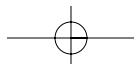


**TOP**  
**50**  
**EMERGING**  
**Outsourcing**  
**CITIES**  
A Global Services-Tholons Study

For the second consecutive year, *Global Services* and Tholons identify the best 50 emerging global outsourcing cities. The study also lists the best cities for outsourcing specific functions





By Juhi Bhambal, Global Services,  
and Avinash Vashistha, Tholons

**E**XAMINING A “BEFORE” AND “after” of how global companies take decisions about the location from where to source IT and BPO services shows the evolution and maturity of the global sourcing market. Following three perceptible changes can be noticed.

One, before companies talked in terms of countries (“should we source application-development services from India or China”), now they discuss cities (“should we source from Bangalore or Shanghai”).

Two, before they discussed generic availability of talent (“how many students does Manila graduate each year”), now they analyze skill sets specific to the function they want to out-

source (“how many U.S. GAAP-trained accountants are there in Manila”).

Three, before they considered only the large, established centers for sourcing (“we have a delivery center in Bangalore”), now they are actively talking about — and getting work done from — tier-2 cities (“we have delivery centers in Bangalore and Coimbatore”).

As cost advantages of outsourcing operational processes become a given, the challenge in today’s services sourcing landscape is to identify destinations that may be able to provide an equal (if not greater) level of cost effectiveness and operational efficiency than previous or existing locations. As such, the focus for many of the larger and best-of-breed providers has been to scale, expand and distribute their outsourced processes across multiple cities within a country. For example, companies need to identify calculated benefits of expanding to Cebu City in the Philippines, as opposed to simply expanding their already established operations in Manila NCR.

### City, Not Country

This one is a no-brainer. Comparing the availability of skills and the cost saving to be had in say Mexico versus Brazil remains superficial. In Mexico alone, costs may vary between Mexico City, Monterrey and Juarez. And so would skills — while one city may graduate more engineers, another may have more accountants.

Clearly, no two cities of a country would be at the same level of skills maturity or offer the same cost advantage, and deciding whether to source services from one over the other is just a first necessary step. Companies need to spend time delving deeper into the attractiveness of cities. They must consider various elements of cost and not just salaries and the specific skill sets that each city has (See box *Cost Matters*).

Discussion on countries is important for macro issues, such as political risk, exchange-rate fluctuation and wage inflation, which determine the sustainability of savings.

### Functional Capabilities

Any decision on which city to choose for outsourcing must be specific to the process that the customer company needs to source services for. Simply calculating the number of graduates a particular city has will not help a customer wanting to outsource Finance and Accounting (F&A) processes; the customer will need to know the number of trained accountants the city has. In China, for instance, Shanghai may be better suited for F&A Outsourcing (FAO) than for contact centers.

Moreover, companies will feel confident of outsourcing high-end work such as engineering services, R&D, or ERP implementations to a larger, established city, while for work like application development or HR processes, they may be fine to source from a less experienced city.

Discussions on cities can be further refined by analyzing them as centers of excellence specific to particular IT and/or BPO processes. Companies need to graduate to referring to

## Special Report

Hyderabad and Chennai as prime locations for FAO and automotive engineering services respectively, Cebu City as a strong information systems outsourcing location and Buenos Aires as a viable Spanish-based contact-center site.

### Emergence of Tier-2 Cities

As service providers become increasingly wary of investing in only one city because of challenges of saturation and scale, finding alternative locations has become an increasingly important operational consideration. This is so not only in the context of business preservation but also with regard to expansion, scale and long-term cost management. This makes the identification and accurate profiling of emerging tier-2 cities increasingly relevant.

Not only will a scientific identification of these alternative cities pinpoint location options, but they will also enable oper-

ators to better plan for future growth in these areas. In this next wave of outsourcing when IT and BPO services players will look to better utilize the capacities of emerging tier-2 cities, an effort will be made to focus on cities located further away from primary sourcing destinations. These tier-2 cities will be carefully evaluated, and in many instances will be developed by industry and institutional players to become provincial (regional) IT and/or BPO labor hubs. In creating these hubs, the labor resources can be attracted from similar sized or smaller cities in the vicinity of the region.

Beth Lui, the Philippine Country Manager for Accenture, rationalized their expansion to Cebu City, a significantly smaller city yet equally capable labor force as compared to Manila. "Cebu alone is a small province. We will have to draw from the neighboring provinces as well. There is a need to create a hub of talent," says Lui

## COST Matters



A key reason to outsource is to save costs, and most discussions on cost revolve around the wages at outsourcing locations. This can be extremely misleading because it precludes several other operating costs – support staff salaries, cost impact of attrition, training, management costs and corporate overheads, real estate, communications and technology costs, etc.

These costs vary across cities, and can influence a company's decision to outsource there. For instance, though salaries in Mumbai or Shanghai are comparable to many other outsourcing cities, rental costs for office space in these cities are probably higher than most others.

### About Our Study

In our research report, we rank top 50 and profile the top 15 emerging global cities for outsourcing. These are the ones that may not be top of mind for most companies; but nevertheless are well suited for specific IT and BPO functions. As there are some global outsourcing cities that stand as the clear winners, we also rank the top five obvious choices that need no introduction.

### Methodology

The Tholons methodology of evaluating the viability of existing and potential outsourcing destinations consists of a host of measurable and pre-determined metrics and variables that impact a location's services landscape. In this city selection criteria, an exhaustive set of data points add up to a broad set of categories, which ultimately provide an aggregate city score.

The broad categories, each corresponding to a graded weight, are: Scale and quality of workforce, business catalyst, financial, infrastructure, risk environment and quality of life.

