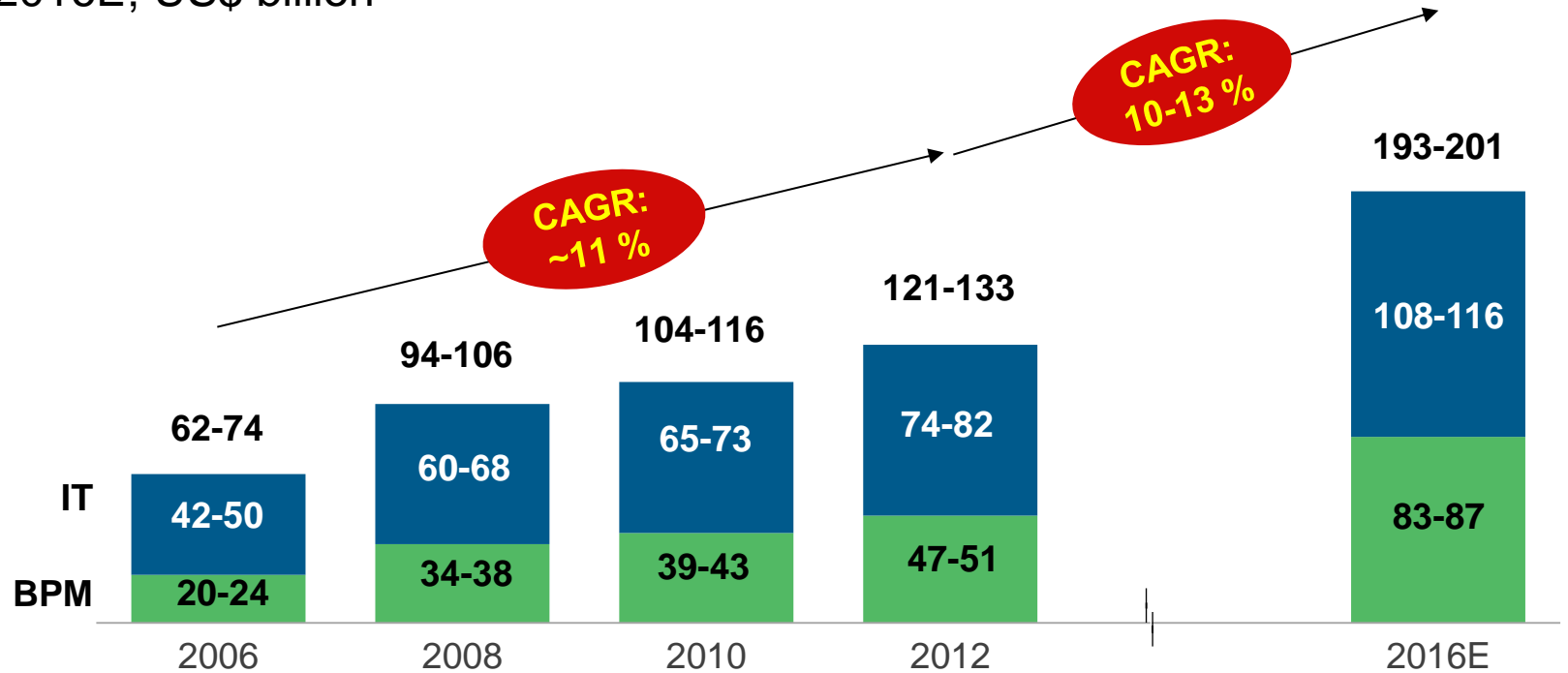# International Outlook

Global Services

Jomari Mercado
President and CEO, IBPAP
November 7, 2013

The Global Offshore Services Market

Global offshore services market size
2006 - 2016E; US$ billion

CAGR: ~11 %

CAGR: 10-13 %

	2006	2008	2010	2012	2016E
Total	62-74	94-106	104-116	121-133	193-201
IT	42-50	60-68	65-73	74-82	108-116
BPM	20-24	34-38	39-43	47-51	83-87

