

# OUTSOURCING IN CEBU

**A Quick Start Guide** for companies in the US and Canada interested in learning more about outsourcing to Asia's #1 emerging business process outsourcing (BPO) destination.

# WHY CEBU PHILIPPINES?

## A PROFILE OF THE ISLAND ECONOMY AND ITS HUMAN RESOURCES

Considered as the second most significant metropolitan area in the Philippines, Metro Cebu comprises of 4 cities: Cebu City, Mandaue City, Lapu-lapu City and Talisay City.

As the country's main port, it is home base to 80 percent of the domestic shipping companies. It is the nucleus for commerce, trade and industry since pre-colonial times.

Cebu is the #1 emerging IT and ICT hub in Asia. It has 15 registered, special economic zones and centers—making it the 2<sup>nd</sup> largest environment for global investment-friendly activities in the Philippines. Within these areas, major IT players such as Canon, Cisco, Epson, Hewlett-Packard, IBM, Lexmark and Microsoft have established operative facilities.

At present, there are over one hundred outsourcing businesses in Cebu which provide a wide variety of services, including clerical and administrative functions, publishing, medical transcription, website design, software development, customer service and much more.

Cebu is also positioned to penetrate the emerging market for knowledge-process outsourcing with a growing population of professionals with graduate degrees in finance, corporate law, natural sciences and human studies.

# SWOT

## AN ANALYSIS OF CEBU AS AN IDEAL BPO DESTINATION

**SWOT Analysis** is a strategic planning method, designed to help define business venture goals down to specifics.

With SWOT, one can identify a destination's domestic characteristics and its external factors that can be favorable and unfavorable to business goals.

SWOT is an acronym for "Strengths, Weaknesses, Opportunities and Threats".

**STRENGTHS** the internal characteristics of a particular destination that aid in achieving business objectives.

Strengths include available resources and capabilities of the people. Examples of strengths are a solid infrastructure, protection of patents on products, services and geography favorable to business networking.

**WEAKNESSES** are the exact opposite of STRENGTHS. These are domestic characteristics of a destination that harm progress of business objectives.

Political instability and a frequently turbulent climate are examples of destination's weaknesses.

**OPPORTUNITIES** are external conditions that can be used for gain.

New technologies, undiscovered skills or an emerging market that can be taken advantage of for growth and profit are examples.

**THREATS** are external problems or conditions that could hinder business goals.

A destination's imposed trade barriers and intellectual property piracies are examples.

# SWOT

## AN ANALYSIS OF CEBU AS AN IDEAL BPO DESTINATION

### Strengths

**COST ADVANTAGE.** The Philippines in general has some of the lowest hourly labor rates worldwide, while still having an educated work force. This makes it an ideal destination for outsourcing. Cebu offers even greater advantage because it has all of the educational resources of Manila while maintaining a lower cost of living and therefore lower costs of labor.

**STRATEGIC LOCATION.** Cebu's geographic location has been long-prized as a nexus for commerce and trade between regions as well as with Asian nations like Japan and China. A favorite tourist destination, Cebu isn't typically affected by earthquakes, volcanic eruptions nor does it lie in the usual pathway of typhoons. It's central location also keeps it clear of political issues that sometimes affect Manila and Mindanao.

**STRONG CULTURAL COMPATIBILITY.** The Philippines has been exposed to and influenced by U.S. culture for more than a century. This influence means that Filipinos are not only familiar with American business practices but also share the same day-to-day interests. So a Filipino employee will easily mesh with their US counterparts and therefore more easily assimilate to their professional environment.

**INFRASTRUCTURE.** Cebu is integral to the Philippines' Cyber Corridor. In centrally located IT parks, there exists well developed infrastructure with redundant and cost-effective telecommunications networks.

**HIGH-QUALITY LABOR SOURCE.** Through its large universities with various campus branches and more than a dozen other colleges specializing in Medicine, Engineering, Nursing, Law, Computer and IT, Cebu produces an annual average of 20,000 trainable professionals, who are all proficient in English. In fact, 72% of the Philippine population is proficient in English.

