

## Site Selection Trends in Outsourcing: Who's Investing Where?

*The International Outsourcing Forum 2012*

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### Key questions to be addressed:

1. What's the trend in the **number of BPO** operations?
2. Which countries & cities are the **main locations** for BPO?
3. Who are the **emerging locations** for BPO?
4. What are the **fastest growing segments** within BPO?
5. What are the latest **site selection factors** for BPO?

## About the data

- Focus on **new BPO operations** being established overseas and expansion of existing operations by foreign firms (i.e. FDI)
- **BPO defined** to include Customer Support, Shared Services, and IT Technical Support Centres
- Data from the **fDi Markets database**, the #1 source of corporate expansion intelligence ([www.fdimarkets.com](http://www.fdimarkets.com))
- Since 2003, fDi Markets has tracked **3,600 BPO projects** employing **1.2 million**
- We estimate that we **capture at least 80%** of BPO projects worldwide being established by foreign companies

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1. What is the trend in the number of BPO operations being established?

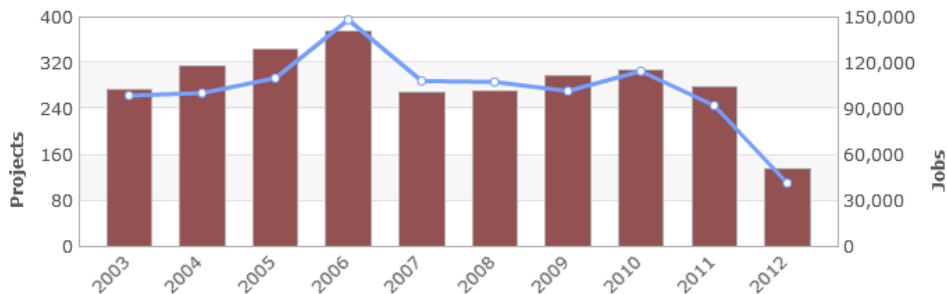
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## Global BPO trends

### FDI projects & jobs in BPO

- BPO establishments and jobs peaked in 2006
- Gradual growth from 2008-2010, but decline in 2011 and 2012 YTD
- H1 2012 BPO jobs are down 25% on same period 2011

**No. FDI projects and jobs (January 2003 – August 2012)**



Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Includes estimates for jobs

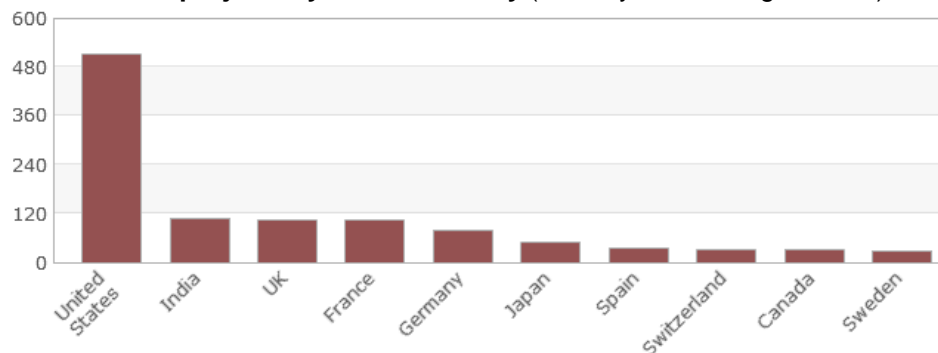
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## Source countries for BPO

### No. jobs created overseas

- US firms account for over 40% of projects and BPO jobs created overseas
- BPO FDI from US companies has declined sharply in 2012
- BPO from Indian, Japanese, Spanish, Swiss, Canadian and Irish companies is also falling in 2012
- Main growth has been seen from French and German companies

