

Special Report

The Philippines

(A) Servicing the UK

(B) Outbound Voice Activity

*This report is produced by The British Philippine
Outsourcing Council*

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1.0 Rationale

- 1.1. Over the past 10 years the Philippines has become a significant outsourcing destination especially for call centres driven by factors such as the following:
 - 1.1.1 increasing government support for IT investment
 - 1.1.2 large pool of graduates with English communication skills
 - 1.1.3 knowledge in ICT
 - 1.1.4 reliable and reasonably priced telecommunication infrastructure
 - 1.1.5 low cost high quality locations
 - 1.1.6 growing buyer trends on outsourcing
 - 1.1.7 A desire for locations other than India
- 1.2 This year (2010), the industry is reported to be worth approximately \$12 Billion, showing a growth rate of 18%. The bulk of this amount is accounted for by the call centres.
- 1.3 In the global arena, the Philippines consistently ranks among the top five BPO locations. The country continues to be an attractive location for offshore voice BPO (call centre) services due to its supply of English-speaking professionals, low labour costs and availability of a good telecommunications infrastructure.
- 1.4 Over recent years, the consumer and business opinion of India as a voice destination has declined rapidly. Given the continuing downward pressure on costs, many businesses have looked for alternative locations for call centres. A number of countries have taken up some of this demand and there are now sizeable industries in locations such as South Africa and The Caribbean but by far and away the largest growth has occurred in The Philippines due to the success of outsourced vendors and their clients in this geography.
- 1.5 The Philippines continues to be in a very good position to match India in this sector especially with the recent trend in India of rising wages, high attrition rates and issues with language proficiency.
- 1.6 The Philippines has much higher rates of English proficiency than India. The UN claims that India has 40 million fluent English speakers, equating to approximately 4% of their population, whereas the Philippines has 60 million fluent English speakers, equating to 75% of the population. The dominance of English in the Philippines means that Filipinos think in English, unlike most of their Indian counterparts. According to The Asian Call Centre Review, the Philippines has the highest standard of English in Asia followed far behind by India, Sri Lanka and Nepal.

- 1.7 As a result of these and other factors, The Philippines is now considered by many to be the destination of choice for offshore inbound customer services in English. Whilst there is a great deal of research highlighting customer services originating from The United States, there is limited research regarding the Philippines as a destination either for work originating from The UK or for outbound call centre activities. This is despite the fact that there is a considerable amount of business which falls into both categories. This report has been commissioned by The British Philippine Outsourcing Council to highlight these areas.

2.0 United Kingdom Outsourcing in The Philippines

- 2.1 In the early stages of offshoring growth, the majority of call centre traffic to/from The UK was placed in India. Over recent years, other locations have been increasingly important players in this market and The Philippines is the largest of them.
- 2.2 In 2002, over 90% of the call centre activity in The Philippines originated from The United States. The rest was made up of local and regional work with some small amounts of business from The UK and Australia. In 2010, the market is much larger and the amount of local and regional work is now negligible.
- 2.3 Whilst it is difficult to obtain accurate and reliable data, it is widely believed that 10% of the market is now servicing the UK marketplace, accounting for approximately 40,000 employees. This is predicted to rise to 60,000 employees by the end of 2013 making the UK the fastest growing marketplace for BPO vendors in The Philippines. Australia is now the 3rd largest market and a number of their high profile organisations such as Telstra now outsource heavily to The Philippines.
- 2.4 There are now a whole host of support organisations for UK call centre activity:
- 2.4.1 There are training companies who now provide extensive UK training.
 - 2.4.2 In addition, there are recruitment companies who will recruit people with UK call centre experience and
 - 2.4.3 The telecommunication companies now offer the same quality of telecommunications to The UK as The USA.
 - 2.4.4 A number of vendors now have British management. Some also have UK based client management teams including Sykes, Teletech, Sutherlands and Aegis.
- 2.5 The Philippines Embassy in conjunction with The British Philippine Outsourcing Council has been actively promoting The Philippines within The UK and listening to British businesses as to what we can do to improve the already quality infrastructure within The Philippines. Many colleges, schools and universities now provide call centre specific training to their students and this comprises language and accent training for dealing with British consumers. All the relevant bodies including Government Departments, BPAP (Business Process Association of The Philippines), CCAP (Call Centre Association of The Philippines) and BPOC (British Philippine Outsourcing Council) are well aware that they must constantly update and improve on all aspects to ensure The Philippines remains a quality destination. Some years ago, The Philippines Government commissioned McKinseys to produce a roadmap to ensure the future success of outsourcing in The Philippines. Servicing the UK is now a key component of this roadmap.

