

Economic Issue of the Day

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Call center: a sunrise industry?

The call center industry is one of the country's bright prospects in the area of business process outsourcing (BPO). It started in year 2000 and became a significant activity in the services sector. In 2004, the country captured 20 percent of the total world market share in contact center services and is estimated to capture 50 percent of the total English-speaking world market by 2008. Some industry analysts projected that more than a million Filipinos will be employed in the call centers in year 2010 and can bring about US\$12 billion revenue to the country.

A call center is a centralized office used for the purpose of receiving and transmitting a large volume of requests by telephone. The agents, often called as customer care specialists or customer service representatives, handle the inquiry of the customers on behalf of a client via voice call. The clientele includes telemarketing services, banks and financial services, computer product help desk, transportation and freight handling firms, and information technology companies. A call center does not only serve as a venue for the telemarketing of products and services but also provides solutions to problems and customers' complaints on certain products and services.

The size of call center operations is described according to the number of "seats" available. A seat is a work station with a computer terminal and a telephone line which two or three people can use in alternate shifts to provide a 24-hour service. There are two types of services in a call center: the inbound and outbound services. The inbound services deal with customer inquiries and technical assistance. This is usually done during night time in the Philippines which is equivalent to day time in the United States. The outbound services, on the other hand, deal with telemarketing services and follow-up calls. This is conducted during off-peak hours, usually day time in the Philippines.

Market share and structure

The Philippine BPO sector grew from \$350 million in 2001 to \$1.65 billion in 2004 in terms of revenue. The biggest subsector

is the customer care or call center which captured 53 percent of the total BPO sector (Figure 1). According to the Department of Trade and Industry (DTI), there are approximately 37 firms in the call center industry catering to the US and British markets.

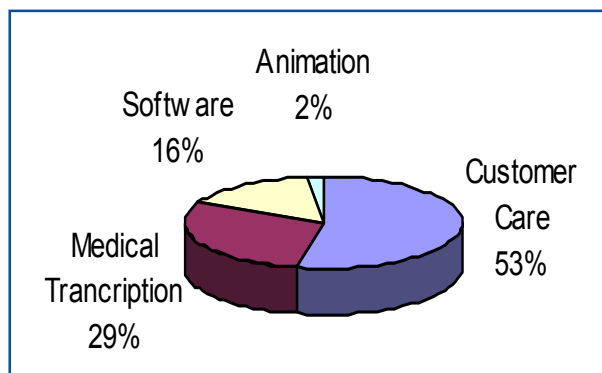
The Philippines had 20,000 seats in 2003 which increased to 40,000 seats in 2004. The 100 percent growth in the number of seats puts the country directly behind the major players in the industry. Assuming there are three people in one seat, the number of employed people in the industry increased from 60,000 agents in 2003 to 120,000 agents in a span of one year. The employment opportunity from the call center is complemented by the attractive salary and benefits that firms offer, which is approximately \$300 to \$350 a month for an entry level position.

The Philippine advantage and challenges

The country emerged as a popular site for contact center destinations in Asia because the Filipinos possess innate advantages that are attractive to outsourcers. However, there are also some areas and challenges that need to be addressed in order to sustain the BPO projects in the country.

The Filipinos' command of the English language is one of the biggest pull factors for firms to set up their operations in the

Figure 1. RP BPO industry structure, 2004



country. Further, the improved telecommunication infrastructure augurs well for the provision of telecommunication-related services. A side advantage is the quick and smooth cultural assimilation of foreigners managing the call centers.

It is anticipated that demand for contact center employees will continue to increase in the near future. However, there is also a possibility that there will be a shortage of qualified employees due to the deteriorating quality of the country's educational system and lack of communication training needed by the industry. To address this challenge, the Philippine government, through the DTI and in partnership with various educational institutions, included BPO-related courses in the curriculum of some of the colleges and universities in the country.

Other challenges that the industry faces are the unstable political environment and the widespread rumors of kidnapping and terrorist attacks, all of which drastically affect investor confidence and reduce the potential for increased investment in the outsourcing services. As such, the need to improve the peace and order situation in the country is very crucial. The high cost of power is also regarded as a major challenge that impedes the operation of BPO companies. A solution suggested is the "peak-load" pricing of electricity which essentially lowers the electricity rate for night operation of BPOs. The Philippines is referred to as the "best-kept secret" among contact center providers. Because

Advantages

English proficiency and superiority of verbal skills
 Affinity to US culture
 Low cost of labor
 Low cost of real estate
 World class telecommunication infrastructure
 High level of satisfaction from expatriates regarding quality of life and cultural assimilation

Issues and Challenges

Deteriorating education system
 Unstable political environment
 Inadequate marketing on Philippine advantage
 High cost of power

Table 1. Number of seats, 2003-2004

Country	2003	2004f	Growth (%)
Australia	135,000	146,000	8
India	96,000	158,000	65
China	38,000	54,000	42
Philippines	20,000	40,000	100
New Zealand	12,000	13,500	13
Thailand	11,000	13,000	18
Singapore	10,000	10,100	1
Hong Kong	10,000	10,700	7
TOTAL	332,000	445,300	34

f - forecast

Source: Conboy as cited in Huang (2003)

of this, more effort must be exerted in the global community to promote the Philippines as an investment destination.

The call center industry may be regarded as a sunrise industry that will provide jobs for Filipinos and dollar revenues for the country in the coming years. While the Philippines is recognized as one of the popular sites of contact center destination in Asia, there is stiff competition from other countries like China (Table 1). Local policies and initiatives should be designed to sustain the growth of the call center industry. *

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The views expressed are those of the author and do not necessarily reflect those of PIDS. *

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