

IT-BPM

Basic Industry Information

- The Philippine IT-BPM Roadmap 2022 is all about accelerating the growth of the PH IT-BPM industry — strengthening domain expertise and capabilities in the emerging sectors, leveraging advancements in technology and ensuring the Filipino talent is future ready.
- With rapid innovations in the areas of digital transformation, artificial intelligence, big data and analytics and evolving delivery models, it is imperative that the Philippines evolves with the changing demands to remain competitive.
- Roadmap 2022 provides the blueprint of the potential to fuel growth in the next six years and beyond. It outlines multiple paths, each having its advantages and disadvantages.
- First path: Mature locations such as India move from a cost plus labor arbitrage model to focusing on generating higher revenue and profitability per employee. This necessitates a shift in strategy from the Philippines to move towards accelerated adoption of technology platforms and an increased focus on vertical specialization.
- The other growth path, which is taken by China and other emerging countries, concentrates on ramping up volumes in order to increase global market share and gain credibility as quality suppliers of IT-BPM outsourcing services.
- The Philippines started two decades ago as an alternative IT-BPM destination to India and has since become the number one destination for voice-related services. The country is rapidly growing its capability to offer non-voice BPM and IT services to an increasingly broader set of clients worldwide, expanding its horizontal BPM services in areas such as finance and accounting, as well as vertical-focused solutions such as healthcare information services.
- The country also has a strong affinity to the North American market and is consistently preferred by major buyers due to its cultural and historical links, English proficiency skills, and friendly and hospitable manpower.
- Countries are increasingly eyeing a larger slice of the lucrative IT-BPM sourcing sector taking into consideration potential for investment inflow and employment opportunities.

- Frost and Sullivan categorized the destinations into three groups: Leaders, Alternatives, and Emerging or Developing players.



Product/Services

Most of the Philippine IT-BPM sector's growth will be driven by high-value services as the country moves up the value chain in the next six years. Some of these high-value services include:

Contact Center and BPO subsector

- Engineering Services Outsourcing (ESO)
- Data Analytics
- Performance Management
- Legal Process Outsourcing (LPO)

Information Technology (IT) Services subsector

- Application Development Management (ADM)
- System Integration
- Automation Enablement
- IoT-Enablement languages

Health Information Management (HIM) subsector

- Preventive Health
- Remote Healthcare Management
- Provider Services

Animation and Game Development subsector

- 3D animation
- Augmented & Virtual Reality (AR/VR)
- Gamification

Global In-house Center (GIC) subsector

- Industry specific services for Telecom, Healthcare, Insurance and Pharmaceutical

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Major Players

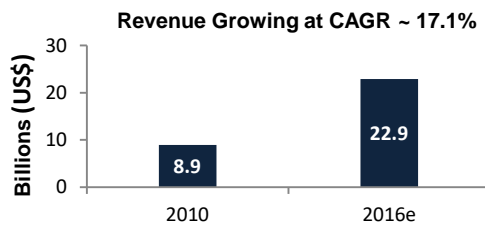
- Predominantly a multinational service providers' playing field, the Philippines has seen a significant increase in establishments and expansion by Indian-heritage service providers and Global In-house Centers (GICs) during the last roadmap period.

Industry Associations

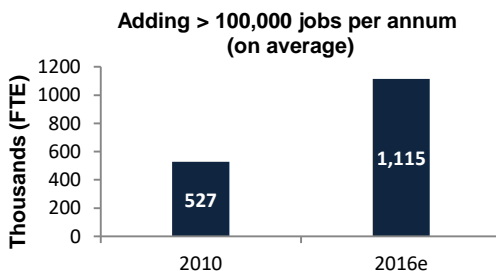
1. Information Technology and Business Process Association of the Philippines (IBPAP) www.ibpap.org
 - a. Animation Council of the Philippines Inc. (ACPI) Contact Center Association of the Philippines (CCAP) www.ccaponline.org
 - b. Game Developers Association of the Philippines (GDAP) www.animationcouncil.org
 - c. Global In-House Center Council Philippines (GICC) www.giccphilippines.com
 - d. Healthcare Information Management Association of the Philippines (HIMAP) www.himoap.com
 - e. Philippine Software Industry Association (PSIA) www.psia.org.ph
2. National ICT Confederation of the Philippines (NICP) – For Next Wave Cities www.nicp.org.ph

Industry Performance

- The sector has grown rapidly over the last roadmap period (2010–2016), increasing revenue at a compound annual growth rate (CAGR) of ~17% from US\$ 8.9 billion in 2010 to an estimated US\$ 22.9 billion in 2016.



