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2014 Tholons Top 100 Outsourcing Destinations: Regional Overview

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Asia Pacific

The Asia Pacific region took center stage in this year's report, as Tholons considered the region to be the best performing service outsourcing market in 2013. While the global economy continued to show more positive signs of recovery, large service providers and buyers continued to *hedge safely* on the *proven and familiar* service delivery capabilities of the APAC region. The region's balanced proposition - cost, scalability, quality, and business environment – allowed the APAC to not only maintain its position in the global supplier market, but has likewise opened new, market opportunities for service providers situated in the region. Large market bases such as the Philippines and Indonesia, with respective populations of 100 and 250 million, now offer a myriad of outsourcing opportunities for service providers.

The most established outsourcing destinations in the region - India, the Philippines, and China (domestic outsourcing) – continued to leverage on inherent strengths and reinforce their position as locations capable of fulfilling the largest scale requirements within optimal cost envelopes. Moreover, according to Tholons Senior Analyst, Roberto Carlos Floro, "*The continuous expansion and subsequent improvements of Tier II & III locations have enhanced the region's attractiveness; as the rise of these alternative locations have augmented IT-BPO labor pools and helped counteract cost imbalances occurring in saturated Tier I destinations*."

In the Philippines, growth rate of Manila NCR's BPO sector remained consistent with previous years, and while Contact Support services continue to characterize the location's identity, a notable increase in Finance and Accounting Outsourced (FAO) services and other higher value processes in the Information Technology Outsourcing (ITO) and Knowledge Processes Outsourcing (KPO) spaces, have also been observed the past two years. Wells Fargo, Deutsche Knowledge Services, J.P. Morgan, AIG and Thomson Reuters are amongst the many FAO and KPO providers, thriving in the Manila NCR today.

The IT & Business Process Association Philippines (IBPAP) reported growth in the sector to have exceeded earlier projections - with the current reported forecast showing services exports revenue of US$16 billion for 2013, or a 19% YoY increase, and headcount reaching 900,000 full-time employees (FTEs), or a 17% YoY rise.[1] These figures represent the entire service outsourcing spectrum of the country, comprised of the ITO, KPO, and BPO service lines. Favorable domestic conditions in the country has also benefitted its IT-BPO sector, with the Philippines GDP rate rising to become one of the best performers in the Asia Pacific region the last two years - growth rate of 6.8% in 2012 and expected to hold steady at around 6.5% to 6.8% in 2013. Strong economic performance has also aided in providing IT-BPO companies and investors a more positive perception of the Philippines business environment. Tier II locations Davao City, Santa Rosa, and Iloilo City similarly move up in the rankings. Concerted efforts pertaining to marketing and promotions and talent development initiatives driven by National and Local Government agencies, along with the IBPAP – have been instrumental in the emergence of such Tier II locations.

[1] IT & Business Process Association Philippines (IBPAP), 2013.

Similar to India, the Philippines is not devoid of ecosystem concerns. Despite a surging domestic economy, the Philippine Peso has been able to maintain a favorable exchange rate with the US dollar. However, rising commodity and living costs (fuel, electricity & utility costs) will have the propensity to induce additional cost pressures on service providers, in the form of increased salaries and adjustments on cost of living allowances. Further, Government and industry stakeholders will need to implement definitive measures to widen the geographical spread of the country's service delivery locations. Currently, industry is concentrated around *only* two primary hubs – Manila NCR and Cebu, with an estimated 70% of all service providers being located in Manila NCR alone. As noted by Manuel Ravago, Tholons President for Research, "If the country is unable to develop larger, alternative delivery hubs, Manila NCR and Cebu should expect further saturation issues and the resulting consequences (i.e. increased provider costs brought about by higher talent acquisition and retention costs and corresponding increases in attrition rates). Likewise, industry concentration on these two delivery hubs, will keep the rich and capable talent pools in the country's Tier II & III destinations underutilized. There is wealth of talent outside of Manila NCR – from F&A agents in Sta. Rosa, Laguna, to engineers in the Angeles (Clark), Pampanga region, to the large nursing talent pools in cities across the Visayas and Negros provinces that could facilitate HIMO processes. There should be decisive initiatives to better tap these potential-rich talents pools."

