

India vs the Philippines: Where is the Future of Outsourcing? - Published article by Marvin Sanchez

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For years, India has led the global outsourcing industry primarily through its huge pool of IT graduates and British-influenced culture. Today though, more and more American companies as well as other multinationals are transferring their operations from India to a driven BPO competitor from Southeast Asia: the Philippines. While India still has the larger share of the pie, the Philippines is rapidly catching up to the outsourcing giant because of its crucial key advantages: better infrastructure, customer-service-oriented workforce, and deep appreciation, understanding and effective practice of the English language and American culture.

We pit India and the Philippines head-to-head against each other to know which is the wiser choice for outsourcing or offshoring operations and who has the future in their hands.

India: Losing Its Momentum in the Outsourcing Race?

Great Numbers – The main strength of India is its numbers. Every year, 120,000 IT professionals enter the Indian workforce because of the education system that emphasizes science and mathematics. Bandwidth in India is also commendable due to their private undersea cable and the state-owned Videsh Sanchar Nigam Limited. Telecom rates are quite low as a result of the industry's privatization. Furthermore, software development remains a very lucrative business in India, attracting established IT companies such as Microsoft, IBM, HP and others.

Suffering Quality – For all its advantages, India may be quickly losing its momentum as the leader of the BPO industry. According to a survey conducted by Kelly Services Inc. with headquarters in Michigan, India is losing its position as the number one choice of US companies for backroom operations. These companies are supposedly looking at the Philippines first because of the country's superior quality in output. India also has a problem with its staff turnover at 31%, with 67% of its workforce transferring to other competing call centers. As a consequence, staff tenure in India is staggeringly low at only 11 months. South Korea has the longest staff tenure with 24 months, followed by the Philippines at 19 months.

Poorer English Accent – More importantly, while many Indians do speak English, their accent is still too thick, which may result in difficult conversations with frustrated customers. This could be one of the factors in the decision by Tampa-based Sykes Enterprises to move some of its call center operations from Bangalore to the Philippines, as reported by The Motely Fool, a commercial website about investment and finance, and the Tampa Tribune.

The Philippines: The New Destination for Outsourcing Companies

Ideal Environment – The Philippines is fast catching up to India in terms of servicing the growing BPO market. Compared to India, the Philippines' telecom infrastructure is vastly better and companies are more safely set up and maintained because of the stable environment, increasing economic incentives and highly skilled human resources. American, European and Australian companies that have already outsourced to the country are currently saving 40% to 60%, which translates to boosted profits and capacity for expansion.

Top-notch Workforce – There is also no debate over which workforce produces output with the higher quality. For instance, in terms of call center operations, Kelly Services in Michigan found out that the Philippines has the highest agent productivity in the region. Filipino call center agents handle an average of 107 outbound and 98 inbound calls in a day compared to Indian call center agents who can only handle 78 outbound and 73 inbound calls per day. In fact, looking at the bigger picture, the Philippines trumps India when it comes to the general quality of its workforce. The Philippines is currently ranked number one in the availability of knowledge-based jobs and workers in the whole world. Moreover, in terms of labor quality, the Philippines is ranked 4th among all Asian nations as a study by US-based Meta Group concluded.

More Westernized Professionals – The key to the Philippines' recent hammering of India may be its deeply entrenched American influence. The country was colonized by Americans for 48 years and today, Filipinos live highly Westernized lifestyles, involving watching American TV shows and movies and speaking the English language in all its schools and branches of government. Filipinos are prized by their American employers by their excellent American accent, which is oftentimes indistinguishable from real American English. The customer-service orientation of the Filipino labor force also proves to be a huge plus, as attested to by Mitchel Chang, Philippine site manager of Tokyo antivirus software company, Trend Micro, which employs over a thousand people in the country. According to him, Filipino professionals are service-oriented, responsive and passionate and speak strong English.

High Literacy Rate – The high quality of the Philippines' workforce is sustained by its impressive literacy rate of 93.4% according to the United Nations Development Programme. India pales in comparison with a mere grade of 61.0%.

Diverse Outsourcing Opportunities – Like India, the Philippines offers offshore software development, call center operations, Web development, and other IT services. But it doesn't end there. Over the recent years, the Philippines has been doing excellently in the global animation market, which is growing because of the increasing popularity of 2D and 3D animated shows, movies and games. Major animation studios like Marvel, Disney, Warner Brothers and Hanna Barbera have already established offices in the Philippines, as well as Japanese anime studios like Toei.

Another very promising industry is outsourced medical transcription, which thrives in the immense medical talent pool of the Philippines. The large number of nurses, medical technologists, doctors and specialized medical transcriptionists in the country has been able to meet the increased demands of US hospitals, which are now required by the law to convert medical records into data format.

Numerous large companies have already set up operations in the Philippines, such as MSN-Microsoft, AT&T, IBM, Washington

Mutual, Sallie Mae, Expedia, Intuit, Transunion, Alltell and Bellsouth. More and more small and medium-sized American companies have also chosen the Philippines as their BPO headquarters of choice. With all of these positive qualities going for the Philippines, all signs point to the tide of battle shifting soon in its favour. Reading from all present indications, the future of outsourcing or offshoring is clearly not India, but the Philippines.

With India losing its momentum in the outsourcing race, the Philippines today is being considered as the new destination for outsourcing companies. But businesses worldwide are still speculating as to where is the wiser choice for outsourcing or offshoring operations and who has the future in their hands.

Marvin Sanchez is a professional writer who can write just about everything under the sun. He is an active writer for an **outsourcing** company in the Philippines, Offshoring Inc., providing fresh articles and newsletters as needed. If you wish to hire someone who can write very well, can proofread and do SEO copwriting, you can find one with Offshoring Inc.
