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2013 Top 100 Outsourcing Destinations

Rankings and Report Overview

January 2013

2013 Top 100 Outsourcing Destinations Rankings

Rank 2013	Movement from Last Year	Region	Country	City
1	-	South Asia	India	Bangalore
2	-	South Asia	India	Mumbai
3	+1	Southeast Asia	Philippines	Manila (NCR)
4	-1	South Asia	India	Delhi (NCR)
5	-	South Asia	India	Chennai
6	-	South Asia	India	Hyderabad
7	-	South Asia	India	Pune
8	+1	Southeast Asia	Philippines	Cebu City
9	-1	Western Europe	Ireland	Dublin
10	+1	Eastern Europe	Poland	Kraków
11	-1	East Asia	China	Shanghai
12	-	East Asia	China	Beijing
13	+5	Central America	Costa Rica	San José
14	+2	East Asia	China	Shenzhen
15	-1	East Asia	China	Dalian
16	+1	Southeast Asia	Vietnam	Ho Chi Minh City
17	+3	Eastern Europe	Czech Republic	Prague
18	-5	South America	Brazil	São Paulo
19	+9	Southeast Asia	Malaysia	Kuala Lumpur
20	-1	South Asia	Sri Lanka	Colombo
21	+1	South America	Chile	Santiago
22	+4	Middle East and Africa	South Africa	Johannesburg
23	-2	Southeast Asia	Vietnam	Hanoi

24	-9	South America	Argentina	Buenos Aires
25	-1	South Asia	India	Chandigarh
26	-1	South Asia	India	Kolkata
27	-4	South America	Brazil	Curitiba
28	-1	Eastern Europe	Hungary	Budapest
29	-	South Asia	India	Coimbatore
30	+1	Eastern Europe	Czech Republic	Brno
31	+4	Southeast Asia	Singapore	Singapore
32	+1	Eastern Europe	Russia	St. Petersburg
33	-1	North America	Canada	Toronto
34	+2	East Asia	China	Chengdu
35	-1	East Asia	China	Guangzhou (Canton)
36	+2	Eastern Europe	Poland	Warsaw
37	+6	South America	Uruguay	Montevideo
38	-8	South America	Brazil	Rio de Janeiro
39	-2	South Asia	India	Jaipur
40	-1	North America	Mexico	Mexico City
41	-1	Western Europe	U.K.	Belfast
42	-1	North America	Mexico	Monterrey
43	-1	South America	Brazil	Brasília
44	-	Eastern Europe	Romania	Bucharest
45	+3	Middle East and Africa	Ghana	Accra
46	-1	East Asia	China	Tianjin
47	+3	Eastern Europe	Slovakia	Bratislava
48	-1	North America	Mexico	Guadalajara
49	+6	South America	Colombia	Bogotá
50	+1	Eastern Europe	Bulgaria	Sofia
51	+1	Eastern Europe	Estonia	Tallinn

52	+2	Eastern Europe	Slovenia	Ljubljana
53	+7	South America	Colombia	Medellin
54	-1	South Asia	India	Bhubaneswar
55	+1	Eastern Europe	Ukraine	Kyiv
56	-10	Eastern Europe	Russia	Moscow
57	-	Middle East and Africa	Morocco	Casablanca (Dar-el-Beida)
58	-9	Middle East and Africa	Egypt	Cairo
59	-	North America	Puerto Rico	San Juan
60	-2	North America	Canada	Halifax
61	+1	Southeast Asia	Indonesia	Jakarta
62	+3	Eastern Europe	Russia	Nizhniy Novgorod
63	+1	South America	Peru	Lima
64	-3	Western Europe	Ireland	Cork
65	-2	Western Europe	U.K.	Glasgow City
66	-	South Asia	India	Thiruvananthapuram
67	-	East Asia	China	Xi'an
68	+3	Middle East and Africa	South Africa	Cape Town
69	-1	South Asia	India	Ahmedabad
70	-1	Southeast Asia	Philippines	Davao City
71	+1	South America	Argentina	Córdoba
72	+2	North America	U.S.A.	San Antonio, Texas
73	+4	Southeast Asia	Malaysia	Penang
74	-4	Middle East and Africa	Turkey	Istanbul
75	+3	Eastern Europe	Poland	Wroclaw
76	-	East Asia	Taiwan	Taipei
77	-4	Middle East and Africa	Egypt	Alexandria
78	-3	South America	Brazil	Recife
79	+1	North America	U.S.A.	Birmingham, Alabama

