

THE BIG PH IT-BPM LEAP



The Philippine IT-BPM industry
Roadmap 2028

Executive Summary

IBPAP[®]

IT & Business Process Association

P H I L I P P I N E S



THE BIG PH
IT-BPM LEAP
The Philippine IT-BPM Industry
Roadmap 2028

Message from IBPAP Chairman



The development of the Philippine IT-BPM Industry Roadmap 2028 is an accomplishment in and of itself—the result of months of extensive research and critical deliberations with the Everest Group, our partner associations, and other stakeholders. They generously offered their time, expertise, and resources to define a future that we can all aspire for and create a path that we can take together.

Its true impact, though, will unfold over the course of six years as the IT and Business Process Association of the Philippines (IBPAP) rallies the sector's allies in the government, academe, and support industries to mitigate emerging challenges and leverage immense opportunities for the country's IT-BPM sector.

While our 2028 vision of growing Philippine IT-BPM into a US\$59 billion industry with an impressive workforce of 2.5 million Filipinos is equally inspiring and formidable, it is clearly within reach given our sector's track record of agility, adaptability, and resolve.

I do wish to underscore that we cannot stand alone in this crucial endeavor. Roadmap 2028 clearly defines the multi-sectoral support and conditions in our ecosystem that are necessary to attain our goals. There is lot at stake here, beyond revenues or employment. The industry's ability to elevate the quality of life of our countrymen and contribute to nation-building should be top-of-mind as we move forward with our plans to grow in strength and remain a powerhouse in the global IT-BPM market.

Our path will not be easy or quick, and I hope that we will all come together as an industry, a community, and a country to share in and contribute to making this vision a reality.

A handwritten signature in black ink, appearing to be 'B. Hernandez', written in a cursive style.

Benedict Hernandez

Chairman

IT & Business Process Association of the Philippines

Message from IBPAP President



The IT-BPM sector is an indispensable pillar of our economy and one of the only industries where the Philippines is an undisputed global leader. For decades now, the sector has been an important job creator and revenue generator, as well as a source of great pride and inspiration for many of our countrymen.

The remarkable growth and expansion of the IT-BPM industry across the Philippines is a case study of what Filipino ingenuity and innovation can achieve despite seemingly insurmountable challenges. In the next six years, the global IT-BPM landscape will be defined by even more uncertainty and fierce competition; an era of deep transformation that I am certain the sector will be able to take by the horns and conquer with our indelible *bayanihan* spirit.

While we should look to the future with optimism and verve, we should also be laser focused on what needs to be done in order to stand above established and emerging IT-BPM locations, continue attracting investors, and remain a major contributor to nation-building. This will entail strategic and collective action from our stakeholders in the industry, government, and academe on several fronts: (1) bridging the talent supply-and-demand gap by equipping the Filipino workforce with the right skills to pivot to higher-value jobs and services, (2) driving equitable and inclusive growth through countryside hubs that will support the IT-BPM ecosystem, spur the development of other business sectors, and de-risk Metro Manila concentration, and (3) fortifying the Philippine value proposition through a compelling and impactful country brand that leverages our competitive advantage in IT-BPM services.

Let us heed the call for cooperation and take action that will empower millions of Filipinos with long-term, sustainable jobs at good wages to uplift the lives of their families. Let us continue to elevate the country on the global stage by continuing to transform the Philippine IT-BPM industry and become an even stronger bedrock for economic growth, resilience, and stability.

A handwritten signature in black ink, appearing to read 'Jack Madrid'. The signature is fluid and cursive, with a prominent initial 'J'.

Jack Madrid
President & CEO

IT & Business Process Association of the Philippines

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Executive Summary



2022 AND BEYOND: RESILIENCE TO GROWTH, RESURGENCE, IMPACT, AND TRANSFORMATION

The global Information Technology (IT) and Business Process Management (BPM) services industry is a critical driver of the global economy, constituting the technology and operations backbone of most global companies. Among others, banks, hospitals, retail chains, manufacturing companies, technology giants and travel companies use global services delivery in cost-effective, high-talent countries either directly through their Global In-House Centers (GICs) or by outsourcing to third-party partners.

Over the years, the IT-BPM services industry has grown from strength to strength, and has successfully evolved its value propositions and associated levers to meet changing business requirements. While lower operating costs still constitute the prime reason organizations offshore work, the dynamics are rapidly evolving. Today, organizations worldwide are looking at offshore and nearshore locations as strategic levers to gain access to talent, build services delivery resilience, accelerate business innovation, and gain access to new consumer markets.



The COVID-19 pandemic also served as a catalyst for the industry's evolution to the next stage. Today, the IT-BPM services industry is more dynamic, reliable, and agile in driving and addressing next-generation clients' needs. Large-scale digital transformation, an increase in digital interactions, a move toward a hybrid working model, and a global talent shortage are leading to fast-paced growth in offshoring-nearshoring services.

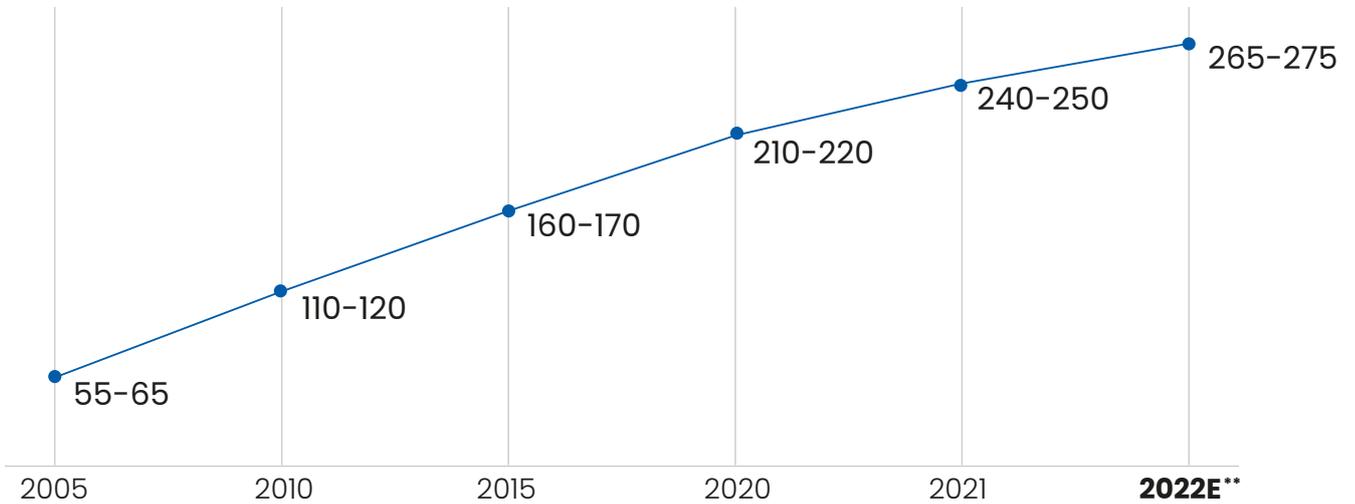
The current global IT-BPM market worth US\$ 265-275 billion is expected to witness healthy growth in the coming years. Globally, the Philippines and India are the two largest services delivery destinations for the IT-BPM services industry, far surpassing the scale of the next set of locations such as Poland, Malaysia, and Mexico. The Philippines has a large and high-skilled talent pool, expertise across a wide array of businesses and technological skills, and significantly low delivery costs. The global market leader for customer experience and healthcare services, it is the second largest delivery market for IT and digital services.

Going forward, the industry's success will depend on improving talent access, skills, enabling infrastructure, ensuring government support for the industry's growth, and adapting to the future of the workforce, workplaces and worktypes.



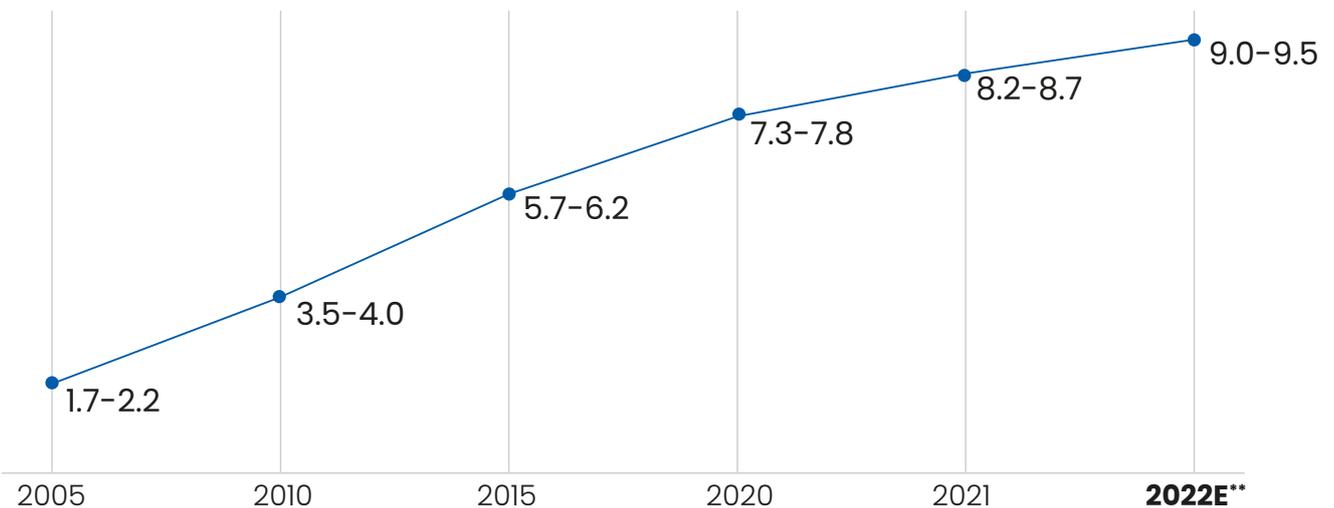
Global IT-BPM services industry revenue*

2005-22E; US\$ billion



Global IT-BPM services industry headcount*

2005-22E; number of FTEs (millions)



* Represents the total market size of export of IT and BPM services from offshore and nearshore locations. Excludes onshore locations and domestic services delivery within the same country

** Estimated growth

Source: Everest Group (2022)

Over the past two decades, the IT-BPM services industry has not only grown in terms of scale but, more importantly, it has considerably evolved in its role and capabilities, and has shifted focus from providing only cost arbitrage to delivering value-add and business impact.

