



Is the Philippines Stepping Up to Lead the Industry into the Next Horizon of Global Services?

Locations Insider Report

Locations Insider (LI)
Market Report: October 2014 – Preview Deck

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Background and scope of the research

Background of the research

The Philippines continues to be an attractive proposition for global companies looking for scalable locations with a broad range of voice and non-voice BPS skills at low cost in the Asia Pacific (APAC) region. The Philippines global services market has shown tremendous growth in last few years to become one of the leading offshore locations globally. In the recent years, as Indian and other regional service providers, and Global In-house Centers (GICs) continue to enter and expand their presence in the Philippines, the scope of services delivered has expanded beyond traditional contact center services to include other functional and industry-specific service segments. In this report, we take a stock of the Philippines' IT-BPS market, and uncover opportunities and potential risks for the Philippines, as it gears-up to lead the industry into next horizon of global services.

In this research, we analyze delivery landscape of offshore IT-BPS delivery for global companies in the Philippines, across various dimensions

- Overview of IT-BPS market and growth story
- Player landscape and adoption trends
- Current state of established and emerging service segments
- Delivery locations beyond Manila and Cebu – tier-2/3 cities
- Key considerations – opportunities and risks to the Philippines' growth

The scope of the analysis includes:

- Offshore IT-BPS services delivery
- Includes services sectors across Global In-house Centers (GICs) and third-party service providers
- Analysis of key service segments across Manila, Cebu, and tier-2/3 locations

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Overview and abbreviated summary of key messages

This report provides an overview of the Philippines' IT-BPS market. Analysis includes market size and growth, player landscape, and adoption trends. The report focuses specifically on current-state of the established and emerging IT-BPS segments, tier 2-3 cities from IT-BPS delivery perspective, and opportunities and potential risks presented by the Philippines.

Key findings in this report

Overview of the Philippines' IT-BPS market

- The Philippines' IT-Business Process Services (BPS) market was among the fastest growing offshore markets between 2009 to 2013, growing at CAGR 21 to 23% as compared to CAGR 9 to 10% for global IT-BPS services market during this period
- Contact Center Outsourcing (CCO) market is the predominant driver of scale accounting for approximately two-thirds of the market. Multinational service providers (e.g., Accenture, Teleperformance, and Convergys) are the largest players in the service provider landscape.

Current state of key established and emerging service segments

- Strong growth of contact center services has helped the Philippines become a global hub for English language delivery. Other established segments, such as F&A and ITS, are also witnessing steady growth
- Several emerging segments (e.g., healthcare BPS) are also growing aggressively driven by adjacencies with customer service, voice-based delivery capabilities, and availability of suitable talent pool

Assessment of leading tier-2/3 cities in the Philippines

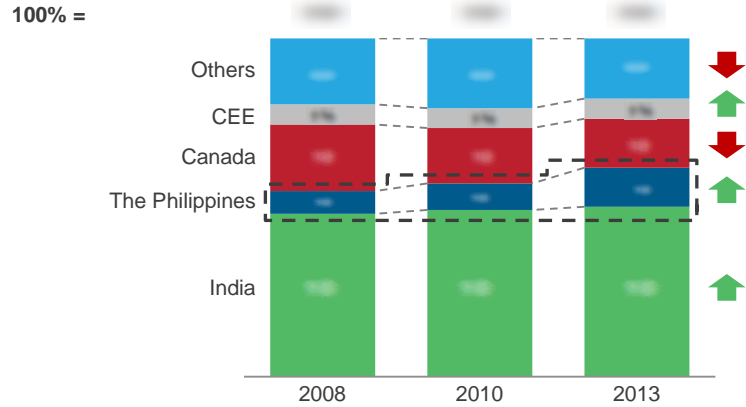
- Companies operating in the Philippines are increasingly looking for locations beyond Metro Manila and Metro Cebu driven by need to access alternative talent pool, lower cost of operations, and to diversify geographic risk
- Several tier-2/3 locations are witnessing spike in IT-BPS activity, especially for contact center work. While some of these locations offer significant cost arbitrage over Manila, most of these are still nascent markets with limited scalability

