

MANILA

CALLING

A Times have changed in the Philippines. In a traditionally poor, deeply religious and conservative country, suddenly twentysomethings are spending freely in bars, restaurants and shopping malls as they start or leave their night shifts. After decades of exporting its labour force to richer countries, Manila is turning the tables in the business process outsourcing market.

B In the Philippines, emigration is a long-established tradition. Every year, a million Filipinos leave their islands, hoping for a better life in Asia and the Middle East. As welcome as the \$10b (5% of GDP) they send home to their families may be, a decade ago there were worries that emigration was slowing the country's development. In its search for ways to encourage foreign investment and growth, the government turned to India's call centre industry. Copying the Indian model, Manila introduced tax breaks and incentives for telecoms companies as well as sponsored training schemes to help students fine-tune their language and communication skills.

C At the same time, Indian call centres were becoming a less attractive investment for American and European businesses. Not only were their generous tax holidays coming to an end, but irritations like unreliable infrastructure and having to bus employees to and from work were increasing. In addition, the opportunity to spread risk by diversifying into the Philippines came at a time when Indian outsourcing operators were having to replace up to half their staff every year.

D The Philippines' copycat strategy has been so successful that American customers are now far more likely to be talking to a Filipino helpline adviser than an Indian. With revenues of nearly \$11 billion, Philippine outsourcing now employs 650,000 people, almost twice as many as India. What's more, operators believe their customers are likely to be more satisfied with the service they receive from well-educated young Filipinos who grew up listening to American pop music and reading American comics. A US colony until independence in 1946, the Philippines has maintained strong cultural links with its former masters: in a country where the national language, Tagalog, is not most people's mother tongue, English is a second, rather than a foreign language.

E Not satisfied with outselling the market leader, the Philippine government hopes to double the market to



Manila is turning the tables in the business process outsourcing market

\$26 billion in the next five years. However, staying on top of the pile may prove harder than getting there: as it grows, the new outsourcing industry is discovering how much more difficult it can be to find experienced managers and competent engineers than to hire young English-speaking helpline advisers. India, on the other hand, with four million college graduates a year, is moving upmarket. Margins for more complex financial and engineering consultancy projects are much higher than for simply handling customer calls. In the longer term, Indian operators may be happy to leave Filipinos to pick up the phone while they pick up the pace on more profitable assignments.