In the near-term, Tholons sees the Philippines to remain the *de-facto choice*, in as far as traditional BPO services sourced from the key North American market is concerned. Concrete initiatives are also in place to diversify the country's services offerings, and if successful, the transition to provide larger volume high-value services (i.e. ITO and KPO) should allow for a more sustainable IT-BPO industry. Manuel Ravago adds, "We believe that the question regarding long-term sustainability and growth of the country's IT-BPO industry will hinge on the ability of Government and stakeholders to properly transition its existing talent pools to adapt from its current BPO-orientation towards higher value services. This transition should be focused on undertaking systemic improvements across the country's IT-BPO ecosystem. Improvements pertaining to education and curriculum development, Telco infrastructure, and supporting industry-policy frameworks, are among the critical enablers that should be considered by stakeholders. The Philippines IT-BPO industry, because of its vast talent base, and favorable cost proposition, has the innate opportunity to develop *Capability Hubs* or *Centers of Excellence* across the archipelago. Doing so would have the benefit of diversifying the country's services outsourcing portfolio while at the same time, alleviating rising labor costs and associated saturation issues in Manila NCR and Cebu City."

Services exports for India was reported by NASSCOM to have grossed US$75.8 billion for FY2013, representing a 10.2% increase over 2012. Total headcount for the sector in the sub-continent was pegged at nearly 2.8 million people. India remained the dominant global supplier for Information Technology Outsourcing (ITO) services, with the service line accounting for 58% of its services exports market, or US$43.9 billion. India's BPO sector (referred to as Business Process Management or BPM) though having recently lost some of its luster to the Philippines, still remains a formidable segment and estimated gross revenues for FY2013 was noted to be US$17.8 billion.[2] Likewise, India is facing the BPO challenge from the Philippines head-on, and

[2] NASSCOM Strategic Review, 2013.

specific measures are well in place to develop and create a *more competitive and responsive Indian BPM sector*. For the Indian Information Technology – Business Process Management (IT-BPM) industry, long-term sustainability and growth may not necessarily be dependent on its already proven skill and scale capabilities, but more so in its ability to properly address in a timely manner, the macro-economic issues the country is currently facing. From 2002 to 2011 for instance, GDP growth in India hovered at above 7.5%, dropping to 6.2% in 2011-2012, and further to 5.0% in 2013.[3] To compound matters, rising inflation, a burgeoning budget deficit, and degraded performance of its manufacturing sector, have become salient and pressing concerns which the country has had to face in the last three years. *However*, industry stakeholders are well-aware of the remedial actions that must be taken, and initiatives to re-invent the country's services outsourcing industry are evident. Industry development actions aimed at integrating new service delivery models and platforms into its services portfolio are intended to strengthen labor pool skills capacities and increase exposure to innovation. As a result, new, innovative and more flexible delivery models have begun to emerge within the Indian outsourcing ecosystem (i.e. Platform BPO, Business Process as a Service (BPaaS), etc.). With these aggressive development initiatives, talent quality in India, and specifically for ITO centered services, is expected to remain at the head of the pack in the Asia Pacific region. Likewise, India's role as a global outsourcing player, should continue to increase in the near- term. The development of multiple Tier II & III destinations across the country will create an even more formidable service delivery nation, while expansion of Indian service providers in the global arena will increase the influence of large Indian provides in the development of IT-BPO locations. We should consider that many of the global industry's *key decision makers*, influencing delivery market and location specific trends, are in fact, Indian companies such as Tata Consultancy Services (TCS), Wipro, and Infosys.

China, as in previous years, is a potential-rich destination, though remains relatively underutilized, as service outsourcing is mostly concentrated on the country's large domestic market. Dalian moves up a notch to the 14th spot, and maintains its niche for high value ITO services sourced from the Japanese and Korean markets. Tholons is also keeping a close watch on Chengdu, at the 33rd spot in this year's List, as institutional efforts are underway to develop and promote the local outsourcing industry.

Emerging locations in APAC, meanwhile, continued to settle into their own particular niche expertise – Malaysia showed marked growth in its Shared Services space, fueled by F&A work for large BFSI captives, South Korea again dominated gaming and 3D animation services, while Vietnam's ITO space showed moderate gains in 2013.

Table 1: Top 100 Outsourcing Destinations 2014 – Asia Pacific

Rank 2014	Movement from 2013	Country	City
1	0	India	**Bangalore**
2	+1	Philippines	**Manila (NCR)**

[3] India Central Statistical Organisation, 2013.