80	+5	South America	Colombia	Bucaramanga
81	-	North America	U.S.A.	St. Louis, Missouri
82	-3	Western Europe	U.K.	Leeds (Yorkshire & Humber)
83	+4	Southeast Asia	Thailand	Bangkok
84	+2	Southeast Asia	Philippines	Santa Rosa, Laguna (or Metro Laguna)
85	-3	South America	Chile	Valparaíso
86	-3	East Asia	South Korea	Seoul
87	-3	Australian	Australia	Perth
88	+1	Middle East and Africa	Mauritius	Port Louis
89	+2	Eastern Europe	Ukraine	Lviv
90	-2	South America	Paraguay	Asunción
91	-1	South America	Brazil	Campinas
92	1	Eastern Europe	Russia	Novosibirsk
93	-1	Southeast Asia	Philippines	Iloilo City
94	-	Southeast Asia	Philippines	Bacolod City
95	-	Central America	Nicaragua	Managua
96	-	Central America	Guatemala	Guatemala City
97	-	Middle East and Africa	Kenya	Nairobi
98	-	South America	Colombia	Cali
99	-	Southeast Asia	Philippines	Baguio City
100	-	Eastern Europe	Croatia	Zagreb

Report Overview

The Tholons 2013 Top 100 Outsourcing Destinations Report reflects the dynamic shifts occurring across regional outsourcing landscapes. For this year, the outsourcing landscapes of three particular regions have progressed significantly - namely Southeast Asia, South America and Eastern Europe. Southeast Asia's maturing 'Outsourcing Brand', improving macro-economic environment and expanding domestic markets continue to draw the attention of large service providers into the region, resulting in the upward movement of key Southeast Asian service delivery locations. South America had biggest gainers and losers this year, indicating positive traction in some countries, while lingering adverse risk conditions continue to hamper progress in others. Eastern Europe is slowly getting more attention from service providers, as respective cities continue to develop their IT Services landscapes.

The developments in these three regions contributed to the rise in ranking in the Tholons Top 100 List and this movement was further enhanced amidst the backdrop of economic and political volatilities affecting the IT-BPO industries in other regions. For example, political and social risks continue to reverse the direction of service outsourcing in the Middle East and North Africa - washing away much of the regions' recent gains. Western Europe and North America struggled to steer through economic uncertainties, prompting many large providers to explore or expand operations in less volatile delivery locations.

The Big Three

Tholons sees that Southeast Asia, South America, and Eastern Europe to continue at their aggressive pace in the near term and much of the traction reflected in this year's rankings were fruition from developmental actions taken in previous years. The combination of human capital development programs, aggressive marketing and promotions activities, IT and related infrastructure development, as well as strong commitment of industry stakeholders – were some of the developmental levers taken by IT-BPO stakeholders in these regions.

The Philippines, Malaysia and Indonesia were amongst the most promising Southeast Asian destinations in 2012. Among the three, the Philippines remains to have the most vibrant IT-BPO industry, led by the emerged outsourcing destinations in the country, Manila NCR, which claimed the third top outsourcing destination spot in this year's List, and deposing India's Delhi NCR (now 4th). Cebu City has likewise increased one notch in the List, from 9th place to 8th spot. In 2012, the Philippines IT-BPO industry was fueled by increased new investments from large and mid-sized foreign providers, as well as greater expansions of established locators and captives across many of the country's established delivery locations. *(See box for some of the industry highlights in the Philippines).*

The IT-BPO Industry of the Philippines: Leaving No Room for Complacency

Today's current global market leader for voice BPO, the Philippines has proven that there's still more to gain in the services globalization industry. Based on the events of 2012, the Philippines continued to garner interest from large, Western providers, not only as an offshore delivery location, but likewise as a potential rich domestic market for IT Services.

- **Teleperformance** – decided to establish yet another delivery center in Mandaluyong City (part of Manila NCR) over Canada
- **Convergys** - opened its 18th call center in the Philippines in Mandaluyong City
- **UnitedHealth** – US-based healthcare provider, established back-office operations for healthcare in Taguig City (another city in Manila NCR), as a response to the market demand created by the US Patient Protection and Affordable Care Act.
- **EXL** - another US service provider will open its third center in Cebu City, Philippines, delivering healthcare and insurance-related services to US clients.
- **IBM** will continue to grow its BPO services in the country, focusing on higher value analytics and high-value customer support services.
- **Wells Fargo & Co.** – plans on establishing a business support center in Taguig City to provide customer service and back office services
- A forum jointly conducted by the Philippine Embassy to the UK, the Philippine Trade and Investment Center-UK, Sitel, and UK National Outsourcing Association marketed the Philippines as a destination of choice among potential UK-based IT-BPO investors and clients.