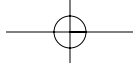
One unique point of the city selection criteria is its inclination toward identifying skill-sets and workforce-related metrics. BPO providers and industry stakeholders find greater value in granular data, specific to their industry vertical customers and their respective horizontal processes. A provider, for example, after an acceptable top-of-the-envelope cost has been determined, may be inclined to look at city-specific data points that directly impact their provided services. Thus, a BPO company engaged in FAO would like to identify the number of accounting- and finance-related graduates in a particular city. This type of investigation is a progression from previous years where service providers may have simply looked at the number of graduates and wage rates as determining factors to locating operations. **GS**

*Avinash Vashistha is the Chairman and CEO of Tholons, a services globalization and investment advisory firm*

# Top 50 Emerging Outsourcing Cities

| Rank | Cities                     | Country        | City highlights      |                          |                          |                                |
|------|----------------------------|----------------|----------------------|--------------------------|--------------------------|--------------------------------|
|      |                            |                | GDP*<br>(\$ billion) | Currency*                | Exchange<br>rate** \$1 = | Standard time<br>zone*** (GMT) |
| 1    | Chennai                    | India          | 804                  | Indian rupee (INR)       | 40.45                    | GMT+5:30                       |
| 2    | Hyderabad                  | India          | 804                  | Indian rupee (INR)       | 40.45                    | GMT+5:30                       |
| 3    | Pune                       | India          | 804                  | Indian rupee (INR)       | 40.45                    | GMT+5:30                       |
| 4    | Cebu City                  | Philippines    | 116.9                | Philippine peso (PHP)    | 47.07                    | GMT+8                          |
| 5    | Kolkata                    | India          | 804                  | Indian rupee (INR)       | 40.45                    | GMT+5:30                       |
| 6    | Ho Chi Minh City           | Vietnam        | 48.43                | Vietnamese dong (VND)    | 16,183.00                | GMT+7                          |
| 7    | Colombo                    | Sri Lanka      | 27.4                 | Sri Lankan rupee (LKR)   | 113.27                   | GMT+5:30                       |
| 8    | Shanghai                   | China          | 2,518                | Chinese yuan (CNY)       | 7.52                     | GMT+8                          |
| 9    | Chandigarh                 | India          | 804                  | Indian rupee (INR)       | 40.45                    | GMT+5:30                       |
| 10   | Beijing                    | China          | 2,518                | Chinese yuan (CNY)       | 7.52                     | GMT+8                          |
| 11   | Cairo                      | Egypt          | 85.37                | Egyptian pound (EGP)     | 5.65                     | GMT+2                          |
| 12   | Hanoi                      | Vietnam        | 48.43                | Vietnamese dong (VND)    | 16,183.00                | GMT+7                          |
| 13   | Shenzhen                   | China          | 2,518                | Chinese yuan (CNY)       | 7.52                     | GMT+8                          |
| 14   | Buenos Aires               | Argentina      | 210                  | Argentine peso (ARS)     | 3.14                     | GMT-3                          |
| 15   | São Paulo                  | Brazil         | 967                  | Brazilian real (BRL)     | 1.92                     | GMT-3                          |
| 16   | Kraków                     | Poland         | 337                  | Polish zlotych (PLN)     | 2.72                     | GMT+1                          |
| 17   | Curitiba                   | Brazil         | 967                  | Brazilian real (BRL)     | 1.92                     | GMT-3                          |
| 18   | Dalian                     | China          | 2,518                | Chinese yuan (CNY)       | 7.52                     | GMT+8                          |
| 19   | Santiago                   | Chile          | 111.8                | Chilean peso (CLP)       | 515.10                   | GMT-4                          |
| 20   | Prague                     | Czech Republic | 118.8                | Czech koruna (CZK)       | 19.88                    | GMT+1                          |
| 21   | Coimbatore                 | India          | 804                  | Indian rupee (INR)       | 40.45                    | GMT+5:30                       |
| 22   | Guangzhou                  | China          | 2,518                | Chinese yuan (CNY)       | 7.52                     | GMT+8                          |
| 23   | Pasig City                 | Philippines    | 116.9                | Philippine peso (PHP)    | 47.07                    | GMT+8                          |
| 24   | Belfast                    | Ireland        | 204.4                | Euro (EUR)               | 0.72                     | GMT Offset                     |
| 25   | Johannesburg               | South Africa   | 201.4                | South African rand (ZAR) | 7.19                     | GMT+2                          |
| 26   | Warsaw                     | Poland         | 337                  | Polish zlotych (PLN)     | 2.72                     | GMT+1                          |
| 27   | Brno                       | Czech Republic | 118.8                | Czech koruna (CZK)       | 19.88                    | GMT+1                          |
| 28   | Budapest                   | Hungary        | 113.2                | Hungarian forint (HUF)   | 183.73                   | GMT+1                          |
| 29   | San José                   | Costa Rica     | 21.39                | Costa Rican colon (CRC)  | 516.71                   | GMT-6                          |
| 30   | Glasgow City               | U.K.           | 1,930                | British pound (GBP)      | 0.49                     | GMT Offset                     |
| 31   | Perth                      | Australia      | 644.7                | Australian dollar (AUD)  | 1.19                     | GMT+8                          |
| 32   | Kuala Lumpur               | Malaysia       | 132.3                | Malaysian ringgit (MYR)  | 3.49                     | GMT+8                          |
| 33   | St. Petersburg             | Russia         | 733.6                | Russian ruble (RUR)      | 25.41                    | GMT+3                          |
| 34   | Accra                      | Ghana          | 10.21                | Ghanaian Cedi (GHS)      | 0.93                     | GMT Offset                     |
| 35   | Halifax                    | Canada         | 1,088                | Canadian dollar (CAD)    | 1.04                     | GMT-4                          |
| 36   | Baguio City                | Philippines    | 116.9                | Philippine peso (PHP)    | 47.07                    | GMT+8                          |
| 37   | Leeds (Yorkshire & Humber) | U.K.           | 1,930                | British pound (GBP)      | 0.49                     | GMT Offset                     |
| 38   | Birmingham, Alabama        | U.S.A.         | 13,210               | US dollar (USD)          | 1                        | GMT-6                          |
| 39   | San Antonio, Texas         | U.S.A.         | 13,210               | US dollar (USD)          | 1                        | GMT-6                          |
| 40   | Bratislava                 | Slovakia       | 47.72                | Slovak koruna (SKK)      | 24.25                    | GMT+1                          |
| 41   | Sofia                      | Bulgaria       | 28.06                | Bulgarian lev (BGL)      | 1.41                     | GMT+2                          |
| 42   | Moscow                     | Russia         | 733.6                | Russian ruble (RUR)      | 25.41                    | GMT+3                          |
| 43   | Bucharest                  | Romania        | 80.11                | Romanian leu (RON)       | 2.38                     | GMT+2                          |
| 44   | Brasília                   | Brazil         | 967                  | Brazilian real (BRL)     | 1.92                     | GMT-3                          |
| 45   | Oklahoma City, Oklahoma    | U.S.A.         | 13,210               | US dollar (USD)          | 1                        | GMT-6                          |
| 46   | Monterrey                  | Mexico         | 743.5                | Mexican peso (MXN)       | 11.08                    | GMT-6                          |
| 47   | Tallinn                    | Estonia        | 13.89                | Estonian kroon (EEK)     | 11.28                    | GMT+2                          |
| 48   | Kiev                       | Ukraine        | 82.36                | Ukrainian hryvna (UAH)   | 4.98                     | GMT+2                          |
| 49   | Ljubljana                  | Slovenia       | 37.92                | Slovenian euro (EUR)     | 0.72                     | GMT+1                          |
| 50   | Juárez                     | Mexico         | 743.5                | Mexican peso (MXN)       | 11.08                    | GMT-7                          |

