Services Globalisation in Australia - Trends and Perspectives

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Setting the scene

Real GDP Growth

(Source: Benchmark Report 2011)

Country	Average Growth Rate 1998 to 2012 (%)	2010 (%)	2011 (%)
Australia	3.3	2.7	2.0
China	9.8	10.3	9.6
India	7.0	10.4	8.3
Philippines	4.4	7.0	5.0
World	2.8	4.0	3.4

2010 Nominal GDP sector composition (source: IMF)

Country	Nominal GDP (US$ Billion)	Agriculture (%)	Industry (%)	Services (%)	Services (US$ Billion)
Australia	1,235	3.9	25.6 *	70.5	873
China	5,878	10.2	46.9	43	2,527
India	1,537	18.5	26.3	55.2	848
Philippines	202	12.3	33.3	54.4	110
World	62,909	6	30.9	63.1	40,010

* Includes mining at 8.0 %

Services Globalisation – Key Trends and Drivers (page 1 of 2)

- **Rapid technological advances** – lower cost broadband internet access, digitization, mobile broadband….
- **New work culture** – 24X7 connectivity, flexible working from home, video/tele conferencing, working with virtual teams…..
- **Rise of social media** – broad based and wide global linkages, real time connectivity, virtual sharing of common interests…………
- **Emerging Markets growth** – Post GFC, emerging markets have taken a bigger role in driving global growth, rise of emerging markets 'middle class'

Services Globalisation – Key Trends and Drivers (page 2 of 2)

- **Globalisation of education** – Emerging markets existing education infrastructure's inability to provide skills required for their high growth rates has led to rapid globalisation of education. This in turn has led to increased global awareness and linkages

- **Cross border M&A and rise of the globally integrated enterprise** – Growth and cost imperatives

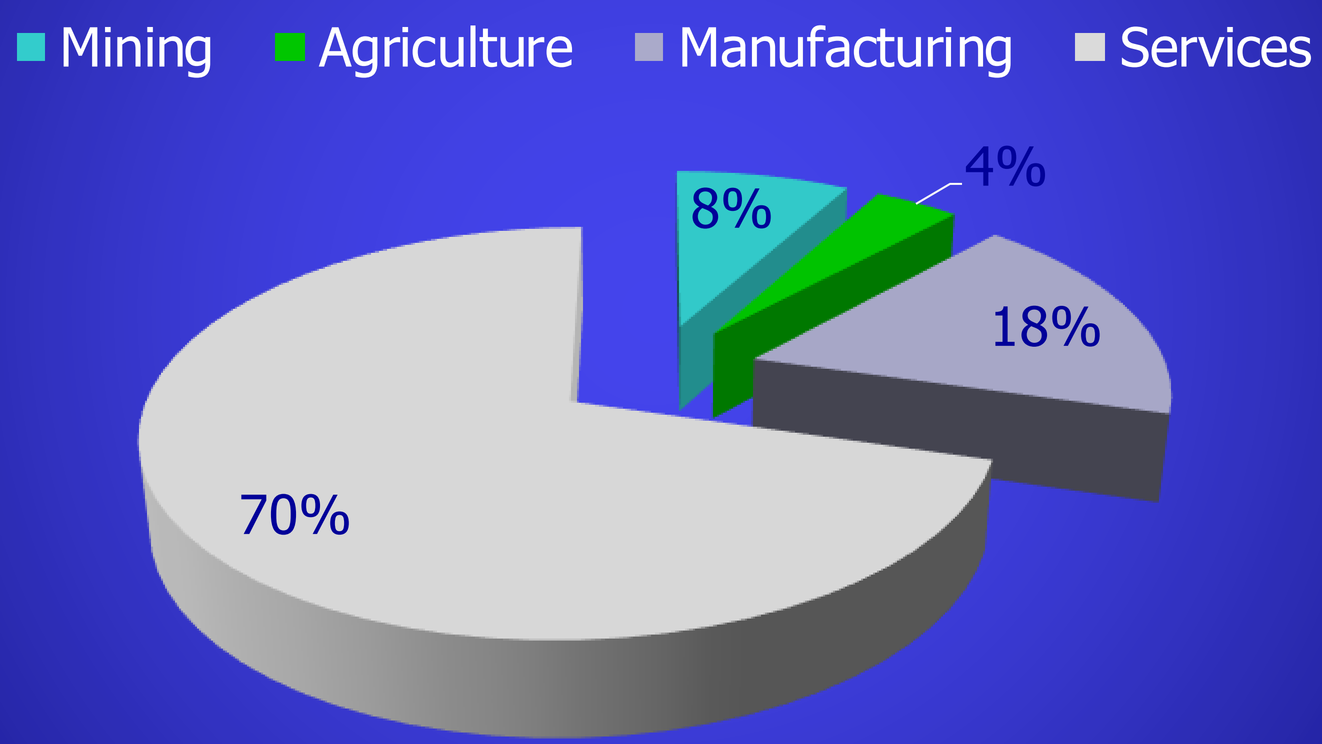
- **Availability of skilled resources at low cost in emerging markets –** Major global companies have set up large bases in emerging economies to leverage skilled resource availabilities in these countries at low cost