Malaysia's Kuala Lumpur (19th) achieved a significant milestone - increasing by 9 notches this year, making the city the biggest gainer for this region. Kuala Lumpur now enters the Top 10 Emerging Cities list. Malaysia's GDP growth of 5% and strong investor confidence were catalysts for additional IT-BPO investments. Such economic developments should also induce established service providers to target the growing domestic market for outsourcing. Malaysia also has robust infrastructure development, which has further accelerated industry development. Kuala Lumpur has been one of the best alternative locations over Dalian, China for ITO services, as the latter has experienced increasing labor costs in recent years. Kuala Lumpur's scale limitations however, are a mid-term concern.

Rising by one place, Krakow, Poland became the tenth city in the Top 100 List - making it the first Eastern European city to enter the Top 10 Emerged Cities. The overall industry ecosystem in Poland has been developing, spreading across key outsourcing destinations in the country. Warsaw (36th) and Wroclaw (75th) also increased three places in the List. One event illustrating such improvements is IBM's new security operations center in Wroclaw, which is the company's 10th such center in the world. This center is expected to employ 70 IT professionals to monitor client systems.

This marginal increase has also been noticed in other Eastern European destinations, as the region embarks on collective marketing and promotions actions through the CEEOA. Prague, Czech Republic climbed by three places to 17th place, further advancing in the Top 10 Emerging Cities. Brno also increased to the 30th place this year. Sofia, Bulgaria cuts into the 50th place in the List.

South America was also another important region in 2012's global outsourcing landscape. The region continued to implement more deliberate marketing and promotions activities to encourage more IT-BPO investments in the region. South America's growing, although often *overly dynamic* regional economy continues to be a target for established service providers in the region. As seen in the movements in the biggest movers, divergences depict the movements in the rankings of South American outsourcing destinations.

The Biggest Movers in the List

Colombia has been realizing its real-world potential as a viable destination in the region for IT-BPO services, with Bogota (49th) and Medellin (53rd) being part of the biggest movers in this year's List. Colombia's progress is attributed to the unwavering support from its industry and government stakeholders to promote Colombia as a global IT-BPO destination. Moreover, Colombian industry leaders have done well in collaborating with large Western providers in setting up operations in the country. Invest in Bogota extended its support to Convergys when it needed bilingual speakers for its initial operations in Bogota. Aravato Iberia has just started its back-office operations in Bucaramanga, confident to generate 1,000 jobs in the city. ACI Medellin helped in organizing the second O2LAC conference in Medellin, realizing the event as a critical tool for marketing Medellin as another location in the country for IT services.

Uruguay's Montevideo was another fast moving destination in the region - recording a 6-place progression and reaching 37th place this year. A small outsourcing destination which has long proven its strength in ITO services, Uruguay has maintained a vibrant, yet stable business ecosystem vibrant – establishing itself as a seemingly *more predictable or safer alternative* to Argentina, and even Brazil. Ongoing support from local stakeholders and promotion agencies, a maturing ITO sector and increasing interest by regional and American providers in the country, should propel the country in coming years. Being the center of Uruguay's IT-BPO industry, Montevideo will be the primary city to benefit from these wide-scale developments.

Conversely, South American locations also had the biggest drops in the List. Brazil's São Paulo (now 18th) and Rio de Janeiro (38th) have significantly fallen in the rankings. Brazil's increasing labor and ancillary costs have contributed to this decline. Brazil's labor unions - which are also present in the IT-BPO industry - have complicated the industry ecosystem, especially in the area of labor wages and mandatory increases. Labor strikes have also been present, disrupting the business operations in major cities of the country. Moreover, the impending after-hours e-communication law may add to the predicament of increasing costs for employers. This bill equates the use of portable communication devices to actual work carried out in a company's office. Employers will be required to make this additional compensation, which is considered as "overtime pay."

The key city in Argentina, Buenos Aires, has all recorded a downward progression, slipping out of the Top 10 Emerging Cities list and falling to 24th place this year. Political issues as well as inflationary pressures resulted to wariness among potential investors and established service providers on Argentina's business environment for IT-BPO investments and operations. Such debilitating conditions in these two countries have pushed many service providers to explore and look into other *alternative* outsourcing destinations in the region.