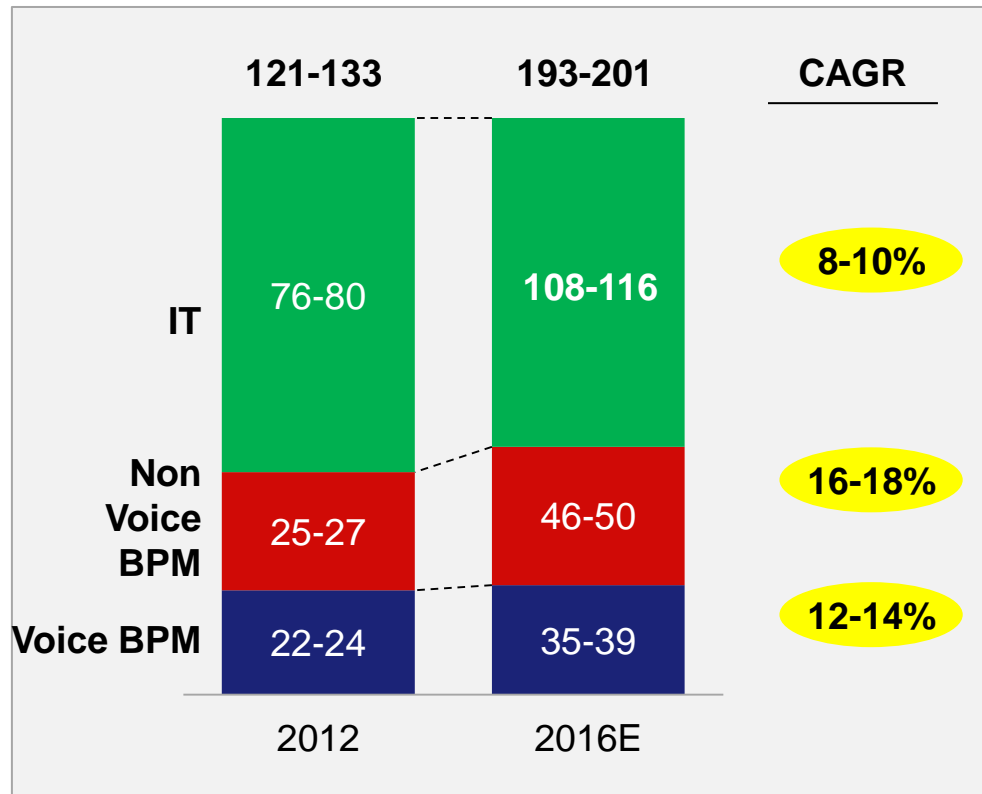| Number of offshore jobs (millions)	~2.3	~3.4	~3.8	~4.1	~6-6.5

Source: **Everest Group (2013); NASSCOM**

Sector Opportunities

The Growth Areas

**Global offshore services market
2012 - 2016E; US$ billion**

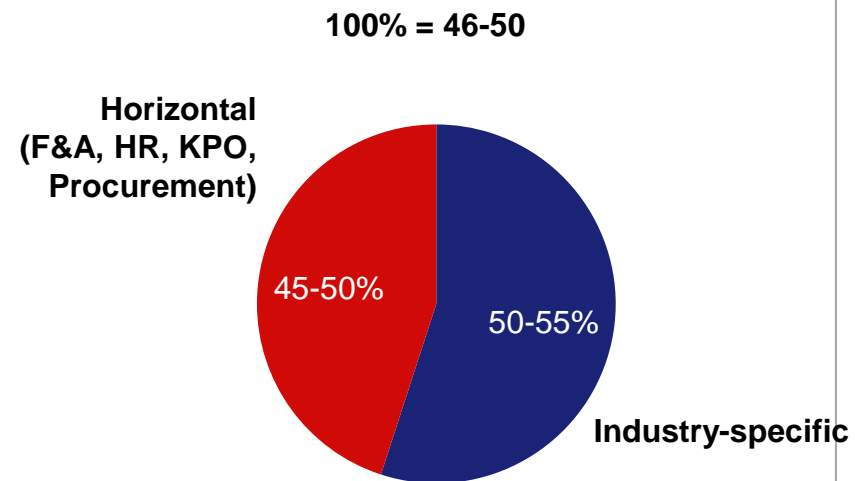|	121-133	193-201	CAGR
IT	76-80	108-116	8-10%
Non Voice BPM	25-27	46-50	16-18%
Voice BPM	22-24	35-39	12-14%
	2012	2016E	

- BPM market is expected to grow at a faster pace compared to IT market by 2016

- Industry-specific services(e.g., banking, healthcare, media) to gain significant share compared to traditional non-voice services (e.g., F&A, HR)

Source: **Everest Group (2013)**

Industry-specific Services Growth

Global offshore BPO market by type of process
2012 - 2016E; US$ billion

100% =   **47-51**   **83-87**

Non-voice: 53% (2012), 56% (2016E)

Voice: 47% (2012), 44% (2016E)