1

Focused on cost arbitrage

Key value proposition/focus – transactional focus

- Lift-and-shift for labor arbitrage
- Fragmented, rule-based transactional process
- Lagging technology adoption trends
- Cost- and scale-focused

Functions primarily offshored-nearshored

Horizontal services (e.g., F&A, contact center, IT infrastructure) and/or rule-based transaction processing work



2

Efficiency and effectiveness-driven

Key value proposition/focus – tactical focus

- Process efficiency and quality improvement
- Capacity and capability augmentation
- Business-oriented KPIs
- Proactive talent management

Functions primarily offshored-nearshored

Expanded the suite of services within technology and BPM services (e.g., IT-ADM, HR, procurement) and expanded to industry-specific services (e.g., BFS BPM, Healthcare BPM)



3

Value-add and business impact-enabled

Key value proposition/focus – strategic focus

- Resilience and agility with lower risk
- Focus on business outcomes and superior customer/stakeholder experience
- Unlock next wave of productivity improvement
- Drive product/services innovation and exponential efficiencies across the board
- Plan data-driven workforce
- Integrated Tech-Ops – solution-centric approach
- Build, scale, and transform technology platforms/infrastructure

Functions primarily offshored-nearshored

Full suite of horizontal, technology and operations services with next-generation solutioning (D&A, cloud migration, cybersecurity, intelligent automation, AI/ML)



TOP FIVE THEMES SHAPING THE IT-BPM SERVICES INDUSTRY



1

Underpenetrated and untapped market segments driving demand for global IT-BPM services delivery

Emerging sub-services include Digital CXM, 3D animation, data & analytics, cloud migration, platformization, supply chain planning, and clinical trials, among others

2

Digital demand explosion creating unmatched growth potential for the global IT-BPM services industry

Growing demand for digital services such as data & analytics, everything-as-a-service, intelligent automation, cybersecurity, and metaverse

3

Severe talent demand-supply gap enhancing the need for global services delivery

Severe talent shortage in North America, UK, Europe and Australia is leading to expansion in delivery locations such as India and the Philippines in the APAC and other offshore countries

4

Changing IT-BPM workplace delivery models

Remote and hybrid working has unlocked new wave of processes which can be delivered in the global service construct and removed perceptions of tasks which were earlier believed to only be delivered onsite

5

Focus on people, planet, and profits bringing ESG & sustainability to the fore for global sourcing decisions

Changing expectations due to demographic changes, compliance with emerging regulations and global guidance, and investor preference are further pushing the envelope to incorporate ESG considerations as part of the organization's core strategies



Global IT-BPM Services Industry at a Glance



MARKET SHARE BY INDUSTRY VERTICAL

- Industries such as BFSI and TMT were the earliest adopters of IT-BPM services, and also have the largest share in the global market. Their offshoring continues to grow steadily.
- There is a growing demand for IT-BPM services across industries such as technology, banking, retail & e-commerce, and healthcare due to the shift to online business models, increase in self-service and digital channels, and the growing interest in new sub-segments of streaming, gaming, EdTech, and FinTech verticals.

25–27% Banking, Financial Services and Insurance (BFSI)	10–12% Manufacturing
19–21% Technology, media and telecom (TMT)	10–12% Healthcare
9–11% Retail	5–7% Energy
	17–19% Others



MARKET SHARE BY BUYER GEOGRAPHY

- North America continues to be the largest adopter of IT-BPM services, with a high year-on-year (YoY) growth across IT-BPM services.
- Europe (including the UK) is witnessing a healthy growth, bolstered by new deals and renewals across industries.
- There is high growth in APAC* due to strong demand from SMBs and mid-market client segments, increased deal activity in Australia, Japan, and Singapore, and a growing need for outsourcing from other countries in South Asia.

37–41% North America	<5% Middle East Africa
35–39% Europe (including UK)	<5% Latin America
16–20% APAC*	

* Includes onshore APAC locations such as Japan, Australia and Singapore

MARKET SHARE BY DELIVERY GEOGRAPHY

- APAC has evolved as the location of choice for offshoring, given its highly attractive talent-cost proposition, good English-language skills, extensive domain and technical skills, and high scalability potential.
- Central and Eastern European countries, parts of Southwestern Europe, and Northern Ireland are growing IT BPM services delivery locations, driven by the availability of domain-skilled talent, multilingual European language capabilities, geographical proximity, time-zone similarity, and cultural affinity with Western European countries.
- MEA constitutes a relatively nascent, but an emerging destination for IT-BPM services delivery, with countries such as Egypt and South Africa showing steady growth, albeit on a more modest scale.
- LATAM caters largely to the US and regional markets, with advantages of time-zone overlap, geographical proximity, and bilingual (English and Spanish) talent availability. Within LATAM, Mexico, Costa Rica, Argentina, and Colombia are leading service delivery countries.



38-40%	4-6%	11-13%
India	Rest of APAC**	Latin America
16-18%	18-20%	7-9%
The Philippines	Nearshore Europe	Others

MARKET SHARE BY SOURCING MIX

- Over the last decade, the global GIC market has grown at an unprecedented rate of 8-10%, and as of 2022, it is sized at US\$ 68.4 billion revenue, and at a scale of 1.89 million FTEs.
- GICs and service providers have emerged as co-existent global services model options rather than competitors.

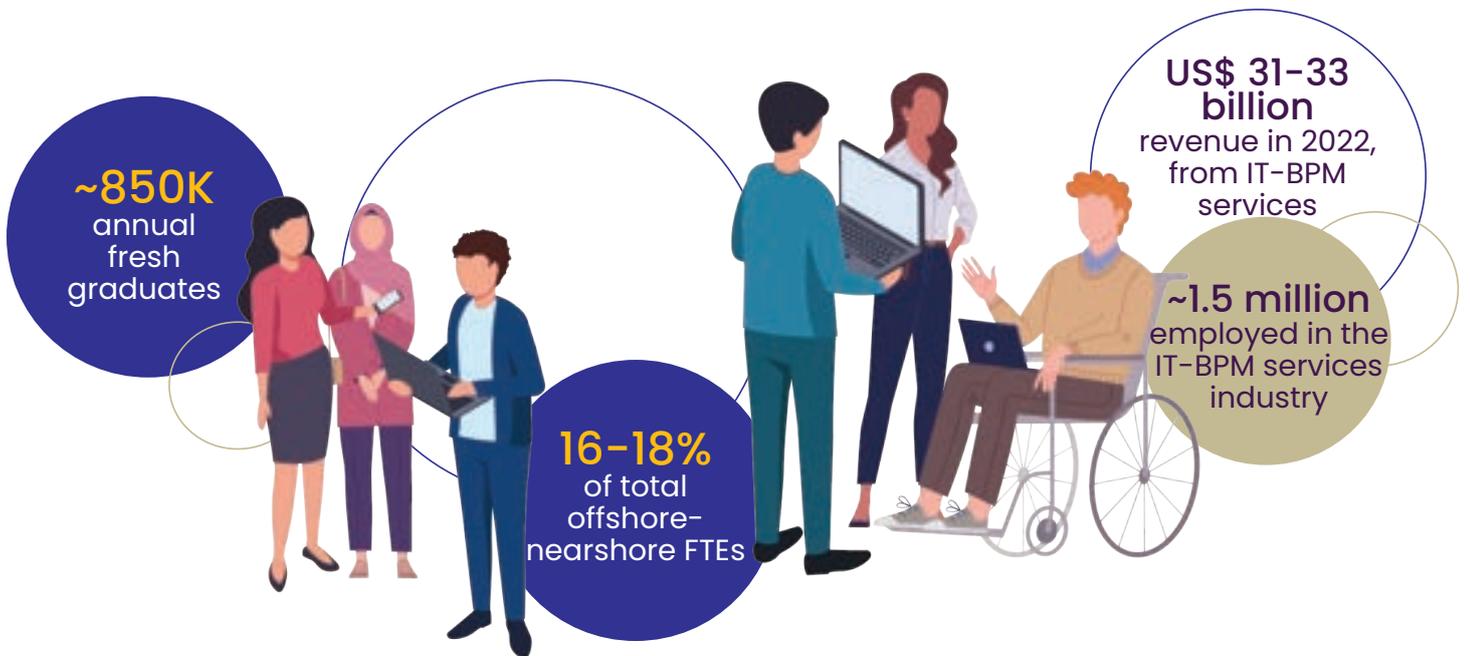
75-80%	20-25%
Service Providers	Global in-house centers (GICs)



** Other offshore locations in APAC, excluding India and the Philippines and onshore locations such as Australia, Japan and Singapore

THE PHILIPPINE IT-BPM SERVICES INDUSTRY AT A GLANCE

The Philippines is the second largest services delivery location, with a 16-18% share of the global IT-BPM services industry by headcount. The country supports a range of customer experience services, healthcare services, non-voice business process services (finance & accounting, human resources, industry-specific services), IT application development and maintenance services, IT infrastructure services, and digital services, making it a destination of choice for global services delivery.



Key advantages of the Philippines



Strong English language proficiency

Among the most English-proficient countries in Asia, with 96% literacy rate



Large and high-quality talent pool

~850,000 higher education graduates each year, ~4.4 million enrollees, and ~2,400 Higher Education Institutions (HEIs)



Strong government support for the IT-BPM services industry

Government support in various initiatives, including education, locator support, and start-ups; partnership with multiple government agencies



Robust ecosystem to support global business services

High-quality real estate, rise of next wave and digital cities, improvement in telecom infrastructure



Attractive cost savings potential

Attractive cost arbitrage over source market
(For instance, >70% cost savings over US and Europe)





Distribution of the Philippine IT-BPM market

The Philippine IT-BPM Market Size (2022E)



By revenue
US\$ 31-33 billion



By headcount
1.5-1.6 million FTEs

Out of the overall IT-BPM services revenue in the Philippines, IT services contribute 16-18%, while BPM services generate approximately 82-84%. Overall, IT-BPM services are well distributed across different industry verticals, sourcing models, and buyer geographies.