\* Country-specific information; \*\*official exchange rate as of 12th Sept. '07; \*\*\* City-specific information



# Global Cities by FUNCTIONS



| Type of Cities / services | Engineering services | Product development | ADM          | Testing          | Business analytics |
|---------------------------|----------------------|---------------------|--------------|------------------|--------------------|
| Established               | Bangalore            | Bangalore           | Bangalore    | Bangalore        | Delhi NCR          |
|                           | Chennai              | Moscow              | Mumbai       | Chennai          | Mumbai             |
|                           | Pune                 | Hyderabad           | Hyderabad    | Hyderabad        |                    |
|                           |                      | Chennai             | Chennai      |                  |                    |
| Emerging                  |                      | Dublin              | Dublin       |                  |                    |
|                           | Prague               | Pune                | Shenzhen     | Bucharest        | Bangalore          |
|                           | St. Petersburg       | Bucharest           | Buenos Aires | Ho Chi Minh City | Bucharest          |
|                           | Delhi NCR            | Shanghai            | Kolkata      | Cairo            | Cairo              |
|                           |                      | Ho Chi Minh City    |              | Colombo          |                    |

## 1 CHENNAI

City Profiles by Adyasha Sinha, Imrana Khan and Rinku Tyagi

**L**ow cost, developed infrastructure, skilled workers and low attrition rates are the reasons for the high rank of this south Indian city on our list. Chennai is one of the best-connected cities in India, with an extensive fiber-optic network.

The city also has an IT-friendly state government that is actively promoting investment in improving its infrastructure. By 2010 the city will house one of the world's largest IT parks, "Mahindra World City." Most IT majors have development centers in the city, Syntel being the latest to have announced plans to invest \$50 million in Chennai (and Pune).

Many financial institutions and insurance companies have their back-office operations here. Standard Chartered, for instance, has a captive center here that staffs about 5,700 people. The World Bank, too, has its back office here.

Chennai is expected to house more than 73,000 workers of the top three Indian IT companies (TCS, Infosys and Wipro) by 2010.

Moreover, while the government is actively strengthening domestic railway connections to the city, Air India has announced flights to many European destinations from here. **GS**

### KEY SERVICE PROVIDERS

Accenture, Cognizant, CSC, EDS, HCL, IBM, Infosys, Oracle, Sun Microsystems, Satyam, TCS, Wipro

### KEY PROCESSES

ADM, engineering services, product development, testing, legal services, finance and accounting

### UNIVERSITIES/GRADUATES

University of Madras, Indian Institute of Technology, Anna University

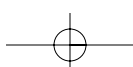
### LANGUAGES SUPPORTED

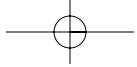
English



**Chennai is an established location for automotive engineering services, product development, FAO and health care BPO.**

<< Bharatanatyam, a south Indian dance form





TOP

# 5 Outsourcing CITIES

- Bangalore
- Delhi NCR
- Manila NCR
- Mumbai
- Dublin

We don't see these mature, well-established cities that have been servicing the global corporate world for over a decade, going away from the outsourcing map. But we do see them as Western companies' obvious choices for sourcing IT and BPO services.

| Finance and Accounting | Human Resources | Legal services | Contact center |
|------------------------|-----------------|----------------|----------------|
| Mumbai                 | Prague          | Manila NCR     | Delhi NCR      |
| Bangalore              | Bucharest       |                | Manila NCR     |
| Dublin                 | Bangalore       |                | Dublin         |
| Chennai                | Dublin          |                | Mumbai         |
| Manila NCR             |                 |                | Bangalore      |
| Colombo                | Kraków          | Pune           | Cebu City      |
| Kraków                 | Cebu City       | Mumbai         | Buenos Aires   |
| Cebu City              |                 | Chennai        | San José       |
|                        |                 | Colombo        | Accra          |
|                        |                 |                | Santiago       |

## HYDERABAD 2

The service industry, particularly IT, is the major contributor to this Indian city's economy, which is fortunate enough to get a government that is planning to create 250,000 IT jobs in the city in the next two years. Infrastructure development in the city has also played a major role in attracting overseas investors.