2012   2016E
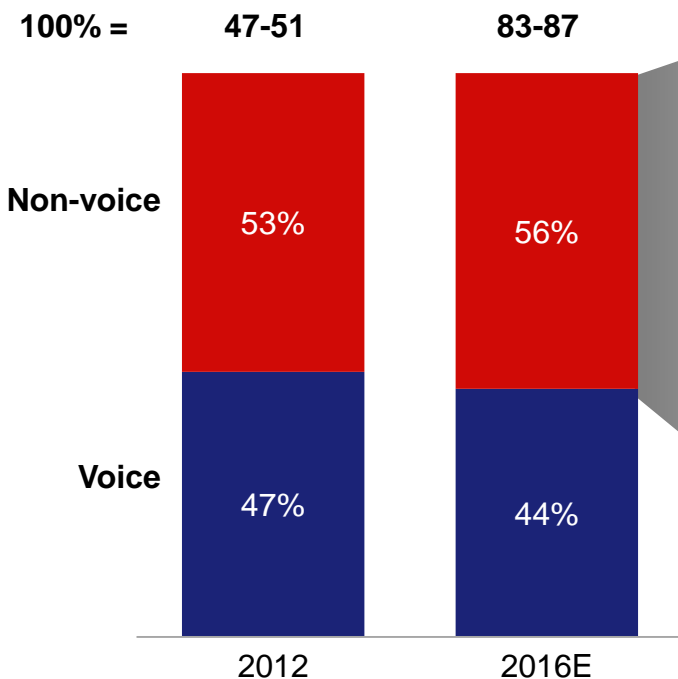
**Global offshore opportunity in non voice
2016E; US$ billion**

100% = 46-50

Horizontal
(F&A, HR, KPO,
Procurement) : 45-50%

Industry-specific : 50-55%

- Voice work is likely to grow; however non-voice is likely to become increasingly significant
- Within non-voice, the opportunity is likely to shift towards more complex and vertical-specific work (e.g., insurance claims processing, credit underwriting)

Source: **Everest Group (2013)**

Creative Sector Opportunity Areas

Current off-shoring focus

Content/IP development	Pre-production	Production	Post-production	Distribution
■ Ideation / concept creation ■ Feasibility testing	■ Preparation of script ■ Character design ■ Storyboard, layout development ■ Game engine support	■ Development of specifications ■ Frame creation ■ Programming ■ Character modeling, texturing, etc.	■ Sound recording ■ Color editing ■ Testing of animation/game produced	■ Promotion, distribution, and release ■ Cinema and TV screening

← Constitutes 40-45% of total animation and game development cost structure →

> Media and entertainment is the largest source segment. Corporate e-Learning and design are other key markets serviced offshore.

Emerging opportunity areas

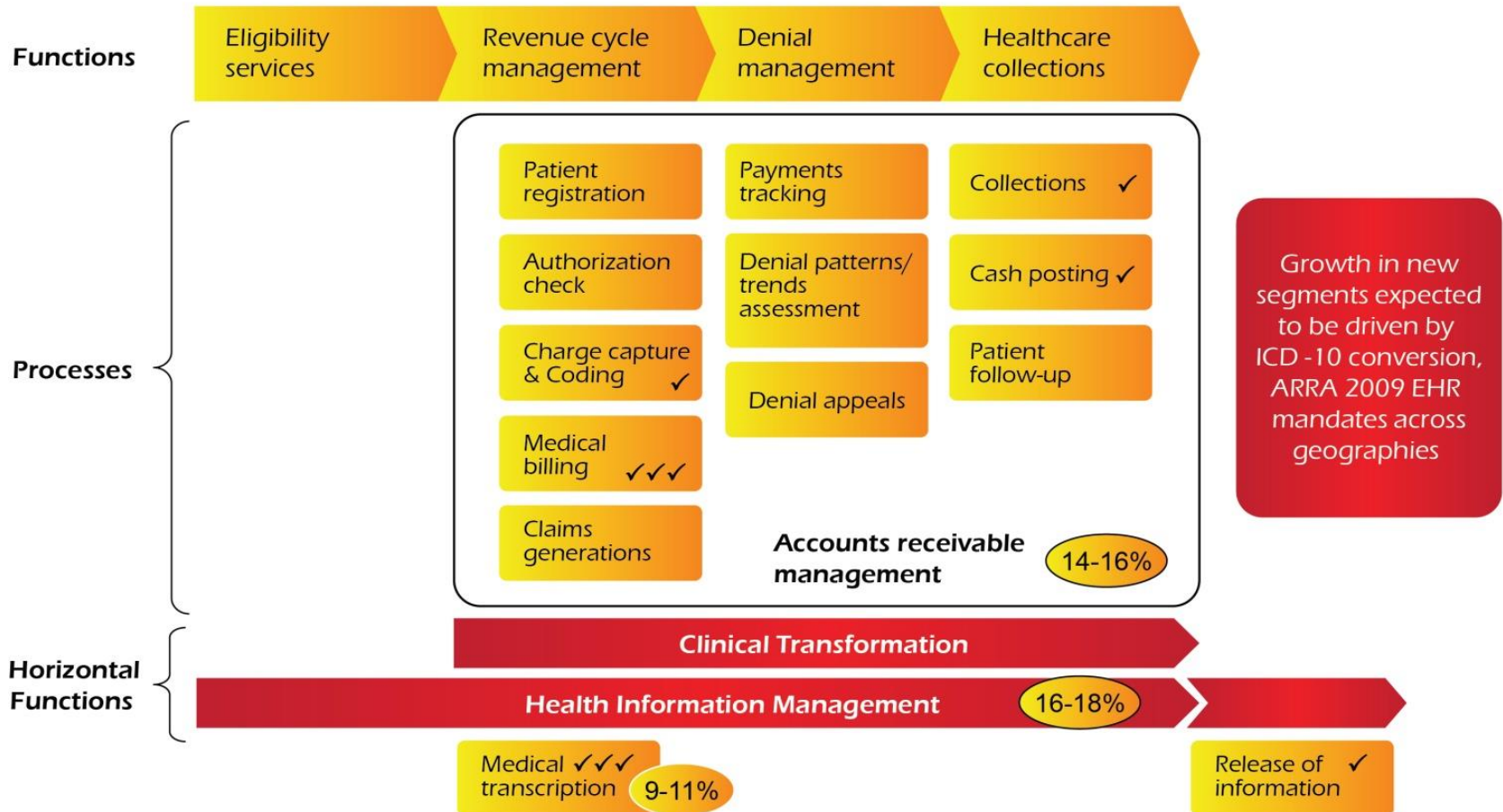| • Content creation for the US$12 billion e-Learning market • Content re-purposing for localization • Regional/local content creation	Maintenance of game engines	3D production support	Game porting to newer platforms (mobile, online) from PC, console	• Distribution deals for select markets • Technical/customer support