**STRONG GOVERNMENT & INDUSTRY SUPPORT.** Cebu's local government bodies at both the city and provincial levels are proactive in improving the social, financial and IT infrastructure of the island with the intent to attract more business. In addition, private organizations such as the Cebu Educational Development Foundation for IT (CEDF-IT) and the Business Process Association of the Philippines are focused on the training and development of local resources and infrastructure to help support existing BPO companies as well as make it more attractive for investors to set up new businesses.

# SWOT

## AN ANALYSIS OF CEBU AS AN IDEAL BPO DESTINATION

### Weaknesses

**GLOBAL AWARENESS OF CEBU AS A BPO DESTINATION.** Unlike India, the Philippines is not as well known by consumers as an outsourcing destination. Cebu is directly affected by this lack of recognition from potential customers. However Cebu is well known by those working in the industry and with the help of private and government organizations will continue to improve their brand recognition.

**COMPETITION FOR LABOR.** In recent years, the massive influx of call centers and other BPO companies to Cebu created a higher level of competition for skilled labor. This creates the potential for higher turnover as employees are being presented with more employment opportunities than ever before. Also, opportunities to work overseas present additional competition for labor.

**OCCASIONAL POWER SUPPLY PROBLEMS.** Due to a handful of generating plants and receiving stations that only allocate excess electrical supply from other regions, Cebu suffers occasional shortfalls in power supply. Consumers in Cebu also pay higher power rates compared to the rest of the Philippines.

**EXPERIENCED MANAGERIAL LEVEL STAFF.** Although Cebu has good access to entry level staff, it is more difficult to find people with strong managerial skills, especially those with knowledge and understanding of US business needs. This makes it important to look for BPO service providers with US management on site in Cebu who can bridge that gap.

# Opportunities

**POTENTIAL TO MOVE FROM BPO TO KPO.** With strong English comprehension skills, Cebu has potential to move from simple repetitive business process outsourcing type services like formatting and encoding to higher value knowledge process outsourcing in industries such as marketing, legal, healthcare and financial services.

**CALL CENTER/CUSTOMER SUPPORT.** In addition to the potential to move to KPO, Cebu can also utilize its strong English capabilities to build up call center/customer support services. Their familiarity with US culture also works well for this type of business since they will be able to relate with customers they are providing support to.

**GLOBAL ACCEPTANCE AND AWARENESS OF OUTSOURCING.** As outsourcing becomes more common place, people are starting to have less negative associations with businesses that outsource. As this trend continues, more and more businesses will look for ways to reduce costs and will turn to outsourcing. If Cebu can raise its awareness as an outsourcing destination, there is tremendous opportunity for growth.

# SWOT

## AN ANALYSIS OF CEBU AS AN IDEAL BPO DESTINATION

# Threats

**HOME SHORE PRESSURE.** Companies that send work off-shore to take advantage of the obvious benefits to their business may be scrutinized by their domestic governments and local public opinion. This can incur backlash that could be negative for corporate image. Although this trend seems to be lessening as outsourcing becomes more and more commonplace.

**STRENGTHENING PESO.** Just like the Indian Rupee, the Philippine Peso also faces pressure as more and more companies invest in the country. This upward pressure on the peso can eventually make the Philippines less competitive with newly emerging outsourcing destinations.

**CHINA'S ENTRANCE TO BPO MARKET.** Although China faces many challenges still before it can really become a great outsourcing destination, its massive population as well as its government's investment in infrastructure, education and training of their workforce mean that eventually it will become a powerful contender. If they can overcome issues such as weak English skills, cultural gaps, and issues with business ownership they will start to attract more of the business currently being sent to India and the Philippines.

**INTERNATIONAL PERCEPTION.** Because Cebu is broadly associated with the Philippines, it is perceived to be fraught with problems like red-tape bureaucracy, socio-political instability et cetera that occur in other regions within the country.

**EMERGING COMPETITION.** With the boom in the BPO sector in Cebu, many new companies have sprung up trying to ride the wave of outsourcing. These new companies create competition both for clients and for labor. They also present the possibility of creating a bad name for Cebu since they may lack experience necessary to deliver quality services. Their lack of experience can be seen in their ultra low pricing or promises of quality and accuracy that sound too good to be true, making it critical to practice due diligence when selecting a service provider.