2.6 The Philippines is now the 2nd largest offshore destination for UK call centre traffic well ahead of its nearest rivals in South Africa and The Republic of Ireland and even further ahead of other locations in Asia, The Caribbean, Eastern Europe and other parts of Africa. It has closed the gap considerably on the largest provider which is still India.

2.7 There is a great deal of call centre work from the UK currently being delivered in The Philippines

2.7.1 Much of the UK work done in the Philippines is off the back of US contracts. This would be the case for Expedia and Vonage (both operated by Aegis).

2.7.2 Some of the larger UK work is also conducted in captive facilities rather than by outsourced vendors. This would be the case for HSBC who handle more UK calls than anyone else in The Philippines. HSBC's plan is to further increase the percentage of UK call centre traffic which is handled in Manila. 118 118 also handle a large amount of their UK traffic from Manila.

2.7.3 Some work has been independently won by outsourced vendors. This would include T-Mobile (handled by SITEL and 247 Customer), Virgin Media (handled by Aegis).

2.7.4 There is also a great deal of outbound telemarketing to The UK conducted by the lower-tiered local companies. This includes work for lead generation companies, mobile phone resellers and small finance companies. Much of this work is done on a pay-per-performance basis. Whilst there is a regular churn of clients in this sector, it is commonplace for the International and Offshore vendors to cherry-pick the best agents from these centres to work on higher-value UK accounts.

2.8 The Philippines has won the UK National Outsourcing Association "Destination of the Year" awards for 2 out of the last 3 years. Given that most of the outsourcing conducted in The Philippines is call centre related, this adds to the validity of the country's "voice" reputation among respected industry individuals.

3.0 Outbound Telemarketing in The Philippines

- 3.1 There is a common misconception that the Filipinos are more suited to inbound customer service than to outbound telemarketing. The Filipinos are renowned for their incredible politeness and compassion. This is why there is a disproportionately large amount of Filipinos working globally in industries such as hospitality, healthcare, cruise ships and airlines. Many companies in these industries specifically target people in The Philippines to work overseas in these roles.
- 3.2 However, Filipinos are also viewed as being less aggressive and therefore possibly not suited to telephone roles involving sales. The experience of many organisations has shown that this is not the case.
- 3.3 At the peak of the acquisition phase of telecommunications companies in The UK, there was as many as 2500 outbound agents in The Philippines working on these campaigns for companies such as Talk Talk, OneTel, Tele2, HomeCall and Fizz. The experience of all of these companies was that The Philippines was the primary offshore location for telemarketing. Fizz Telecom outsourced over 200 agent positions to Manila and found that conversion rates were higher in Manila and at the same time, they encountered far lower claw-backs and compliance issues compared with their centres in India. They also discovered that the percentage of immediate hang-ups (people who hung up within the first 10 seconds after hearing the agent) was much lower in The Philippines than in India and was in fact, very similar to The UK. The Philippines did not suffer from the same level of negative public perception which (unfairly in our opinion) was suffered by their Indian counterparts. Talk Talk now continue to use a large number of Philippines centres for their telemarketing efforts as do 3.
- 3.4 Outbound work originating from The United States is still far smaller than that customer services but there are approximately 50,000 Filipinos engaged in outbound calling.
- 3.5 This includes companies in all sectors including financial services, telecommunications, utilities, communications and healthcare.
- 3.6 The number of these agents who are currently servicing the UK market is difficult to determine precisely due to secrecy from both clients and vendors, but is likely to be in the region of 5,000 to 12,000.
- 3.7 Research from Globe Telecom has shown that up to 40% of calls handled by call centres in The Philippines are sales calls. A large portion of these are in the form of inbound sales and “cancellation lines” as opposed to outbound calling but it does show that the Filipinos are adept at making sales. The strong language skills including the ability to think in English rather than simply being proficient linguists in key to this. .

