

Information Technology Enabled Services (ITES) - Bangladesh

**PHILIPPINES:
COMPETITIVE STUDY OF IT-ENABLED SERVICES INDUSTRY**

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1 EXECUTIVE OVERVIEW

1.1 General

This report provides an additional external perspective to the IT-Enabled Services industry by illustrating the competitive position of the Philippines, a country gaining recognition as a “Supplier Country of Choice” in this market. The objective of the study is to glean possible strategic and tactical concepts and practices that could apply to Bangladesh and its goal to increase its potential in this market.

1.2 Major Findings

The Philippines consistently lags behind its Asian neighbors in development, with long-running problems such as overpopulation, political instability and natural disasters. In recent years, however, due to major reforms in its telecommunications infrastructure, the Information Technology and IT-Enabled Services sectors of the economy have demonstrated noticeable growth.

With declining telecommunications costs and the country’s inherent strengths in its English-speaking and service-oriented labor force, the country recognized its competitive potential in serving the American and English-speaking market for outsourcing. Based on an articulated strategy by the IT and E-Commerce Council (ITECC), a partnership organization composed of public and private sector representatives, the Philippines began to focus on its unique advantages and to target specific ITES segments in which to compete. While still facing internal risks and threats from other countries vying for market share, the Philippines has demonstrated organization and strategy from which to work towards its goals of creating higher-value jobs and increasing exports.

2 Why the Philippines for ITES Competitiveness Study

As recently stated in the Asian Wall Street Journal, “It is not often that the Philippines and the notion of competitiveness appear in the same sentence.”¹ The article goes on to state that the country has recently caught the attention of major companies around the world as a supplier of IT-Enabled Services (ITES). Competitor countries like India are taking notice as well.

As the subject of competitor country research, the Philippines became a logical choice among others because of its recent advances in key areas that foster its emerging ITES industry. While India has held a commanding lead for years, the Philippines is only now showing its capabilities in various areas of ITES – and has been actively promoting

	Bangladesh	Philippines
Population	131.3M	82.8M
Literacy	56%	95%
GDP per capita	\$1,570	\$3,800
% of population below poverty line	36%	41%
Labor force	64.1M	48.1M
Unemployment	35%	10%

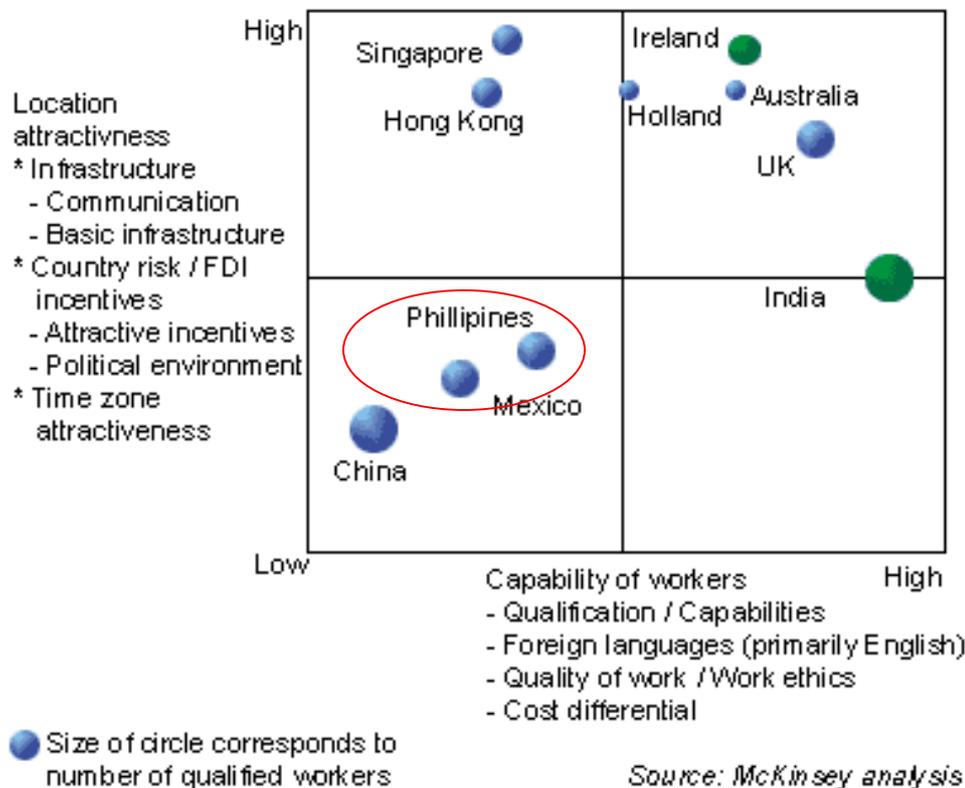
Source: CIA World Factbook 2001

¹ “The Philippine Advantage: On electronic services, Manila finally is doing something right,” Michael Alan Hamlin, Asia Wall Street Journal, 20 March 2002.

its unique competitive advantages to the international market. Its emerging position as a country supplier was deemed to be more relevant to Bangladesh’s early efforts in establishing an ITES industry. Lastly, the Philippines shares with Bangladesh a few less favorable factors – including a poor country image, low GDP per capita, population density and unpredictable political shifts.