3	-1	India	**Mumbai**
4	0	India	**Delhi (NCR)**
5	0	India	**Chennai**
6	0	India	**Hyderabad**
7	0	India	**Pune**
8	0	Philippines	**Cebu City**
11	0	China	**Shanghai**
12	0	China	**Beijing**
14	+1	China	**Dalian (Dairen)**
15	-1	China	**Shenzhen**
17	-1	Vietnam	**Ho Chi Minh City**
18	+1	Malaysia	**Kuala Lumpur**
19	+1	Sri Lanka	**Colombo**
22	+1	Vietnam	**Hanoi**
23	+2	India	**Chandigarh**
25	+1	India	**Kolkata**
30	+1	Singapore	**Singapore**
31	-2	India	**Coimbatore**
33	+1	China	**Chengdu**
37	-2	China	**Guangzhou (Canton)**
38	+1	India	**Jaipur**
45	+1	China	**Tianjin**
55	-1	India	**Bhubaneswar**
58	+3	Indonesia	**Jakarta**
62	+5	China	**Xi'an**
63	+6	India	**Ahmedabad**
67	+6	Malaysia	**Penang**
68	-2	India	**Thiruvananthapuram**
69	+1	Philippines	**Davao City**
75	+1	Taiwan	**Taipei**
82	+2	Philippines	**Santa Rosa, Laguna**
83	+3	South Korea	**Seoul**
84	+3	Australia	**Perth**
85	-2	Thailand	**Bangkok**
93	+1	Philippines	**Bacolod City**
95	-2	Philippines	**Iloilo City**

99	0	Philippines	**Baguio City**

Source: Tholons Top 100 Outsourcing Destinations 2014

Central & South America

The Central and South America regions held firm on their respective positioning as the most viable nearshore destinations for the North American outsourcing market. Though delivery centers in Mexico and the Caribbean have emerged in recent years, volume contracts from large service buyers in the US remain best served by Central and South America's larger and more diverse talent pools.

The aforementioned regions continue to leverage on vastly-improving bilingual capabilities and other "soft propositions" such as proximity and cultural affinity. Large-volume voice-BPO services for example, being processed in delivery centers numbering in the thousands, are being fulfilled effectively in Central American locations such as Managua, Nicaragua (Sitel) and Lima, Peru (Atento) in South America. Likewise, delivery portfolios of regional service providers have expanded to include both English and Spanish BPO services.

The faster emerging nearshore destinations in the region have since grown to include Guatemala, Peru, Costa Rica, Colombia, and Uruguay. Growth of these locations has been fueled by aggressive marketing and promotion strategies, typically led by their respective country export promotion agencies. In terms of higher value service lines such as ITO, Costa Rica continues to the top nearshore destination in Central America. In 2012, IBM established a delivery center in San Jose, Costa Rica, and was expected to ramp up FTEs to 1,000 by 2014, investing roughly US$300 million over the course of 10 years. Also, early in 2013, India's Infosys established a delivery center in the country, starting with 150 FAO employees and expecting to diversify with similar high-value ITO processes in the long term.

Moving to the South American region, Uruguay's software and IT chamber *Cuti (Cámara Uruguaya de Tecnologías de la Información)*, expects the continued growth of its local IT industry – aiming for US$1 billion in annual IT exports by 2020. Benefits such as 100% tax exemption for up to 25 years as well as free trade zones with exemptions from most operating-derived taxes support this positive outlook. The country currently estimates 16,000 people to be working directly in the IT industry. Uruguay's domestic IT revenues were estimated at US$484 million in 2011, up 24% from 2010. Meanwhile, the BPO sector generated revenue of US$150 million in 2012 – expected to exceed US$350 million by 2020.[4]

Two particular nations in the region remain saddled with pressing and persistent internal concerns, namely the key regional services outsourcing markets of Brazil and Argentina. Brazil continues to face domestic labor issues which have brought about volatility and restless labor unions, which have been persistent in demanding an increase on national wages. Labor force

[4] Global Delivery Report, *Uruguay Bullish on IT Prospects*, 2013

unrest has been increasing and has the propensity to erode Brazil's macroeconomic gains of recent years.