Co-production / Co-publishing deals

Sources: Everest Group and Outsource2Philippines (2011)

Healthcare Sector Opportunity Areas

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✓ Some evidence
✓✓✓ Established practice
Ⓧ% Expected outsourcing
market growth: 2010 -15

Healthcare provider value chain – areas being outsourced

Functions	Eligibility services	Revenue cycle management	Denial management	Healthcare collections

Processes

Patient registration	Payments tracking	Collections ✓
Authorization check	Denial patterns/ trends assessment	Cash posting ✓
Charge capture & Coding ✓	Denial appeals	Patient follow-up
Medical billing ✓✓✓		
Claims generations		

Accounts receivable management 14-16%

Growth in new segments expected to be driven by ICD -10 conversion, ARRA 2009 EHR mandates across geographies

Horizontal Functions

Clinical Transformation

Health Information Management 16-18%

Medical ✓✓✓ transcription 9-11%

Release of ✓ information

Sources: Everest Group and Outsource2Philippines (2011)

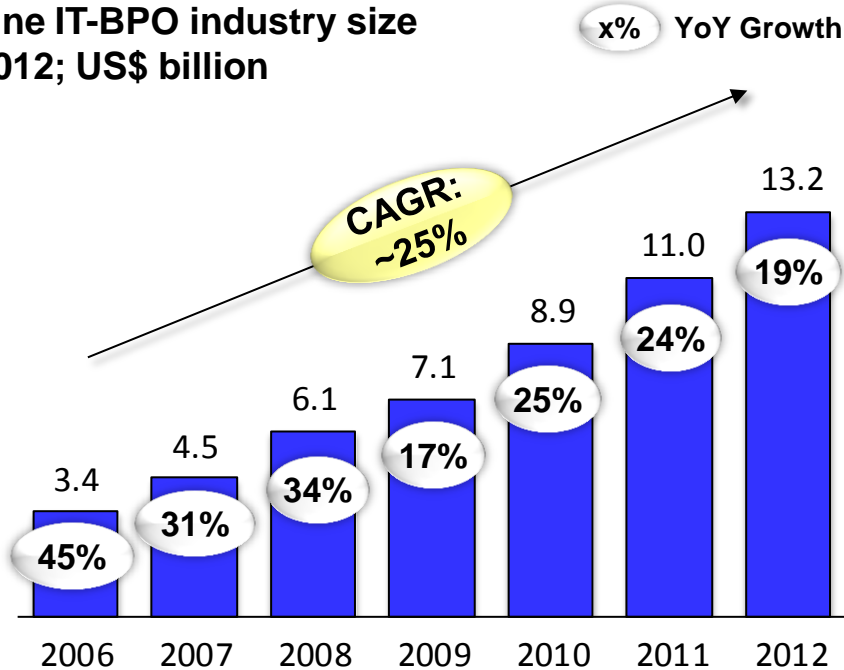number **1** **voice**
Outsourcing Destination

by the numbers

ranked **2nd** Global Outsourcing
Destination

by the numbers

Philippines 2012 Performance

Philippine IT-BPO industry size 2006–2012; US$ billion

x% YoY Growth

CAGR: ~25%

Year	2006	2007	2008	2009	2010	2011	2012
Value	3.4	4.5	6.1	7.1	8.9	11.0	13.2
YoY Growth	45%	31%	34%	17%	25%	24%	19%
# FTEs (~'000)	236	284	383	424	527	640	777
Global share[1]	5%	6%	6%	7%	8%	9.5%	