Uncovering opportunities and potential risks for the Philippines

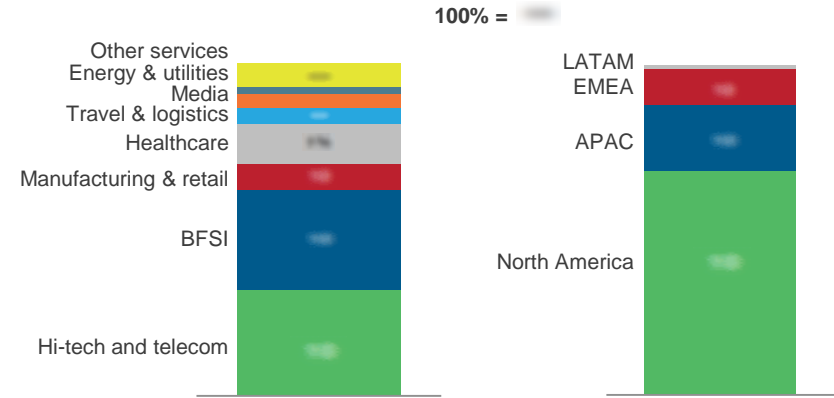
- Niche play beyond voice in voice-adjacent segments, potential for growth in tier-2/3 cities are among the key opportunity areas for the Philippines going forward
- Changing buyer needs in the contact center beyond voice channels (e.g., omni-channel delivery, automation), high attrition and wage inflation are some of the potential risks to sustained growth

This study offers four distinct sections providing a deep dive into key aspects of the Philippines' IT-BPS market; below are four charts to illustrate the depth of the report

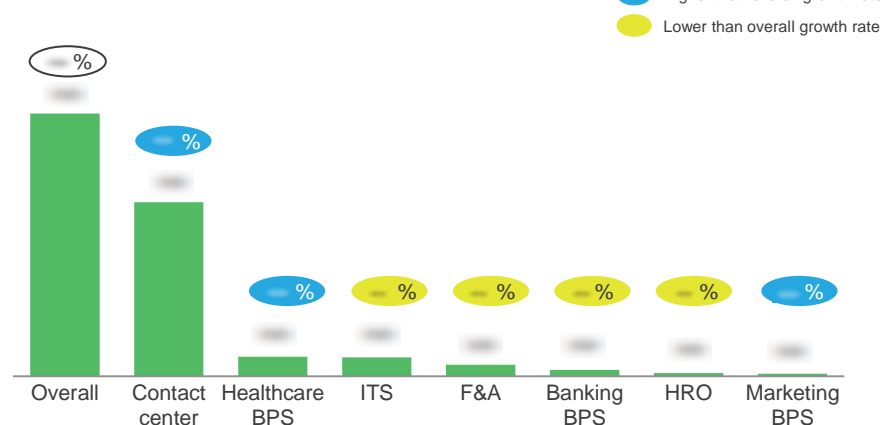
Distribution of global services market by supply geographies
2008-2013; US\$ billion



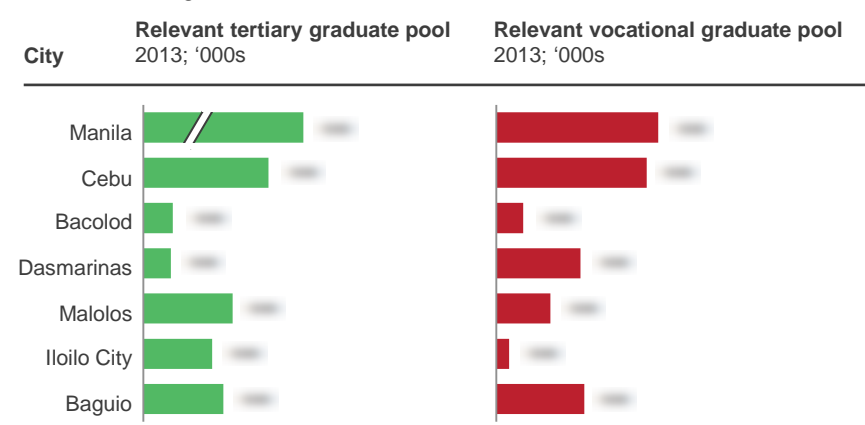
Industries/Geographies served from the Philippines for IT-BPS
2013; Number of FTEs