Likewise, Argentina continues to mire in economic turmoil that has hindered its domestic economy. The Argentine government and third party analysts continue to report contrasting figures on rising inflation rates. These conflicting rates introduce an element of uncertainty for services providers especially in terms of cost projections and business environment stability, both extremely vital facets when establishing and managing delivery centers. According to Tholons Analyst, Darnel Diaz, *"Lingering economic issues and civil unrest must be addressed by government if Argentina is to reinvigorate its services outsourcing industry. Long term viability of the industry will continue to be challenged for as long as these debilitating domestic conditions persist."*

For this year, the Tholons Top 100 rankings reveal the fast emerging and developed markets in the Americas region including cities from Guatemala, Peru, Colombia, Uruguay, and Costa Rica. Costa Rica is expected to continue leading the region, particular for higher value services (ITO, KPO), and despite the ongoing macro-economic concerns facing the country such as inflation and the continuing appreciation of the Colon against the US dollar.

There is also be tangible and realistic opportunities for the processing of outsourced services in more stable locations such as Colombia, Uruguay, Peru, Nicaragua, and Guatemala. According to Tholons President for Latin America, Mario Tucci, *"While Latin America shows 23 cities this year, many of these locations often have smaller talent pools compared to other larger regions. Thus, the near-term goal for Latin America should be to focus on smaller, more concentrated specialized offerings, working in conjunction with other vendors on a global model. On the service provider side, it's an opportune time for companies looking for new locations in Latin America, in particular, those looking to establish for in-house delivery centers. We expect increased interest in Latin America from these service providers, especially those providers from North America and India who are looking at expanding their global delivery platform models, as well as locators looking to relocate existing operations from the other, unstable deliver locations in the region. To capitalize on this opportunity, governments and supporting institutional bodies should ensure that supportive industry policies, fiscal incentives, and legislation – geared specifically to developing local IT-BPO sectors – are clearly established. The implementation of this enabling environment, should then result in faster adoption and growth of services outsourcing in the region, and will likewise, take better advantage of the Latin America's maturing capabilities, especially now that the region has over 10 years of global service delivery experience."*

Table 2: Top 100 Outsourcing Destinations 2014 – Central & South American

Rank 2014	Movement from 2013	Country	City
13	0	Costa Rica	**San José**
20	-2	Brazil	**São Paulo**
24	-3	Chile	**Santiago**
27	0	Brazil	**Curitiba**

28	-4	Argentina	**Buenos Aires**
36	+1	Uruguay	**Montevideo**
39	-1	Brazil	**Rio de Janeiro**
48	+1	Colombia	**Bogotá**
49	-6	Brazil	**Brasília**
51	+2	Colombia	**Medellin**
57	+6	Peru	**Lima**
71	-12	Puerto Rico	**San Juan**
73	-2	Argentina	**Córdoba**
77	+3	Colombia	**Bucaramanga**
80	-2	Brazil	**Recife**
86	-1	Chile	**Valparaíso**
87	+8	Nicaragua	**Managua**
88	+3	Brazil	**Campinas**
92	+4	Guatemala	**Guatemala City**
94	-4	Paraguay	**Asunción**
98	0	Colombia	**Cali**

Source: Tholons Top 100 Outsourcing Destinations 2014

Europe

Tholons identifies 22 cities in the Western and Eastern European regions in this year's Top 100 Outsourcing Destinations Report. Leading the pack of gainers in the region were the cities from Poland – Krakow, Warsaw and Wroclaw. Krakow continued its rise on the Emerged List, climbing up a notch to 9th place, surpassing Dublin, Ireland. Wroclaw, on the other hand, saw a huge jump from the 75th spot the previous year, to 65th place in this year's List. Significant declines in rankings were also seen mostly from Western Europe cities. The Euro Debt Crisis and weakened demand from vital domestic services outsourcing buyers has affected IT-BPO operations in these affected locations - pulling down Leeds to the 90th from the 82nd place, Glasgow went down a notch to the 66th place and Belfast from 41st to the 44th place.