	FTEs	Revenue (US$M)	Rev % inc. fr '11
Voice BPO	497,000	8,697	18%
Non-voice BPO/KPO	154,380	2,470	20%
ITO	57,078	1,160	17%
Health Info Mgt & Care	45,000	460	66%
Engineering Services	10,836	206	20%
Animation	9,000	132	3%
Game Development	3,500	50	251%
TOTAL FTEs	776,794	13,174	19%

[1]Philippines IT-BPO market as percentage of global offshore services market, in revenue terms
Sources: BPAP, ACPI, CCAP, GDAP, HIMOAP, PSIA

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PHILIPPINES

impact

777K jobs

2012 employment
largest private
sector job creator

by the numbers

US$ 13.2 billion

2012 IT/BPM Revenue

by the numbers

economics

5.5%

of Gross Domestic Product

by the numbers

Why The Philippines

Scalable Educated Talent Pool

Cost Competiveness

Excellent Infrastructure
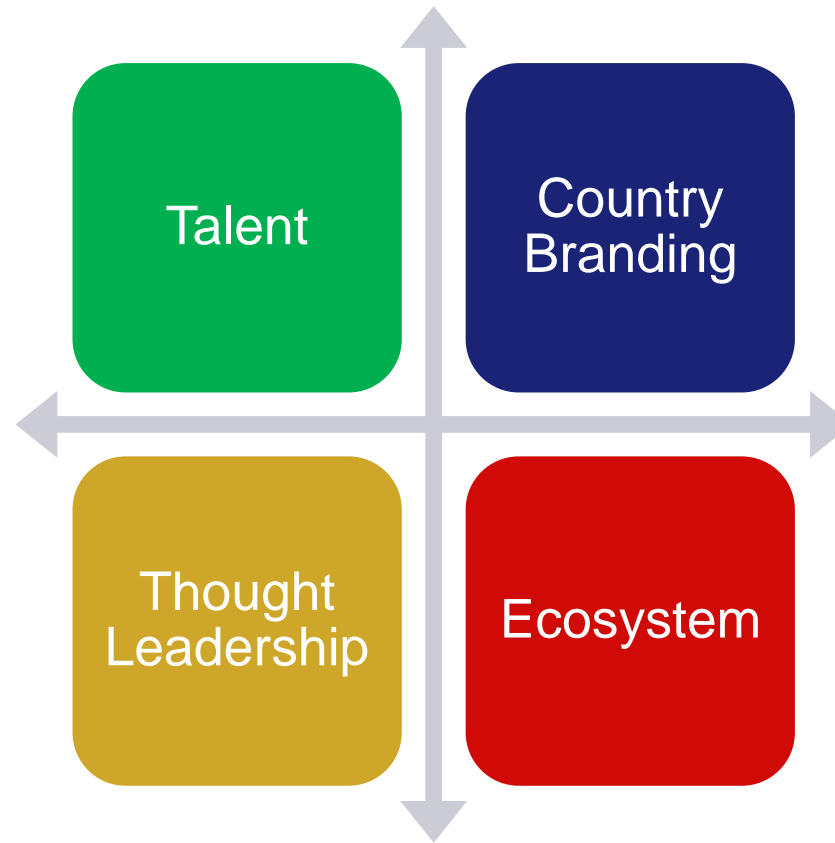
Government Support & Public-Private Partnership

Proven Track Record

- Define your aspiration
- Identify your core strengths
- Determine road blocks
- Learn from the experience of others
- Understand the benefits
- Work as an industry

Updated Industry Road Map

Updated Industry Road Map

Widen and deepen human capital by scaling Industry Public-Private Partnerships (IPPPs)