**No. FDI projects by source country (January 2008 – August 2012)**



Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Includes estimates for jobs

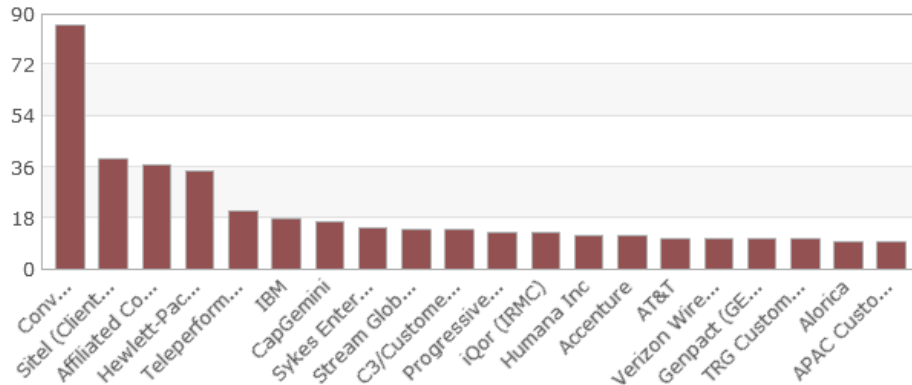
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## Top 20 investors in BPO

*FDI & inter-state projects (08-Aug12)*

- Convergys, Sitel, ACS, HP, Teleperformance, IBM, Cap Gemini, and Sykes, and Stream have been the leading BPO investors overseas in the last 5 years
- Serco has expanded fastest, becoming 4<sup>th</sup> leading BPO investor in 2012 YTD
- Trends in leading investors are very similar if just looking at FDI only

**Projects trends - Top 20 Investing companys**

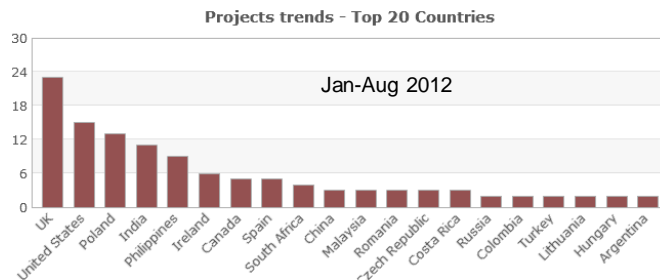
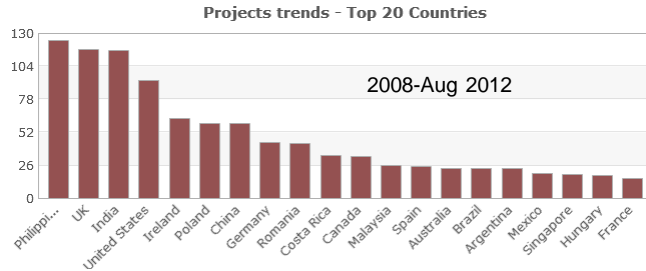


Source: fDi Markets database, fDi Intelligence, Financial Times Ltd

## 2. Which countries and cities are the leading locations for BPO?

## Key countries for BPO

### No. of FDI projects by country



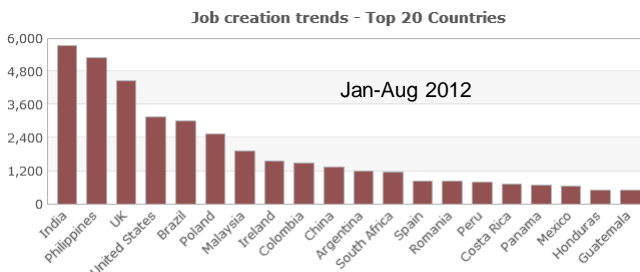
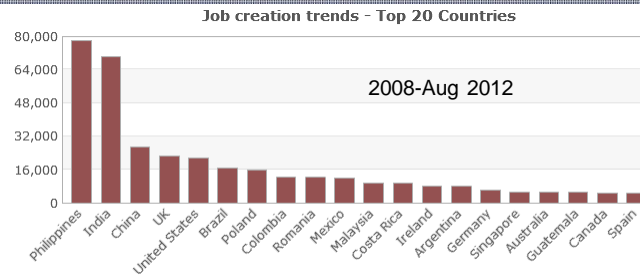
- Philippines, UK, and India have been the top locations in last 5 years
- Poland has moved rapidly up the rankings into 3<sup>rd</sup> place in 2012 YTD
- Canada, Spain, & South Africa are also higher ranked
- BPO in the UK has been very strong in 2012, driven by call centre investment

Source: fDi Markets database, fDi Intelligence, Financial Times Ltd.