In general, the European service outsourcing landscape remained consistent from previous years, with Eastern Europe maintaining its nearshore capture of the Western European client market. Development can be seen in the continuous growth throughout Central and Eastern European IT-BPO delivery hubs, with the regions combining to now capture a 20% share of total number of new delivery centers established globally.[5] Eastern Europe has also become one of

[5] NASSCOM Strategic Review 2013

the fastest growing global ITO hubs, with an estimated 65% of delivery centers in the region now focused on delivering ITO services for both offshore and nearshore clients.[6]

This year's report picked up from last year's regional trend with Eastern Europe rising in stature as a truly *global* IT-BPO destination. The region leverages on a highly skilled labor force, and *distinct affinities* with its primary buyer markets scattered throughout the European Union (i.e. cultural, political, legal, commercial). According to Tholons Senior Analyst, Veronica Cabigao, *"For many of Western Europe's service buyers and providers, it is simply 'more convenient' to outsource services to Eastern Europe, as it's also a "more familiar option," when compared to going the offshore route."*

This definitive advantage should bode well for Eastern European service providers even in the long-term, and for as long as *relative cost differentials* are maintained against cheaper offshore destinations from both Asia Pacific and South American offshore competitors.

Although there remains volatility in the common European market, recovering demand for outsourced IT-BPO services can be seen across continental Europe. This can be attributed to the recovery of key market buyers such as the UK and Germany and the continued strength in service delivery of Eastern European locations.

Poland has emerged as one of the most vibrant IT-BPO service delivery locations in all of Eastern Europe, supported by vastly improved macro-economic fundamentals. The country's economic performance was conferred by the OECD, declaring in 2012 that, *"Poland has been the best growth performer within the OECD through the global economic crisis."*[7] The country's bankable labor pool, reasonable operational costs and sound socio-political environment makes Poland a viable option to be an alternate destination to deliver high-end processes.

However, the Eastern European region is not devoid of ecosystem risks. Intellectual Property (IP) and Data Privacy laws and enforcement remain as significant risk considerations when viewing Eastern Europe. Many Western service buyers, especially those in the ITO and KPO (FAO) spaces, will remain hesitant to process end-user data in countries with glaring inadequacies in terms of protecting IP and data privacy laws. Russia and several other Eastern locations for example, remain as notorious global locations for software piracy, illegal sales of financial and user data, and a host of other IP and data privacy risk and violations.

The Eastern European region remains as one of the most promising global service delivery markets, especially in the ITO space. Growth in the region's outsourcing sector is expected to be fueled by improving procurement rates by Western European service buyers, who are at the same time looking to reduce operating costs and expand internal capabilities and end-user markets. In turn, formerly *closed (and protected)* economies across the region have begun to open up, and the realizations of the benefits of developing domestic services outsourcing industries are coming to fruition. Reflection of this can be seen in the rankings of this year's report, where smaller, previously unrecognized outsourcing destinations such as Hungary and

[6] CEEOA, 2013

[7] OECD Economic Surveys, Poland. March 2012

Romania are making sure and steady climbs as regional outsourcing destinations. Further, marked gains are being realized by larger, capable and talent-rich destinations such as Poland.

Table 3: Top 100 Outsourcing Destinations 2014 – Europe

2014 Rank	Movement from 2013	City	Country
9	+1	**Kraków**	Poland
10	-1	**Dublin**	Ireland
16	+1	**Prague**	Czech Republic
26	+2	**Budapest**	Hungary
29	+1	**Brno**	Czech Republic
32	+4	**Warsaw**	Poland
34	-2	**St. Petersburg**	Russia
40	+4	**Bucharest**	Romania
44	-3	**Belfast**	U.K.
47	0	**Bratislava**	Slovakia
50	+5	**Kyiv**	Ukraine
52	-2	**Sofia**	Bulgaria
53	-2	**Tallinn**	Estonia
54	-2	**Ljubljana**	Slovenia
56	0	**Moscow**	Russia
59	+3	**Nizhniy Novgorod**	Russia
64	0	**Cork**	Ireland
65	+10	**Wroclaw**	Poland
66	-1	**Glasgow City**	U.K.
90	-8	**Leeds**	U.K.
91	+1	**Novosibirsk**	Russia
96	-7	**Lviv**	Ukraine

Middle East and Africa (MEA)

Developments in the Africa and Middle East regions in the last five years has been largely fueled by economic gains driven by improving commercial and financial systems in developing members states, and increasing exports of natural resources. Likewise, a *somewhat* stabilizing socio-political environment in many regions of sub-Saharan Africa, has contributed to the overall improvement of security conditions in the African continent.