2.1 Country’s Competitive Position in ITES

In NASSCOM/McKinsey’s recent ITES study, the Philippines ranked low in both “Country Attractiveness” and “Capability of Workers”:



If Bangladesh was included in the country comparison in this report², it would similarly be positioned in the lower left quadrant of this map, i.e. with low Country Attractiveness and low Capability of Workers.

² NASSCOM McKinsey, “The India I.T. Advantage,” December 1999. The country comparison matrix used here has subjective and arbitrary elements in deciding where countries are positioned along the axes. Additionally, there have been shifts in the country competitive landscape since 1999. It is used here as a guide and starting point for analysis, not as factual basis for considering country competitiveness. However, general conclusions from this matrix, i.e. the relative positions of the Philippines and Bangladesh as country suppliers, are considered relevant for illustrative purposes.

3 Key Enabling Factors for ITES

The public and private sectors of the Philippines have made significant advances in creating a more favorable and optimal location for IT and IT-Enabled Services. These positive effects are becoming more evident, in terms of increased employment and foreign investment, although the country is still in the early stages of finding its competitive niche in the market.

3.1 Infrastructure

3.1.1 Telecommunications Industry Reform

The telecommunications infrastructure in the Philippines had been controlled by a privately-held monopoly operating as the Philippine Long Distance Telephone Company, founded in 1928. While majority-owned by the powerful Lopez family, PLDT had a small amount of shares traded publicly on the Philippine Stock Exchange, but nonetheless the monopoly over land lines and the international gateway was a tremendous challenge to the access and affordability of telephones in the country.

In 1993, then President Fidel Ramos embarked on a campaign to practice more open-market policies in heavy industries including the power grid, oil and gas, and telecommunications. He is widely recognized as having provided the political will to break the monopoly of the PLDT by issuing two Presidential Orders which greatly increased the availability of telephone lines:

- Executive Order 59: mandated interconnection between PLDT and other telecom operators
- Executive Order 109: increased the number of lines; any company applying for a telecommunications license must construct 300,000 international or 400,000 mobile lines within three years³

The effects of the telecommunications industry reform were seen soon after these mandates from the President. In addition, it is reported that significant foreign investment began to flow into the country after these policies were put into place, although a specific figure was not readily attributable to the reform.

3.1.2 Teledensity and Internet Use

Signs of liberalization of the telecommunications industry began to appear in the mid-to late 1990's, with increased competition, increased investment, and reduced rates.

The following table is from data supplied by the National Telecommunications Commission:

³ Philippine Institute for Developmental Studies, "Liberalization and Regional Integration: the Philippines' Strategy for Global Competitiveness"

	1995	2000	% change
Land Lines	1.4M	6.9M	393%
Teledensity – fixed lines	2.01	9.05	350%
Wireless	959k ('96)	6.5M	578%
Wireless density	1.37	8.46	517%
Internet users	100,000 ('97)	2,000,000	1,900%

The significant and rapid increase in teledensity, wireless density and internet use is clear evidence that the open-market policies of the Ramos administration quickly took hold. Once the government liberalized the telecommunications infrastructure, market forces stepped in to meet demand.

3.1.3 Competition and Service

Soon after liberalization reform, penetration and availability of telecommunications service increased in direct relation to the increase from the one provider, PLDT, to many more.

Operators	# in 2000
Local exchange carriers	77
International Gateway Facilities	11
Public Trunk Line Operators	10
Cellular Mobile Telephone Carriers	5
Satellite Services	13

Source: National Telecommunications Commission

It is important to note, however, that although there are numerous local exchange carriers, PLDT still controls 80% of the market.⁴

Another effect of increased providers and competition is the decline in prices over the period. In 2000, for example, the average cost of a T1 line⁵ was reported to be \$35,000 to \$40,000 per month⁶. In 2002, this figure was quoted to be as low as \$6,000 per month.⁷ Moreover, service has become more responsive; a company can obtain a T1 line within two days of placing its order. Companies also have their choice of connectivity – whether by T1, microwave or coaxial cable. These increased options significantly assist a typical ITES company, where data operations redundancy could be critical to the business.