Leading IT-BPS services delivered from the Philippines
2014; Number of FTEs in '000



Annual relevant pool
2013; Number of graduates



LI research calendar

Published
 Current

Topic

Release date

"Next-wave" location profile: Guatemala	November 2013
"Next-wave" location profile: Cebu	November 2013
Finance & Accounting in Latin America (LATAM)	December 2013
"Next-wave" location profile: Bulgaria	June 2014
"Next-wave" location profile: Peru	June 2014
"Next-wave" location profile: Romania	July 2014
"Next-wave" location profile: Chengdu, China	July 2014
"Next-wave" location profile: Vietnam	August 2014
"Next-wave" location profile: Nicaragua	August 2014
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"Next-wave" location profile: Latvia	September 2014
"Next-wave" location profile: Jaipur	September 2014
"Next-wave" location profile: Uruguay	September 2014
"Next-wave" location profile: Sri Lanka	September 2014
Tier-2/3 Locations in India for Offshore IT Services Delivery – Does Reality Meet the Hype?	September 2014
Is Philippines Stepping Up to Lead the Industry into the Next Horizon of Global Services?	October 2014
Global Locations Annual Report	Q4 2014
Delivery of BP services from the U.S.	Q4 2014
Locations for delivery of multilingual F&A services in Central and Eastern Europe	Q4 2014
Locations for delivery of English-language contact center services in Central America and Caribbean	Q4 2014

Additional research references

The following documents are recommended for additional insight on the topic covered in this report. The recommended documents either provide additional details on the topic, or complementary content, that may be of interest:

1. **Next-wave Location Profile – Jaipur** ([EGR-2014-2-LP-1213](#)); 2014. Everest Group's Next Wave Location Profiles provide crisp, yet insightful assessment of emerging / "next-wave" countries or cities for services delivery. This report on Jaipur offers perspectives on global sourcing profile of Jaipur, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
2. **Next-wave Location Profile – Uruguay** ([EGR-2014-2-LP-1210](#)); 2014. Everest Group's Next Wave Location Profiles provide crisp, yet insightful assessment of emerging / "next-wave" countries or cities for services delivery. This report on Uruguay offers perspectives on global sourcing profile of Uruguay, key opportunities, drivers, and challenges, along with an overview of talent availability, operating costs, and environment risks
3. **Tier-2/3 Locations in India for Offshore IT Services Delivery – Does Reality Meet the Hype?** ([EGR-2014-2-R-1234](#)); 2014. This report provides an in-depth analysis of Indian tier-2/3 cities as destinations for offshore IT services delivery for global companies, across various dimensions of market assessment, IT talent pool availability, and cost assessment with detailed analysis of seven key tier-2/3 cities. The report provides a perspective to buyers and service providers on multiple benefits and dimensions to be considered for operationalizing a delivery center in tier-2/3 locations for offshore IT services delivery. It concludes with providing insights on challenges associated with tier-2/3 city delivery

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At a glance

- With a fact-based approach driving outcomes, Everest Group counsels organizations with complex challenges related to the use and delivery of the next generation of global services
- Through its practical consulting, original research, and industry resource services, Everest Group helps clients maximize value from delivery strategies, talent and sourcing models, technologies, and management approaches
- Established in 1991, Everest Group serves users of global services, providers of services, country organizations, and private equity firms in six continents across all industry categories

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