# FINDING CEBU SERVICE PROVIDERS

## IDEAL WAYS TO LOCATE EXISTING BPO SERVICE PROVIDERS IN CEBU

### **INTERNET SEARCH ENGINES**

The most obvious way to start your search for service providers in Cebu is to use internet search engines such as Google, Yahoo or Bing. Most, if not all, Outsourcing Service providers in Cebu are accessible via the Internet. Simply open your browser, go to your favorite search engine and type in keywords such as:

Outsourcing Solutions Cebu  
Outsourcing Services Cebu  
Outsourcing Companies Cebu

From the search results, click through to company websites to read more about services provided by these companies. Typical websites will include company profiles, services provided, contact details and other relevant information, that will help determine whether or not a particular BPO provider fits your needs.

### **DIRECTORY IN THIS GUIDE**

We have also provided a small directory at the end of this guide that lists companies located in Cebu that provide services to both large enterprises as well as small to medium size companies. This guide is a short list of well known companies who have been in business a long time and have proven track records.

# SCREENING CEBU SERVICE PROVIDERS

## HOW TO CHOOSE THE BEST SERVICE PROVIDERS IN CEBU

### **SCREENING BPO SERVICE PROVIDERS**

During your search you should have come up with a long list of companies that claim to provide services that meet your needs. The next step is screening those companies to come up with the best possible partner for your business needs. But how do you do this? We have included below some of the key things you should look for when screening BPO service providers.

### **COMMUNICATION**

Probably the single most important part of forging a successful relationship with anyone is solid communication. So when seriously looking for a business partner, make sure you communicate with these companies. When sending out emails to initiate contact, make sure you request to have a phone call. Speaking with people will give you a good sense as to whether or not they really understand your needs and if they really do have the experience you are looking for.

Modern technology makes it affordable and convenient to get in touch with potential BPO providers so be sure to use it to your advantage and get to know your potential partners.

### **SIZE MATTERS**

When looking for an outsourcing partner, the size of service provider is an important thing to consider. Both large and small companies have their advantages. For example, a smaller service provider can concentrate more on a client's business interests while large BPO service providers' attention may be divided between many corporate clients simultaneously leading to lower customer service.

Larger BPO service providers also have the internal problem of middle-management attrition and frequent employee turnovers but may have the advantage in scalability. On the other hand, small-to- medium-sized BPO service providers are generally well-managed and have the advantage when it comes to costs of operations and flexibility.

### **STABILITY & SECURITY**

Since most of the readers of this guide are probably small to medium size businesses, you will probably find that smaller service providers are the best fit for you. However, not all smaller BPO firms are created equally. Looking at the service provider's stability and security is very important when selecting your partner. Find out answers to questions such as how long they have been in business, can they provide references, and do they carry professional indemnity insurance at levels comparable with larger outsourcing companies.

# SCREENING CEBU SERVICE PROVIDERS

## HOW TO CHOOSE THE BEST SERVICE PROVIDERS IN CEBU

Watch out for firms who are just starting up and don't have an established track record. Instead, focus on firms with sterling references, reputation and "age" in the industry. Such providers possess experienced human resources management and extensive recruiting processes which can optimize employee selection from the local labor pool to secure the success of a client's project or outsourced operations.

### **QUALITY FIRST**

There are BPO firms that will make promises and guarantees of instant success before fully understanding all of the unique variables each of their potential clients projects bring. The well-known and proven adage, "too good to be true" should be remembered here.

When interviewing BPO firms in Cebu, look for those firms willing to achieve quality first through a small scale pilot project, before turning the focus to quantity. Starting small allows both sides to gain better insight into all of the variables that inevitably happen during the process transfer. And because they are actually performing the task you want done, you will be able to ensure that your standards are being met before you invest significant amounts of money into your new business partner. Not only does this help you feel confident that your getting the quality you expect but it also significantly minimizes the risk you are taking when first starting out because the majority of your financial commitment only happens after you have achieved your desired results.

### **ON-SITE WESTERN MANAGEMENT**

Another key thing to look for are companies with onsite western management. Particularly western managers who are long-term residents in Cebu. These managers will not only understand your needs better since they share your business culture, but they will also have experience and knowledge in the local working environment thus forming a critical bridge over any cultural gaps that might hinder the success of your project.

These on-site western managers should provide integrated training, implement workplace procedures and set proper expectations of local employees to ensure that US standards are met. These managers should also have enough on-site experience to understand how to motivate the local workforce to perform well by understanding the local culture and how to work effectively within that culture.

