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As India's BPO luster dulls, RP drawing more investors

By **Artemio F. Cusi III**
Reporter

TIGHTENING profit margins are squeezing out the options of major outsourcing firms to maintain operations in India, according to a keynote speaker of a recent outsourcing conference in Singapore.

Richard Mills, chairman of Chalre' Associates, noted in his presentation the observation of business process outsourcing (BPO) leaders that India is becoming a more difficult proposition.

He cited numerous instances when top outsourcing firms such as Sykes, GXS, Safeway, Dell, HP, IBM, and ClientLogic have either reduced or completely closed down operations in India, and placed their bets on the Philippines.

Although India remains the world's top outsourcing hub, Mills said that BPO companies are well aware of the limits to past achievements.

Among the difficulties encountered by firms in India are the constraints in infrastructure, fat salaries of BPO executives and workers, and the retention problem. The last one refers to the quick turnover of workers in BPOP companies, owing to, among others, the health problems of night-shift work and the tendency of the predominantly young work force to easily get "bored" from the work or miss the night life.

Other countries, however, are not just passively monitoring the regional movements of companies. According to Mills, among these contenders for a significant portion of the global outsourcing clientele are Malaysia, South Africa, Costa Rica, eastern Europe, Russia, Brazil, and Mexico.

Despite the list of competitors, Mills said the people in Singapore "were very impressed by the work being done here (Philippines)."

"I was surprised how much interest there is for offshore back-office services in Singapore all of a sudden and I was deluged with people asking for more information," Mills said in a subsequent email to BusinessMirror. "And today, the most important destination for offshore outsourcing in the world is the Philippines (in my opinion)."

While India might be an increasingly expensive investment, its employment in the outsourcing sector is projected to more than double to 2.4 million in 2010 from the current one million. The Philippines, with 180,000, might achieve the one-million mark in the same year.

Mills added that with the maturity of the voice services and IT, companies are moving a broad range of functions offshore.

He pointed to Sykes, which decided to transfer operations in India to the Philippines. "We moved calls to other facilities in Asia to get a higher rate of

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return," Mills quoted the company's vice-president for global strategies Dan Hernandez as saying.

The US-based contact center and information technology (IT) group has 7,000 employees in the Philippines.

"But knowledgeable observers in the region say that the rate of return differential must be large for a company of Sykes' size and prominence to forgo India after already putting capacity in place," Mills said in his presentation.

"Better results and economics" also convinced GXS to expand in the Philippines from its facilities in India. This followed the company decision to centralize all functions with a customer interfacing component.

"GXS reported an increase in roughly all of its quality metrics within just a few months of moving the work to the Philippines from its various worldwide locations," Mills said.

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