MARKET SHARE BY INDUSTRY VERTICAL

- BFSI is the largest industry segment supported from the Philippines.
- The Philippines is one of the leading locations for healthcare services delivery in terms of headcount. Within healthcare, payer and provider services such as care management, denial management, claims review and investigation, and medical coding and billing, have achieved medium-to-high maturity.

 **>25%**
Banking, Financial
Services and Insurance
(BFSI)

 **11-15%** Healthcare

 **<6%** Manufacturing

 **14-18%**
Technology, media and
telecom (TMT)

 **<6%** Energy

 **>25%** Others

 **14-18%** Retail



MARKET SHARE BY BUYER GEOGRAPHY

- North America continues to be the largest buyer geography, driven by the availability of a large English-speaking talent pool with a neutral accent, significantly lower cost of delivery, cultural affinity with the US, and acceptability of US time zone support.
- Europe leverages the Philippines for delivery of traditional IT-BPM services, primarily, due to specific talent/capability sweet spots, mature BPM services delivery, and cost arbitrage.
- APAC buyer market is a fast-emerging customer segment, and is seeing high momentum due to relative under-penetration of offshoring, geographical proximity, and time zone overlap.

~70%
North America

~15%
Europe (incl. UK)

~15%
APAC*



MARKET SHARE BY SOURCING MIX

Over the last decade, the GIC market in the Philippines has grown at the rate of 5-7%, achieved a revenue of approximately US\$ 7 billion, and a headcount of over 220,000 FTEs in 2022. Today, the industry is a major contributor to the IT-BPM services sector in the Philippines.

75-85%
Service Providers

15-25%
Global in-house centers (GICs)

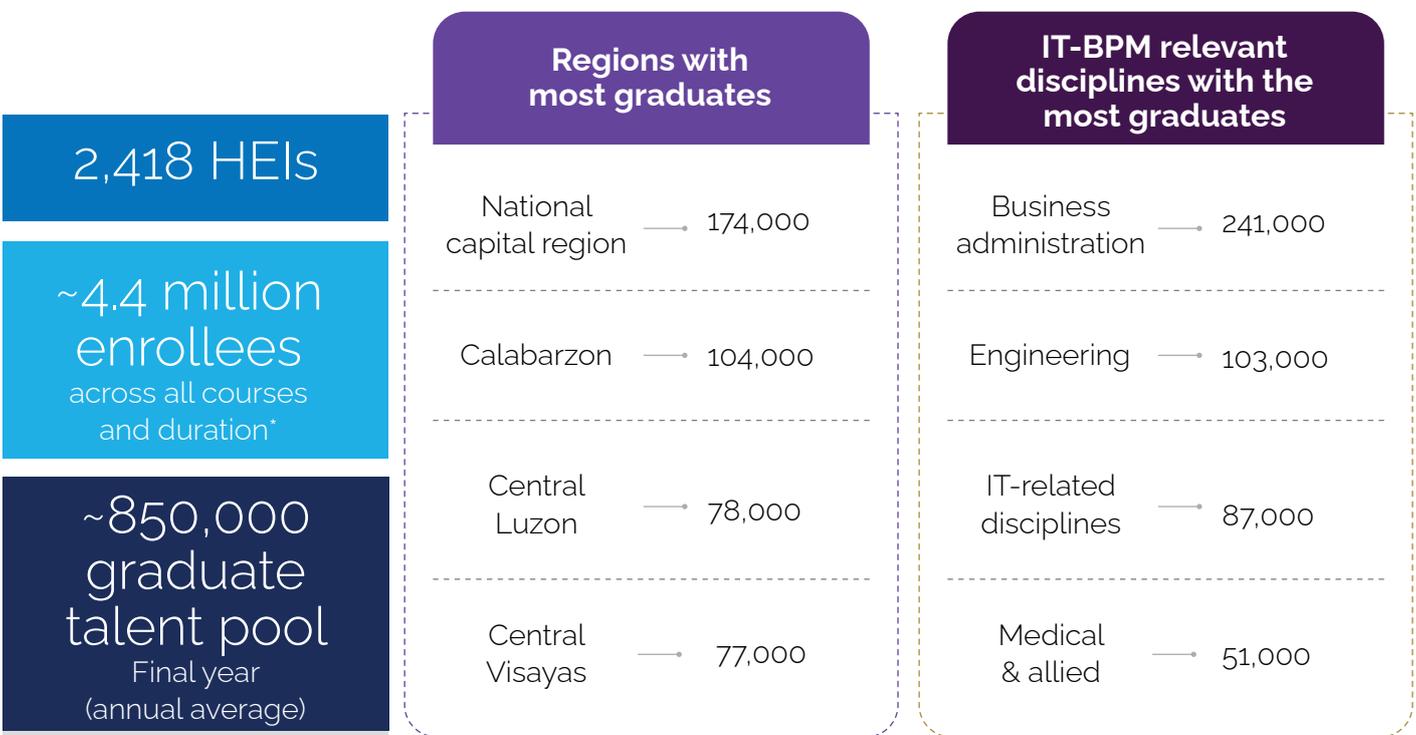
* Includes onshore APAC locations such as Japan, Australia and Singapore

Talent landscape of the Philippines

The Philippines is the second largest global IT-BPM services delivery location, with 16-18% share of the global market, and employs an estimated 1.5-1.6 million FTEs as of 2022.

The Philippine IT-BPM services industry has seen steady growth in headcount, supported by the new graduate pool entering the workforce each year.

Current talent landscape – annual graduate pool



While the large scale talent availability suitable for IT-BPM services has led enterprises to offshore services to the Philippines to fulfill the supply gap, there are challenges that need to be addressed such as providing a sustainable talent supply and meeting enterprises' expectations. Almost all organizations iterated the need for a continuous supply of quality and skilled talent at reasonable cost as the most critical engine for future growth of the Philippine IT-BPM services industry. While companies are optimistic about their future growth, they see talent shortage (especially digital-ready talent) as one of the biggest concerns and hindrances to their growth.

* This includes enrollments across all courses (i.e., baccalaureate and post baccalaureate), and throughout the duration of the courses (i.e., across all years).

Source: CHED (2016-2021)



EXPECTATIONS TO FULFILL

Key demands of IT-BPM organizations in talent requirement

- Digitally skilled talent
- Resources with domain expertise and project-readiness
- Managerial and soft skills for leadership roles

CHALLENGES TO OVERCOME

Key talent-related challenges with respect to supply in the Philippines

- Availability of skilled talent for higher order complex/ niche job roles
- Low job-readiness (quality and employability) of graduates across education levels
- Mismatch in education curriculum programs and industry needs, along with limited prospects for upskilling/reskilling
- Low proficiency and digital literacy in basic education
- Low awareness about career options and growth prospects of the IT-BPM services industry

Emerging areas in the PH IT-BPM services sector

As new technologies and innovations continuously drive the industry to evolve, the need for talent with the right mix of skills intensifies. Each sector and industry vertical has specific requirements of skill sets of the future which need to be at the center stage, while governments and academic institutions work on talent development initiatives.

List of skills and domain areas to focus on in order to fulfill future demands of the IT-BPM services industry

Soft skills

- Communication (read and write, especially, English)
- Comprehension
- Critical thinking
- Problem solving
- Teamwork/collaboration
- Work ethic
- Empathy
- Leadership
- Pattern recognition
- Interpersonal skills
- Project management

IT and software skills

- MS Office
- Cybersecurity
- Cloud operations (including computing)
- Artificial intelligence/ machine learning
- AR/VR
- Blockchain
- Business intelligence & data analytics
- Edge computing
- Data science
- Internet of things
- Process automation
- Web development
- Search engine management/optimization

Industry-specific requirements

Contact center and business processes

- Automation, data & analytics
- Accounting tools

Healthcare

- Medical coding
- Tele medicines and behavioral health
- Medical claims management
- Clinical data management
- Pharmacovigilance

Gaming development and animation

- Storyboarding and scriptwriting
- Design thinking
- 2D-/3D-animation, character designing

GIC

- Industry specific skills

The Philippines Skills Framework delete document will play a critical role in identifying key skill areas.

Infrastructure development in the Philippines

The IT-BPM services industry is a prime occupier and major driver of real estate demand in the Philippines. The sector made up 44% of the live demands for office space in Q2 2022, indicating growing demand by the industry which is expected to continue.

Metro Manila is the top destination for the delivery of IT-BPM services in the Philippines, accounting for 70-75% of the Philippine IT-BPM services by headcount. The city has well-established enabling infrastructure, including real estate, road, air connectivity, and seamless telecommunication networks. Besides Metro Manila, locations such as Cebu, Clark, Bacolod, Iloilo, and Davao City have also witnessed the traction of global organizations offering IT-BPM services, driven by talent availability, competitive costs, and enabling infrastructure.

The Philippine government has launched multiple initiatives to boost infrastructure in the country. For instance, over the last decade, telecom services have improved. The country is also witnessing a fast setting up of 5G network connections which is expected to further improve internet connectivity. While the infrastructure has improved, some key challenges with respect to infrastructure, especially, in Metro Manila, include high concentration, leading to high facility costs and traffic congestion, and limited real estate availability for smaller enterprises. Furthermore, the growing preference for hybrid working is reshaping the real estate demand, in terms of size and location of office space, in the Philippines, and globally. Firms are preferring to setup multiple small sized offices, flexible workspaces and exploring tier-2 / provincial locations instead of a single large facility in tier-1 locations.