Some announcements in the outsourcing space in the last three months:

**Aug. '07:** HCL BPO announced plans to set up a 1,000-seater delivery center in 2008. The center is expected to undertake voice-based outsourcing services in retail and financial services.

**July '07:** EXL Service announced \$8 million investment for a new unit slated to open by mid-2008.

**June '07:** Genpact announced plans to set up a campus that will create 5,000 jobs over the next five years.

But, recent terrorism in the city has raised alarm among investors and many CIOs who are currently outsourcing here have shown concern. **GS**

**The city is seeing increased investments through Foreign Direct Investments. Moreover, commercial property rents here are quite low, at \$0.9 per sq. feet per month.**

« Charminar, a historical monument in Hyderabad

### KEY SERVICE PROVIDERS

Accenture, CSC, HCL, HP, Infosys, Oracle, Satyam, UBS

### KEY PROCESSES

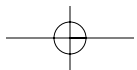
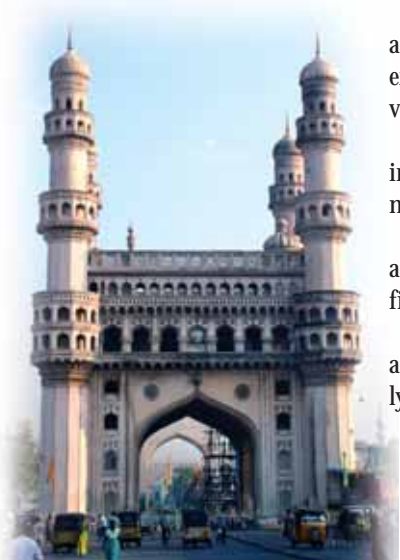
ADM, product development, testing, finance and accounting

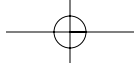
### UNIVERSITIES/GRADUATES

Jawarherlal Nehru Technological University, International Institute of Information and Technology, two central and six state universities

### LANGUAGES SUPPORTED

English





## 3 PUNE

Cambridge Solutions is the latest entrant to this youthful city of Western India. Wipro, too, has announced another center in Pune, and plans to triple its workforce here by next year.

Pune has attracted many IT companies in the recent past, and for good reason. This “Oxford of the East,” as it is called, is home to several educational institutions, making it attractive for IT- and BPO-services companies.

Pune’s software industry has mushroomed thanks to eight IT parks spread across the city. Pune is also emerging as a prominent city for BPOs because of the availability of skilled English-speaking people. The city is also home to the largest number of chartered accountants in India — in fact, that is one reason why KPIT Cummins Global Solutions recently set up a finance and accounting center here. Notably, Pune has the highest per capita income in India, with a GDP growth rate of 8.3 percent.

There has been some concern about infrastructure in the city, to mitigate which the state government is planning a 1,000 MW power plant to exclusively serve Pune. The roads, however, as in much of developed India, remain congested. **GS**



**The city gains prominence as an outsourcing destination due to low operating costs and low attrition rates compared to the other metros.**

<< Pune University

### KEY SERVICE PROVIDERS

Infosys, Wipro, Zensar, Cognizant, KPIT, Kanbay, TCS, EXL, Msource, Convergys, HSBC, Aviva, WNS T-Systems, IBM, Dell, Accenture

### KEY PROCESSES

Engineering services, product development, finance and accounting, legal services

### UNIVERSITIES/GRADUATES

Pune University, Symbiosis, Fergusson College, Bharati Vidyapeeth Bhawan, Indira Institute

### LANGUAGES SUPPORTED

English

## CEBU CITY 4

This Filipino BPO city provides services such as customer services, technical support, help desk, data entry and processing, medical transcription, insurance processing, book keeping and accounting, legal, taxation and back-office transaction processing.

As the BPO sector continues to expand here so does the demand for space. At present, 80,000 sq. meters are occupied by at least 17 BPO companies. Office lease rates in the city on an average are \$6.7 per sq. meter per month.

The city is also known as an education center. It has 68 public elementary schools, 23 national high schools and 28 night high schools. Literacy rate in the city stands at 97 percent. Many foreign students, mostly Iranians, Koreans and Nepalese, also come to Cebu City to study since education is relatively cheaper here.

Infrastructure in the city is quite strong. Cebu City’s Mactan-Cebu International Airport has direct flights to Hong Kong, Singapore, Japan, China, Malaysia, Taiwan, Qatar and South Korea. **GS**



### KEY SERVICE PROVIDERS

Accenture, Convergys, eTelecare, Sykes Asia, PeopleSupport

### KEY PROCESSES

Customer service, finance and accounting, HR services

### UNIVERSITIES/GRADUATES

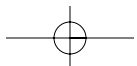
University of the Philippines, Visayas, Miagao, University of San Carlos

### LANGUAGES SUPPORTED

English

**The excellent quality of life (cost of living around 75 percent lower than the U.S.A.) in Cebu City translates into better quality of workers and low employee turnover.**