⁴ Japanese Institute for Overseas Investment, “Telecommunications in Asia”

⁵ Capacity of T1 = 64 kbps times 24

⁶ Board of Investments publication, “Asia’s IT Services Hub”

⁷ Interview with Undersecretary of Board of Investments, Gregorio Domingo, March 2002

3.2 Human Capacity

3.2.1 Labor Force, Literacy and Skills

The Philippines possesses a large labor force of over 33 million people. The country chronically suffers from high unemployment rate, approximately 11%, and many are underemployed even as a large number of citizens seek work overseas.

The country has one of the highest literacy rates in Asia, 94.8%, as well as a high English language proficiency obtained by following an American-style public school system that teaches English in primary through secondary schools.

The country produces 350,000 college graduates annually, including a large number of graduates in engineering, accounting and medical-related fields. The number of graduates in IT related programs illustrate an exponential growth, from 4,000 in 1991 to over 21,000 in 1999.

3.2.2 International Benchmarks

The country's educational system, along with IT training institutes that have spawned nationwide, have begun to encourage measurement of IT programs and students against international standards. Specifically, the government, in conjunction with Japanese company partners, has sponsored voluntary testing of Philippine graduates in fields of IT and animation using the standards exercised in Japan. Early results show Filipinos lagging behind their Japanese counterparts, and educators and company managers are at least now aware of this gap in order to intervene.

For project management, private companies are encouraging employees to take the Singapore Project Management exam to assess their capabilities. IT training institutes are expected to be certified training vendors by the software or hardware developer (e.g. Oracle, Cisco), and to produce certified graduates as well. The University of the Philippines is also conducting its own study of how the UP curriculum and standards compare with North American counterparts.

The country has also been recognized recently by international groups for its skilled labor force. The Hong-Kong based Political & Economic Risk Consultancy (PERC) in 1999 ranked the Philippines second in its Skilled Labor Ranking, in terms of quality, cost and availability.⁸

3.2.3 "Cultural Affinity" with the USA

An unquantifiable attribute of the Filipino labor force is what has been termed its "cultural affinity" with the United States. As a former protectorate of the U.S. for over forty years, the Filipino culture is permeated with American attributes – such as language (including colloquialism), entertainment, and consumer goods and tastes. With this quality, the Philippine government and private sector has eyed the American

⁸ As quoted by the Board of Investments; the PERC report was not readily found after a search on the Internet

market as its primary target for ITES business, and is determined to feature this affinity as a competitive advantage of the Philippines.

3.2.4 Concerns

The Philippines faces the usual challenges of a developing nation in terms of the lack of resources for educational facilities and faculty, and the desire of many graduates to leave the country in search of better opportunities elsewhere.

3.2.5 Assessment

With regards to the ITES industry, the Philippines has the following positive factors in its labor force:

- High literacy rate
- High fluency in English
- Cultural affinity to North America
- Large population with good primary education

The country also faces the following constraints or limitations:

- Students and highly skilled workers want to leave
- Difficulty recruiting/retaining qualified faculty
- University level education under-funded
- Low supply of higher-level managers, e.g. project or relationship managers, necessary for higher value-added services

In relation to IT-Enabled Services, the most promising segments for the country given its current labor pool are the low- and mid-level segments of the industry. The country's leadership appears to recognize that it must increase the capabilities of IT and computer science graduates in order to participate in the higher end of the market. There are concerted efforts being done by the public and private sectors to bridge the gap identified by the international tests, although these programs are still under discussion at the time of writing.

3.3 Public & Private Sector Partnership: IT E-Commerce Council

During interviews with public and private sector stakeholders, many provided insight into the potential and contributions of the IT E-Commerce Council (ITECC). The organization combines the political muscle of government officials, with the expertise of the private sector. It should be noted, however, that (from interviews with stakeholders) there was wide agreement that the government was slow to react at first in focusing on the potential of IT and ITES. It was due to repeated requests from private sector IT organizations that finally gained the attention of government officials who eventually provided the political determination to get organized and formulate a strategic approach.

This section provides detailed discussion on this subject because the organization and early activities of the ITECC appear to demonstrate the committee members'