10%

average growth in office space by top IT-BPM companies in the Philippines expected in the next 2-3 years

9/10

top IT-BPM companies in the Philippines plan to maintain or increase space per FTE by 10-40% in the next 2-3 years

Marketing and brand positioning of the Philippines

While the Philippines is the second largest country in terms of headcount for global IT-BPM services delivery, it needs to be better recognized for its capability beyond customer experience. Going forward, the Philippines must position itself as a provider of differentiated customer experience, industry expertise (such as healthcare), and high-value-added services (such as digital, and analytics) to be able to tap into emerging market opportunities, and unlock its true potential.

WORKWAYS OF THE FUTURE

With the evolving needs of the industry, and the push toward digital transformation, the way companies operate has changed drastically. With the integration of technology and operations, all industries are accelerating their digital journey, and deploying technologies (such as automation) across their core and non-core operations such as finance & accounting, and human resources to optimize them. In addition to changing worktypes, forced by the Covid-19 pandemic, all industries were compelled to adopt the Work from Home (WFH) model only to realize its benefits, and make it a regular part of the operating model. This also opened up avenues to tap into an extended talent pool that was formally not part of the workforce, being away from the base location of the company. This evolution of the technological landscape has also impelled the worker to evolve to match the growing needs of the industry. From single-skill expertise, the worker of the future is expected to evolve to have multi-functional technical skills ingrained soft skills and interpersonal skills, the ability to work with digital tools, along with industry knowledge. There is also growing evidence of rising demand for talent with techno-industrial skills.

Digital transformation initiatives, **hybrid-working models**, and rising demand for **multi-functional technical talent** are changing market dynamics of the IT-BPM industry



Worktypes (what)

With increase in demand for complex skills and domain expertise, rapid adoption of next-gen technology, and changing customer preferences, it is clear that the nature of work will change considerably. Further automation will significantly reduce the transactional tasks, freeing up resources to focus on high value-add services.

Workplace (where)

Research conducted by Everest Group indicates that over half of today's enterprises expect more than 40% of their employees to continue working from home over the next two years or so. There are multiple benefits of a hybrid working model – increased productivity and reduced absenteeism among employees, savings on costs (e.g., infrastructure), access to a larger talent pool, and increased employee value proposition.



Workforce (who)

As work and workplaces evolve, so will the talent that global companies need, especially, for techno-functional and digital skills requirements. As companies look to fulfill specific skillsets for future work, they will also do well to consider contingent or temporary workers in addition to traditional, permanent ones. The future workforce will also be diverse, equitable, and inclusive.

BRIDGING THE GAP

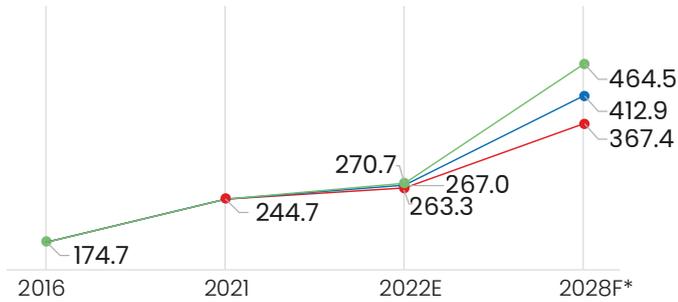
SETTING THE VISION, GOALS, AND STRATEGIC PRIORITIES FOR THE INDUSTRY

Going forward, the Philippines has the potential to grow at a CAGR of ~10.4%, and gain a bigger market share, provided the industry is supported by favorable government policies, and accelerated talent and infrastructure development. Concerted industry effort and continued government support can grow the sector to US\$ 58.9 billion, and add 1.1 million jobs by 2028.

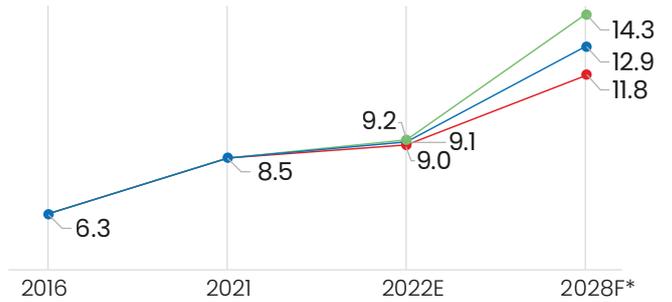


Aggressive scenario Baseline scenario Constrained scenario

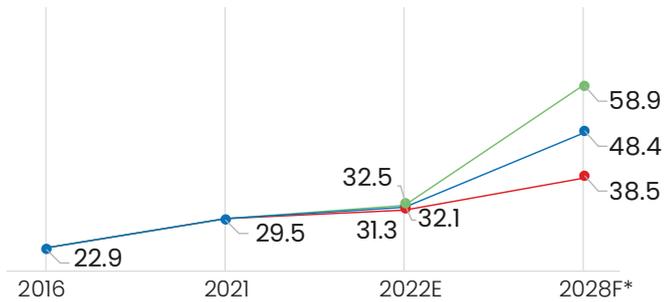
Global IT-BPM services market revenue
2016-2028F; US\$ billion



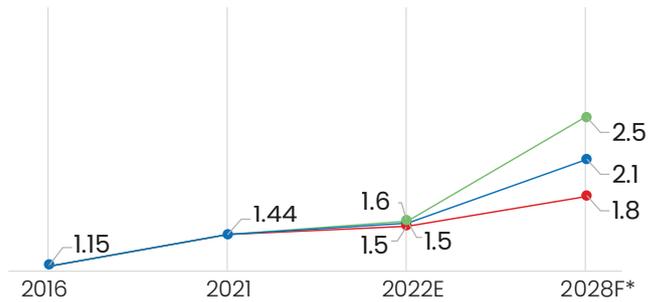
Global IT-BPM services market headcount
2016-2028F; number of FTEs (in millions)



The Philippine IT-BPM services market revenue
2016-2028F; US\$ billion



The Philippine IT-BPM services market headcount
2016-2028F; number of FTEs (in millions)



The above-forecasted growth is expected to come through efforts from each sector in the Philippine IT-BPM services industry as highlighted in subsequent pages.

* Forecasted

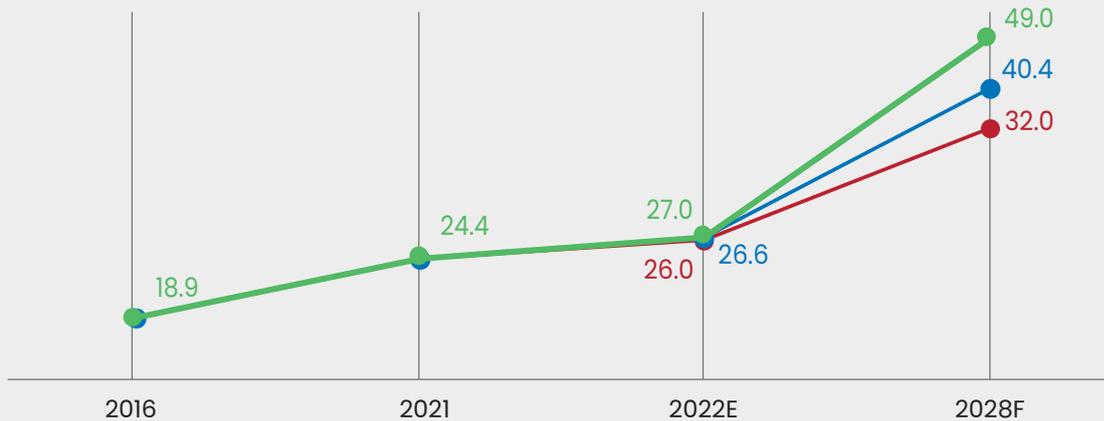


Contact Center & BP Services

Philippines is the leading destination for delivery of CC & BPM services with moderate to high maturity across CC services (customer service, technical support, sales services), transactional (delete -intensive) BPM services such as F&A (AR/AP), HR (payroll), and industry-specific BPM services (healthcare BPM, BFSI BPM). To further accelerate growth, the country needs to tap into emerging services such as Digital CXM, judgement-intensive BPM services (financial planning & analysis, after-sales, supply chain management), and other BPM services (e.g., D&A, marketing, T&S).

Aggressive scenario Baseline scenario Constrained scenario

The Philippine CC & BP services market revenue
2016-28F; US\$ billion



The Philippine CC & BP services market headcount
2016-28F; number of FTEs (in millions)





IT services

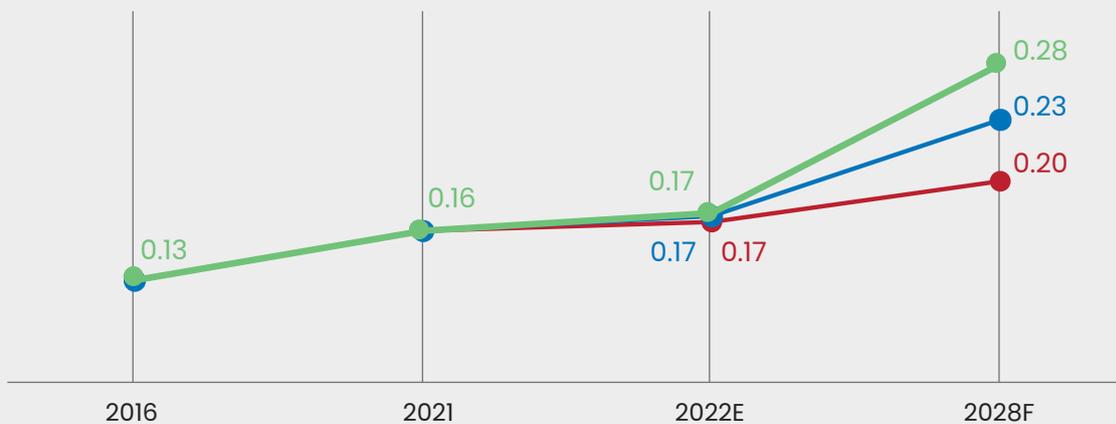
Historically, the Philippines has been involved in the delivery of traditional IT-ADM and IT infrastructure services; however, in recent years, it has witnessed a shift towards the delivery of more complex services such as cloud, cybersecurity and product services. To further accelerate the growth of the industry, the country needs to further strengthen its traditional service delivery and tap into emerging IT services such as artificial intelligence, data & analytics, next-gen ADM (cloud native, platformization), blockchain, AR/VR, among others.

