

Contents

Philippines' voice-BPO growth no threat to India 2

Philippines' voice-BPO growth no threat to India

Bibhu Ranjan Mishra, Business Standard

The archipelago's outsourcing exports is about \$9 bn compared to India's \$15 bn

Bangalore/Mumbai, Feb 24, 2012: Philippines might have emerged as the new capital for call centre works, but the country still has a long way to go to match India in the overall business process outsourcing (BPO) segment not just in terms of size of the industry, but also in terms of range of services. According to various industry and analysts' reports, Philippines has overtaken India in the voice-based BPO services delivery, but in the overall BPO category India still leads the pack with BPO exports of close to \$15 billion.

The BPO industry in Philippines was estimated at about \$ 9 billion in calendar year 2011 (as per the data obtained from research firm Everest), with voice-based BPO services (call centre works) dominating the vast majority of the total BPO exports at about \$7.38 billion. This is marginally higher than India's voice-based BPO exports' revenues of about \$7 billion in financial year 2011.

Industry analysts say that though Philippines' BPO industry is growing at a faster rate than India, even at the current rate of growth it will take a few more years to match the Indian BPO industry.

Anneet Singh, vice-president, Global Sourcing, Everest Group, said, "On the voice side, the Philippines' BPO industry has overtaken India. It's because there is a clear advantage for Philippines for serving voice customers, primarily in the US market on account of cultural affinity and better English accent. But on the non-voice BPO side, there is still a significant difference between India and the Philippines."

The Indian BPO industry is expected to earn exports revenues worth about \$16 billion in financial year 2012. This is a growth of more than 12 per cent over financial year 2011. At present, the Indian BPO industry provides direct employment to about 880,000 people, according to Nasscom Strategic Review for 2012.

"India is way ahead of Philippines when it comes to data-based works. Moreover, moving the work to any other centre is a decision of the customer as well as the vendor. For us, it is a de-risking strategy. Also, as we become more and more global, we also want to expand our presence globally," said Keshav Muruges, CEO of WNS.

While most of the BPO delivery centres in the Philippines are run by Indian companies, most of these companies use the country as a base to offer alternative delivery option to global clients. For example, Aegies, BPO arm of Essar Group, is the largest BPO in Philippines, employing about 12,000 people.

"We often provide solutions where it makes the best sense — whether in India, the Philippines, Guatemala or Bucharest. In certain cases, we explain the customer the reason why it makes sense

to get the work delivered from the Philippines,” said N V ‘Tiger’ Tyagarajan, president & CEO of India’s largest BPO services provider Genpact.

Indian BPO players also believe that there are certain skillsets that are easily available in the Philippines which help them to ramp up faster in that process. “If any BPO company wants to add a large number of people for various BPO services, their choice would be the Philippines, which is capable of offering such services, apart from India. For example, in finance & accounting, Manila alone has over 100,000 certified accountants which helps BPO companies to quickly ramp up their F&A practice in that country,” said Swaminathan D, CEO and MD of Infosys BPO.

One of the factors that make India more lucrative is that operation cost in the country is still 5-15 per cent cheaper than what it is in the Philippines. However, India may not offer the same cost advantage in future with the exit of the Software Technology Parks of India (STPI) scheme, which was giving tax incentives to the IT-BPO sector. When the STPI scheme was discontinued in March 2011, almost 70 per cent of the BPO centres were located in STPI facilities.

Unlike the Philippines, where BPO centres are largely located in two cities, Manila and Cebu, India offers multi-city delivery options and this makes the cost structure variable. India has close to 22 cities, including tier I and II cities, offering BPO services. In the Philippines, 80 per cent of the BPO companies are located in Manila, and the option of cities as alternative delivery locations is limited.

On the positive side, the Philippines offers better infrastructure. Besides, the BPO industry in that country does not provide security and transportation services to the employees, which is an added cost in India. The attrition rate, though somewhat lower in the Philippines, is expected to go up with the maturity of the industry.

[\[Back to top\]](#)