- In terms of manpower, the sector added an average of >100,000 jobs every year, growing at a CAGR of 13.8%, from 527,000 FTEs in 2010 to an estimated 1,150,000 FTEs in 2016.



Significant socio-economic contributions¹

- >9% contribution to GDP (including indirect and induced multiplier impact)
- Strong linkages to other economic sectors (retail, F&B, banking, real estate — commercial and residential, transportation)
- Created 3.2 additional jobs (indirect + induced) for every direct FTE employed
- Facilitated inclusive growth through job creation outside NCR (~28% of total) and SME formation
- Significant income multiplier — creating 54 cents of wealth for every \$ revenue
- Between 2016 and 2022, despite an adverse impact on low skilled IT-BPM jobs, there is a potential upside of >654k net new jobs to be created

Vision, Goals, Target and Milestones

VISION: Key Messages of Roadmap 2022

- Faster employment growth outside NCR — 11% CAGR outside NCR vs. 7% in NCR — 500 thousand jobs outside the NCR.
- Diversify services portfolio — 42% from non-voice services in 2022 from 34% in 2016
- Move up the value chain — 73% mid-high skilled jobs in 2022 increasing from 53% in 2016
- Hire more post-graduates 16% in 2022 from 7% in 2016, for ITO contribute significantly to job creation 1 in 7 new jobs* from 2016 to 2022.

TARGETS:

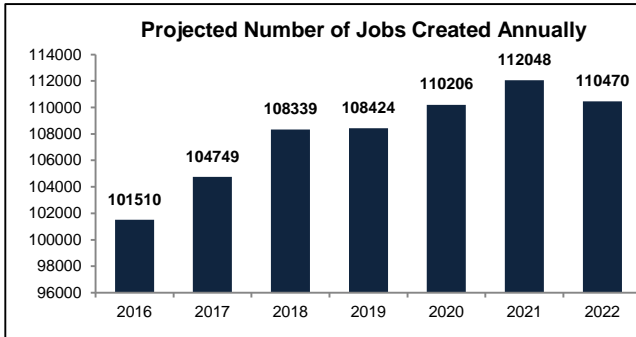
2016	2022
<ul style="list-style-type: none"> • US\$ 22.9 billion revenue • 12.7% share of Global IT-BPM sourcing • 1.15 million FTEs • 53% workforce in mid-high skilled • US\$19,100 revenue/ FTE 	<ul style="list-style-type: none"> • US\$ 38.9 billion revenue • 15.5% share of Global IT-BPM sourcing • 1.80 million FTEs • 73% workforce in mid-high skilled roles • US\$21,600 revenue / FTE

- In terms of jobs created annually, Roadmap 2022 projects that IT-BPM companies are expected to create over 100,000 jobs annually until 2022

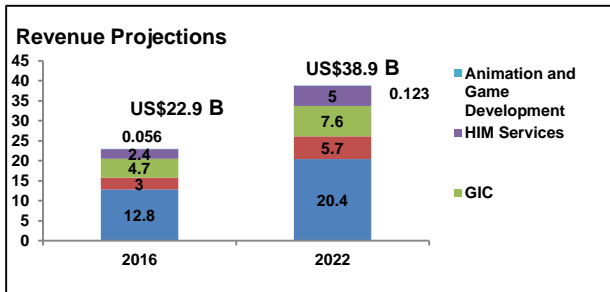
¹ Frost and Sullivan economic impact analysis basis on IO tables