Aggressive scenario Baseline scenario Constrained scenario

The Philippine IT services market revenue
2016-28F; US\$ billion



The Philippine IT services market headcount
2016-28F; number of FTEs (in millions)



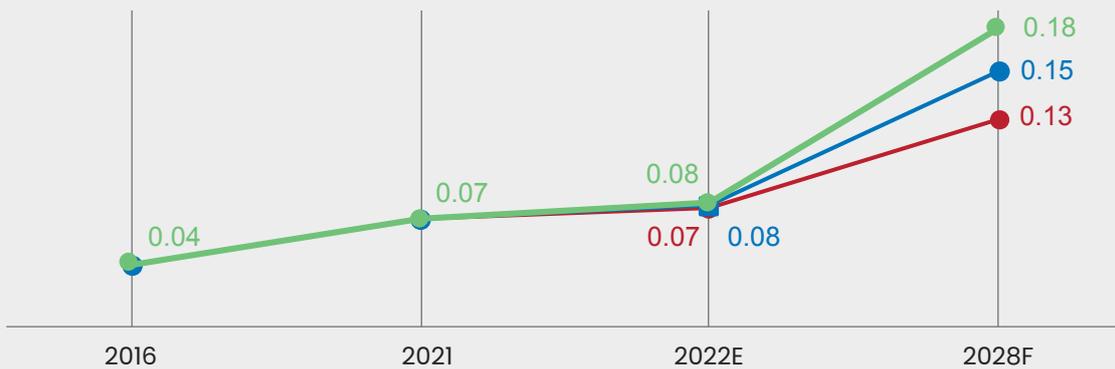


Game development

Major services offered by the Philippine game development industry include game programming, game art development, animation, motion capture cleanup, quality assurance, testing, among others. While the industry has grown tremendously, there exists potential to further accelerate growth by developing more original IP games, venturing into pre-production services, and capturing global mobile gaming market.

● Aggressive scenario
 ● Baseline scenario
 ● Constrained scenario

The Philippine game development services market revenue
2016-28F; US\$ billion



The Philippine game development services market headcount
2016-28F; number of FTEs (in '000s)



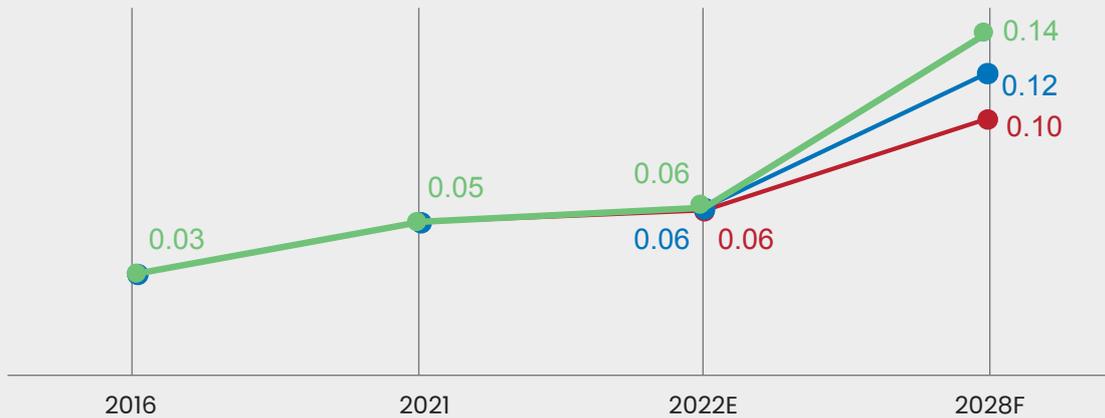


Animation

Overall, the Philippine animation services is witnessing a gradual shift from delivering post-production services to original content production. Furthermore, there is a surge in the animation projects being outsourced to the Philippines post the Covid-19 pandemic as investments from large entertainment houses (e.g., Netflix and Amazon Prime) have increased significantly.

● Aggressive scenario
 ● Baseline scenario
 ● Constrained scenario

The Philippine animation services market revenue
2016-28F; US\$ billion



The Philippine animation services market headcount
2016-28F; number of FTEs (in '000s)



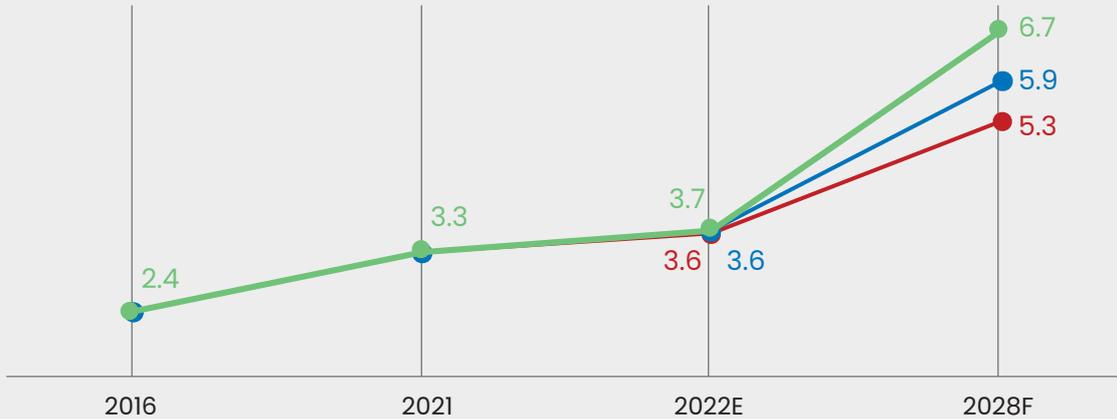


Healthcare

The Philippines is the leading destination for US Registered Nurses (USRN) within healthcare services. In addition to traditional services such as claims management, care management, billing and collections, the industry is also witnessing growth in high-value services such as clinical research, analytics, and life sciences.

● Aggressive scenario
 ● Baseline scenario
 ● Constrained scenario

The Philippine healthcare services market revenue
2016-28F; US\$ billion



The Philippine healthcare services market headcount
2016-28F; number of FTEs (in millions)





Global In-house Centers

GICs in the Philippines support multiple functions including F&A, HR, customer support, industry-specific BPM, IT, among others. In recent years, there has been a significant growth across industries such as BFSI and healthcare and across delivery of niche services such as data & analytics, marketing, and digital services.

● Aggressive scenario
 ● Baseline scenario
 ● Constrained scenario

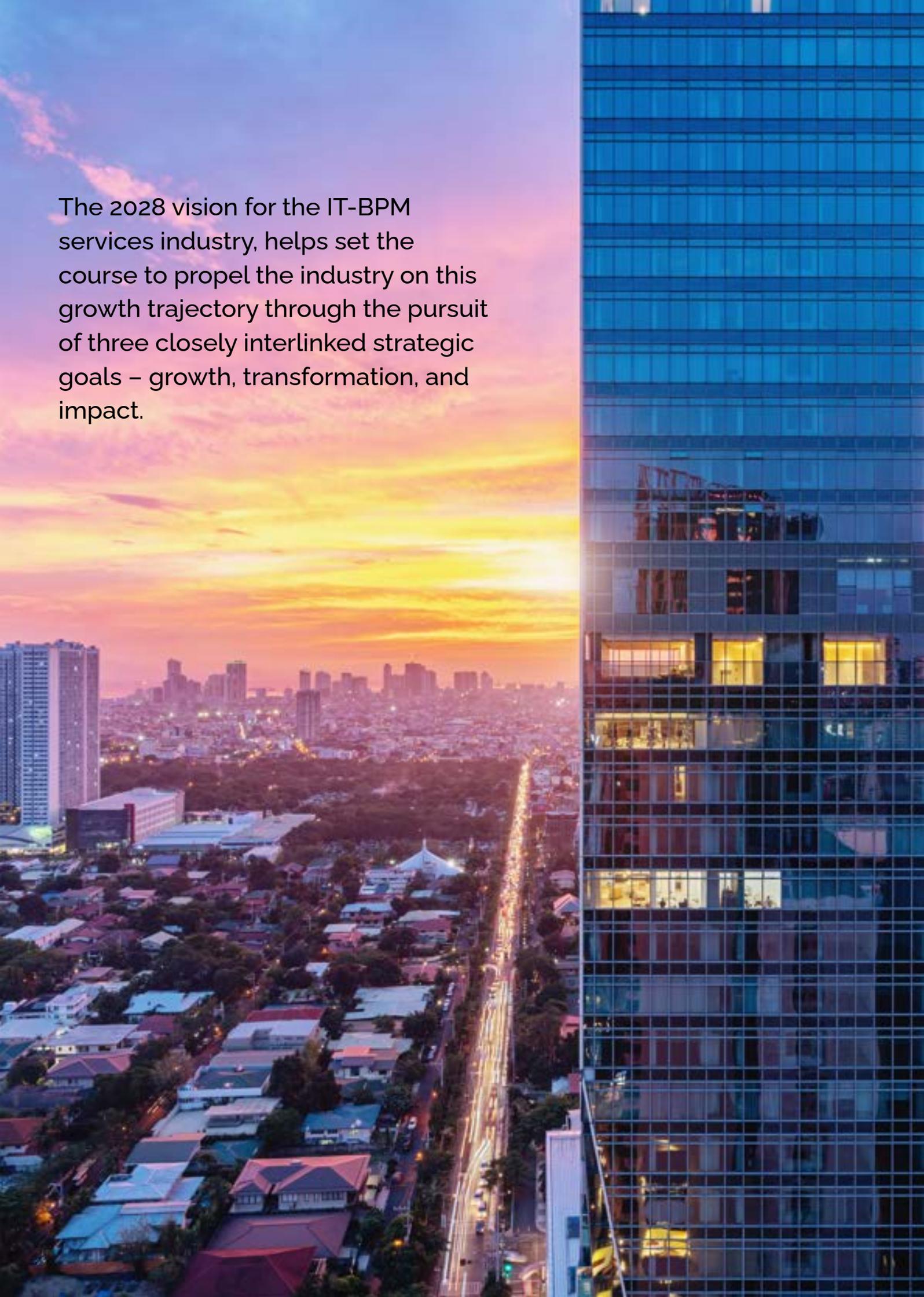
The Philippine GIC services market revenue
2016-28F; US\$ billion



The Philippine GIC services market headcount
2016-28F; number of FTEs (in millions)



The 2028 vision for the IT-BPM services industry, helps set the course to propel the industry on this growth trajectory through the pursuit of three closely interlinked strategic goals – growth, transformation, and impact.