Talent	**Country Branding**
Thought Leadership	**Ecosystem**
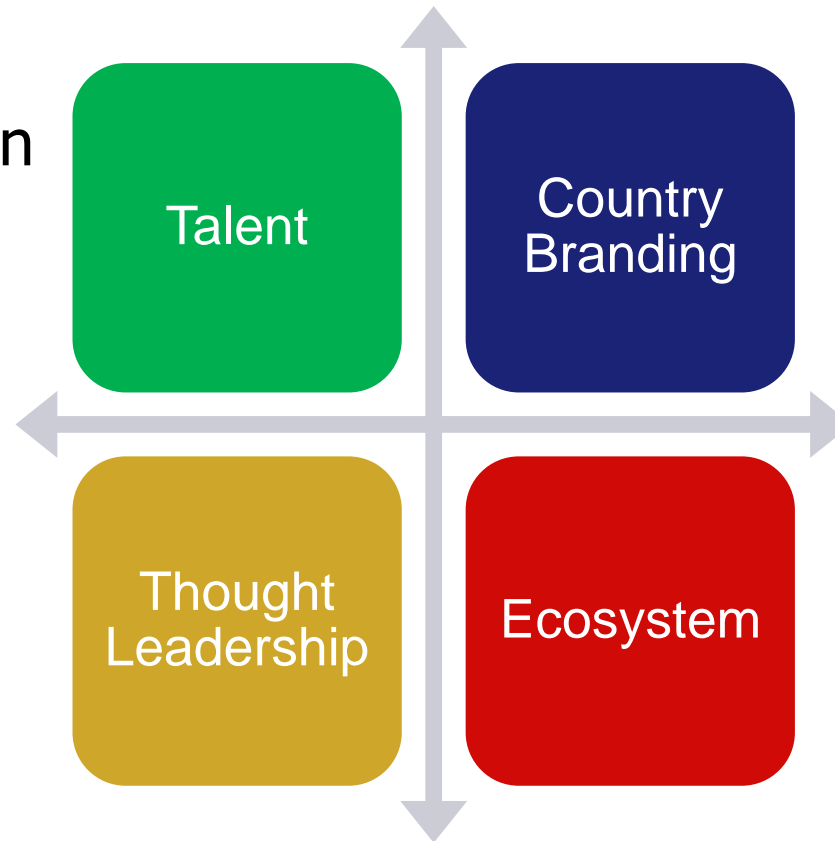
The Philippine Talent Pool

Number of college degree graduates	2013 Projection	2016 Projection
Medical and natural sciences, allied fields	158,159	183,459
Business, accounting, and related fields	119,526	129,168
Social and behavioral sciences, education	67,474	65,558
Engineering and architecture	57,799	63,191
IT-related and mathematics	57,921	65,420
Fine arts, masscom, humanities	13,549	14,673
TOTAL Tertiary level	**533,273**	**584,474**

- ◆ 500,000+ college graduates per year
- ◆ 3,000+ CPAs
- ◆ English proficiency & other languages
- ◆ Affinity with Western culture
- ◆ Customer service orientation
- ◆ Highly trainable
- ◆ Cost effective
- ◆ High level of commitment and loyalty

	Pop	Labor force	Unemp rate	Literacy
World	7,111M	3,302M	6.0%	83.7%
India	1,221M	487M	8.5%	61.0%
China	1,350M	799M	6.5%	92.2%
Brazil	201M	106M	5.5%	88.6%
Philippines	105M	41M	7.0%	92.6%