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## Key countries for BPO

### No. of FDI jobs by country



- In jobs creation, Philippines and India are top 2 locations
- Strongest growth in UK, US, Brazil, Poland, Malaysia, Colombia, Ireland, Argentina, and South Africa in 2012
- Central and South America featuring more strongly in 2012, with 9 of top 20 countries from the region (6 of top 20 2008-12)

Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Includes estimates for jobs

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## Top cities for BPO

No. of BPO centers (excl. USA)

### Top 20 (2008-July 2012)

1. **Manila, Philippines**
2. **Dublin, Ireland**
3. Singapore
4. Bangalore, India
5. Hyderabad, India
6. Berlin, Germany (no SSC)
7. Chennai, India
8. Kuala Lumpur, Malaysia
9. Budapest, Hungary
10. San Jose, Cost Rica (no tech support)
11. **Wroclaw, Poland**
12. Bucharest, Romania
13. **Krakow, Poland**
14. Sydney, Australia (no SSC)
15. Galway, Ireland
16. Makati City, Philippines
17. Quezon, Philippines
18. Shanghai, China
19. Taguig City, Philippines
20. Barcelona (Spain) / Belfast (UK)

### Top 20 (Jan-July 2012)

1. **Krakow, Poland** (all types of BPO)
2. New Glasgow, Nova Scotia (all call centers)
3. **Wroclaw, Poland** (all SSC)
4. Cape Town, South Africa (all call centers)
5. Cardiff, UK (all call centers)
6. Dalian, China
7. **Dublin, Ireland**
8. Houghton le Spring, UK
9. Istanbul, Turkey
10. Karnal, India
11. **Manila, Philippines**
12. Mexico City (SSC and tech support)
13. Peterlee, UK
14. Thornaby-on-Tees, UK
15. Chaco, Argentina
16. Lima, Peru
17. Panama
18. Cape Town (S.Africa) / Cluj-Napoca (Romania)
19. Baroda, India
20. Edinburgh, UK

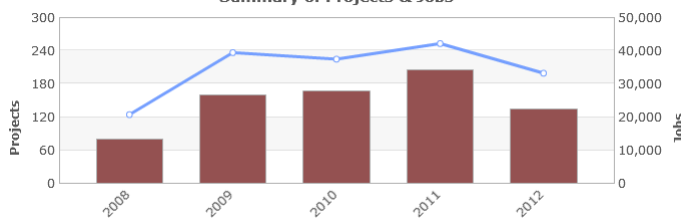
Source: fDi Markets database, fDi Intelligence, Financial Times Ltd

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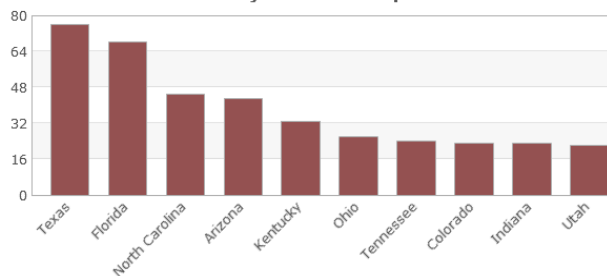
## North America BPO

FDI & inter-state (2008-Aug 2012)

Summary of Projects & Jobs



Projects trends - Top 10 States



Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Jobs data includes estimates

- North America has bucked the global trend with continued growth in BPO – with 2012 likely to be a peak year
- Texas and Florida are the top states for BPO
- Florida is focused on call centers, while Texas is leader for SSC and tech support
- Arizona, Colorado, Oregon, Ohio, and Nova Scotia are showing strongest growth in 2012