VISION for the IT-BPM industry

Become the world's number 1 experience hub for digitally-enabled and customer-centric services while driving inclusive and sustainable economic and social growth for the Philippines.

Goals & Objectives

1



Grow to

~2.5 million jobs by 2028
(1.1 million additional jobs)

-US\$ 59 billion annual revenue
by 2028

2



Transform to

The number 1 experience
transformation destination
across CX, EX, UX

High-complexity/high-skill
category jobs (13% increase in
revenue per FTE by 2028)

Leading destination for delivery
of digitally-enabled services

3



Create impact by

Driving holistic & inclusive
economic and social growth
Accelerating the ESG agenda

Strategic Priorities for the IT-BPM industry

Grow

- 1.1 Drive deeper services penetration within existing segments as well as expand to relatively newer services/segments:
 - Invest to build capabilities in services with low maturity but high-growth potential.
 - Move up the value curve by increasing the share of high order-value work in services with moderate maturity.
 - Protect dominant position for mature services (e.g., CC).
- 1.2 Build volume in existing dominant buyer geographies, and increase share in relatively underpenetrated geographies.
- 1.3 Tap on large and fast-growing industry verticals to create a differentiated vertical proposition.

Transform

- 2.1 Focus on upskilling/reskilling (including soft skills, domain and technical skills).
- 2.2 Strengthen the innovation ecosystem and catalyze the digital transformation agenda.
- 2.3 Accelerate the maturity for GICs.

Create impact

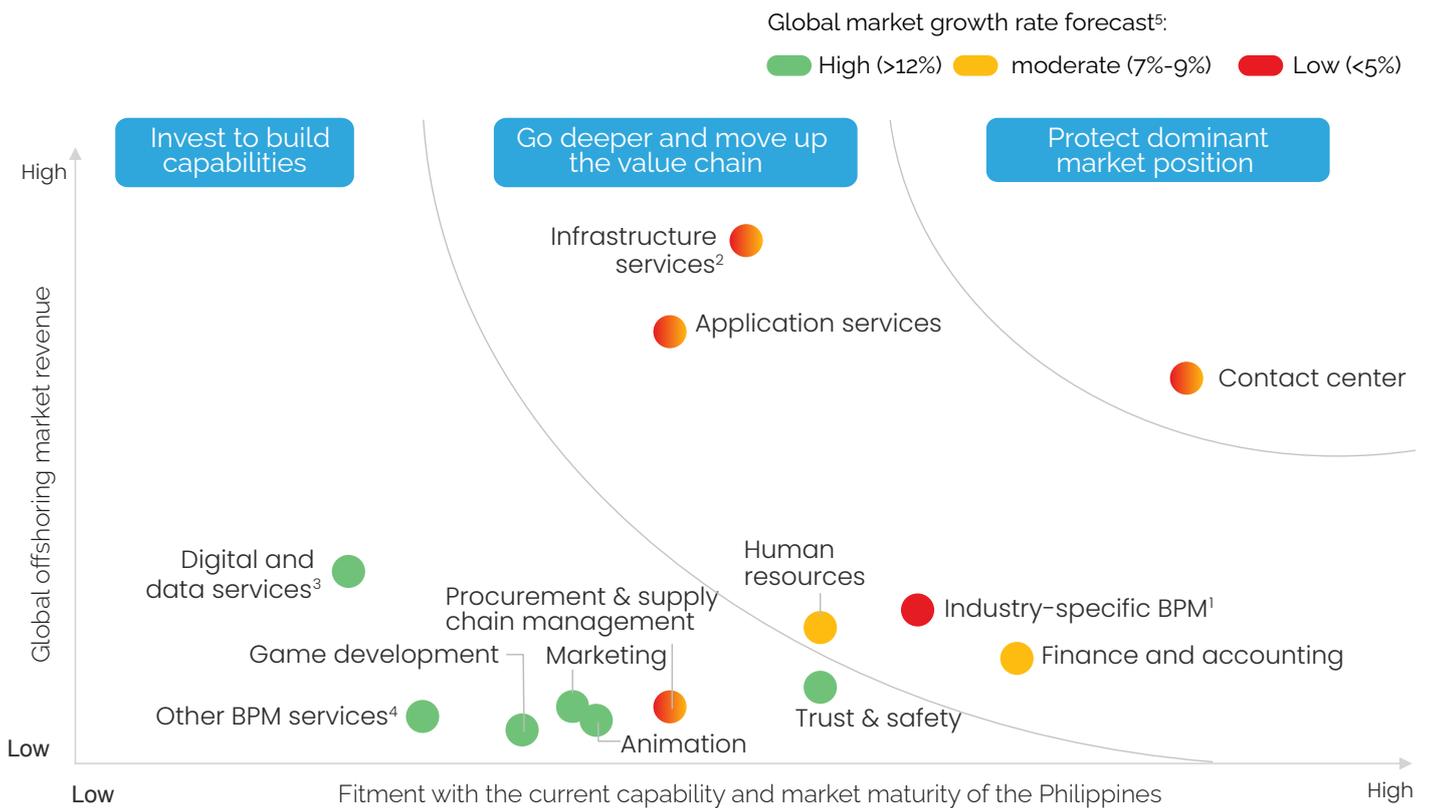
- 3.1 Contribute toward adding 2.7 million indirect jobs for the country (apart from direct IT-BPM employment).
- 3.2 Increase share in GDP contribution.
- 3.3 Expand beyond Metro Manila (54% of new jobs to be in non-Metro Manila).
- 3.4 Accelerate the sustainability and ESG agenda for the country.



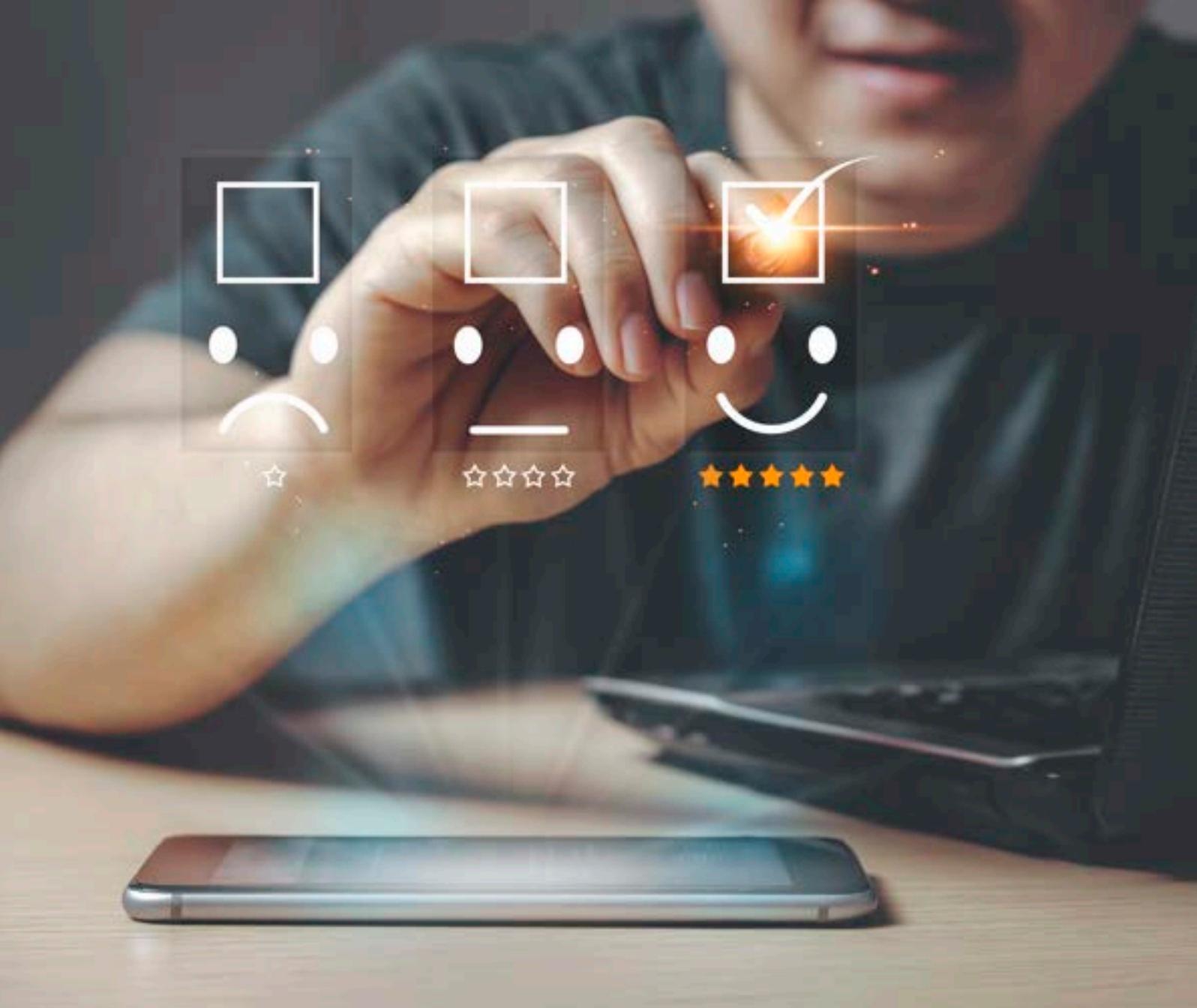
1. Growing the Philippine IT-BPM services industry

The "grow" aspect of the industry strategy focuses on widening and deepening the current services delivery portfolio to achieve employment and revenue targets over the next six years. The current assessment of the industry indicates that while it has evolved from just delivering traditional and transactional services to supporting complex and high-skill work, there still exists room to further grow the share of these judgment-intensive capabilities. Consequently, future growth of the Philippine IT-BPM services industry will be enabled through a three-pronged approach highlighted below:

1.1 Drive deeper services penetration within existing segments as well as expand to relatively newer services/segments



1. Industry-specific BPM services include operations across verticals such as banking, healthcare, retail, manufacturing, etc.
2. Infrastructure services include traditional services (e.g., network, workplace), cloud infrastructure services, cybersecurity, and managed services.
3. Digital and data services include next-generation technology services such as cloud and mobile apps development, IoT, AI/ML, AR/VR, blockchain, quantum computing, big data, D&A, etc.
4. Other BPM services include services such as legal, market research, etc.
5. The above chart considers the baseline growth scenario for 2023-28F.



