

Asian Call Centres: India versus The Philippines

Last year, Asian Call Centers produced the first ever analysis comparing all the countries in Asia for their suitability for English-speaking offshore call center activity. It was produced in response to a lack of information about the potential locations for offshore call center work. The report received widespread praise for its work detailing the pros and cons of each country in Asia from Pakistan heading East to Japan.

This is an addendum to the original report. This addendum examines the two major players in the offshore call center industry, notably India and The Philippines.

Introduction

Table 1: 2002 Overall Results

| | English | Telco | Stability | Support Services | Agent Quality | Cost | Management |
|--------------------|---------|-------|-----------|------------------|---------------|------|------------|
| Philippines | 1 | 6 | 8 | 5 | 1 | 9 | 7 |
| India | 2 | 8 | 13 | 7 | 2 | 11 | 8 |

| | |
|-------------------------|--|
| English | The quality of spoken and written English as required by call centers |
| Telco | The quality of the telecommunications infrastructure available to call centers in that country |
| Stability | The political stability and its likelihood to pose threats to call center operations |
| Support Services | The quality of services available locally to support call center operations |
| Available Agents | The quality of agents who would be willing and able to work in a call center environment |
| Cost | The cost of employing quality call center agents in that country |
| Management | The quality of management available to work in a call center environment |

The overall positions haven't changed much. The Philippines remains firmly at number 1 but has moved even further ahead of India.

The Philippines is now ahead of India in every one of the seven categories. However, in all but one of the categories (stability), The Philippines is only 1 or 2 places ahead of India. The two countries offer similar value propositions to each other but it is difficult to see any justification for selecting India over The Philippines.




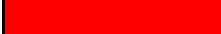
American companies are increasingly shifting their offshore outsourcing to The Philippines for a number of reasons outlined in this document.

In a nutshell "Filipinos speak better English and are both better agents and managers. The country has superior infrastructure, better support services and is a more cost-effective place to offer a quality call center solution."

Factor 1: Quality of English

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 1 | 1 | SAME |
| India | 2 | 2 | SAME |

KEY

| | |
|---|------------------------------------|
|  | Good availability of English |
|  | Mixed quality of English |
|  | Good English but accent too strong |
|  | Not suitable |

It is no surprise that the rankings for English are very similar to the overall rankings. Countries without high-quality English are simply unsuitable for offshore outsourcing.

The Philippines has moved even further ahead of India even though India remains at number 2 for this section. There has been a lot of criticism about strong accents in India and how the agents in some Indian vendors have been unable to have a complex conversation in English with Americans or British people. Because of the dominance of English in The Philippines, the agents there think in English and have a neutral accent.





As the market in both of these countries is set for triple digit growth over coming years, it will become more clear as to whether this puts a strain on the number of “perfect English” agents in both countries. However, it seems clear that The Philippines will be able to move up the value chain far easier.

The main issue regarding English is that call center agents need to be able to think in English. The Philippines is the only country in Asia, which can truly say the bulk of their population, can “think” in English to a very high degree. Below are some reasons why:

- English fluency in The Philippines is over 90%
- English fluency in India is less than 5%
- English is the medium of education in The Philippines
- The Philippines has a high density of English speaking media
- The call center industry in The Philippines is almost exclusively in Manila where English is even higher than the 90% national average.

Factor 2: Quality of Available Agents

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 1 | 1 | SAME |
| India | 2 | 2 | SAME |

| KEY | |
|---|--|
|  | Very good quality of agents willing and able to work in call centers |
|  | Good quality of agents willing and able to work in call centers |
|  | Quality of agents limited by other opportunities or weak education |
|  | Agents unsuitable for call center work |

Across Asia, the perception of the call center agent's position varies from country to country. However, both India and The Philippines have the ability to attract large numbers of good quality agents.

The Philippines does have a natural advantage over India for the following reasons:





- They are far closer culturally to Western countries
- Filipinos share a similar service culture to Western countries
- The Philippines has a similar education system to America and Europe
- Filipinos are naturally far better communicators than Indians

However, India does have a natural advantage in technical disciplines. India has an abundance of talent in CRM software development and telecommunications. They also lend themselves very well to technical support calls.

This is reflected in the type of people who leave India and The Philippines to work in other countries. India is one of the world's leading exporters of I.T. staff whereas The Philippines is Asia's leading exporter of service-orientated personnel. The Philippines is a major contributor of cabin crew to all regional airlines and to the major English speaking call centers in Singapore, Malaysia and Hong Kong.