Source: CHED 2012; CIA World Factbook 2012-2013; NSO 2013; indexmundi.com

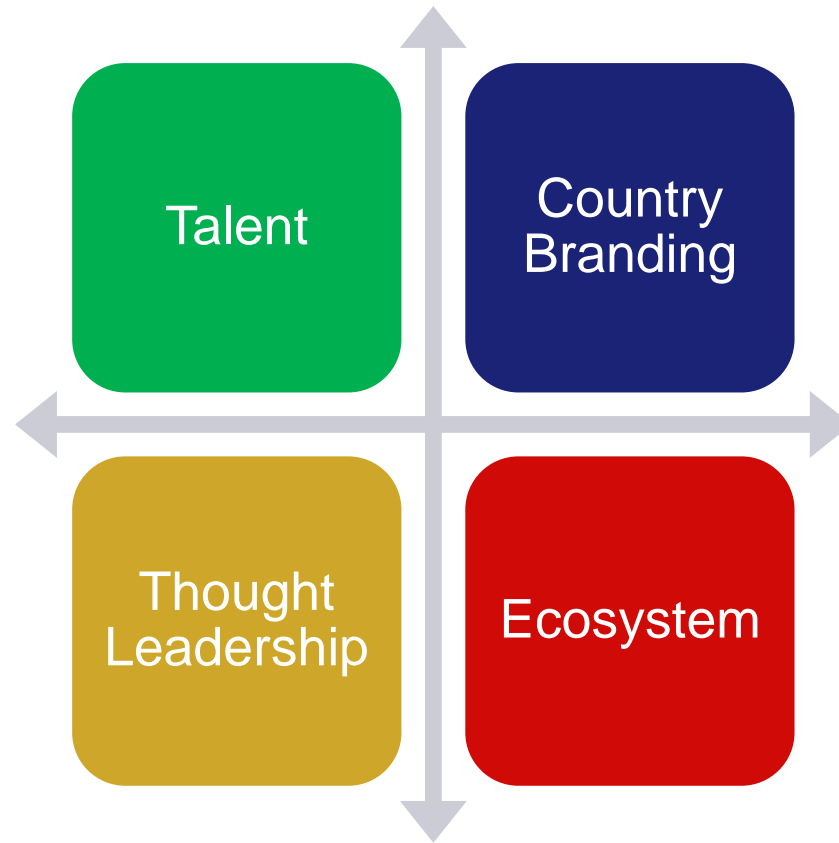# Talent Development Programs

ITWSP

Government-funded scholarships worth Php400M generated 47,445 jobs for the sector
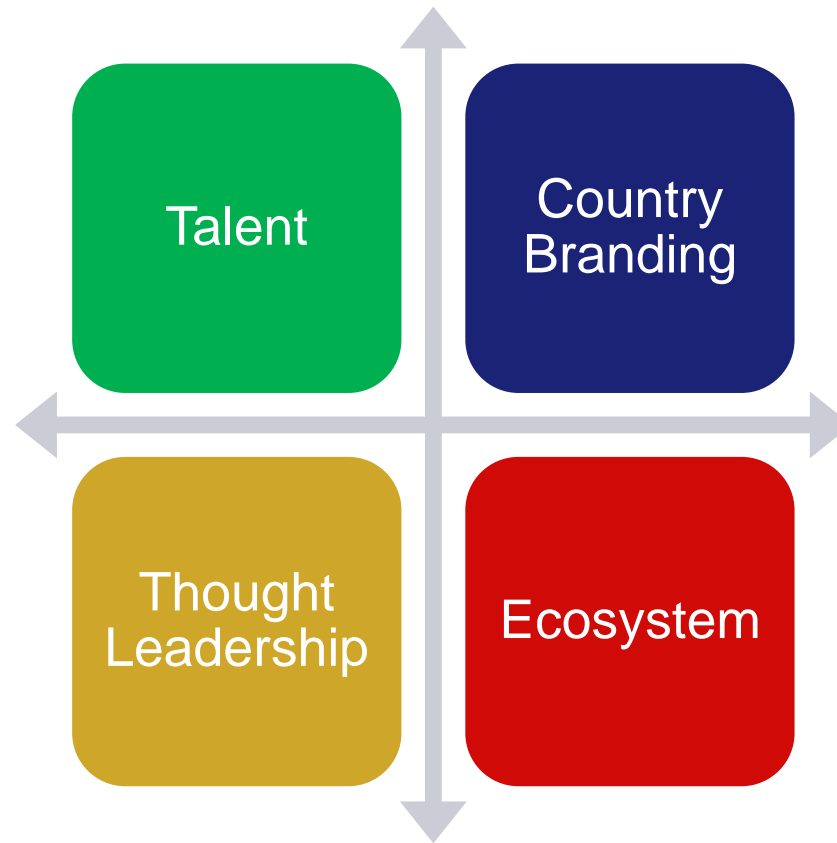
Service Management Program

21 unit College Minor; Php125M funding to roll out across 17 State Universities & Colleges in the next 24 months

Updated Industry Road Map

Talent

Country Branding

Thought Leadership

Ecosystem

Build Philippine IT-BPM brand globally through marketing programs

Updated Industry Road Map

Talent

Country Branding

Thought Leadership

Ecosystem

Strengthen attractiveness as an investment destination – legislation, incentives, locations