Santo Nino, the patron saint of Cebu >>

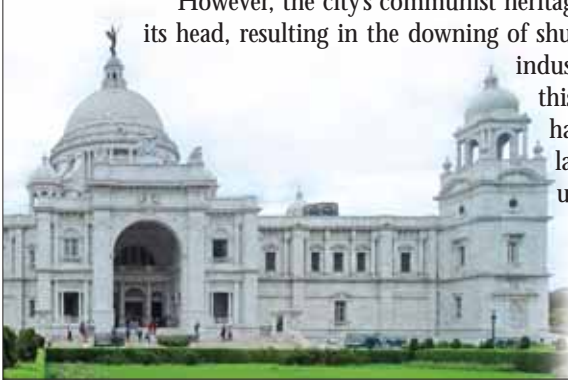


# 5 KOLKATA

As the IT sector in the city grows at the rate of 70 percent per annum, this Indian metro known for its educational emphasis on linguistics and humanities continues to attract foreign investors. It has comparatively lower wages and attrition rate than the reigning Indian cities of Bangalore and Mumbai. Attrition in the city's BPO sector is in the range of 15 to 20 percent, compared to the Indian industry average of 30 percent.

The cost of living in Kolkata is lower than that in Bangalore, Mumbai and Delhi, and it is expected to go down further as more space enters the market. The IT Minister of Kolkata claims that Kolkata-based operations are 12 to 13 percent cheaper than Delhi and Mumbai, and 11 percent cheaper than Bangalore and Hyderabad, thus giving a cost advantage of 15 to 30 percent to companies with centers here.

However, the city's communist heritage does occasionally rear its head, resulting in the downing of shutters. The IT and BPO industry is not immune to this, and companies have had to wait endlessly for land allotment for setting up centers. **GS**



**Lower living expenses clearly differentiate this city from the other metros in India.**

<< A memorial of Queen Victoria of the U.K.

## KEY SERVICE PROVIDERS

Capgemini, Cognizant, Genpact, HCL, HSBC, IBM, Oracle, TCS, Wipro

## KEY PROCESSES

ADM, customer service, finance and accounting

## UNIVERSITIES/GRADUATES

University of Calcutta, Bengal Engineering and Science University

## LANGUAGES SUPPORTED

English

# HO CHI MINH CITY 6

Last year when Intel announced its plans to set up a semiconductor-testing facility in Ho Chi Minh City, it was seen as the first big step toward the city being noted on the world's investment map. While the gaming design and software-development industry of Vietnam has long been serving big-wigs like Sony Computer Entertainment Europe, Microsoft, IBM, and producing Codemasters and Atari game brands, it was known more for its marine products, clothes, and paper and pulp industries. It is now seen as developing expertise in the area of PC-based applications.

Today, world-renowned IT-services companies like Satyam are heading to Vietnam with Hanoi and Ho Chi Minh City as the two major emerging outsourcing hubs. Saigon High-Tech Park, the city's IT hub, is one of the city's five focal economic projects aimed at driving Ho Chi Minh City as a viable investment destination by 2010.

The city offers high tax savings, close proximity to educational institutions, airport and seaports as well as soft incentives like multiple visa entries for expatriates. **GS**

## KEY SERVICE PROVIDERS

TMA Solutions, FPT Software, Alive Interactive, Glass Egg Digital

## KEY PROCESSES

Product development, testing

## UNIVERSITIES/GRADUATES

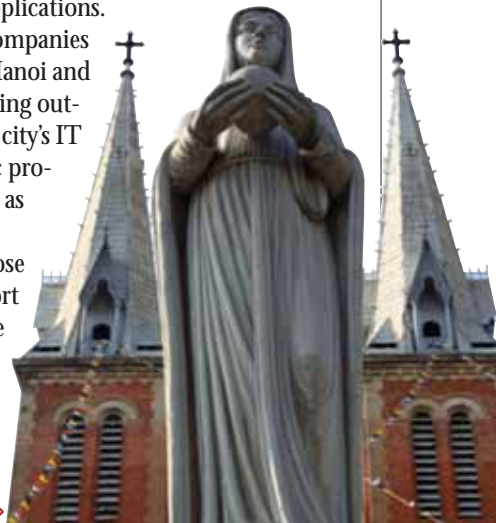
Ho Chi Minh City National University, University of Technical Education, Saigon Institute of Technology, Royal Melbourne Institute of Technology

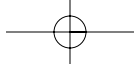
## LANGUAGES SUPPORTED

English, French, Chinese

**A combo of 94 percent literate people, 120,000 grads per year and cheap industrial land make a preferred outsourcing city.**

The statue of the Virgin Mary in front of the twin spires of Notre Dame Cathedral >>





# 7 COLOMBO

When WNS transferred employees in Colombo to Aviva Global Services under a Build Operate Transfer engagement, the city grabbed much industry attention. This Sri Lankan city has the largest pool of U.K.-trained accountants outside U.K., and is a city to watch out for finance and accounting outsourcing.

Investments in the BPO sector in the last five years were \$44 million. The government is also actively engaged in promoting further investments. It offers a tax holiday of three to 12 years depending upon the size of a company.

And in the current scenario, when the Sri Lankan rupee is valued at a lower price than its Indian counterpart, local players are seeing it as a small but temporary advantage in terms of dollar earnings. However, the latest Sri Lankan ICT Workforce Survey says that there is a workforce shortage in both the IT and BPO space.

