

Outsiders gain the inside track



SPI Global, above, is the largest Philippines-owned business process outsourcing company. As well as operating seven call centres it offers editorial, digitisation, database and transaction processing services, revenue cycle management and coding compliance.

INDIA REMAINS THE Asia-Pacific outsourcing heavyweight. According to NASSCOM, the trade body that represents India's IT outsourcing (ITO) and business process outsourcing (BPO) industries, its outsourcing revenue stands at US\$60 billion a year. But the past few years have seen many big-name Indian players move to exploit the burgeoning Philippines outsourcing market.

This trend is part of a fundamental shift that is reshaping the way we think of the centres of global economic power. No longer the monopoly of Western time zones and Japan, economic clout nowadays is increasingly multi-polar.

Indian companies such as Genpact, Aegis, TCS, Infosys and Wipro have all set up Philippines operations that handle a mix of BPO and ITO work.

Today, the Philippines is the call centre capital of the world. According to IBM's *Global Location Trends Report 2010*, the archipelago recently overtook India's voice-based BPO industry – an assertion backed by data from the Contact Centre Association of the Philippines (CCAP), which estimates about 350,000 Filipinos now work in call centres, compared with 330,000 Indians.

Based largely on call-centre revenue, the Philippines' BPO industry accounts for about 15 per cent of the global BPO market. Over the past decade, voice-based BPO has risen rapidly to become a cornerstone of the Philippines economy – an economy that grew by a heady 7 per cent last year.

The Business Processing Association of the Philippines (BPAP) says revenues from the country's IT-BPO industry rose by 26 per cent to about US\$9 billion in 2010, accounting for nearly 5 per cent of the Philippines' gross domestic product. Industry developments added an extra 100,000 extra jobs, bringing the total Philippines BPO head count to more than half a million. By the end of this year, figures for revenue and jobs are expected to reach US\$11.6 billion and 700,000 respectively.

However, Gillian Virata, senior executive director of BPAP, has bigger plans for the Philippines' outsourcing industry. The organisation is targeting a turnover of US\$25 billion by 2016, contributing 9 per cent of Philippines gross domestic product and providing jobs for 1.3 million Filipinos. >

**The Philippines
outsourcing industry
is becoming
bigger, bolder and
more diversified.**

Good telephone manners and a strong work ethic are major plus points but Virata knows that won't be enough to underpin the growth that BPAP's road map demands. "If the Philippines is to achieve its potential as an ITO-BPO hub in the next five years, it must increase awareness of its capacity to deliver increasingly complex services that can transform the way businesses operate," Virata says.

"Yes, it's an ambitious goal. Is it achievable? Of course. We're going to need a 20 per cent compound annual growth rate (CAGR) over the next five years to get there, which is faster than the international market growth rate with an estimated CAGR of 10-15 per cent in the same period. We're going to need to double the rate of new job creation to 200,000 per year. It's certainly a challenge, but it's doable."

Within the global offshore services market, Virata predicts non-voice BPO will grow by 20-25 per cent over the next five years. "This is where the money is," she says. "The Philippines must take advantage of this growth. A few years ago, voice-based BPO was 70 per cent of the Philippines outsourcing industry, now it's less than 60 per cent. We're already moving in the right direction."

Achyuta Ghosh, senior research manager at NASSCOM, believes that despite the rise of the Philippines outsourcing industry, most Indian outsource providers view the country as a collaborator, not a competitor.

"With more than 20 years of service provision, the Indian outsourcing industry is a lot more mature than in the Philippines," Ghosh says. "This means managerial talent in India is a lot deeper, there are more diverse skill sets, there's far more potential scalability for outsourcing operations. We're producing four million graduates a year. India remains the mother of all offshoring operations."

"By establishing operations in the Philippines, Indian companies get additional reach. A lot of clients don't want to put all their eggs in one basket, either. This is the so-called India-plus-one model, where diversification cuts down on risk."

Asheesh Mehra, head of BPO for Infosys in the Asia-Pacific, Japan and the Middle East, says: "India, China, the Philippines – each has an outsourcing industry at a different level of development and with different skill sets."



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ACHYUTA GHOSH

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ASHEESH MEHRA



"China has a strategic location for handling ITO business from Japan and South Korea, for example. It has a large supply of graduates, but will never have the English [language] talent of India or the Philippines and skills are relatively expensive."

"On the other hand, Chinese companies hardly ever outsource work to India or the Philippines. They are, however, being encouraged by Philippines trade bodies to open Philippines facilities to provide a range of BPO services for China's growing number of Western clients."

Gaurav Gupta, managing partner (India) of services advisory firm Everest Group, says that over the past 5-10 years most of the first 500,000 Philippines outsourcing workers have been recruited into voice-based BPO. "The challenge for the industry now is where to add its next 500,000. Growth must come from the more profitable non-voice sector to drive up revenue," Gupta says.

Tully Moss, president of US-based consulting firm Magellan Alliance, says financial services offshoring (outsourcing and shared services) is showing the best growth in the Philippines. "Animation is already a strong niche." (The Philippines animation industry traces its roots to the 1980s when companies such as Walt Disney and Hanna-Barbera began subcontracting work there.)

"Health care is poised for rapid growth too – medical transcription has been done here for some time but it looks as though big health care players are starting to discover the Philippines," Moss says. "Other KPO [knowledge process outsourcing] sectors on the rise include business research, human resources and legal services."

