



Philippines as an Outsource Destination: What CEO's Really Think

Presented by:
Richard Mills
Chairman, Chalré Associates

For:
Business Processing Association of Philippines
(BPA/P)



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Heard Last Month

“Philippines’ offshoring prospects are being dimmed by a poor risk profile, deficient infrastructure, and an inferior business environment.”

Statement made by a presenter representing the firm of **McKinsey & Company** at the October 2005 BPA/P meeting. Recent report by the firm ranked Philippines among 16 countries as an outsource destination.





Heard Last Month

Philippines is:

“Worst in Quality of Business Environment - Government support, Business and living environment, Convenience of doing business”

“Worst in risk profile - Disruptive Events, Security, Regulation, Country Investment, Data Protection”

“Deficient in Infrastructure: Telecom, Real Estate, Power and Transportation”

Statement made by a presenter representing the firm of **McKinsey & Company** at the October 2005 BPA/P meeting. Recent report by the firm ranked Philippines among 16 countries as an outsource destination.





Heard Last Month

India is ranked by the firm as still the Number 1 choice overall as an outsourcing destination.

Statement made by a presenter representing the firm of **McKinsey & Company** at the October 2005 BPA/P meeting. Recent report by the firm ranked Philippines among 16 countries as an outsource destination.





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Background
Information
of the
Presenter

Expert Panel Member:



Featured Columnist & Contributor:



Quoted as:

- *"the Asia Pacific expert"* by CallCenter Magazine.
- "Offshore Outsourcing Expert" ComputerWorld USA
- *"the local guru on outsourcing"* by Dr. Michael Clancy, President of Philippine Business Leader's Forum, Economist Intelligence Unit.

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What Business Leaders Say

Compared with India,
Philippines is a
Better Option Today

Better People
Better Business Environment
Better Infrastructure
Better Lifestyle & Security



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First of all, Let's Get Something Straight

India is the King of Outsourcing

India is the largest and most successful offshore destination.
India proved to the world that offshore outsourcing was viable.

Philippines has a BPO opportunity today because of India





Some Examples

Here is some data on what real decision makers are doing and saying about Philippines.





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Actions of Decision Makers:



Pulled Jobs Out of India

*"Sykes, a large U.S.-based contact center and IT support organization, has operations in both India and the Philippines. The company said it would **shift much of its Indian capacity to the Philippines**, where it already has 7,000 employees. "We moved calls to other facilities in Asia to get a higher rate of return," was the official statement from Dan Hernandez, Sykes' vice president for global strategies. 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."*

Source: ComputerWorld USA



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Actions of Leading Outsourcing Organizations:



Global eXchange Services
(formerly GE Information Systems)

Centralized Worldwide Application Support & Maintenance in Philippines

*“As Asia-Pacific vice president for global business-to-business services provider GXS, Victor Lee oversees the professional and customer services operations in the region. His company made the decision to direct functions with a strong customer component to the Philippines because of **better economics and results there**. His company's analysis also indicated that **costs were increasing disproportionately in India**. As well, Lee feels that “having product development in India and professional and customer services in Philippines reduces risks.”*

Source: ComputerWorld USA



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Actions of Leading Outsourcing Organizations:



Growing in Philippines, Slowing in India

Dell today announced it will establish its new customer contact center in the SM Mall of Asia office complex in Pasay City, extending its Philippine presence to two locations - a recruiting and training center in Makati City, and the new facility in Pasay City.

*Dell selected the Philippines for its new customer contact center because of the strong language and communication skills of its high-quality workforce. With its English-savvy population, about 100 similar facilities in place and 650,000 students, the **Philippines is fast becoming the contact center location of choice in Southeast Asia.***

Source: Dell website





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Actions of Leading Outsourcing Organizations:



Bypassed India Altogether

Philadelphia-based ICT Group Inc. has bypassed India altogether. ICT recently opened its second call center in Manila and is planning its third Philippine center. John Brennan, chairman and chief executive of ICT, says the **Philippines has several advantages over India**. While wages are higher in Manila than in New Delhi, Bombay or Bangalore, there is **less staff turnover in the Philippines** because of a relative shortage of higher-paying software development and other business-processing jobs. "Callcenter work is something people naturally want to migrate out of, and there are more opportunities to do that in India," he says.

Source: Wall Street Journal



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Actions of Leading Outsourcing Organizations:



Growing Faster in Philippines

"Philippine call centers have higher average staff tenure and better customer satisfaction ratings than India, industry studies have shown."