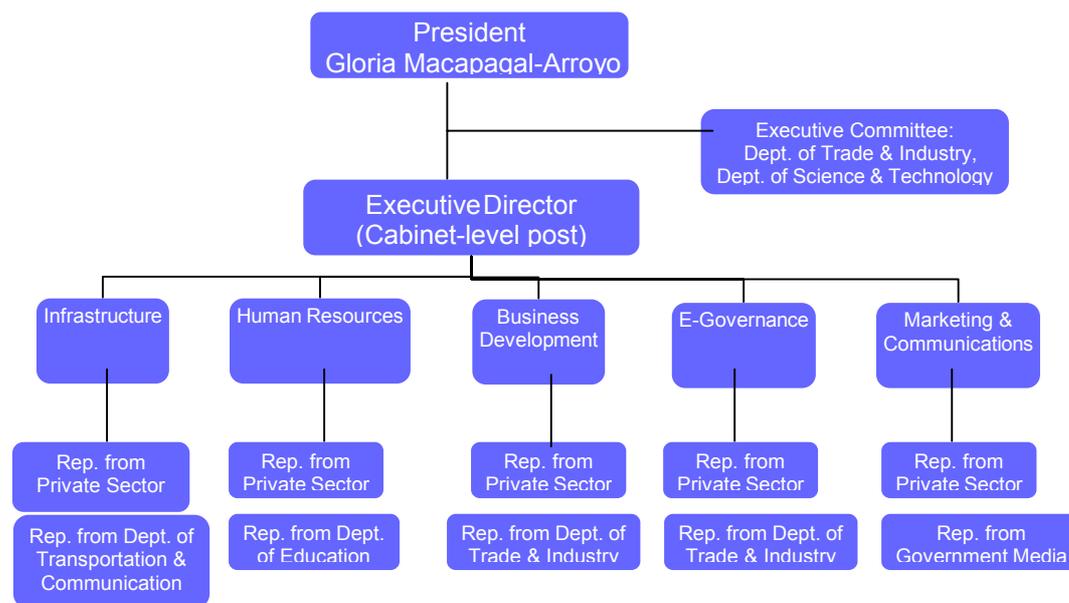
understanding of the ITES industry, along with the competitive “drive” for the country to achieve its business goals.

3.3.1 ITECC Leadership and Organization

The ITECC falls under the Department of Trade and Industry, and is headed by an Executive Director who holds a Cabinet-level post under the President. The Committee is headed by the President Gloria Macapagal-Arroyo, who has been credited for her focus on the economy (she was an economist and former member of Congress). ITECC members report that she indeed chairs the committee’s monthly (now quarterly) meetings, driving the agenda with her political promise to create over 100,000 high-value jobs by the end of 2002.⁹

The Executive Committee under the President is composed of the Secretaries of the Department of Trade & Industry (DTI) and the Department of Science & Technology (DST), plus the Executive Director. The Executive Committee is tasked with policy-making and planning for the rest of ITECC.

There are many working sub-committees, including Infrastructure, Human Resources, Business Development, e-Government, and Marketing and Communications. The sub-committees are each co-chaired with a government official and a volunteer member of the private sector. The Business Development Committee, for example, is co-chaired by the Undersecretary of the DTI and the Chief Information Officer of one of the largest Filipino-owned conglomerates in the country. The Human Resources Committee is co-chaired by the Department Chairman for Computer Science in the University of the Philippines school system and the founder of one of the largest chain of computer training schools. This arrangement, demonstrating a public and private sector partnership, appears to be working well for the ITECC in terms of aligning the goals of the public and private sectors organizationally.



⁹ Interview with Executive Director, Virgilio Pena, March 2002

3.3.2 ITECC Strategy Highlights

The ITECC wrote the “Internet Strategy of the Philippines” or ISP.com that outlines the general issues concerning the committee for promoting the IT and ITES industries in the country. As written on the Board of Investments website, the committee set out to develop focused market plan where Filipinos “can compete initially and immediately” in the ITES industry, specifically by maximizing inherent advantages of human resources.

In principle, the ITECC believes that the government’s role is to provide support in infrastructure, labor, financial, logistical and legal/institutional means. However, development of the sector should be left to the private sector – that technology and markets are “inherently ungovernable” and best if “left to do its thing”.

There are plans approved by Congress to create a new Department of Information, Communication & Technology under which the ITECC activities would fall. This move would separate “Communications” from the current Department of Transportation & Communications, and demonstrates the government’s perspective of ICT as a separate infrastructure backbone for the country. With its own budget and staff, the belief is that there would be an increase in ICT research and program capabilities. The intent is also to align under one department the objectives and activities for infrastructure, labor and policies for business development of ICT.

The Committee is admittedly still in its early organizational stages. Future activities for the ITECC are being developed into a written “management plan” (complete with objectives, tasks and delivery dates, and funding proposals for donor presentations) with the assistance of the USAID Mission in Manila, which is providing management consulting assistance to the Committee and Executive Director.