# OPINIONS

WHAT BUSINESS EXECUTIVES AND EXPERTS SAY ABOUT CEBU BPO

**“Cebu is a natural fit for most multinational companies.”**

JEFF HINTZE, COO, Phil-am Outsourcing Solutions, Inc.  
Sun Star Daily, 10/16/2004

**“We are very happy with what we are seeing in the Philippines especially in Cebu and we are bullish here in Cebu.”**

RAJIV AHUJA, COO, Aegis People Support,  
Cebu Daily News, 12/30/2009

**“The companies already saw that Cebu has a critical mass of human resource who can render more complicated and complex services.”**

BONIFACIO BELEN, Executive director of Cebu Educational  
Development Foundation for Information Technology,  
Cebu Daily News, 10/21/2008

**“Cebu’s potential in the BPO industry is huge. In Manila, the market is more saturated because of many big companies. But Cebu, other than having a huge talent pool, is more hospitable.”**

CHRIS JOHNS, President, Support Save Solutions Inc.  
The Sun Star Daily, 1/11/2008

**“The Cebu market is definitely very exciting. It has a lot of potential. Mid-market companies have distinct needs that are often ignored by most service providers. IBM’s technologies and solutions for small and mid-market businesses provide (these firms) a competitive edge in this era of globalization.**

**Understanding these needs, we want to expand our reach to be closer to our customers enabling us to serve them better. Our office in Cebu is a step in that direction.”**

JAMES VELASQUEZ, IBM country general manager,  
Sun Star Daily, 11/25/2006

**“As companies' revenues are under pressure, multinationals look to save costs and move offshore to the Philippines as it's easier to save a dollar than make a dollar. Moving them to multiple outsourcing destinations, and**

# OPINIONS

## WHAT BUSINESS EXECUTIVES AND EXPERTS SAY ABOUT CEBU BPO

**looking beyond the CBDs to find lower labor costs and land values, make the outlook good for Cebu City.**

**Large corporations are being hit hard by the U.S. recession. They're searching for a safe haven for their investments, and having doubts about security in India. Cebu is an ideal choice."**

RICK SANTOS, CB Richard Ellis Chairman,  
Cebu Daily News, 12/12/2008

**"In the past 12 months, Wipro BPO has set up a 1,000-seat centre in the Philippines' Cebu City, with staff there engaged in telecom, healthcare, energy & utilities-related tasks. The Philippines has also become the destination of choice for global firms, which in the past were big on India."**

SHELLEY SINGH, Economic Times  
Of India Bureau, 12/26/2009

**"Cebu, Philippines ranks No 1 in the list of Top 20 Global Outsourcing Cities. It stood at Spot 4 in 2007, according to the same report."**

Economic Times of India  
Top 20 Global Outsourcing Cities, 2/4/2009

**"We are positive in our prospects for Cebu, we are also confident that our clients who do not have offices here will also consider Cebu for expansion."**

ANDRES DIAZ Jr, co-founder and  
General Manager, Staff RIGHT Solutions,  
Sun Star Daily, 1/15/2009

# BPOS IN CEBU

## INTERNET DIRECTORY OF SELECT SERVICE PROVIDERS IN CEBU

<u>COMPANY</u>	<u>SERVICES</u>	<u>WEBSITE</u>
AEGIS-PEOPLE SUPPORT	Customer Contact	<a href="http://www.aegisglobal.com">www.aegisglobal.com</a>
PHIL-AM OUTSOURCING SOLUTIONS, INC	IT, BPO services for small & medium-sized businesses	<a href="http://www.outsourcing-services.net">www.outsourcing-services.net</a>
ACCENTURE	IT Services Delivery	<a href="http://www.accenture.com">www.accenture.com</a>
STREAM GLOBAL E-TELECARE	Customer Contact/ BPO	<a href="http://careers.stream.com">careers.stream.com</a>
SYKES ASIA	Customer Contact/ BPO	<a href="http://ph.sykes.com">ph.sykes.com</a>
CONVERGYS	Customer Contact/ BPO	<a href="http://www.convergys.com">www.convergys.com</a>
TELETECH	Customer Contact/ BPO	<a href="http://www.teletech.com">www.teletech.com</a>