Source: Reuters

"near flawless American accents that give the Philippines an edge in its battle with India for the fast-growing outsourcing market."

Source: CNN



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Actions of Leading Outsourcing Organizations:



Acquisition in Philippines After Considering Indian Options

“TELUS International Inc. of Canada and Singapore Computer Systems Ltd (SCS) will set up a joint venture to acquire a 70-percent stake in call-center firm Ambergris Solutions Inc. The two companies will form TISCS Pte. Ltd, the new joint venture company, which will invest \$43.5 million in the acquisition bid, Ambergris Solutions said in a statement sent to the press. Ambergris Solutions Inc. owns Ambergris Solutions Philippines Inc., currently one of the biggest call centers in the country with 1,800 seats. “

Source: Manila Times



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Quotes from Regional Business Leaders:



Country Manager (British National)

Thomson Financial

Says Manila is Less Dangerous than London

*“Shaun Paterson, vice president of operations at the large outsourcing facility of New York-based Thomson Financial, takes a similar view. He feels that the streets of **Manila are "safer than those of London" (England is his home country), and he says female friends visiting from Britain feel the same way.** As someone with many years of experience in IT and business process outsourcing (BPO) in the Philippines, Paterson **feels qualified to say that security risks are, at most, trivial.**”*

Source: ComputerWorld USA



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Quotes from Regional Business Leaders:

Regional Manager (British National)
Global Financial Services company

Philippines clearly superior option

*"I find the anti-Philippines assessment to be unrealistic, possibly the **consultants are trying to justify putting their past clients into India and may have no experience operating here.** We all know that Philippines has **far superior telecomms-** no need to install a satellite ground station - just connect to the fibre cable **network. Traffic is bad in India,** and arguably the roads here are far superior to Bangalore where I visited last year. Philippines has such a **strong affinity to the USA which India does not.** The **Philippines almost sells itself** if people take a few days to come."*

Source: personal email message



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Quotes from Regional Business Leaders:

Regional Manager (American National)
Global Engineering Services company

Philippines is Clearly the Better Option

*"When comparing the Philippines with India, most clients would much prefer Manila to New Delhi. The **Philippines overall as an environment to do business in much better**. In addition, the **escalating labor costs in India** for skilled and educated labor is alarming. Our HR recruiters in India have to hire staff 6 months before they even graduate or they will no longer be available in May. There seems to be a real shortage of skilled staff. When I first was considering India vs. Manila, (year 2002) there was **threats of Nuclear war between Pakistan and India**. That is not a very conducive environment for business. Please do not quote me specifically, since we have a sister office in New Delhi, but **most of our clients certainly prefer the Philippines to India**. Additionally the government structure in India is very strict and very good at follow up. So taxation issues are strictly enforced and businesses and employees are rigidly taxed. The **tax structure in the Philippines is very conducive to business** with PEZA zones and tax holidays, it seems very conducive to business."*

Source: personal email message



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Quotes from Regional Business Leaders:

Regional Manager (American National)
Call Center sector

Better Business Environment in Philippines

“Living in India is the most difficult adjustment for anyone – living in Manila is a great and wonderful life. The Philippine people don't need any excuses -- they are great!! They speak much better English, have little or no cultural gaps, the government is not nearly as difficult as others, the list goes on and on.”

Source: personal email message



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Quotes from Regional Business Leaders:

VP Operations (European National)
BPO sector

Better Able to Grow in Philippines, Better Lifestyle

"We ramped a lot faster in Philippines than we did in India."

"It's nice to be able to walk down the street without jumping over pot-holes."

Source: personal email message



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Quotes from Regional Business Leaders:

Chief Operations Officer (American National)
IT Sector

Philippines Easier to do Business

"I have a much easier time to grow the business here than in India. Comparing my experience now to the early days of India, I can say Philippines has more opportunities. The people are fine and infrastructure is better. I enjoy the lifestyle more.

When I am back to India now, the problems they face are far greater since there are so many companies doing business there..."

Source: personal email message



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Quotes from Regional Business Leaders:

Asia Pacific Regional Manager (European National)
IT Sector

Regulatory Requirements were Easy

"Setting up our Regional Head office was no problem. My assistant did all of the work and I didn't have to do much. Our staff are good and we anticipate more growth."