4 Selected Market Segments and Competitive Advantages

The ITECC recently developed its plan to concentrate on five specific segments in which it believed the Philippines could claim unique competitive advantages. The general criteria for choosing the segments were:

- Market potential
- Employment potential – job creation
- Supply of knowledge workers
- Unique competitive advantages of the country
 - Education – accounting, medical-related, art
 - English speaking proficiency
 - “Cultural affinity” with USA
- In addition to low costs (“Value for Money” – up to 50% savings), time difference

The selected segments are:

- Customer Contact/Call Centers
- Medical Transcriptions
- Animation
- Software Development
- Business Process Outsourcing (BPO) – specifically for financial services

4.1 Selected Segments

The following provides a general overview of what ITECC has published to be the targeted ITES segments in which the Philippines wants to compete and attract overseas customers. Note the unique competitive advantages provided, which appear to be the anchors of the ITECC’s strategy. Of these segments, the Gartner Group has assessed the Call Center and Business Processing Outsourcing areas as particularly promising for the Philippines.¹⁰

4.1.1 Customer Contact/Call Centers

- Market size: \$6.5 billion worldwide in 1998; projected \$33 billion in 2008¹¹
 - Philippines: \$173 million in revenues for 2001
 - Projected growth to \$864 million by 2004
- Employment
 - 22 call centers with 3,600 agent seats; employed 4800 in 2001
 - Projected growth to 24,000 jobs in 2004
- Unique competitive advantages
 - High English proficiency – written and spoken, even with American colloquialism
 - Culture inclined towards customer service
 - Familiarity with American customer
 - Decreasing telecommunications costs
- Companies: America OnLine, Customer Contact Center (C-Qube)

4.1.2 Medical Transcriptions

- Global market estimated at \$10 to \$25 billion annually; growth rate of 15%
 - Market expected to surge as 6,700 U.S. hospitals have yet to convert records as required
 - \$40 million generated by Philippine MT firms in 2001
 - Projected revenues to \$483 million in 2004
- Employment
 - 16 firms in 2001 – 4 have majority of market; 1,200 professionals
- Supply of knowledge workers
 - Philippines is #1 exporter of nurses
 - 220 medical schools

¹⁰ Based on interview with Josie Gonzalez, CITEM Director for IT and Electronics. Gartner’s report due to be published May 2002.

¹¹ NASSCOM McKinsey, “The Indian I.T. Strategy”, 1999

- Produces 44k nursing graduates per year; only 20% get jobs domestically
- Unique competitive advantages
 - High English proficiency – written and spoken
 - Familiarity with medical practices in the U.S.
- Companies: Radix Systems, Transkripsyo (see section 8.1)

4.1.3 Animation

- Worldwide market estimated at \$1.3 billion in 1998; projected to grow to \$15 billion by 2008¹²
 - Philippine-based companies generated \$21 million in revenues in 2001; projected growth of 25% to \$40 million in 2004
- Employment
 - 23 firms; # employees not found
- Unique competitive advantages
 - Strong cultural affinity with USA – American entertainment widely available
 - Creativity
- Companies: Walt Disney, Toei Japan

4.1.4 Software Development

- IT outsourcing for U.S. alone reached \$56 billion in 2001; projected to grow to \$100 billion by 2005¹³
 - Philippine software developers generated \$115 million in revenues for 2001; likely understated due to unreported exports
 - Expect to grow to \$268 million in 2004
- Employment
 - 36 registered software development houses
 - Estimated employees: HeadStrong 1,500 programmers; Fujitsu 2,000; Accenture 2,000
- Supply of Knowledge Workers
 - 21,245 graduates in IT and related programs in 2000¹⁴
- Unique competitive advantage
 - Developing wireless applications – good fit with Filipinos’ avid use of mobile phones and SMS
- Encountering difficulty competing against India’s lead and image

4.1.5 Business Process Outsourcing (BPO) – Financial Services

- Market size \$20 to \$25 billion (across industries) worldwide in 2002
 - Finance and accounting services expected to grow to \$15 billion by 2008¹⁵
- Employment & Supply of Knowledge Workers – not found

¹² Robi Roncarelli, President, editor and publisher of PIXEL (animation magazine)

¹³ Outsourcing Institute, 2001 IT Outsourcing Index

¹⁴ Board of Investments

¹⁵ NASSCOM McKinsey

- Unique competitive advantage
 - Filipino accounting system is similar to American Generally Accepted Accounting Principles (GAAP)
- Companies: Procter & Gamble, Barnes & Noble, Caltex, American Data Exchange (see sections 8.2 and 8.3)

4.2 Revenues and Projections for the Philippine ITES Industry

The Board of Investment estimates that the ITES industry produced \$349 million in revenues in 2001 (approx. 1% of exports). Growth is projected to be at 68% annually, to an industry size of \$1.65 billion in 2004. This figure amounts to about 18% of what India has projected for its ITES exports of \$9 billion in revenues by 2004.¹⁶

5 Role of Government

5.1 Perceptions of Stakeholders

During interviews, key stakeholders from the public and private sectors were asked what they believed the appropriate role of the government should be in promoting the ITES industry. The following were the most common remarks on what the government could do:

- Provide opportunities for local firms for e-government projects
 - Currently, there is a government “E-procurement” project in progress (CIDA funded) that has been sent for bid to local IT development firms
 - The government has already collaborated with Filipino firms to develop online registration for DMV, passports, visas; these arrangements were made on a cost- and revenue-share basis
- Market the country and the ITES industry service providers
 - More about marketing is mentioned below
- Ensure affordable infrastructure, specifically telecommunications costs
 - Many of those interviewed responded that the “most significant contribution” made by the Philippine government to the industry is to liberalize the telecommunications market.