But off late, Colombo has been in the news with companies such as John Keells and Virtusa moving out due to inadequate infrastructure and technical knowledge. One reason given by John Keells is the high telecom lease line prices in the city. Electricity costs in the city are also high. **GS**

### KEY SERVICE PROVIDERS

WNS, Astron BPO, Lingua, Ronako, IBM, HSBC, Virtusa

### KEY PROCESSES

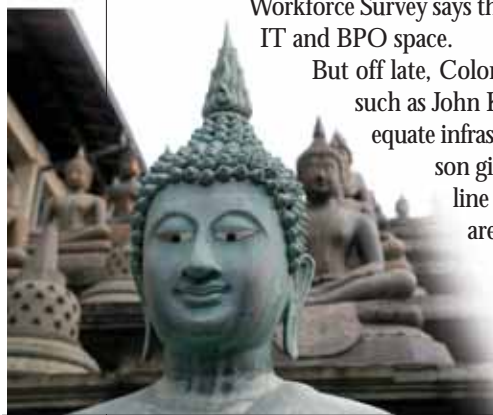
Testing, finance and accounting, legal services

### UNIVERSITIES/GRADUATES

Royal College, Ananda College, Zahira College, Colombo Hindu College, University of Colombo, Sri Lanka Institute of Information Technology

### LANGUAGES SUPPORTED

English



**The govt. has taken steps to reduce the annual cost of telecom and electricity to encourage IT and BPO industry here.**

<< An Aukana Buddha statue, one of Sri Lanka's rockcut wonders

# SHANGHAI 8

### KEY SERVICE PROVIDERS

Augmentum, Bleum Software Outsourcing, HP, HSBC, Neusoft

### KEY PROCESSES

ADM, IT infrastructure, product development, customer service

### UNIVERSITIES/GRADUATES

Shanghai Jiao Tong University, East China University of Science and Technology, Tongji University, Shanghai International Studies University

### LANGUAGES SUPPORTED

English, Japanese

This Chinese city of the maglev train and elevated expressways is known for its excellent infrastructure. This combined with a high level of education (literacy rate stands at 94 percent) has made it an important global outsourcing destination for IT and BPO services. The city caters to Japanese, Korean, American, and domestic customers of services.

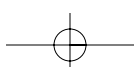
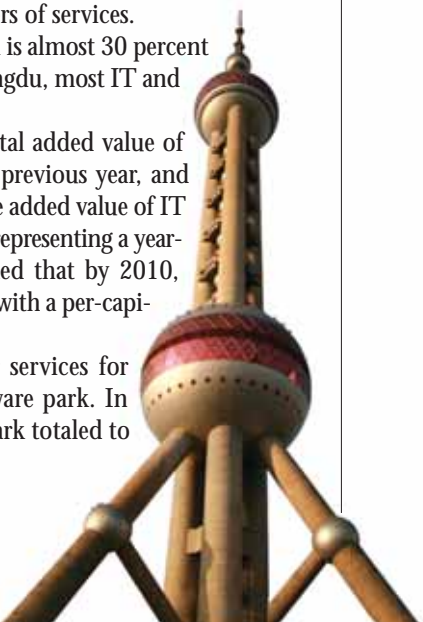
Despite the fact that labor cost in Shanghai is almost 30 percent higher than smaller Chinese cities such as Chengdu, most IT and BPO big wigs have centers here.

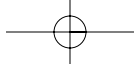
In 2005, the city's IT sector reported a total added value of \$14.55 billion, up by 25.7 percent from the previous year, and accounted for 12 percent of the city's GDP. The added value of IT products manufacturing reached \$8.66 billion, representing a year-on-year growth of 25.8 percent. It is predicted that by 2010, Shanghai will become the first area nationwide with a per-capita GDP of \$10,000.

Leading Shanghai on the path to deliver services for international companies is the Pudong software park. In 2006, software exports by companies in the park totaled to \$150 million. **GS**

**State-of-the-art infrastructure, year-on-year GDP growth and production of IT products paint an impressive picture of Shanghai.**

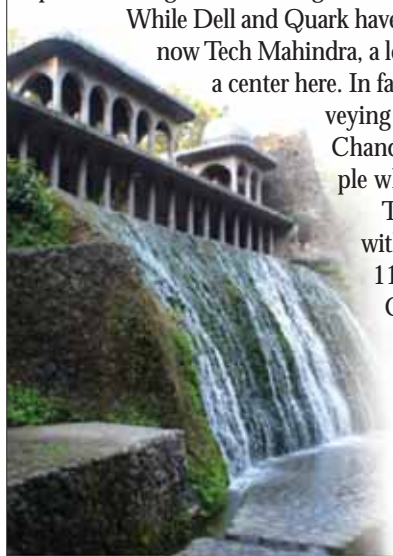
Oriental Pearl tower, Asia's tallest TV tower >>





# 9 CHANDIGARH

This North Indian city seems to be doing all the right things to establish itself in the world of IT and business-services sourcing. The state government's commitment to growth in IT and the services sector is evident through its very good telecom, power and roads infrastructure. Tax incentives provided by the government have allowed over \$150 million investment in the technology sector. The city also provides planned facilities for IT and BPO companies through the Chandigarh Technology Park.



While Dell and Quark have been operating in the city for several years, now Tech Mahindra, a leading telecom service provider, is planning a center here. In fact, Dell opened its center in 2005 after surveying 19 other Indian cities — and it chose Chandigarh because of its “young, educated people who have good accents.”

The quality of life in the city is quite high, with the gross state domestic product touching 11.2 percent in 2004 to 2005.

On the downside, because of its proximity to Delhi, there is high out migration of labor to Delhi. **GS**

**Chandigarh is one of the best-planned cities of India – it has wide, well-maintained roads, and is well connected to the capital region of the country.**

<< The Rock Garden in Chandigarh is created out of recycled materials

## KEY SERVICE PROVIDERS

Dell, Infosys, Quark, Wipro, Net Solutions, Netsoft Global Services

## KEY PROCESSES

ADM, customer service

## UNIVERSITIES/GRADUATES

DAV College, Government College, Punjab Engineering College, Shri Guru Govind Singh College, Panjab University

## LANGUAGES SUPPORTED

English

# BEIJING 10

## KEY SERVICE PROVIDERS

BEA, BearingPoint, Capgemini, DarwinSuzsoft, IBM, Infosys, I.T. United (A Softtek Company), Microsoft, Oracle, Satyam, Wipro

## KEY PROCESSES

ADM, product development, customer service

## UNIVERSITIES/GRADUATES

Peking University, Tsinghua University, Renmin University of China, Beijing University of Technology

## LANGUAGES SUPPORTED:

English, Japanese, Korean

Even as the number of tickets sold for the 2008 Beijing Olympics touched 1.5 million, Atos Origin, the IT partner for the games, has already completed the IT-system architecture for the event.