Biggest Gainers					Biggest Decline				
2012	2013	Movement	Country	City	2012	2013	Movement	Country	City
18	13	+5	Costa Rica	San Jose	13	18	-5	Brazil	Sao Paulo
28	19	+9	Malaysia	Kuala Lumpur	15	24	-9	Argentina	Buenos Aires
43	37	+6	Uruguay	Montevideo	30	38	-8	Brazil	Rio de Janeiro
55	49	+6	Colombia	Bogota	46	56	-10	Russia	Moscow
60	53	+7	Colombia	Medellin	49	58	-9	Egypt	Cairo
85	80	+5	Colombia	Bucaramanga					

Costa Rica's San Jose maintains continues to be one of the most impressive destinations in region. From last year's ranking, San Jose moved five notches up, now at 13th spot, making the city as one of the biggest gainers in the 2013 List. A significant catalyst for this has been the sustained government attributed to CINDE (The Costa Rican Investment Promotion Agency), in promoting the local IT-BPO sector. CINDE's aggressive promotion activities continue to promote Costa Rica as a high-value FAO, KPO and ITO destination, with San Jose as its flagship city. With this, various IT-BPO investments continued to flow into the city in 2012.

Moscow, Russia dips to 56th spot this year. Moscow's rising costs have been one of the highest among regional cities, prohibiting many service providers to set up operations, despite the abundant and skilled talent found in the city. Cairo, Egypt has fallen out of the Top 50 for this year, down to the 58th spot, due to the unabated risk situation of the country. Egypt is still ridden with protests, and political instability, disabling business operations in the country. Moreover, Egypt is facing deteriorating negative perceptions from its tumultuous political and social environments.

Notably, the List also welcomes two new cities from Central America: Managua (Nicaragua) and Guatemala City (Guatemala). Managua and Guatemala City have capabilities for bilingual (Spanish and English) BPO services. Guatemala City is home to global player Capgemini, which provides contact support and FAO services. With major players such as Sitel, 24/7 Customer and Stream Global Services, Managua has nearly 4,000 FTEs delivering bilingual contact support services. Nevertheless, these two new entrants in the Top 100 List have to be more cautious in maintaining a facilitative business environment. Nicaragua faces negative perceptions on its political stability, while Guatemala will need to work on improving its natural risk perceptions.

Moreover, Bacolod City re-enters the list at 94th place, closely competing with Iloilo City (both from the Philippines), and Baguio City entering the List at 99th spot. These two locations both focus on delivering voice BPO services. With 8,000 FTEs, Bacolod City is already home to BPO companies such as Convergys, Teletech, Teleperformance, Transcom, and Pan Asiatic Solutions. Meanwhile, Baguio City has established service providers such as IHG, Aegis, and Sitel (already has three sites in the City).

New Entrants			
2012	2013	Country	City
-	94	Philippines	Bacolod City
-	95	Nicaragua	Managua
-	96	Guatemala	Guatemala City
-	99	Philippines	Baguio City

Industry Outlook

Tholons sees more opportunities to unfold in the global services outsourcing industry - with tighter competition along the way. Indeed, the three regions, Southeast Asia, South America and Eastern Europe, will all continue to have positive momentum for 2013. Southeast Asia will continue to hover above other regions for BPO services, with the opportunity of targeting its respective, and growing domestic markets. South America will still showcase strong stakeholder support in improving the business environment and infrastructure for IT Services. Eastern Europe will continue to capitalize on promotional activities to encourage high value services, banking on its technically skilled labor pool.

Nevertheless, Tholons remains abreast on other possible developments in this ever-changing global industry. One has yet to see how African destinations will distinguish themselves from Middle Eastern cities as the former shows promising economic and infrastructure developments that can boost investor confidence. The Middle East has to prove how to curb negative perceptions in order to regain its momentum from recent years. Central America has yet to realize the fruits of its marketing and promotions programs to improve the region's traction for IT Services in the US market. South Asia is now launching more aggressive developmental initiatives among its stakeholders to better identify industry pain points and to better meet large-scale industry demands. East Asia has yet to implement strategies to combat increasing costs, and initiatives to improve its delivery capabilities for ITO services. As events will slowly unfold, Tholons will continue to pursue this investigation on the changing industry landscapes - to be captured and reflected in next years' Top 100 Outsourcing Destinations List.

About Tholons

Tholons is a Services Globalization and Investment Advisory firm that combines "Best of Breed" consulting experience with deep execution expertise and investment insights to deliver truly effective services to its clients. Tholons offers a detailed understanding of business processes and combines it with practical hands-on expertise in executing the strategy. Tholons draws upon the considerable experience of a hand-picked team, which has successfully formulated and executed globalization strategies to unlock value for Global Fortune 1000 companies. Service providers leverage Tholons expertise to optimize their global delivery model. Tholons advisors engage with government bodies to build compelling strategies for making countries attractive destination for outsourcing.

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