5.2 Marketing and Business Incentives

5.2.1 Marketing

The most visible effort of the ITECC and the Board of Investments in promoting the industry is through the BOI’s Center for International Trade Expositions and Missions (CITEM; the CITEM director in charge of the IT sector serves on ITECC’s Business Development sub-committee). CITEM has already sponsored two trade expositions in Manila, “e-Services Philippines”, which reportedly was well-attended by Filipino service providers (129 exhibitors) and other Filipino companies but not by

¹⁶ NASSCOM McKinsey

international prospects. Despite the lack of attendance by overseas customers, CITEM believed the expositions served as an effective way to gather data about the industry. The Center is planning a more targeted approach to attract international outsourcing companies to visit Manila during these expositions, such as inviting companies that are planning to visit India for that country's planned ITES trade shows.

CITEM has also sponsored several trade missions to the USA, on a cost-share basis with Filipino-owned ITES companies. The agency acts as the marketing coordinator for these missions, working with the country's established export councils overseas to schedule these missions with prospective customers, and providing the appropriate marketing materials for promoting the country. In addition, CITEM facilitated the participation of ITES companies in the Offshore Outsourcing conference held in the United States in October 2001.

These missions were considered an effective means to create awareness for the Philippines ITES industry. No contracts were agreed upon during the missions; however, the trip generated sufficient interest as evidenced by follow-up activities of companies inquiring about and scheduling investigative trips to the Philippines (particularly for call center vendors). Future trade missions are already scheduled for 2002, including the conference for the American Medical Transcription Association in Florida.

The CITEM budget was not discussed during the interview, but it was often stated by ITECC members that there is limited funding for these marketing programs. The costs of an overseas advertising campaign, for example, are prohibitive at this time.

5.2.2 Public Relations

The Board of Investments in 2002 commissioned the Gartner Group to produce a capabilities study of the ITES industry in the Philippines, at the cost of \$60,000. The early results of the study (to be published May 2002) confirm the country's strengths in call centers and BPO. The study's costs were considered an effective investment considering the influence and reach of the Gartner Group, and the resulting positive outlook for two of the Philippines' target sectors.

5.2.3 Government Incentives

There are several notable government incentives that have facilitated the growth of local companies and foreign investment in the ITES industry:

- Philippine Export Processing Zones (PEZA) – IT Parks in the country are typically owned and operated by the private sector
- Other Incentives
 - Tax Holidays for 4 to 8 years
 - Tax and duty free importation of machinery, equipment
 - Simplified flow of goods
 - Additional deductions for training expenses
 - Employment of foreign nationals made easier

6 SWOT Analysis

As the Philippines determines its competitiveness as a provider of ITES to overseas customers, as well as the segments in which it chooses to compete, elements of its position as a supplier of services can be identified:

Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Declining telecommunications costs ▪ Skilled, educated labor ▪ English proficiency, high level among nations ▪ Cultural affinity with USA ▪ Professional niches – medical-related fields, accounting, art ▪ Political will; partnership between public and private sectors – united message ▪ Successful ventures with overseas companies, MNC’s – “Testimonials” 	<ul style="list-style-type: none"> ▪ Country image ▪ Survey of executives of foreign MNC’s doing business in the Philippines cite concerns ▪ Peace and Order: Abu Sayyaf (separatist insurgencies in the south) ▪ Corruption: increasing ▪ Political winds shift unpredictably ▪ Infrastructure (power, traffic conditions) ▪ Lack of funding for overseas marketing ▪ Export-based enterprises (SME’s) not enabled
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Target countries¹⁷ <ul style="list-style-type: none"> ○ US and Canada ○ Japan ○ Singapore ○ Malaysia ○ Australia ○ Germany ○ UK ▪ Move up the value chain to remain competitive 	<ul style="list-style-type: none"> ▪ Other countries also vying for ITES <ul style="list-style-type: none"> ○ China, all segments – competing on cost ○ Vietnam (animation), Pakistan (software), Myanmar (BPO) ○ India – aggressively pursuing BPO ▪ Future supply of skilled labor – recognized need to keep workers competitive on global level ▪ Politics: Presidential elections in 2004 ▪ Foreign investment overshadows domestic – acknowledged trade-off to create jobs

7 Learnings for Bangladesh

While the Philippines appears to be gaining momentum in determining and strengthening its competitive position as a supplier of IT-Enabled Services, the country is still in the emerging stage of developing this industry sector and its export potential. The following summarizes the actions and results discussed in this report, which serve as possible action items for Bangladesh:

Action: Liberalize telecommunications industry
Results: Lowered costs, enabled IT industry; increased company competitiveness; increased foreign investment

¹⁷ CITEM

Action:	Focus on unique competitive advantages
Results:	Differentiation from other competitor countries
Action:	Government provides institutional support
Results:	Open market policies encourage foreign investment; marketing the country as government's role
Action:	Public and private sector partnership
Results:	Aligned objectives and tactics; united message to market the country

While still behind and lesser-known than India, the Philippines offers several possible best practices to Bangladesh with its efforts to formulate, articulate and implement its strategies for becoming a “Supplier Country of Choice”.