4.0 Vendor Selection

- 4.1 There is now a huge number of outsourced call centres vendors in The Philippines with sizes ranging from 10 employees to 20,000.
- 4.2 Each one of these organisations is different but given the vast range of organisations, we feel that the vendor selection process is critical.
- 4.3 The role of The British Philippine Outsourcing Council is to promote outsourcing to The Philippines but we recognise that there are massive discrepancies in the quality of the vendors that exist there. Whilst there are many advantages that The Philippines has over other locations, it does not follow that all vendors meet globally recognised quality standards. We always advise that potential clients thoroughly review vendors.
- 4.4 The size and type of work undertaken by each vendor does vary dramatically. As you would expect, larger vendors can be and subsequently are more selective in the type of work they undertake. Some organisations also focus on specific applications or vertical sectors.
- 4.5 Vendors in The Philippines can be categorised into 3 distinctive groups as follows:
- 4.5.1 **Global entities:** These include organisations such as SITEL, Sykes, Teleperformance and Covergys. With a few notable exceptions, these are predominantly US businesses. They started their operations in developed nations and then set up offshore operations in the early part of the last decade. They tend to have very large projects originating from The US and most have UK clients operating out of The Philippines. They tend to focus on inbound applications. Those who did have outbound operations offshore such as APAC and ICT (now Sykes) have moved away from this. The majority of these would be classed as Tier-1 operations.
 - 4.5.2 **Offshore Entities:** These are businesses which were set up originally as offshore providers but some have now acquired some US operations. In The Philippines, these include Intelenet, 247 Customer, Aegis & CCT. With the exception of Aegis and Cyber City, they tend to steer away from outbound and instead focus on inbound solutions. Offshore entities vary in size but are generally larger than locally owned entities. Many of these would be tier-1 entities but some would be classified as lower.

4.5.3 **Local Entities:** These tend to be locally owned organisations often in conjunction with a US based entrepreneur who would focus on business development activities. These tend to be much smaller operations ranging from 20-200 agent stations. They would all be classed as lower-tiered companies and would typically focus on low-end outbound telemarketing. There are some niche players who would fall into higher tiers especially in technical support area

4.6 Whilst it is difficult to generalise across groups which incorporate such varied companies, we feel that vendors in each section can be classified as followed against certain criteria:

	Global	Offshore	Local
Agents	Medium - High	Medium – High	Low-Very Low
Management	Medium - High	Medium - High	Low-Very Low
Quality	Medium - High	Medium - High	Low-Very Low
Performance	Medium - High	Medium - High	Low
Management	High	High	Very Low - Medium
Technical & Telecomms	High	High	Very Low - Medium
Outbound Experience	Low- None	High - None	High
Compliance	High	High	Very Low
Agent Attrition	Low	Low	High

4.7 Within these various groups, there can often be discrepancies. For example, some of the offshore entities are strong in outbound and some have none. Among the local vendors, some are stronger technically than others due to the nature of the management within those organisations.

4.7.1 Many of the local vendors tend to be weak in terms of data security and management. They tend to have a high churn of agents and clients and tend to be used for low-end telemarketing from companies not concerned about the impact on their brand. These would include mobile phone resellers and lead generation businesses.

4.7.2 These overall results reflect a very similar pattern to other countries such as India where smaller call centres tend to focus on outbound but tend to be weak in their overall operation.

4.8 Larger companies with very large accounts tend to use the global entities and those with medium sized accounts tend to use the offshore entities. The exception to the rule is a number of “niche” players who tend to be very strong in one specific industry sector. This would include companies such as Merlin who offer predominantly technical support services.

4.9 In general, local companies tend to offer lower prices than international or offshore vendors reflecting their lower salary and infrastructure costs. It has been proven that the centres who offer higher salaries have been able to recruit and retain the higher quality agents even though the wage differentials are relatively low when converted into £'s.

5.0 Locations Outside of Metro Manila

- 5.1 The National Capital Region (NCR) is the area of the 16 cities which comprise Metro Manila: Manila, Caloocan, Las Pinas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Pasay, Pasig, Paranaque, Quezon City, San Juan, Taguig and Valenzuela.
- 5.2 Most call centres are located within the National Capital Region especially in the centres of Makati, Mandaluyong, Pasig, Quezon City and Taguig.
 - 5.2.1 is the Central Business District of Manila comprising the majority of the country's 4 & 5 star hotels, The Stock Exchange and the local HQ of many international companies operating in The Philippines. The Ortigas district of Pasig city is also home to many call centres whilst Quezon City is home to Eastwood (a large area comprising predominantly of call centres) and Taguig is home to Fort Bonifacio which includes many BPO vendors.
- 5.3 Outside of Metro Manila, there are some large operations especially in the nation's second city of Cebu and Baguio.
 - 5.3.1 The largest city in the Southern Philippines is Davao and whilst there are call centres there, they have found it difficult to recruit quantities of suitable staff and most centres there are locally owned.
 - 5.3.2 Cebu and Baguio tend to be slightly cheaper than Metro Manila and the speculation is that attrition rates are lower but this is not backed up by reliable data. Cebu is particular is known for being a strong destination for outbound.
 - 5.3.3 There are many other cities and large towns which have call centre operations but have not been able to attract the quality of staff found in Cebu and Metro Manila.