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## Top cities for BPO in USA

No. BPO centers (incl. inter-state)

### Top 20 (2008-July 2012)

1. **San Antonio (TX)**
2. Phoenix (AZ) – all call centers
3. Austin (TX)
4. Tampa (FL) - only 1 SSC
5. **Tucson (AZ)** – all call centers
6. Erlanger (KY)
7. Tempe (AZ)
8. **Charlotte (NC)**
9. Las Cruces (NM) – all call centers
10. Lexington (KY) – all call centers
11. Nashville (TN)
12. Raleigh (NC)
13. St Petersburg (FL) – all call centers
14. Albuquerque (NM)
15. Colorado Springs (CO) – all call centers

### Top 20 (Jan-July 2012)

1. Phoenix (AZ) – all call centers
2. **Atlanta (GA)**
3. **Charlotte (NC)**
4. Tampa (FL) – all call centers
5. Tempe (AZ)
6. Austin (TX)
7. Clarksville (TN)
8. Colorado Springs (CO)
9. Las Cruces (NM)
10. Lewisville (TX)
11. Miami (FL)
12. Nashville (TN)
13. Salem (OR)
14. **San Antonio (TX)**
15. **Tuscan (AZ)**

Source: fDi Markets database, fDi Intelligence, Financial Times Ltd <sup>13</sup>

## 3. Who are the emerging locations for BPO in 2012 and after?

## Emerging locations

*Who is on the long-lists 2012>*

- Companies including Groupon, Procera Networks, Mahindra Satyam, SAP, Tapfin, Avaya, HP, Atos Origin, and Aegis Communications are all **currently assessing** locations for BPO.
- They have a strong focus on Central and South America, Central and Eastern Europe, SE Asia, and India.
- A wider long-list of candidates are typically being looked at, including most capital and large cities in Central America & Peru and smaller cities in Poland (including Tri City), Czech Republic, and Romania.
- The trend of locating in smaller cities can also be seen in UK (e.g. NE England, Wales & NI) and India (e.g. Baroda, Dehradun, Indore, Karnal).
- Capital cities in Central and Eastern Europe and in the large countries in Latin America are likely to attract the more advanced projects combining BPO functions e.g. SSC + tech support + software development.
- Kuala Lumpur is expected to remain a key contender for FSSC while companies continue to expand across the Philippines (e.g. Manila, Davao, Pasay, Taguig, Makati) and are also now considering Indonesia.

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## 4. What are the fastest growing segments in BPO?

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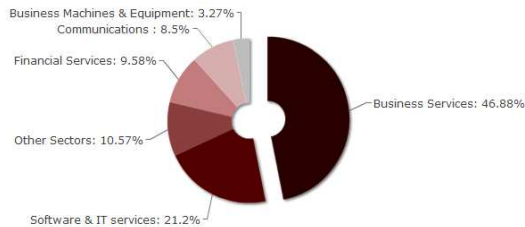


## BPO by sector

### No. jobs by BPO sector (08-July 12)

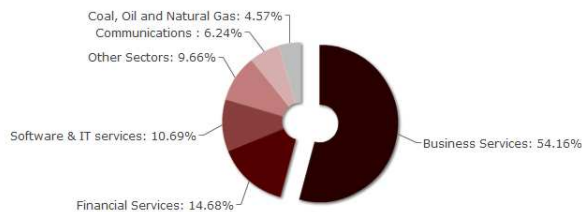
Job creation trends - Top 5 Sectors (+ other)

2008-July 2012



Job creation trends - Top 5 Sectors (+ other)

Jan-July 2012



- Business services (mainly specialist 3<sup>rd</sup> party outsourcers) is the main segment – increasing its share of BPO in 2012 YTD
- Share of BPO from software & IT has gone down from 21% to 11%
- Share of FS has increased from 10% to 15%
- Coal, Oil & Gas has become one of the biggest sectors establishing BPO in 2012 YTD

Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Includes estimates for jobs

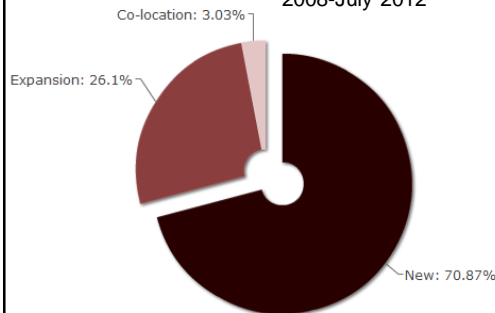
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## BPO new vs expansion

### No. jobs by project type (08-July 12)

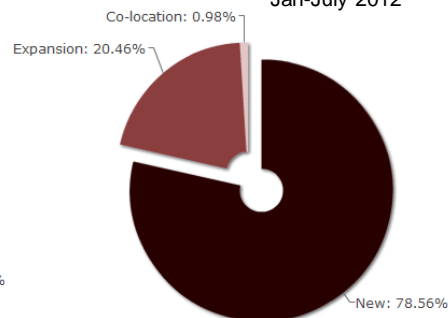
Job creation trends - All Project Types

2008-July 2012



Job creation trends - All Project Types

Jan-July 2012



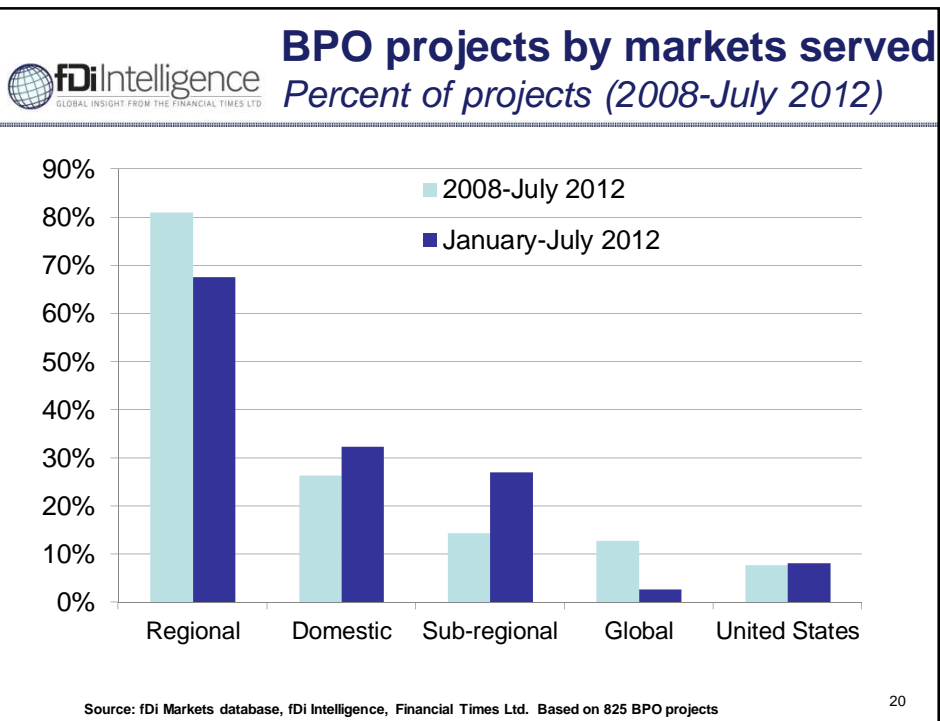
Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Includes estimates for jobs

- In 2012 YTD over three-quarters of job creation in BPO has been in new greenfield operations – significantly higher than the 5 year average
- Companies are increasingly searching for new locations rather than expanding existing centers in their search for skills, lower costs, and sub-regional / national solutions