8 Exhibits: Case Studies

8.1 Medical Transcriptions: Transkripsyo

Transkripsyo, Inc. is an example of a Filipino-owned ITES company in its early stages of development. Like many Bangladeshi MT firms, the company relies on marketing intermediaries for customers – a common practice that ultimately reduces profitability. Unlike the Bangladeshi MT firms, however, Transkripsyo has lower connectivity costs, shorter training periods, proven quality measures, and assistance from the Philippine government in direct promotion to U.S. firms.

- Filipino-owned; began operations in September 2001 by owners of IT training schools
- Human resources
 - Employs 30 transcribers on-site, 15 work from home
 - Recruit experienced MT's, or medical-related graduates
 - 3 to 6 month training
 - Can produce up to 588k clean lines per month; compare with 6M lines for HealthScribe India
- Competes with Indian firms in quality
 - Work must pass through 2 editors and 1 auditor
 - Measures performance of transcriber using accuracy scoresheet of American Association of MT's
- Infrastructure
 - E-Transcribe system (U.S. –based ASP): provides workflow and management tools
 - Dial-up or web-based: clients can dictate reports via 800#, or upload digital voice files from hand-held dictation recorders via the Internet
 - Clients retrieve completed transcriptions via the E-transcribe website
 - T1 line
- Marketing
 - Has only one major client; has marketing agents based in U.S. paid on finder's fee or commission basis

- Participating in BOI-sponsored trade mission to MT conference in U.S. in April 2002; cost-share basis

8.2 BPO: Cypress Semiconductors

Cypress Semiconductors' operations in the Philippines is an example of an extended commitment and investment by a foreign firm, once provided with a positive track record and favorable business environment and incentives.

- Manufacturer and supplier of integrated circuits for network infrastructure, based in San Jose, California (USA)
- Operates assembly plant in Cavite, outside Manila
- Extended operations to Manila, to provide accounting services for U.S. and Asia Pacific offices
- Employs 20 employees; 80% are CPA's
- Plans to extend to call center for internal services and customer sales support
- Workflow – no paper; invoices and payroll are processed through electronic bill presentment and other web-based applications
- Infrastructure: located in the HatchAsia IT Park (a PEZA park); has T1 line

8.3 BPO: American Data Exchange

American Data Exchange is an example of a foreign-owned Business Process Outsourcing company with primary operations in the Philippines. The principals' choice to locate in the Philippines demonstrates the positive factors that have evolved in the country's business climate which thereby encourages foreign investment. The resulting operation created over 300 jobs for Filipinos in two years.

- American-owned; technical support and marketing office in California; began 2000
- Has operations in the Philippines, quality control consultants in India and China (subcontractors)
- Provides business process consulting and support
 - Financial Accounting
 - Human Resources
 - Word Processing and Data Entry
 - Transcription and Encoding
 - Software and web development
- Human Resources
 - 300 employees
 - Significant training challenge – learning expectations of American client
 - Quality strictly measured; used in reward system
- Infrastructure, Workflow
 - Majority of data received as web images; some paper and film
 - T1 lines and microwave, for redundancy
 - Offices scattered throughout Manila, all networked
- Jim Donovan, CEO
 - Decades of business experience in Asia
 - Sees risks in frequent political changes in country

- Believes Philippines can achieve 10% of what India gets in revenues for BPO
- Criteria for locating business in Philippines:
 - Declining telecomm costs
 - Increasing IT capabilities
 - Promising new political leadership

9 Appendix: Contact Information & Resources

Philippines as Third Country for ITES Market Research
Suggested & Completed Interviews