Factor 3: Cost

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 9 | 12 | UP |
| India | 11 | 11 | SAME |

| KEY | |
|---|---------------------------------------|
|  | Very low cost of doing business |
|  | Low cost of doing business |
|  | Costs make relocation unattractive |
|  | Costs comparable to Western countries |

There can be no doubt that the main driver for moving call-center work to offshore locations is because of the desire to drive down costs. There are some countries in Asia, which are even cheaper than India, and The Philippines but these are wholly unsuitable for call center activity.





It is now generally accepted that India and The Philippines are the only two countries in Asia where costs are low enough and the quality is high enough to justify offshore call center traffic.

At the end of 2001, India was considered to be cheaper than The Philippines. However, The Philippines is now perceived as a more cost effective solution on a like-for-like basis. There are a number of reasons behind this such as the following:

- Companies in India end up having to spend excessive amounts of money to accommodate for the weak infrastructure and poor quality of buildings
- The poor quality of Indian agents increases the cost of re-work
- Indians are unable to achieve conversion rates as high as Filipinos

Factor 4: Telecommunications

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 6 | 8 | UP |
| India | 8 | 9 | UP |

| KEY | |
|---|--|
|  | Excellent Telecommunications Network |
|  | Acceptable Telecommunications Network |
|  | Telecommunications require improvement |
|  | Inadequate telecommunications |





Both India and The Philippines have made major improvements in order to meet the growing demand. However, the Indian telecommunications industry still requires major improvements to be able to achieve consistent quality. It should also be noted that these results only apply to the major cities. In The Philippines, only Metro Manila has sufficient infrastructure. Even cities such as Cebu lack the required infrastructure.

There will need to be further improvements over the coming 24 months to deal with the anticipated demand for telecommunications in both countries.

In both countries, there is now a good availability of telecommunications solutions. Issues with low quality are vendor specific where some call center vendors have adopted cheap solutions, which have proven to be ineffective or unreliable. Most good quality vendors are able to provide telecommunications of a similar quality to domestic call centers in The US and UK.

Factor 5: Stability

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 8 | 12 | UP |
| India | 13 | 8 | DOWN |




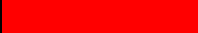
| KEY | |
|---|---|
|  | No major threats to stability |
|  | Threats are minor or in non-CBD areas |
|  | Stability situation uncertain |
|  | Instability has potential to disrupt business |

Much of stability is about perception and this year saw a major impact on the offshore industry. The crisis in Kashmir which led to 1 million troops on the border with Pakistan and subsequent travel warnings from The US and UK shook the offshore industry. In reality, it only had a short-term impact and companies simply shifted work they were going to place in India to The Philippines. There have been absolutely no reports of any business being impacted because of terrorism.

The Philippines does have its own issues with stability but they are seen as domestic issues, which are being effectively targeted. As a long-time military ally of The United States, The Philippines Armed Forces have been receiving assistance from The U.S. Military and the problems are far less than a year ago. It is also clear that this instability is in a very remote part of The Southern Philippines and far away from the call center area of Metro Manila.

Factor 6: Support Services

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 5 | 7 | UP |
| India | 7 | 11 | UP |

| KEY | |
|---|--|
|  | Very good call center support services |
|  | Good call center support services |
|  | Call center support services require improvement |
|  | Call center support services totally inadequate |




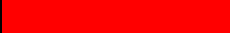
It's no surprise that the quality of the support services in both India and The Philippines have risen dramatically because of the huge demand for such services there. Both countries have risen immensely over the past year and The Philippines is only surpassed by highly developed countries such as Japan and Singapore.

The Philippines now has a wide range of support services and has a very effective federation supporting the industry. Due to the geographic diversity of the Indian industry, this is less true there.

In both countries, Governments need to relax foreign ownership rules on support services to ensure the skills gap can be reduced in the shortest time.

Factor 7: Management

| | 2002 Ranking | 2001 Ranking | MOVEMENT |
|--------------------|---------------------|---------------------|-----------------|
| Philippines | 7 | 8 | UP |
| India | 8 | 6 | DOWN |

| KEY | |
|---|------------------------------|
|  | Excellent Management |
|  | Good Middle Management |
|  | Acceptable Middle Management |
|  | Weak middle management |

The quality of middle management has come in for some major criticism. In reality, this only really applies to India where the industry is now unable to find suitable middle management to staff its centers. As the market grows, the problem seems to become more acute. One advantage The Philippines has is that it has a higher number of ex-pats working in its centers due to the fact that The Philippines has a lifestyle more friendly towards Westerners. The Philippines has also made it far easier to employ Americans and British management personnel through initiatives within The BOI (Board of Investments) and PEZA (Philippines Economic Zone Association).

As the market continues to grow, major steps will be needed to improve the quality of middle management in both countries in order to meet the demand.

Information about the producers of this document

Asian Call Centers is the leading vendor of offshore call center services.

www.asiancallcentres.com

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