

# Harnessing Potential – Growth in Southeast Asia's Service Delivery Sector

March 2024: Complimentary Abstract / Table of Contents



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## Background for this research: scope and coverage

Over the last decade, IT-BP service delivery for Southeast Asia (SEA) experienced a major uptick. This is primarily driven by SEA emerging as a favorable offshore/nearshore destination for companies around the globe, with skilled talent pool and significant cost savings being the pivotal factors driving this shift. Rising English proficiency, competitive operating costs and an increased government support are the key enablers, especially for the contact center industry.











To succeed in this geography, market players will need to be cognizant of the key trade-offs and associated risks for operating in the region. This will require taking a deeper look at the role of each country in their global delivery portfolios and understand the potential opportunities.

This report by Everest Group aims to aid market players in their quest for supporting the right service from the right location within SEA. It highlights the relative attractiveness and talent-cost proposition of key Southeast Asian locations for supporting regional and global IT-BP services delivery, based on a holistic and multi-faceted assessment.

Among the 10 countries in SEA, we have analyzed and identified four key nations that demonstrate significant growth and potential in the IT-BP industry. The shortlisted countries include **Indonesia, Malaysia, Thailand, and Vietnam**.

### List of countries in SEA

XX Countries assessed for the report

Mainland SEA	Cambodia	Laos	Myanmar	Thailand	Vietnam
					
Maritime SEA	Brunei	Indonesia	Malaysia	Philippines	Singapore
					

## Overview and abbreviated summary of key messages

As enterprises seek new offshore/nearshore destinations with a skilled talent pool and competitive operating costs, Southeast Asia offers a diverse, skilled, and large workforce, favorable cost arbitrage, rising English proficiency, and increased government support. This report will enable market participants to support the right service from the right location within Southeast Asia based on a holistic and multifaceted assessment.

Some of the findings in this report, among others, are:

Indonesia	<ul style="list-style-type: none"><li>Nascent location for global services delivery offering low operating costs (lowest among countries in scope); Typically leveraged for BPS with limited evidence of IT delivery</li><li>Evidence of small-/mid-sized operations; limited instances of scaled delivery for global services</li></ul>
Malaysia	<ul style="list-style-type: none"><li>A mature hub for global services delivery of both IT and BP services with a moderately-sized talent pool; relatively higher costs than peer countries</li><li>Leveraged by both GBS and service providers, to support both IT and BP services (including regional language delivery for locations such as Japan and Korea)</li></ul>
Thailand	<ul style="list-style-type: none"><li>Emerging location with evidence of small/mid-sized operations (50-150 FTEs) primarily serving domestic and regional markets</li><li>Leveraged by both GBS centers and service providers for IT-ADM and BP services, it provides moderately sized talent pool at both entry and experienced levels; limited instances of scaled delivery for global operations</li></ul>
Vietnam	<ul style="list-style-type: none"><li>Emerging location typically leveraged for small-mid scale delivery of IT and multilingual voice services; experiencing growth in recent years</li><li>Some evidence of multilingual voice BP services by service providers in Vietnamese, English, Japanese and Korean languages</li></ul>



# This report offers insights into IT-BP service delivery growth drivers, key trade-offs, and risks in SEA

## Drivers pushing IT-BP service delivery growth in SEA



### Cost savings

SEA offers lower operational and labor costs compared to other onshore and nearshore countries, maximizing savings for businesses



### Lower market congestion

Low competitive intensity as compared to established locations, such as India and the Philippines, allowing companies to cater to increasing demand



### Language proficiency

English fluency is increasing in SEA with proficiency in other Asian languages such as Japanese, Korean, and Mandarin reducing languages barriers



### Government support

Most of the governments in the SEA region are creating an investor-friendly environment through infrastructure development, skill development initiatives, and relaxed regulations



### Diverse and Skilled workforce

SEA offers a diverse, skilled and large workforce for supporting IT-BP service delivery, encompassing both mature and emerging technologies



### Time zone diversity advantage

The time zone allows real-time support for high-cost countries in Asia (such as Australia, Japan, and Singapore). Additionally, the time zone difference with the western geographies allows round-the-clock workflow



### Favorable economic growth and demographics

SEA is observing positive economic growth rates and has been relatively resilient during the COVID crisis, creating an expanding middle-class population and increasing consumption

## Key trade-offs and associated risks while operating in SEA



Lack of well-developed infrastructure and high corruption perception in certain regions of Thailand, Vietnam, and Indonesia pose a challenge for efficient IT-BP service delivery



Despite having a considerable talent pool, some of the locations (such as Thailand and Indonesia) face shortage of skilled labor, which can hinder the availability of qualified professionals, especially for complex service delivery



SEA countries face high competition from major hub locations such as India and the Philippines, which offer a significantly larger and skilled talent pool at lower operating costs



SEA, like many other regions, faces cybercrime risks due a relatively lower awareness of cyber threats, absence of disclosure regulations, and the use of older or unlicensed technology



Some of the countries (such as Indonesia) are exposed to natural disasters including volcanic eruptions, hurricanes, and earthquakes, which present a risk to global service delivery and business continuity planning

# Research calendar

## Locations Insider™

Published Planned Current release

Reports title	Release date
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Location Spotlight – Serbia	November 2023
Location Spotlight – Northern Ireland	December 2023
Location Spotlight – Argentina	January 2024
Service Provider Compass™ – Global Services Delivery from Mexico	January 2024
Location Spotlight – Shenzhen, China	February 2024
Talent Demand Trends   India IT Services – H2 2023	February 2024
<b>Harnessing Potential – Growth in Southeast Asia's Service Delivery Sector</b>	<b>March 2024</b>
Location Spotlight – Ireland	Q1 2024
Location Spotlight – Riga	Q1 2024
Webinar Deck: Locations and Workforce Strategy 2024: Insights, Trends, and Key Priorities	Q1 2024
Risk Watch 2024: Tracking Risks in a Volatile and Uncertain World of Global Services Delivery	Q1 2024
Location Spotlight – Vadodara, India	Q1 2024
Location Spotlight – El Salvador	Q1 2024
Global Locations State of the Market 2024 – Key Trends Shaping the Landscape	Q2 2024

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