enterprise Center, Tower II  
6766 Ayala Avenue, Makati City  
Website : [www.bpap.org](http://www.bpap.org)  
Contact Person: Mitch Locsin  
Designation : Executive Director  
Telephone : 755-8896 or 98 ; Fax : 755-8810  
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### **Contact Center Association of the Philippines (CCAP)**

2F BPI-Fareast Building  
Sen. Gil Puyat Avenue, Makati City  
Website : [www.ccap.ph](http://www.ccap.ph)  
Contact Person: Jojo Uligan  
Designation : Executive Director  
Telephone : 634-7444; Fax : 638-4781  
Email : [jojouligan@yahoo.com](mailto:jojouligan@yahoo.com)

### **Medical Transcription Industry Association of the Philippines, Inc (MTIAPI)**

17<sup>th</sup> Floor, Tower 2 RCBC Plaza  
Ayala cor. Sen Puyat Ave., Makati City  
Website : [www.mtiapi.com](http://www.mtiapi.com)  
Contact Person : Myla Rose M. Reyes  
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### **Philippine Software Industry Association (PSIA)**

c/o Asian Business Solutions, Inc  
2nd Floor Gloria Building, 109 Aguirre St., Legaspi Village, Makati City  
Website : [www.psia.org.ph](http://www.psia.org.ph)  
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