Overall, the Philippines should protect and capitalize on its dominant position in the customer experience and healthcare industry. At the same time, the industry has been steadily evolving to deliver more complex and value-added services, which are improving investor perception, and providing a boost to the industry's growth. For the services segments mentioned in the "invest to build capabilities" category, the Philippines currently has a relatively smaller scale of delivery, but these provide ample growth potential. Additionally, many companies are looking for

end-to-end transformation across functions such as CC, F&A, IT, HR, marketing, SCM, procurement, and Trust & Safety. Consequently, the high maturity and delivery capability across services such as CC, F&A, and traditional IT-ADM, and infrastructure services, provide the opportunity to cross-sell/up-sell offerings by leveraging existing relationships with buyers and signing bundled deals. For IT services, the Philippines is the second largest delivery location globally, and is seeing continuous growth as global demand accelerates.

1.2 Build volume in untapped buyer geographies

To achieve accelerated growth, the IT-BPM services industry in the Philippines will need to double down on its strength area of North

America's support by targeting newer high-value services, and also by aiming to increase its market share in the relatively underpenetrated geographies of APAC and the UK.

○ Size of bubble represents size of offshoring market revenue. ◡ Share in pie represents % share of the Philippines in services delivery.



North America

Total IT-BPM offshoring market size:
100% = US\$ 100-110 bn

Fit with PH capabilities and value proposition
- high

Offshoring annual growth forecast – 6-8%

Europe

Total IT-BPM offshoring market size:
100% = US\$ 58-63 bn

Fit with PH capabilities and value proposition
– low-to-moderate

Offshoring annual growth forecast – 5-7%

UK

Total IT-BPM offshoring market size:
100% = US\$ 30-35 bn

Fit with PH capabilities and value proposition
- moderate

Offshoring annual growth forecast – 5-7%

APAC*

Total IT-BPM offshoring market size:
100% = US\$ 44-49 bn

Fit with PH capabilities and value proposition
– moderate-to-high

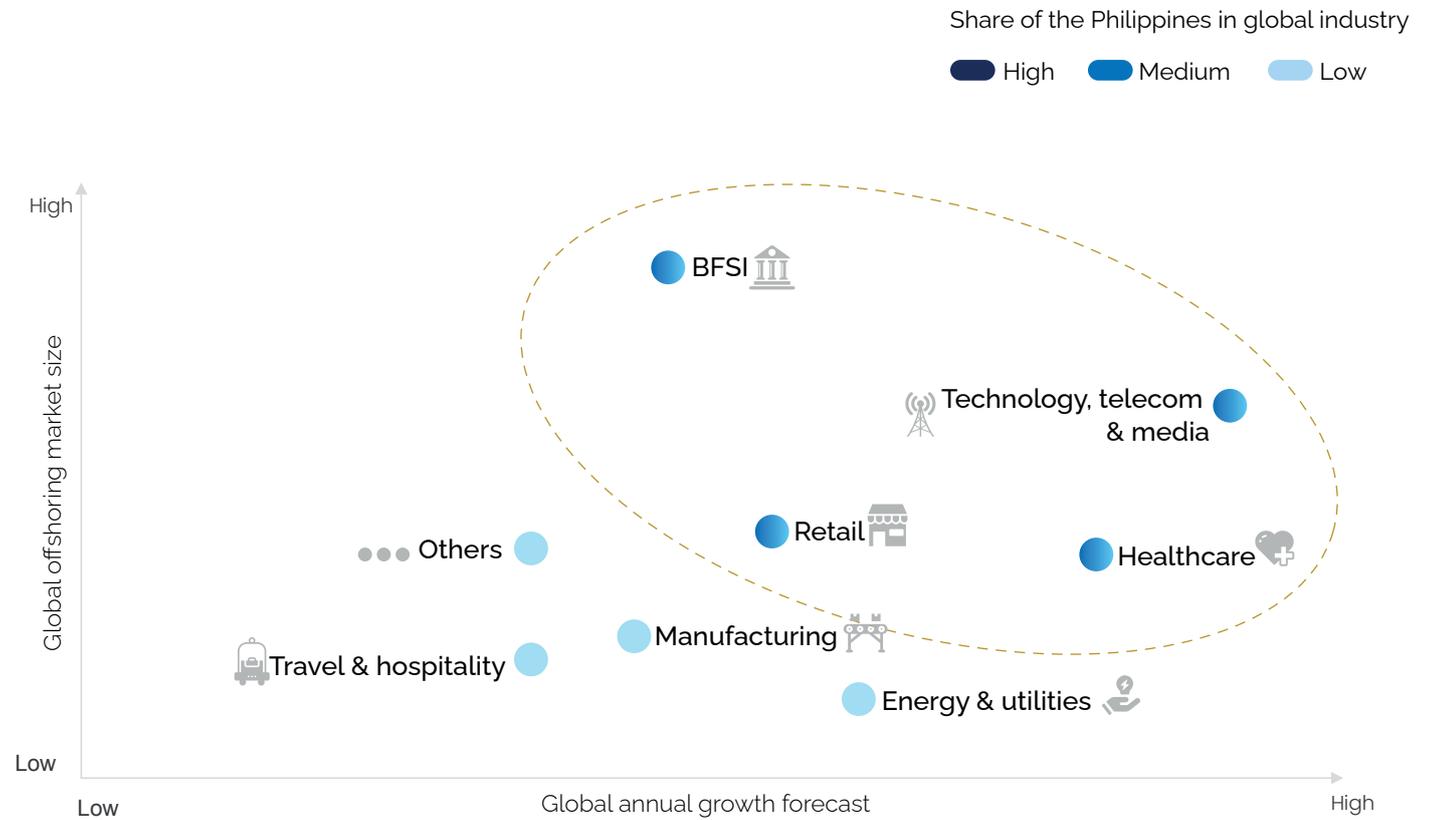
Offshoring annual growth forecast – >9%

* Includes onshore APAC locations such as Japan, Australia and New Zealand.

Note: The above chart considers the baseline growth scenario for 2023-28F.

1.3 Tap into large and fast-growing industries to create a differential vertical proposition

While the Philippines has captured a 12-17% market share across industries such as BFSI, TMT, healthcare, and retail, there still exist significant untapped market opportunities in these industry verticals. Moderate-to-high growth forecast, relatively larger global market size, and existing differentiated capabilities in the Philippines (for instance, the leading destination for US-registered nurses within healthcare) make these industries a sweet spot for the Philippines.



2. Transforming the Philippine IT-BPM services industry

Going forward, the future of CX/UX is evolving into an intelligent, immersive, and connected experience for consumers, for instance,

- Intelligent experiences include personalized (1:1) interactions across each moment that matters in a customer journey, infused through AI/ML algorithms.
- An immersive experience at the intersection of cloud, 5G, and AI on the Edge, will create touchpoints for digital engagement that bring new opportunities.
- Connected experience or the Metaverse experience will bring in transformation from the physical (in-store) to a digital/virtual environment.

Transforming the Philippines from the #1 destination across CX, EX, and UX into a leading destination for digitally enabled services will require concerted industry efforts, and continued government support on the following:

2.1 Focus on upskilling/reskilling to transform employees with single-skill expertise to employees with multi-dimensional skills

Most IT-BPM companies in the Philippines, including both service providers and GICs, echo the need for upskilling and reskilling, and believe it is imperative to bridge the skill gap to future-proof the growth of the industry. Subsequently, the Philippines needs to bridge the necessary talent/skill shortage by investing in intense and adaptive educational programs, trainings, and certifications at both the country and company-level.



>60% of organizations in the IT-BPM service delivery industry in the Philippines state upskilling existing workforce as their top-most priority



Upskilling/reskilling of talent - an imperative, not an opportunity	Changes in the education system	Talent-related interventions	Breaking functional silos
<p>IT-BPM organizations in the Philippines are facing shortage of several critical skills important for the future.</p> <p>Given there is limited availability of ready-to-hire talent with such skills, upskilling/reskilling of existing talent is an imperative. Not doing so now could create significant talent issues in the near future.</p>	<p>While IT-BPM companies should take proactive measures toward upskilling/reskilling, a revamp in the education system, with efforts from academia/university are also required. For instance, educational institutions should prioritize introducing technical courses integrated with mainstream degrees, bringing on-the-job experience as a part of the curriculum, and/or increase the availability of industry internships/projects in order to prepare an industry-ready workforce.</p>	<p>IT-BPM organizations need to be cognizant of the fact that upskilling/reskilling efforts might not lead to visible returns in the short-term, but an ongoing/sustained upskilling/reskilling policy is more likely to yield desired results compared to a one-time or quick-fix approach; successful implementation of pilots can instill confidence, and provide opportunities to course-correct early.</p>	<p>Breaking silos and providing employees with wider exposure to functional roles across the firm help improve domain knowledge flow, increase productivity, and stimulate innovation. Developing cross-functional capabilities and inculcating a culture of collaboration can help prioritize areas for upskilling/reskilling based on success in these areas.</p>

2.2 Strengthen the innovation ecosystem and catalyze the digital transformation agenda

The Philippines is rapidly scaling its innovation ecosystem, and is driving transformation and new product development across multiple areas, especially, those focused on “experience engineering.” There is immense potential for the Philippines to further strengthen the innovation ecosystem, and leapfrog global competitors. To enable the transformation that drives the next phase of the IT-BPM services industry’s growth, strengthening the ecosystem will play a key role in delivering on the promise of innovation, and its role in digital transformation.