Source: personal email message



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Titles from Major Business Publications:



INDIA'S IT CHALLENGE



**INDIA: GOOD HELP
IS HARD TO FIND**

rediff.com

**INDIA: DESPERATELY
SEEKING TALENT**



**INDIA'S LOOMING
IT LABOR CRUNCH**

A simple internet search will yield dozens
more cautionary articles about outsourcing in India



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Richard Mills CFA
Chairman, Chalré Associates



“According to most business leaders, Filipinos speak better English, have a better customer service mind-set and the cultural gap is less. India is reported to have better technical universities but Philippines is said to be better in liberal arts (more appropriate for back-office outsourcing). Philippines is also said to have better infrastructure and expatriate life-style.”

“Regional managers I speak to say that the result of this today is increasing salaries, worsening retention and decreasing quality of output. In India, even basics such as electricity, telco and roads are constraining growth.”

Source: Richard Mills, “Ask The Expert” section of CIO Magazine



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“The people I speak to running the large outsourcing facilities in India say this is already happening. For the past few years, the only destination companies talked about was India and they all went there to setup. The result of this bandwagon was that today they are experiencing a lot of problems related to salary inflation, employee retention, quality of delivery, office space availability, telco access, even electricity supply, etc. Philippines and Vietnam seem to be 2 countries that are profiting from this situation.”

Source: Richard Mills, “Ask The Expert” section of CIO Magazine



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What Other Major Research Organizations Say:

Gartner

Worldwide Consulting Firm

India to Lose Significant Market Share

"India will lose business to some of these countries as it does not have a long-term plan for improving infrastructure and increasing the supply of quality employees for the BPO industry"

A number of countries understand BPO's potential to create jobs and have put together integrated strategies to develop BPO business, Chohan said. These include Ghana, South Africa, Mauritius, Fiji, Malaysia, the Philippines, Australia, New Zealand and China."

Source: NetworkWorld



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What Other Major Research Organizations Say:



Infrastructure Specifically cited as Better in Philippines

India

Areas of Focus: Call centres; IT services.

Some Strengths & Weaknesses: English-language; highly qualified personnel; enormous labour pool. High telecommunication costs; infrastructure sometimes unreliable.

Philippines

Areas of Focus: IT, accounting, architecture, telemarketing.

Some Strengths & Weaknesses: Good fibre-optic infrastructure. Good supply of English-speaking, college educated accountants, software engineers, architects, telemarketers and graphic artists. Above-average understanding of the US market."

Source: *United Nations Conference on Trade and Development*



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What Other Major Research Organizations Say:



Philippines Will Surpass India by 2008 in Contact Centers

"The Philippines will surpass India by 2008 as home to the world's largest call center industry, according to XMG Inc., a Manila-based research and advisory firm. By that time, XMG estimates, the call center industry will generate \$3 billion a year in revenues."

Source: DailyHerald



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Various Sources Seem Consistent

Compared with India,
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Better People
Better Business Environment
Better Infrastructure
Better Lifestyle & Security



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If building a professional career is your objective:

This is the Greatest Time to be in Philippines.

Business Process Outsourcing Sector

- Hiring growth rates are 40% to 50% per year
- Many contact centers growing by 100% per year
- Currently approaching 100,000 people employed
- Projected to reach 500,000 over the next 4 years





If building a professional career is your objective:

**This may be the Greatest
Opportunity you will see for the
rest of your Life.**

Boom Times like this:

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

We Need to Harvest As Much as Possible





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If building a professional career is your objective:

**Philippines is poised to grow
the strongest of any
outsourcing destination in Asia.**

Business Leaders with experience overseeing operations in Philippines, India and other locales are clear about this.



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Who Did They Speak To?

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Philippines: World-Class Destination, Third-Class Marketing



Business Processing Association **PHILIPPINES**

A Strong BPA/P will lead Philippines to the Promised Land

Philippines needs a unified organization to promote itself in proactive manner,
rather reacting to bad publicity or shoddy research reports after the fact.



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Expert Panel Member:



Featured Columnist & Contributor:

COMPUTERWORLD An IDG company

CallCenter
TECHNOLOGIES, SERVICES AND STRATEGIES FOR CONTACT CENTERS

Part of the **TechWeb** Business Technology Network
outsourcingpipeline

India Daily

ASIA TIMES Online
www.atimes.com

Quoted as:

- *"the Asia Pacific expert"* by CallCenter Magazine.
- "Offshore Outsourcing Expert" ComputerWorld USA
- *"the local guru on outsourcing"* by Dr. Michael Clancy, President of Philippine Business Leader's Forum, Economist Intelligence Unit.

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