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Philippine Call Centers Overtake India

Its young workforce, well trained in English, is luring call center operations from Bangalore and Guragon

By [Mehul Srivastava](#)

For the past decade, Americans dialing customer service have stood a strong chance of being connected to someone in India. Now they're more likely to end up phoning the Philippines. Although the country got a slow start in outsourcing, strong government support, a plentiful supply of English-speaking college grads, and an effort by call center operators to diversify have helped the Philippines overtake India in call center revenues. "It's not that we are trying to take business away from India," says Oscar Sañez, chief executive officer of the Business Processing Association of the Philippines, an industry group. "We're just looking for our own place in the sun."

The Philippines this year will pocket \$5.7 billion for call center work from the U.S., Europe, and Australia, vs. the \$5.5 billion that India's call centers will take in, according to the Everest Group, an outsourcing advisory firm. Call center operators like the Philippines because English is taught in schools and Filipinos have a cultural affinity for the U.S., which ruled the country from 1898 to 1946. "Clearly, these guys had a much later start, but they have caught up," says Everest Group partner Nikhil Rajpal. India, though, continues to lead in overall outsourcing revenues: \$70 billion, vs. \$9 billion for the Philippines. The outsourcing industry now employs 530,000 people in the Philippines and makes up about 6 percent of gross domestic product.

A decade ago, millions of young Filipinos, especially English-speaking nurses and law students, had emigrated to the U.S., Hong Kong, and elsewhere. The billions of dollars they sent to their families every year represented the country's second-largest foreign exchange earner, after computer chips from Texas Instruments (TXN) and a handful of other tech players. Frustrated government officials looked to India for inspiration. "India had become very famous for call centers, and we decided to learn from their example," says Celeste Ilagan, who spent the past

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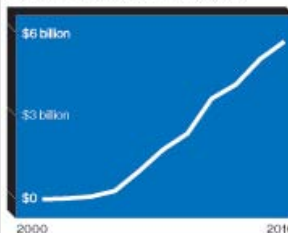


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decade working in government programs to encourage outsourcing and now heads communications for SPI Global, a call center operator owned by the Philippines' largest telecom company.

To better understand India's success, Filipino officials visited industry representatives in that country. The Filipino government streamlined the approval process for companies setting up call centers and changed its rules to allow individual buildings to be designated special economic zones. Such zones offer tax breaks, quick clearances for building permits, and an exemption from import duties on computers and telecom gear. And some 40,000 students have benefited from government-sponsored training to improve their English and communication skills.

Call centers are changing the rhythms of Filipino life. Malls, bars, cinemas, and cafés have popped up near buildings where young, nocturnal workers earn as much as 300,000 pesos (\$6,850) a year in a country where annual per capita GDP in 2009 was about 83,000 pesos, Bloomberg data show. Weaned on radio stations that play U.S. Top 40 pop and hip-hop, teens seeking jobs in call centers can banter in English as naturally as their native Tagalog. "There used to be some doubts about letting young people work so late at night, but now this has become an industry that young people aspire to," says Thea Lu, a 30-year-old team leader with 24/7 Customer.

A big part of the Philippines industry is run by companies that participated in India's outsourcing revolution and are now looking to expand abroad. A tax break for Indian outsourcing shops is set to expire in 2011, though the industry is lobbying hard against it. In Bangalore and Gurgaon, India's biggest outsourcing hubs, companies must rely on diesel generators to ensure electricity, run fleets of buses to ferry employees to and from work, and struggle with attrition that can reach 50 percent a year.

Those hassles, as well as a desire to diversify geographically, have spurred both Indians and Americans who operate call centers in India to shift work to the Philippines. Bangalore-based Wipro ([WIT](#)) set up in the Philippine city of Cebu in 2007 and now has 2,000 workers in the country; by 2014 it expects to increase that to 8,000. And 24/7 Customer, a California company that started operations in India in 2000, opened a Philippines office in 2005. It now has 4,000 employees in the country, vs. 3,000 in India. "It's very sad that India could not keep up with its neighbors," says 24/7 co-founder Shanmugam Nagarajan.

As the Philippines government aims to double overall outsourcing revenues, to \$18 billion by 2015, it faces big hurdles. While it's easy to hire new recruits who speak English, finding experienced managers is tougher; in an industry so young, few people have been around long enough to handle management or strategy jobs. "Where are we going to find the right kind of managers who can make our operations stand out?" asks Steve Barker, who heads Asian operations for Sitel, a Nashville-based company that has 10,000 workers and seven facilities in the Philippines.

Another obstacle is that the Philippines produces only about 10 percent as many engineers as India. Indian outsourcing shops have gone from answering phone calls to account management, tech support, and consulting gigs such as helping banks manage financial derivatives and improving retailers' supply chains. While it's fairly easy to handle customer phone calls, higher-level work requires the kind of specialized education that India provides the 400,000 engineers it graduates annually. "Ten years down the line the Philippines may be a hotter destination," says Sanjeev Bhatia, who oversees international operations for Wipro BPO. "But in IT and software, India really doesn't have any competition."

The bottom line: *The Philippines has overtaken India in call centers, though it remains far behind in more sophisticated outsourcing services.*

[Srivastava](#) reports for *BusinessWeek* from New Delhi.

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roderick sexton
Dec 19, 2010 5:49 PM GMT
The Filipinos are more accomodating and efficient. They can think for themselves and make a decision PLUS I can understand what they are saying.

Susan
Dec 15, 2010 11:40 AM GMT
RE:Kevin.Although India didn't want this happen and did a lot to avoid thia,a piece of new on Dec.6th,2010 said that Phillipine has already overtaken India and has become the country that has the most market share in outsourcing globally.It means that Phillipine did made a huge effort to outsource.

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