Before games start, the city — also known as the “Northern capital” of China — will invest \$2.9 billion in its infrastructure. The new international terminal at Beijing Capital International Airport will double the airport's passenger capacity from 27 to 60 million. Unisys has been selected for the development and integration of the core operational systems for the airport.

Foreign-language call centers are also being set up to cater to tourism that the games will spur. For instance, a Spanish-language call center, a joint project of China's Netcom and Spain's Telefonica, has been set up to give information on transport, weather, and booking of tickets and hotels.

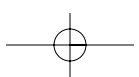
While the city provides the highest reimbursement for software-related value-added tax, wages are relatively higher than other emerging outsourcing cities. A software engineer with one to three years of experience earns \$4,000 to \$10,000 per annum. **GS**

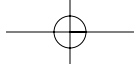


Beijing 2008 T.M.C.



**Beijing is expected to invest \$2.9 billion in infrastructure by 2008.**





# 11 CAIRO

**E**gypt is pitching itself as an outsourcing superpower and targeting a \$1.1 billion growth in the outsourcing industry by 2010. And it is depending on Cairo to help it get there.

The city is open to provide services for countries as diverse as the U.S.A., U.K., Italy, Spain, Belgium, Portugal and Greece, because of its multilingual skill set. Apart from Arabic and English, people here are fluent in French, German and Spanish.

The government has funded a Call Center Academy in the city, which gets 800 to 1,000 people ready for employment every year. It is also taking initiatives to build its IT-workforce capacity. One of those initiatives is a pact inked between the IT Institute of Cairo and NIIT of India in Nov. 2006. Under the deal, NIIT will provide IT-education programs. The government has also invested in a Smart Village, a 600-acres technology business park, in the outskirts of Cairo.

Despite all the action in this city of the pharaohs, Cairo suffers from infrastructure problems such as a half completed Ring Road. But helping balance out this drawback, the government is offering five to 10-year tax exemptions to companies investing here. **GS**



**Cairo is playing the cost card – it is 20 to 30 percent cheaper than India on high-quality call-center services.**

<< The funeral mask of a pharaoh

## KEY SERVICE PROVIDERS

AlliedSoft, C3, Ecco, IBM, Raya Contact Center, Satyam, Tamima, Tele performance, Xceed Contact Center

## KEY PROCESSES

ADM, testing, customer service, business analytics

## UNIVERSITIES/GRADUATES

Al-Azhar University, Ain Shams University, Cairo University, Call Center Academy

## LANGUAGES SUPPORTED

Arabic, English, French, German, Spanish

# HANOI 12

**W**hen British recruitment agency Harvey Nash began scouting for an off-shore destination for its new software-development business six years ago, Vietnam wasn't an obvious choice. But when its inspection team returned from Hanoi to assess the options, Vietnam was the top contender.

So what worked for the city? Its mix of low wages, improving English-language skills, low job-hopping and technical proficiency helped tip the balance in its favor.

Wages in the city are about a third lower than China's and a 10th than U.S.A.'s, and staff turnover rates are just about 5 percent. And with more than half of the population under 30 years old, Hanoi's talent pool is deep and increasing.

At the same time, companies investing here get incentives like tax holidays. Industrial land is also cheap.

Yet, spoken English is a challenge, though companies outsourcing to Hanoi say this problem is minimal as most communication is via e-mail. The city also lags in terms of the quality of telecommunications. **GS**

## KEY SERVICE PROVIDERS

QSoft Vietnam, SilkPro, Spi Technology, Vietnam Offshore Services, IBM, Intel

## KEY PROCESSES

Finance and accounting, product development

## UNIVERSITIES/GRADUATES

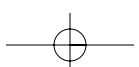
Hanoi University of Technology, Hanoi National University

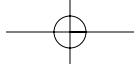
## LANGUAGES SUPPORTED

English, Chinese, French

**Very low wages and strong mathematical skills are a combination that has made Hanoi a strong base for finance and accounting services.**

Water puppets created by Vietnamese rice farmers >>





# 13 SHENZHEN

The city that until recently focused more on getting business from Americans and Europeans, is now targetting Japan. This summer Hitachi Systems and Services and Shenzhen Software Park signed an agreement to train outsourcing managers targetting Japan. The park, known for R&D, has over 400 member companies, employing over 40,000 people. IBM, Oracle, HP, Microsoft, among others, have invested in R&D facilities in the software park.

In addition, in 2004 member companies contributed about 20 percent of China's total sales revenue in software exports for the year. This gave a boost to the city's GDP, which in 2006 totaled to \$75.33 billion (up by 15 percent) from 2005.

Shenzhen has got excellent infrastructure — a key ingredient to attract providers to set their base here. The airport is connected to Hong Kong airport by coach.