Though opportunities are present for a region-wide services outsourcing industry to eventually emerge in Africa, the Top 100 Outsourcing Destinations 2014 report reflects the still isolated nature of IT-BPO development in the continent. In general, the term 'Outsourcing in Africa,' when used by global providers and service buyers, almost always *only* means South Africa - and Johannesburg in particular. This is reflected in this year's List, where Johannesburg is the highest placed city in the continent, with Cape Town experiencing the highest progression in the List across all African & Middle East locations, while Durban was the List's only new entrant from the continent.

Leading the *African Outsourcing* charge is South Africa. The steady growth of its domestic economy has served as a stepping stone for the development of a fledgling, yet capable IT-BPO sector. At present, Johannesburg, the country's BFSI hub, is considered as the nation's primary services outsourcing destination, with more than 20 large captive providers operating in the city. Cape Town, on the other hand, has over 200 IT and software companies employing more than 7,500 employees.[8] The city's Contact Support industry was pegged to have grown by 10% annually from 2008-2012, and now employing nearly 27,500 people. Durban, a new entrant in this year's List, is an up and coming location in the country, supported by a favorable business environment, and lower labor cost (compared to other South African locations). In 2012 for instance, Aegis set up a 300-seater voice BPO delivery center in Durban, creating more than 150 new jobs and is expected to grow to 300 in the short-term. In 2013, the provincial government of KwaZulu-Natal, of which Durban is the largest city, announced plans to build an outsourcing park, capable of hosting operations for 4,000 IT-BPO seats. This "BPO Park" is to be situated at Dube Tradeport, a mere 30 km north of Durban's city center.

A variety of risk conditions continue to present significant barriers in the MEA region, presenting volatile operating environments for many of the region's service delivery locations. Socio-political issues and health concerns are some of the most prominent problems this region faces. From civil unrest in Egypt to grave corruption issues in Kenya, to epidemics which regularly affect labor pools in the region – the MEA region continues to face serious threats, elevating regional risk conditions, and threatening the overall development of the region's services outsourcing industry.

Continuing political and civil unrest in Egypt for instance, has damaged the local IT-BPO industry's trajectory, and tarnished its international image. Its capital Cairo, where many IT-BPO locators were previously situated, has since been described as a *"war zone,"* where thousands of citizens have been died since the Egyptian Revolution began in 2011. Recently, ousted Egyptian

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[8] BPeSA, 2012

President Mohammad Morsi warned that the country may in fact be "heading towards civil war," if it is not altogether there already.

Further, the African region continues to be saddled with corrupt government and public institutions which have historically plagued many of the continent's nations. According to the Transparency's Corruption Perception Index 2013, Kenya for instance, ranks 136 from 177 countries surveyed – designated as *highly corrupt*.[9] The country's labor pool and earning capabilities have suffered because of this endemic corruption, negatively affecting earning power and the overall psyche of the Kenyan talent pool, with a growing segment of the labor force, preferring instead to migrate out of the country.

Beyond the recognized locations in South Africa, several other aspiring African IT-BPO locations were worthy of mention in 2013. Nairobi, Kenya sustained its position due in part to the national government's continuous push to improve Telco and transport infrastructure across the country. If successful, Tholons expects greater interest from global service providers in utilizing Kenya's cost-efficient and English-speaking talent pool. Establishing *any sized* delivery center in Kenya however, cannot be considered without the necessary Telco and transport platforms in place.

South Africa remains the true bright spot for the MEA region, and it holds the formidable task of representing the region, if not altogether carrying the burden of "Outsourcing in Africa."

Johannesburg remains the most viable location in the entire region, while Cape Town shows promise, as the biggest gainer in this year's List with 8 movements upward. The new entrant in the Top 100 List, Durban, is also a cost-effective destination which should be able to handle smaller scale operations and should directly benefit from the country's improving IT-BPO ecosystem.

Cities from the Middle East on the other hand, experienced significant drops in rankings, due mainly to the adverse effects of the socio-political turmoil enveloping the region and negative effects on risk perceptions. Similar to the previous year, cities from Egypt showed the steepest drops, with Cairo moving 18 places downward and Alexandria, 4. The city of Istanbul and Nairobi were the only cities in the northern region which were able to maintain their positions from 2012. Turkey's economy is slowly regaining momentum and near-term gains are being upheld to a certain extent, though it is not devoid of political and growing civil unrest. Domestic ramblings in Turkey have largely been rooted in public outcry of increasing government control and persecution of press and media in the country.