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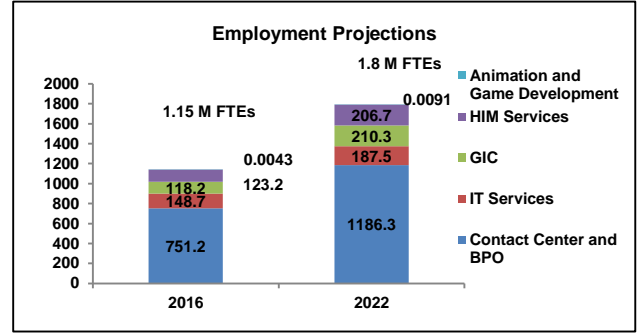
- Relatively slower growth in FTE largely attributed to more technology-enabled high-value jobs, vis-à-vis revenues (7.8% vs. 9.2%) indicates higher revenue per FTE - a sign of moving up the value chain.



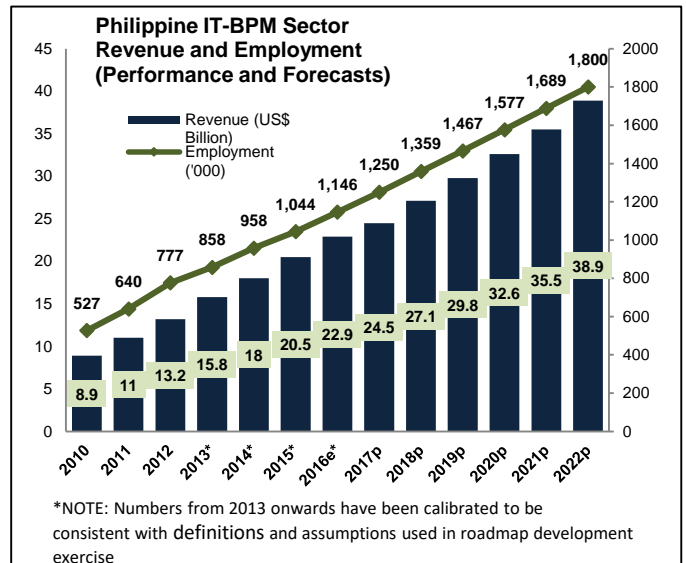
- Slower growth in employment is seen as a sign of a maturing sector and the anticipated impact of technology. Nevertheless, the Philippines is still projected to outperform the global IT-BPM sector and as a result will increase its share of the global IT-BPM outsourcing sector from 12.7% in 2016 to 15.5% by 2022.
- Roadmap 2022 projects CAGR of 9.2% from 2016 to 2022 reaching US\$ 38.9 billion by 2022. This is considerably lower than past CAGR of 17% between 2010 and 2016.



- In terms of employment, the total manpower employed by the sector is projected to increase from an expected 1.15 million Full-Time Equivalents (FTEs) in 2016 to an estimated 1.8 million FTEs by 2022, equivalent to a CAGR of 7.8%.



- Although CAGR is considerably compared to Roadmap 2016 accomplishment, the Philippines is still projected to outperform the global IT-BPM sector with revenue growth at 5.6% (from 2016 to 2022) and as a result will increase its share of the global IT-BPM outsourcing sector from 12.7% in 2016 to 15.5% by 2022.

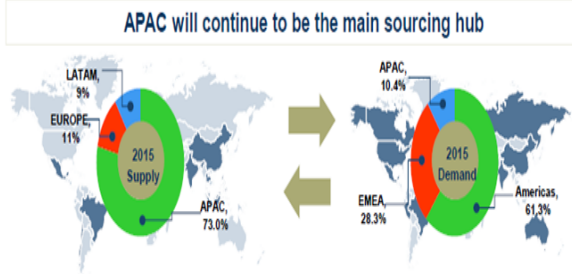


Markets Served

- The USA remains the top export market for the local IT-BPM services. Meanwhile, the share of Australia and New Zealand as an export destination is increasing rivaling Europe. Japan makes up the remainder of export market.
- Today, almost one-sixth of the global IT-BPM sector is outsourced, with the sector expanding by more than five times in the past decade. In 2015, the sector generated US\$166 billion in revenue globally and is forecast to increase to US\$250 billion by 2022.