On the downside, salaries in the city are rising — a 2006 salary report shows that the average salary in Shenzhen rose by 7.9 percent from 2005. This was the fourth highest in the country, following Beijing, Shanghai and Guangzhou. **GS**



**The GDP from outsourcing services by Shenzhen is expected to reach \$6.25 billion by 2010.**

<< A traditional Chinese pavilion used for enhancing aesthetics

### KEY SERVICE PROVIDERS

ACS, AT&T, Foxconn, HP, Huawei, IBM, ZTE

### KEY PROCESSES

ADM, product development, R&D

### UNIVERSITIES/GRADUATES

Shenzhen University, Shenzhen Polytechnic, Shenzhen Institute of Technology

### LANGUAGES SUPPORTED

Chinese, English

# BUENOS AIRES 14

### KEY SERVICE PROVIDERS

Globant, Atento, TeleTech, Teleperformance, EDS, Motorola, Microsoft, HP, IBM

### KEY PROCESSES

ADM, customer service

### UNIVERSITIES/GRADUATES

Universidad Católica Argentina, Universidad de Buenos Aires, Universidad del Salvador, Universidad Torcuato Di Tella

### LANGUAGES SUPPORTED

Spanish, English, French, Portuguese, Italian

Its European heritage makes this South American city attractive for European companies considering outsourcing, while its proximity to North America makes it attractive for Americans. Keeping this in mind, Neoris opened a facility in Buenos Aires in March this year to tap the advantage of geographical proximity with the U.S.A.

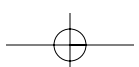
Argentina has a large number of bilingual agents serving both the U.S. and European customers. Buenos Aires, Cordoba and Rosario have 94 percent of the contact centers and agents in all of Argentina.

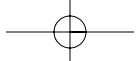
In 2007 the mean nominal GDP per capita of Buenos Aires has reached \$14, making it one of the wealthiest cities in LatAm. Thirty six percent of the city's workforce is engaged in the services sector. Wages of a software programmer in Buenos Aires is about \$11 per hour (15 percent lower than a programmer in Bangalore, India).

While the average land sale price for setting up an office in Buenos Aires is between \$2 to \$2.5 per sq. meter, monthly rental charges for Class A+ offices is \$22 per sq. meter. And, the average electricity charges for an official setup is \$0.04 per kilowatt per hour — 30 to 60 percent lower than in the U.S.A. **GS**

**The last decade saw Buenos Aires as one of the most expensive places in the world. But the devaluation of the peso in 2002 has given the city the chance to do the outsourcing tango.**

Corrugated homes in La Boca >>





15

# SAO PAULO

That Brazil is coming to be known for its strength in IT, BPO and R&D services, and not just in football, is largely thanks to São Paulo. This location has increasingly come to the attention of global service providers, with Satyam being the latest entrant here.

As São Paulo transforms itself from a strong industrial base into a service- and technology-oriented offshoring location, the government is doing its bit to make it succeed. It has set a target of \$2 billion for IT services exports by 2007, a commitment to improve telecommunications, and is investing 3.7 percent of the GNP in education. The country's association of IT companies, Brasscom, is also fairly active here.

Though security and underemployment remain the main drawbacks of the city, low labor wages — around \$25 to \$30 per hour of a software engineer — reduce their magnitude. **GS**

**Proximity to the U.S.A., favorable time zone and multibillion dollar investment in telecom by the government have made São Paulo an attractive nearshore location.**

<< A Samba dancer



### KEY SERVICE PROVIDERS

Accenture, Cisco, Dell, EDS, Fidelity, IBM, Satyam

### KEY PROCESSES

ADM, customer service

### UNIVERSITIES/GRADUATES

University of São Paulo, Federal University of São Paulo, National Institute of Nuclear Research

### LANGUAGES SUPPORTED

Spanish , English, Portuguese

## Bloggers SPEAK

globalservicesmedia.com invited readers to nominate global cities that they believe are ideal for outsourcing functions such as F&A, HRO, engg. services .... Some nominations are:

| Country: City   | Rationale  | Nominated by       |
|---|--|--------------------|
| Poland: Kraków  | "A list provided by Capgemini lists the Polish towns of Warsaw, Wrocław, Kraków. An AT Kearney report says that 25% investors are optimistic about Poland and 10% global investors plan to be first-time investors in Polish companies. Some companies that have BPOs in Krakow: Ahold, Bayer, Capgemini, Communication Factory, Electrolux, Exult, Hewitt, IBM, Indesit, KPMG, Lufthansa, Philip Morris, and Shell" | Magdalena Szarafin |
| Germany: Berlin   | "Active in call centers, customer care, shared service centers, advertising and marketing, and financial services. Has well-qualified people, very good infrastructure and low rentals"  | Magdalena Szarafin |
| India: Coimbatore Calicut, Ernakulam, Nagpur, Chandigarh                            | "Well suited for ADM and product development. A Director from Nortel, I recently met, said that Calicut and Coimbatore have great talent"  | Suresh             |
| India: Hyderabad, Noida   | Have resources and infrastructure. Staff is enthusiastic   | Jay                |
| China: Xian   | "More than 100 universities and 700,000 students in further education; forty to 50% lower salaries compared to Shanghai and Beijing; cheaper office rentals (1/3rd of Beijing or Shanghai); low attrition rate"  | Anthony            |
| Mexico: Guadalajara, Monterrey, Aguascalientes, Queretaro, Ciudad Juarez, Zacatecas | "Nearshore benefits of proximity; large talent pool of well-qualified resources for IT and BPO services; large firms like TCS, Infosys and Perot have recently opened centers in Mexico; others like IBM, EDS, Freescale, Intel and HP have had a presence in these cities for several years"  | Daniel             |
| Philippines: Manila, Queszon City, Baguio City, Iloilo City, Cebu City              | "While the cities have skilled labor with fluency in American English, Iloilo and Cebu city have expertise in FAO"   | Gigi               |

Inputs by Tholons team — Manuel Ravago, Paul Santos, Skanda Janakiram, Vinu Kartha