Kenya's domestic economy is likewise moving in a forward direction but the long-term issue on how to address institutional corruption continues to negatively affect the sustainability of its local economy, and consequently, its nascent IT-BPO sector. The *push-and-pull* of these forces stalled the movement of Nairobi in the Top 100 List.

MEA as a services outsourcing option is one of great contrast - with South Africa continuing to blossom as a viable IT-BPO alternative, while the Middle East is fast becoming an option to completely avoid in the near-term. With each location in MEA region seemingly prone to localized risks and internal issues, Glorianne Valera, Tholons Analyst states, *"The MEA region is*

[9] Transparency International, 2013

expected to remain highly fragmented in terms of its 'regional proposition' to the global outsourcing market, and should remain so, for as long as endemic country issues prevent individual MEA countries from developing, and contributing towards the creation of a truly regional services outsourcing proposition."

Table 4: Top Outsourcing Destinations 2014 – Middle East and Africa

Rank 2014	Movement from 2013	Country	City
21	+1	South Africa	Johannesburg
42	+3	Ghana	Accra
60	+8	South Africa	Cape Town
61	-4	Morocco	Casablanca
74	0	Turkey	Istanbul
76	-18	Egypt	Cairo
81	-4	Egypt	Alexandria
89	-1	Mauritius	Port Louis
97	0	Kenya	Nairobi
100	New Entrant	South Africa	Durban

Source: Tholons Top 100 Outsourcing Destinations 2014

The Year Ahead

The renewed optimism that the global services industry witnessed in 2013 is expected to only get stronger as we usher in 2014. The industry is already seeing signs of an upswing in key sourcing markets such as the US, UK and Continental Europe, with the regional markets of Latin America, Middle East and the Nordic region, all increasingly becoming attractive for service providers and buyers alike. Tholons believes that this growth in both traditional and emerging markets, coupled with technological disruptions, increased focus on vertical/domain depth and continued pursuit of providers for 'more balanced global delivery platforms' - will lead to significant changes in the way global service delivery locations are looked at.

Evident from the stability of the Tholons Top 100 Outsourcing List, The Top 10 Established Destinations continue to demonstrate their inherent advantages to sustain large-scale delivery operations and provide a diverse portfolio of outsourced services. Looking at the examples of India and the Philippines, we have observed that established locations are setting new benchmarks in scalability – the Indian ITO sector has continued to grow, at a similar clip to the Philippines BPO segment. This has been achieved by collaborative talent development programs, continued investments and improvements in business infrastructure and the zeal of service providers and local industry stakeholders to embrace the changing technology and business services landscape. Tholons sees these global delivery locations continuing on a stable yet entropic (more from the way these locations polarize towards newer niches) growth curve.

Likewise, Tholons remains optimistic in the global sourcing market's near-term direction, and according to Vikrant Khanna, Principal at Tholons, *"There is tremendous headroom for growth of the current sourcing market. Significant opportunities exist in core vertical and geographic segments of BFSI, Telecom, MDR and the US - especially leveraging the social, mobility, analytics and cloud (SMAC) phenomena, and emerging geographies and vertical markets. Development of these new opportunities can lead to the exponential growth of the current addressable market."*

On its 7th year of publication, and scheduled for release in January 2014, the Tholons Top 100 Outsourcing Destinations Report 2014 will look more closely into the critical components contributing to the movements in the rankings of the world's top outsourcing destinations, and provide relevant analysis of today's services outsourcing landscape.

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.

THOLONS Global Offices

North America
415 Madison Avenue, 14th Floor
New York, NY 10017
Phone: +1-646-546-5092
Fax: +1-646-349-3546

South America
Av. Italia 6201
Latu Los Sauces Of. 104
11500 Montevideo, Uruguay
Phone: +598-9848-5225

Europe
2505 The Landmark West Tower
22 Marsh Wall, London
E14 9AL
Phone: +44-207-9934250

Asia Office

India
346, 17th Cross
HIG Colony, Dollars Colony
Bangalore 560 094, India
Phone: +91-80-2351-9760

Sri Lanka
Regent Building,
1st Floor, 345, R A De Mel Mawatha,
Colombo 3, Sri Lanka
Phone: +94-11-5370-671

Philippines
Unit 803, Richmonde Plaza
21 San Miguel Avenue, Ortigas Center
Pasig City 1600, Metro Manila,
Philippines
Phone: +63-2-635-9236

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www.tholons.com

You may also contact: info@tholons.com