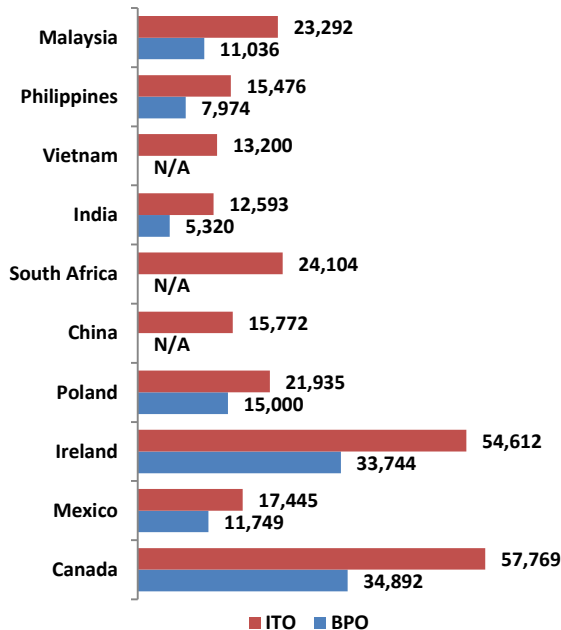
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- Of the global IT-BPM sourcing market for 2015, IT Services global sourcing accounted for nearly 60%, while 40% came from BPM global sourcing services.



Philippine Advantage

A comparison of salaries of IT services and BPO sectors are shown comparing team lead roles (IT and Customer service) in US dollars

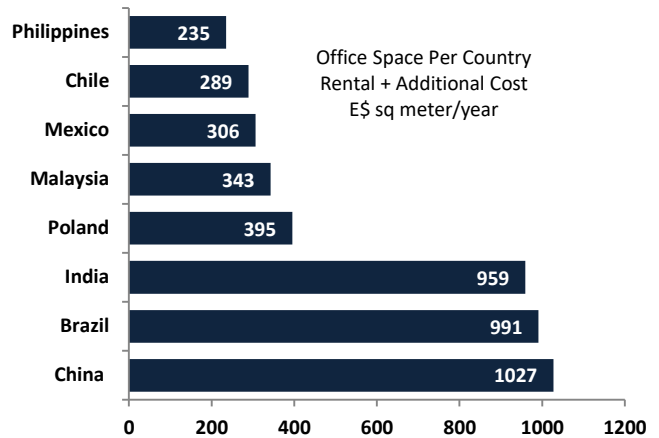


Supply of Graduates and Human Resources²

The country produces almost half a million college degree graduates every year, of which, 66.6% have courses suitable for the IT-BPM sector. The Philippines ranks among top countries in terms of annual graduates.

Comparative Summary of Graduates ('000)					
College Graduates		F&A / Business		IT	
India	3,500	India	560	China	634
China	2,000	China	127	India	510
PHL	~500	PHL	107	PHL	85
Poland	~500	Poland	107	Malaysia	68
Mexico	371	Mexico	68	Poland	53
Egypt	330	Egypt	66	Mexico	50
Malaysia	131	Romania	33	Egypt	39

Real Estate Infrastructure



Government Support

Incentives

- Generous tax incentives for IT-BPM-related investments, including income tax holidays, have also given the Philippines an edge. The Board of Investments (BOI) provides tax breaks and other incentives for registered entities engaged in activities identified in the Investment Priorities Plan (IPP).
- The Philippine Economic Zone Authority (PEZA) entitles registered companies to a holiday from income tax and local taxes for three or eight years. After that, they are subject to 5% tax on gross income (sales less direct costs) in lieu of all local and national taxes. To avail of the tax breaks and incentives offered by PEZA, an enterprise must locate in one of the PEZA IT parks, buildings and technology hubs.

² Commission on Higher Education (CHED) and Everest Analysis 2010