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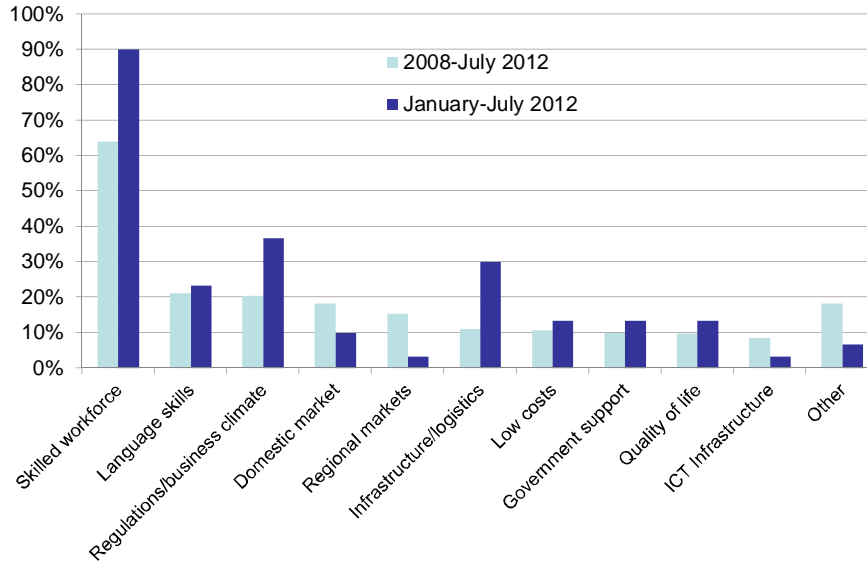
## 5. What are the latest location determinants for BPO?

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## BPO site selection motives

Percent of projects (2008-July 2012)



Source: fDi Markets database, fDi Intelligence, Financial Times Ltd. Based on sample of 317 BPO projects

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## Shared service centres

2012 location determinant trends

### Most cited location determinants for SSC in 2012 YTD (ranked)

1. Skilled workforce and qualifications (especially finance and accounting)
2. Infrastructure and connectivity (including time zone)
3. Government support and incentives (#2 factor in North America)
4. Ease of doing business, costs, and macro fundamentals
5. Multi-lingual skills
6. Presence of industry
7. Cultural closeness
8. Quality of life and cost of living (USA)

**Amway:** "Malaysia was picked to site the centre due to its excellent infrastructure which was conducive for investment as well as the availability of qualified finance and accounting workforce" (135 jobs)

**WNS:** "The Gdynia centre will allow WNS to capitalise on a skilled workforce with multi-lingual capabilities, and will complement our existing delivery locations in Romania and UK" (500 jobs)

**Serco:** "Our branches in such satellite cities help us curtail the entry level cost to company by around 15% which is a huge incentive for us. Apart from this, the educational level of Karnal was also up to the mark and was able to produce students as per our requirement (bilingual graduates)" (500 jobs)

**Bingham McCutchen** selected Lexington because of its access to a deep and dynamic workforce, a developed academic community, and a vibrant quality of life, among many other factors," said L. Tracee Whitley, chief operating officer. "The Commonwealth of Kentucky and the City of Lexington joined forces to offer us the most competitive incentives package of the metropolitan areas we considered. It will, upon approval, enable us to get up and running quickly in Kentucky."

Source: fDi Markets database, fDi Intelligence, Financial Times Ltd

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## Customer contact centres 2012 location determinant trends

### Most cited location determinants for CSC in 2012 YTD (ranked)

1. Existing talent pool for call centres, with strong workforce commitment
2. Multi-lingual skills and high level of literacy
3. Telecom infrastructure
4. Transportation infrastructure and accessibility
5. Government support and incentives
6. Growth in BPO in the market
7. Close to HQ
8. Openness for business

**Aegis:** "We chose to grow in **Peru** for its ease of doing business, skilled labour market and economic and political stability" (2,000 jobs)

**C3:** "**Guatemala City** has a highly-skilled, multi-lingual workforce that is already well-trained in handling inbound customer calls, so the learning curve is shorter. Guatemala also offers state-of-the-art technology and a solid telecommunications infrastructure."