2.3 Accelerate maturity for GICs in the Philippines

Over the past few years, the global GIC market has witnessed significant growth, and the trend is expected to continue in the coming years. Consequently, to seize this market opportunity, one of the focus areas for the Philippines needs to be the accelerated evolution of GICs. GIC maturity in the Philippines depends on multiple aspects, and GICs will need to focus on three main areas to accelerate their maturity journey:

- Pivot GIC proposition to deliver value beyond arbitrage.
- Increase platform ownership within GICs, and lead transformation initiatives.
- Build global Centers of Excellence (COEs) within GICs.



3. Creating impact through the Philippine IT-BPM services industry

The IT-BPM services industry is an indispensable sector for the Philippines, considering the industry's contribution to the output and trade balance of the economy. Being services oriented, the industry has been playing a crucial role in servicification, as well as digitizing the economy. Currently, the industry's revenue forms 7.5% of the Gross Domestic Product (GDP) of the Philippines. In terms of trade, the industry is the second largest source of foreign exchange for the economy.

As of 2021, the industry contributed close to 87% of the total services export. Furthermore, the IT-BPM services industry is also a major employer for the economy, employing 3.3% of the total employed persons in the Philippines.



2nd largest
source of foreign exchange

7.5%
Contribution to GDP
(current prices) in 2021

87%
of services exports are
IT-BPM exports (2021)

3.3%
of total employed
persons nationally, work
in the IT-BPM services
industry



Over the next six years, the industry envisions directly employing another 1.1 million FTEs, while doubling its revenue base. This accelerated growth by 2028 will translate into 8.9% of the country' GDP as well as make the IT-BPM services industry the largest source of foreign exchange earnings for the country.

Beyond the direct impact, for every 1 IT-BPM job created, the industry also creates 2.5 additional indirect jobs. This means the additional 1.1 million jobs in the IT-BPM services industry by 2028 will further add another 2.7 million jobs in other sectors of the economy.

ACCELERATION LEVERS FOR THE PHILIPPINES TO OUTPERFORM THE GLOBAL IT-BPM SERVICES INDUSTRY

As the global services delivery landscape evolves with the emergence of new work types and new skills, the workplace model changes to hybrid, and the number of competing countries increases, the Philippines must strengthen the following levers to ensure continued growth:



The Philippine IT-BPM services industry needs to accelerate on multiple levers in order to ensure fast-tracked and sustainable growth

Acceleration lever	Objective	Key initiatives
Policies and regulatory support	Enable an enhanced business-friendly environment through unambiguous and relevant policies, which are in line with global and local market macro trends	<ul style="list-style-type: none"> • Enable easier adoption of the hybrid workplace model through dedicated remote working policies and ensuring uniformity of incentives irrespective of the place of work. • Ensure cost competitiveness of the Philippines by providing support through incentives and grants. • Streamline regulatory compliance requirements, and improve ease of doing business for IT-BPM companies.
Talent development	Ensure sustainable supply of skilled talent by revising the existing curriculum, introducing new and future-relevant educational courses, strengthening training programs, and proactively positioning IT-BPM as a preferred career option.	<ul style="list-style-type: none"> • Upskill the existing workforce and entry-level talent to achieve short and mid-term increases in qualified talent through a national talent upskilling program. • Increase the capacity for specialized degree courses such as technology and healthcare degree courses (set up new flagship institutes and expand output in current colleges). • Create an IT-BPM services online talent hub to act as a repository of information for talent attraction campaigns, career planning, and other resources available. • Establish early-stage interventions to boost proficiency and employability of SHS and HEI graduates: <ul style="list-style-type: none"> – Effectively implement internship/work immersion for students (especially for STEM) through policy changes. – Facilitate curriculum changes such as strengthening digital literacy (basic computer, coding). – Introduce new/strengthen degree options (diploma/associate) along with micro-credentialing in courses at HEIs.
Infrastructure development	Promote development of enabling infrastructure for IT-BPM services in Metro Manila and the provinces.	<ul style="list-style-type: none"> • Ensure real estate development is in line with the industry requirements in the new normal by developing high-quality commercial real estate, smaller office spaces/flexible workspaces, and dedicated “creative-hubs.” • Improve the quality of telecommunication infrastructure through increased broadband penetration, high-speed fiber optic layout, and last mile connectivity through 5G.
Marketing & brand positioning	Rebrand the Philippines as a provider of high value “experience” services and amplify marketing efforts (relaunch) to evangelize across stakeholders.	<ul style="list-style-type: none"> • Develop an enhanced value proposition of the Philippines, with emphasis on differentiated capabilities and a favorable ecosystem. • Propagate the enhanced value proposition of the Philippines for prospective investors, employers, and employees.

The Philippine IT-BPM services industry needs to demonstrate commitment to these acceleration levers to ensure fast-track and sustainable growth. Each acceleration lever has a critical role to play in creating a propelling business and operating environment, and making the country the most attractive location for IT-BPM services outsourcing. Progress on each acceleration lever

will create a tailwind for the Philippine IT-BPM services industry and will take it one step closer to the aggressive growth target of the additional 1.1 million jobs, which has been set for 2028. This will, however, require continuous efforts from industry participants, multiple government departments, and other stakeholders.

LIST OF ABBREVIATIONS

Airlines Reporting Corporation	ARC	Employee Experience	EX
Anti Red Tape Authority	ARTA	End-to-End	E2E
Application Development and Maintenance	ADM	Fiscal Incentives Review Board	FIRB
Artificial Intelligence	AI	Full-time Employees	FTEs
Asia Pacific	APAC	Game Developers Association of the Philippines	GDAP
Augmented Reality	AR	General Data Protection Regulation	GDPR
Australia-New Zealand	ANZ	Global In-House Centers	GICs
Banking, Financial Services and Insurance	BFSI	Global Innovation Index	GII
Basic Education Development Plan	BEDP	Gross Domestic Product	GDP
Billing and Settlement Plan	BSP	Health Insurance Portability and Accountability Act	HIPAA
Board of Investments	BOI	Higher Education Institution	HEI
Business Continuity Planning	BCP	Human Resources	HR
Business Process	BP	Identity and Access Management	IAM
Business Process Management	BPM	Implementing Rules and Regulations	IRR
Centers of Excellence	CoE	In-building solutions	IBS
Central and East Europe	CEE	Independent Software Vendor	ISV
Certificate in Insurance	CII	Information Technology	IT
Certified BPM Quality Analyst	CBQASM	Intelligent Automation	IA
Chief Marketing Officer	CMO	Intelligent Data Processing	IDP
Cloud Access Security Brokers	CASB	Intelligent Virtual Assistants	IVAs
Commission on Higher Education	CHED	International Classification of Diseases	ICD
Compounded Annual Growth Rate	CAGR	Investment Promotion Agency	IPA
Consumer Packaged Goods	CPG	Language Skills Institutes	LSI
Contact Center	CC	Latin America	LATAM
Coordinating Council of Private Educational Associations of the Philippines	COCOPEA	Leechiu Property Consultants	LPC
Corporate Income Tax	CIT	Local Government Units	LGUs
Customer Experience	CX	Local Universities and Colleges	LUCs
Customer Experience as a Service	CXaaS	Machine Learning	ML
Customer Experience Management	CXM	Machine Learning Operations	MLOps
Data and Analytics	D&A	Marketing Tech	MarTech
Department of Education	DepEd	Massive Open Online Courses	MOOCs
Department of Finance	DOF	Middle East and Africa	MEA
Department of Information and Communications Technology	DICT	National Economic Development Authority	NEDA
Department of Labor and Employment	DOLE	National Skill Development Corporation	NSDC
Department of Science and Technology	DOST	National Technical Education and Skill Development Plan	NTESDP
Department of Trade and Industry	DTI	Next Wave Cities	NWCs
Environment, Social, and Governance	ESG	Overseas Filipino Workers	OFWs
Everything-as-a-Service	XaaS	Philippine Business of Education	PBE
Fiber-to-the-home	FTTH	Philippine Digital Strategy	PDS
Finance & Accounting	F&A	Philippines Credit Transfer System	PCTS
Digital Customer Experience Management	DCXM	Philippines Economic Zone Authority	PEZA
Diversity, Equity and Inclusion	DE&I	Philippines Registered Nurses	PHRN
DTI-Philippine Trade Training Center	DTI-PTTC	Philippines Skills Framework	PSF
Emotional Quotient	EQ	Professional Regulation Commission	PRC

Resilience Innovation Sustainability and Entrepreneurship	RISE
Robotic Process Automation	RPA
Scholarships for Instructors' Knowledge Advancement Program	SIKAP
Science, Technology, Engineering, or Mathematics	STEM
Secure Access Service Edge	SASE
Security Operations Centers	SOCs
Selected Training Programs	STPs
Senior-High School	SHS
Service Management Program	SMP
Small and Midsize Business	SMB
Software as a Medical Device	SaMD
Software-Defined Networking	SDN
Special Economic Zone	SEZ
Standard Operating Procedures	SOPs
State of the Nation Address	SONA
State Universities and Colleges	SUCs
Stock Keeping Unit	SKU
Subject Matter Expertise	SME
Supply Chain Management	SCM
Technical and Vocational Education and Training	TVET
Technical Education and Skills Development Authority	TESDA
Technical Vocational Institution	TVI
Technology, Telecom, and Media	TMT
The Association with Collaboration at its Core	IAOP
Trust & Safety	T&S
United Kingdom	UK
United States	US
US Registered Nurses	USRN
User Experience	UX
Value Added Tax	VAT
Vendor Management Office	VMO
Virtual Reality	VR
Work at Home Agent	WAHA
Work from Home	WFH
Year-on-Year	YoY

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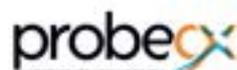
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