Maulik Parekh, CEO of SPi Global, the largest Philippines-owned BPO company, says: "Recently, we've seen a lot of new entrants with start-up operations specialising in other services. The majority of BPO players here in the Philippines are still huge multinationals and GICs [general in-house centres]."

As well as running seven call centres in the Philippines, SPi Global also offers editorial, digitisation, database and transaction processing services, KPO, revenue cycle management and coding compliance. The company has recently announced its intent to recruit more Australian clients.

"We foresee an expansion in our business now that Australian companies are seeing the advantages of letting Filipinos handle their voice and >

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non-voice needs,” says Parekh. “We offer end-to-end solutions that cover clients’ needs for a range of processes. Companies that outsource are now looking for fewer vendors that can meet all their requirements better, faster and at lower cost.

“Many companies are beginning to see the wisdom and practicality of outsourcing other non-core aspects of their businesses, not just voice work,” Parekh continues. “Hospitals and doctors, for example, should be able to concentrate on doing what they do best – making people healthy. Back-end work should be left to specialists who can do the job better and cheaper.”

A recent study by Australian research firm Callcentres.net shows Philippines-based outsourcing providers are winning one third of all Australia’s back-office offshoring and one quarter of its financial offshoring.

Richard Mills, chairman of Chalre Associates, a Manila-based executive search headhunter firm, says Australia and the Philippines are in similar time zones so Australian companies can generally negotiate better rates from providers. “Australia’s telecommunications, finance and banking industries are going to be the largest outsourcers to the Philippines this year,” Mills says. “ANZ [bank] has just announced that 150 jobs may be offshored to the islands over the coming months.”

In future, the biggest challenge for the Philippines in making the most of its natural advantages will be securing an adequate supply of talent.

“The Philippines BPO industry has to keep the stream of highly qualified agents and BPO professionals coming,” says Parekh.

The challenge to find qualified applicants means many outsourcing providers are now investing heavily in training, tie-ups with local colleges and recruiting in areas outside Metro Manila [Manila is only one of 16 cities comprising Metro Manila]. Some outsourcers are engaged in near-hire training – taking candidates whose language and other skills show potential and quickly bringing them up to speed.

Outsourcing company Accenture has 10 centres in Metro Manila and two in Cebu, with total staff expected to reach 25,000 by the end of the year. The company has begun recruiting nurses for its new outsourced care management service out of Mandaluyong [part of Metro Manila].

Benedict Hernandez, Accenture’s BPO delivery lead for the Philippines and president of CCAP, says: “We need to increase the employment rate of entry-level graduates. At Accenture, we’re working with colleges and universities to enhance their IT curricula, and teaching business technology courses. We’ve also partnered with a French non-government organisation to provide college-equivalent IT education to underprivileged youth.”

One untapped outsourcing opportunity lies in the Philippines’ pool of accountants. Tully Moss says the archipelago has roughly the same number of certified public accountants as India, despite having only one-twelfth of the population.

“The Philippines produced more than 430,000 graduates last year,” Virata says. “Of those, more than 30 per cent were in medical and natural sciences and a quarter were in business and accounting. We’re certainly not running out of raw talent in these areas.”

With its BPO industry developing rapidly, the Philippines’ relationship with neighbouring outsourcing players is also shifting. Outsourcing multinationals such as Accenture and IBM are keen to stress their integrated approach to service provision, with the Philippines as a key Asia-Pacific hub.

Cassandra Soto, Philippines delivery leader for IBM Global Process Services, says: “IBM’s BPO operations in the Philippines are part of the company’s shift to becoming a globally integrated enterprise.”

IBM Philippines has more than 7000 employees and will soon establish a multi-lingual training facility as it looks to ramp up BPO operations.

Benedict Hernandez plays the Philippines plays a key role as the second-largest node in the Accenture global network. “We can allocate work to take advantage of our different talent pools around the world.” >



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GILLIAN VIRATA

A\$25 billion

The Business Processing Association of the Philippines’ target for 2016.

SOURCE: philstar.com



LAWRENCE PERRY

We could all use a virtual personal assistant

It’s not only the big-name companies that are discovering outsourcing to the Philippines can make economic sense. A growing number of small-to-medium enterprises and entrepreneurs are also taking advantage of the islands’ talented labour pool. The Philippines virtual personal assistant (VPA) industry is booming.

Chris Ducker, a Manila expert on the virtual business lifestyle whose company, Live2Care, also runs a team of VPAs, says:

“For many people, having a VPA is not a luxury any more, it’s a necessity. Bottom line is that if you’re not using virtual assistants to help you run your calendar, do online research, organise travel, manage your websites and blogs and so on, then you’ll be going the way of the dodo very quickly.”

Lawrence Perry is managing director of Catch Friday Media, a London outsourcing company that runs 50 Philippines VPAs via a call centre in Davao City. “The VPA

business model is win-win for employer and employee,” Perry says. “The employer spends less time getting more work done. The Philippines VPA gets a secure job and above-average income.” (The average monthly salary of a full-time Philippines-based VPA is about A\$400 to A\$500, equal to that of a highly qualified corporate manager.) “And they get to work from home.”

So are there any tips for first-time VPA users? Can a Filipino VPA be

entrusted with important tasks? “Be a nice person,” Ducker says. “Pay what they’re worth with the long-term in mind and always pay on time. Use a company with a great track record that vets and trains its assistants.”

“India used to be the stronghold in this industry,” he says, “but poor quality and unprofessionalism has pushed people to the Philippines. Although Filipino VPAs demand a little more when it comes to salary, they’re generally worth it.” ■

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