2012 Next Wave Cities

BPAP®
Business Processing Association
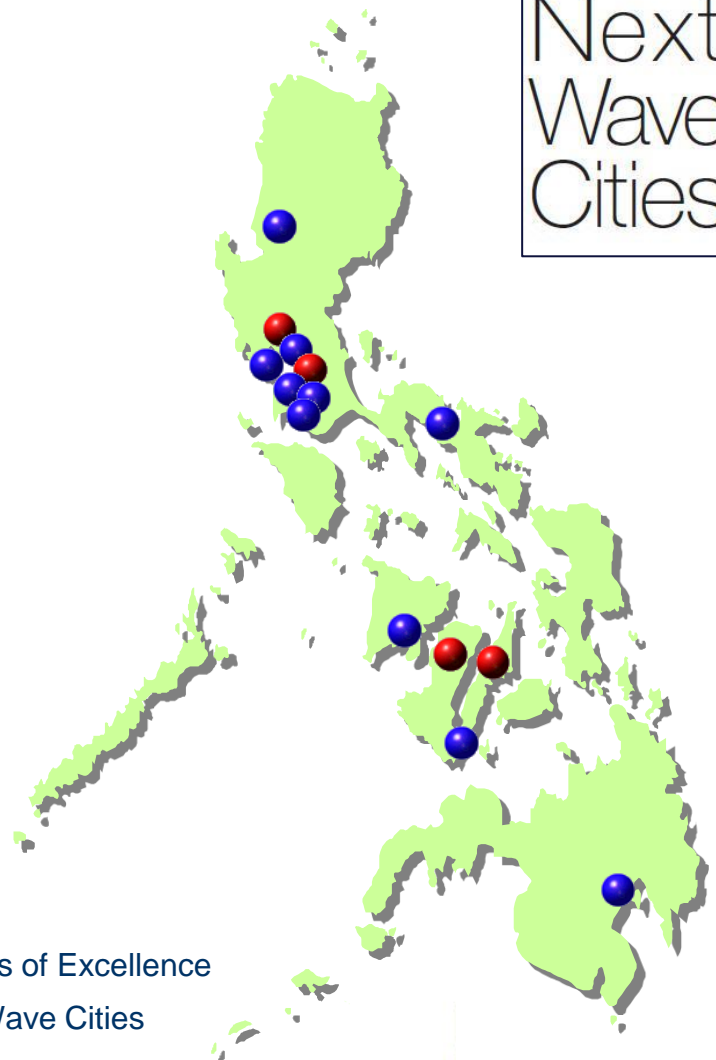**PHILIPPINES**

Centers of Excellence

- Metro Manila
- Metro Cebu
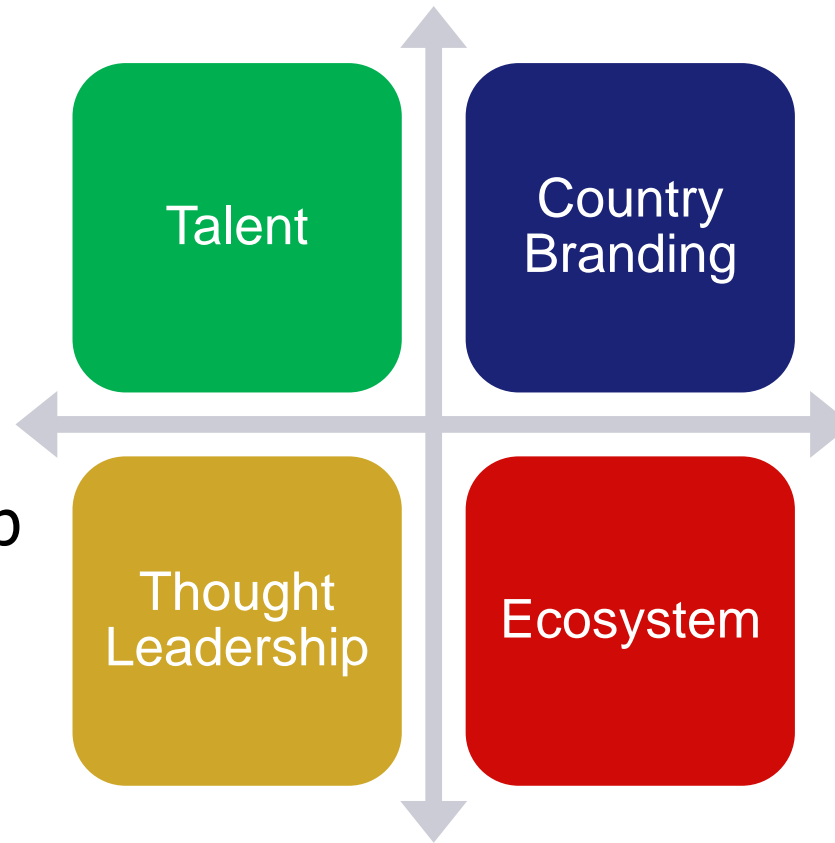- Metro Clark
- Metro Bacolod

Next Wave Cities

- ✓ Baguio City
- ✓ Davao City
- ✓ Dumaguete
- ✓ Iloilo
- ✓ Lipa City
- ✓ Metro Bulacan
- ✓ Metro Cavite
- ✓ Metro Laguna
- ✓ Metro Naga
- ✓ Metro Rizal

Next Wave Cities™

🔴 Centers of Excellence
🔵 Next Wave Cities

Updated Industry Road Map

Achieve Roadmap 2016 goals by having IBPAP lead cross-sectoral efforts

growth

1.3 million direct employment by 2016

by the numbers

BPAP® — Business Processing Association PHILIPPINES

US$ 25 billion

2016 IT-BPM Revenue

by the numbers