Pri- ority	Organization/Company	Contact	Contact Information	Address	Meeting Date
A	Information Technology and E-commerce Council (ITECC)	Virgilio Peña, Executive Director	832 734 2215 c/o Francis Samson, Exec Assistant	Malacanang Palace Office of the President	March 21
A	ITECC, Business Development Council	Mark Javier, committee co-chair	Managing, Director, CIO 841-5401 (Mariz) javier.man@ayala.com.ph	33 rd Floor, Ayala Triangle Tower 1	March 19
A	AGILE, USAID-funded project supporting ITECC	Jaime Faustino, Competition Policy Advisor	687 7729 to 32 Jaime_faustino@dai.com	AGILE Headquarters Units C&D, 11 th Floor Strata 2000 Building Emerald Avenue, Ortigas Center, Pasig	March 20
A	BOI	Gregory L Domingo Undersecretary Industry & Investments Group, ITECC	632-890-9332 gldomingo@dti.gov.ph	Same	March 22
A	Business Process Outsourcing: • American Data Exchange	James Donovan, CEO Jorge Miguel Azurin, Managing Director	0917 496 7536 750 1423 to 24 jmd@amdeatex.com jojya@amdatex.com	Suite 2102 Pearl Bank Center 146 Valero Street Makati	
A	Center for International Trade Expositions and Missions (CITEM) – organizers of ePhilippines 2002	Felicidad Tan-Co, Executive Director Or Josie Gonzalez Division Chief for IT 832-5044	832-5044 or 831-2201 locals 212, 251, 301 or 278, or at itservices@citem.com.ph	Golden Shell Pavilion Roxas Boulevard 1300 Pasay City	March 19
A	Content Development/Animation: • Animasia, Inc.	Joy Bacon Lorna, secretary	524-2608 joy_b96@yahoo.com		

Priority	Organization/Company	Contact	Contact Information	Address	Meeting Date
A	Cypress Semiconductor Philippine Headquarters Ltd (accounting back office for Cypress, San Jose, CA)	Marilyn Cimatu, Finance Manager	859 6928 859 6900, x 3028 mbc@cypress.com	1 st Floor HatchAsia Global City Center 31 st Street E-Square Bonifacio Global City Taguig	March 22
A	DFFN (software development, systems integrator) HatchAsia	Ramon Garcia, Jr. Chairman	446 4847 ramongar@dfnn.com	3 rd Floor HatchAsia Global City Center 31 st Street E-Square Bonifacio Global City Taguig	March 21
A	Eastwood City Cyberpark	Ria Reyes, Senior Investment Consultant	912 1265 912 1713 rreyes@ecyberpark.com www.eastwoodcity.com	Unit 103 Ground Floor I-CITE Building Eastwood City Cyberpark 188 E. Rodriguez Jr. Ave Bagumbayan, Quezon City	March 22
A	ISP.COM Board of Investments (BOI), Department of Trade & Industry (DTI)	Manuel "Mar" Roxas, Secretary, DTI	632 895-8322 632 896-7342 E-mail: OSAC@boi.gov.ph	DTI Sen. Gil Puyat Avenue Makat 89907450 (Rachel)	
A	ISP.COM Board of Investments, DTI	Rey David, Communications representative for ISP.COM	843-8686 (Jonathan) 632 895-8322 632 896-7342 E-mail: OSAC@boi.gov.ph	Great Wall Advertising 136 Yakal Street Makati	March 20
A	Medical Transcriptions: Transkripsyo	Jeffrey Garcia, COO Rodin Pozon, President	635 8216 info@transkripsyo.com www.transkripsyo.com	24 th Floor Medical Plaza Ortigas San Miguel Avenue Ortigas Center Pasig City	March 21
A	Philippine Economic Zone Authority	? – ask for President or Executive Director	info@peza.gov.ph 551-3438		

Pri- ority	Organization/Company	Contact	Contact Information	Address	Meeting Date
B	Animation Council of the Philippines	Nestor Palabrica	421-2146 (Vivian)		
B	Asia Capital	Ditas Bautista, IT sector investment analyst	632 848 5126		
B	Bureau of Export Trade Promotion	Jason Lao, Asst. Director	betpod@dti.gov.ph 899-0133		
B	Department of Science and Technology	? – need to find the representative who sits on the ITECC Odette Trinidad, Coordinator/Representative to e-Philippines	Try: Office of the Secretary (OSEC) Phone: 837-2071 loc. 2000/2003/2500 Phone: 837-2071 loc. 2002 (Executive Assistant)		
B	Philippine Guild of Digital Technology	Elvira Medina	845 3916		
B	Philippine Internet Society, digitalfilipino.com	Janette Toral, President	janette@digitalfilipino.com		
B	Philippine Outsourcing and Marketing Association	? – ask for President or Executive Director	c/o PABLAW 1502-1504 15/F Security Bank Building Ayala Avenue, Makati City 1200 Telephone +63 (2) 891.1270 Fax +63 (2) 891.1401 E-mail info@philoutsource.com		
B	Pilipino Medical Transcription Services, Inc	Angie Iñigo RN Chief Operating Officer	8233-A Constancia Street Makati City, Philippines 1200 contact_us@mtpinoy.com		
B	Transnational Diversified Group	Daniel Ventanilla, Deputy President (speaker on BPO best practices during ePhilippines)	?		