6.0 Disadvantages of The Philippines

- 6.1 The Philippines has a number of advantages against other locations but there are some factors to consider for certain companies or applications.
- 6.2 Companies who are looking to centralise operations on a Pan-European basis often find it difficult to employ people with languages other than English. Such is the dominance of English, that there is very minimal teaching of languages such as French, German and Italian making it difficult to recruit such people. There are more people fluent in Spanish but these are minimal compared to English speakers. Many companies have found that other locations such as South Africa, Hungary, Bulgaria, Poland and Romania offer better options for multi-lingual work.
- 6.3 There are no direct flights between The UK and Manila. There are essentially 3 routes that clients take when visiting The Philippines:
- 6.3.1 One option is to take a short-haul flight to other European cities such as Paris, Frankfurt or Amsterdam where there are then daily non-stop flights to Manila.
- 6.3.2 Many choose to fly via The Middle East. Emirates have twice daily flights to Manila from Dubai and connections to Dubai can be made from a number of UK airports including Heathrow, Gatwick, Birmingham and Manchester. There are also flights from Heathrow to other Middle East destinations who operate daily flights to Manila. These include Saudi Arabia, Qatar and Kuwait. With over 3 million Filipinos living in The Middle East, there is no shortage of flights.
- 6.3.3. The third option is to fly to major Asian locations such as Hong Kong, Singapore or Malaysia. There are regular flights to these destinations from Heathrow and very regular flights from there to The Philippines (there are 8 flights daily from Hong Kong to Manila making it an easy connection). Total travelling time including transfer time varies from 14 to 20 hours depending on the route taken.

7.0 Conclusions

- 7.1 The key to success for UK clients is in the selection of an appropriate vendor and this is true for both customer services and for outbound telemarketing.
- 7.2 The notion that The Philippines is exclusively for American companies is not true. T-Mobile have consistently said that their Philippines vendors achieve similar satisfaction rates to The UK.
- 7.3 Sales based campaigns from The Philippines work especially well and outbound has been a strong area of success.
- 7.4 The more professional call centres recognise that even employees who meet the criteria for general call centres do not necessarily have the required skill-sets for outbound activity.
- 7.5 The more successful call centres in outbound are often the ones with a mix of inbound and outbound activity enabling them to determine those most suited for outbound either in the recruitment phase or during the early phases of employment.
- 7.6 The UK is now a key market for many Philippines based call centre vendors. There has been heavy investment in management, training, processes and infrastructure to ensure they have the capacity to support additional business from this geography.
- 7.7 Due to the often secretive approach of clients, there is no firm data showing that there has been a major shift from India to The Philippines. However, there is strong anecdotal evidence among our members that this has been happening. Many Indian vendors have established sizeable presences in The Philippines due to client-led demand.

About The British Philippine Outsourcing Council

The British Philippine Outsourcing Council (BPOC) is a company limited by guarantee and registered in England. We have received special dispensation from Companies House to use the term "Council" in our name due to the nature of our activities. We are a not-for-profit organisation and our members and directors give their time voluntarily to assist with our efforts.

We are a vendor neutral organisation but a large proportion of our members are associated with outsourced vendors who have operations in The Philippines. We are endorsed by The Philippines Embassy in London and the Philippines DTI Trade Mission in London. We work alongside other associated bodies to further our aims. Membership of BPOC is free to all qualifying organisations and individuals. Members include vendors of outsourcing services, users of outsourcing services, consultancies, service providers and other interested groups and individuals. We produce research and provide contacts and information relating to The Philippines Outsourcing industry to British based businesses and other interested parties. We hold regular meetings, discussion groups and events. Our services are provided free of charge and we do not take payment from any service vendors.

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