**One Contact:** "**Reno** scored high in all of the categories our company uses to assess possible facility sites, including availability of a quality workforce, facility design, cost, security, telecommunications access and infrastructure as well as local government support and scalability." (150 jobs)

**Coracall:** "stable countries with high levels of literacy, spoken English and investment in the nation's infrastructure...South Africa has the most developed telecoms network in Africa...Accents in **Durban** are more neutral than those in Cape Town and Joburg... This factor, local skills and business premises sealed the deal" (300 jobs)

## Technical support centres 2012 location determinant trends

### Most cited location determinants for TSC in 2012 YTD (ranked)

1. Availability of software engineers and educated, solutions-driven workforce
2. Multi-lingual skills
3. Local market demand
4. Government support and incentives
5. Infrastructure and connectivity
6. Quality of life

**Sutherland:** "A favourable economic environment, availability of high quality talents, a robust infrastructure and business friendly government policies have been prime drivers for our rapid expansion in the country. The **Carmona** campus will be an integrated delivery centre for our global clients" (8000 jobs)

**Microsoft:** "We have chosen to open up in **Timisoara** due to its well-prepared engineers and because it is a multicultural city and there are many German-speaking graduates."

**ProAct IT:** "Receiving the RSA grant means we can take advantage of the available workforce in **Scotland** and offer ambitious professionals the chance to build a long-lasting career with us." (50 jobs)

**Symantec:** "The decision to invest more than \$1m in additional infrastructure and resources in **Sydney** stemmed from local client demand and the availability of highly skilled staff who also spoke several languages and were able to liaise with clients in other countries."

## Incentives

*How much are companies getting?*

### **Shared service centres**

- \$1.96m per project
- \$8,786 per job created
- Based on 32 incentive deals since 2010

### **Customer contact centres**

- \$3.25m per project
- \$5,875 per job created
- Based on 110 incentive deals since 2010

### **IT support centres**

- \$5.41m per project
- \$26,8311 per job created
- Based on 127 incentive deals since 2010

Source: [www.icaincentives.com](http://www.icaincentives.com)

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## 6. Conclusions

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## Key locations

- Philippines, UK, and India have been the leading locations for BPO.
- Poland has seen the most rapid growth in BPO investment, continuing in 2012.
- Krakow and Wroclaw are the #1 and #3 cities worldwide for BPO in 2012 YTD and we expect growth in other cities in Poland.
- The major BPO cities in India and Philippines have moved down the rankings.
- Central and Latin America, South Africa, Spain and Malaysia have all become more attractive for BPO, and we expect a wider group of countries and cities to make the long-lists.
- In North America, Texas and Florida are the leading locations, with fastest growth in Arizona, Colorado, Oregon, & Nova Scotia

## Key drivers

- Companies are establishing more new operations rather than expansions/
- Projects are increasingly covering new sub-regions and individual countries.
- In general, skills, business climate, infrastructure, and government support are becoming more importance factors.
- Most recent SSC's decisions driven by access to skilled and education workforce, infrastructure, and government support
- Most recent CSC decisions driven by skills based and workforce attitudes, language skills, and telecom infrastructure
- Most recent TSC decisions driven by supply of engineers and education workforce, multi-lingual skills, and market demand for BPO

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## About us

- **fDi Intelligence is the dedicated division for FDI trends and location research services of the Financial Times Ltd**
- **We have over 40 full time staff – the largest FDI team in the business**
- **Our major database products include:**
  - **fDi Markets - the #1 database used by over 200 major corporations, site selectors, and governments to understand and track real time FDI trends**
  - **fDi Benchmark - the most comprehensive location benchmarking database, benchmarking over 600 countries and cities worldwide for over 50 sectors across 500 cost and quality competitiveness indicators**
  - **Clients of our databases include: Atos International, BASF, Cargill, Cushman & Wakefield, Deloitte, HP, Jones Lang Lassalle, KPMG, Lloyds, PwC, Siemens, Site Selection Network**
- **For more information please go to: [www.fDiintelligence.com](http://www.fDiintelligence.com) or contact me...**

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