Services Globalisation - in summary

- Services are the main game - accounting for 70 -80% of developed countries GDP and more than 40 - 50% of emerging economies GDP
- Services Globalisation is growing at a much faster rate than the overall growth of the services market

Australian Economy
- GDP and Employment by Sectors

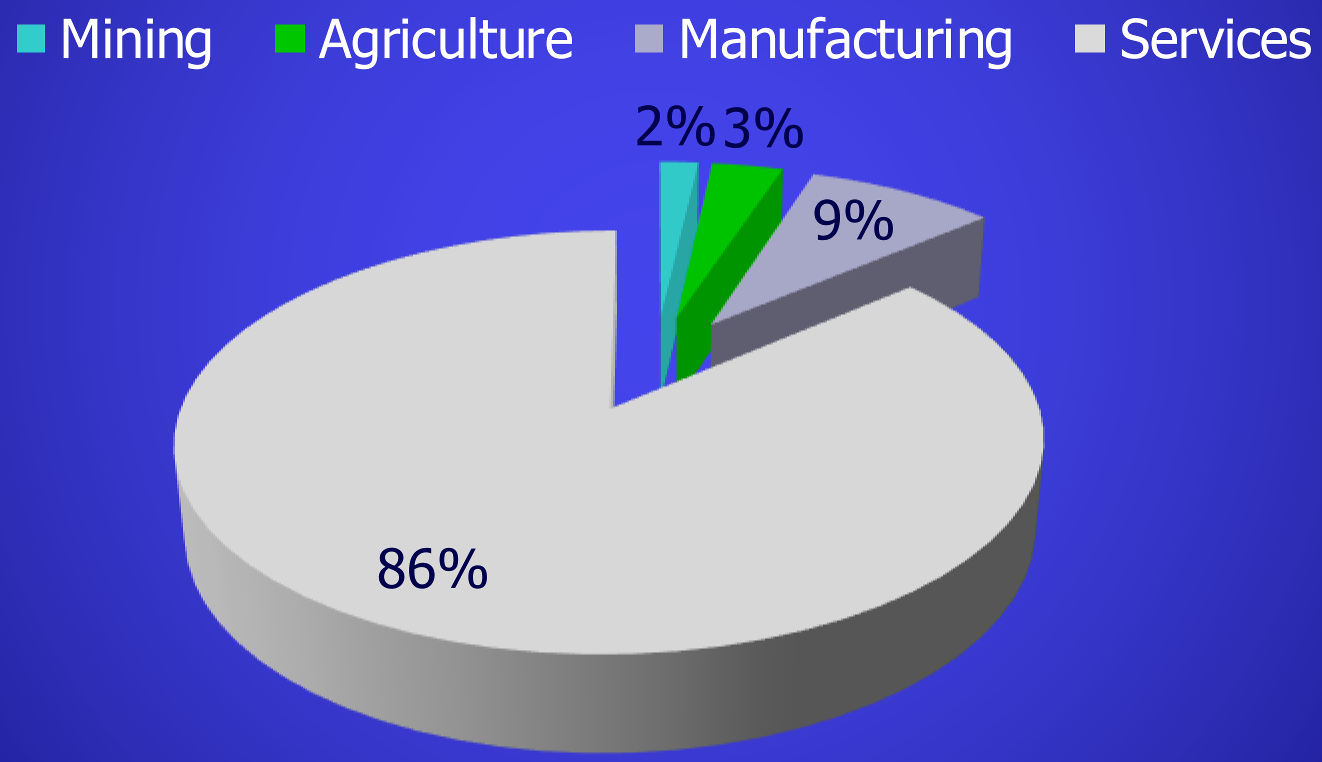
Australia: GDP by Sector



Total GDP : $1,235 billion

Australia: Employment by Sector

(source: ABS Labour Force Survey Nov2010)



Total Employment – 11, 390 million

In summary – in Australia

- Services account for 70% of GDP, 85% of work force
- Manufacturing accounts for 18% of GDP, 9% of work force
- Mining accounts for 8% of GDP, 2% of work force
- Agriculture accounts for 4% of GDP, 3% of work force

Australian Services Sector
- some perspectives

Australian Service Sector

- Australia is one of the most service intense economies
- Services account for for around 70% of the GDP (Australia's GDP US$1.235 trillion in 2010)
- Services Share of GDP is even higher when considering embedded services
- Service industries employ 85% of the workforce and has had most of the jobs growth in last couple of years

Services spectrum

- financial services (banking, insurance, securities, funds management),
- business and professional services (accounting, legal, engineering, architecture, design, consulting),
- scientific, technical services and R&D services,
- health services,
- education services,
- environmental services,
- energy and mining technology services,
- Logistics
- construction and infrastructure services,
- tourism,
- computer services and information technology,
- telecommunications,
- transport,
- distribution,
- retail,
- audio-visual, media and entertainment,
- sport,
- cultural and other business services.

Service Activity Level

- **Service sector activity fell in February 2012** according to the latest seasonally adjusted Australian Industry Group/ Commonwealth Bank Australian **Performance of Services Index (Australian PSI®)which was down 5.2 points to 46.7 in the month**

- And in three-month-moving-average terms, the **Australian PSI® has remained below the critical 50 point level** for four consecutive months.

Australian Services Globalisation

Australia's International Trade in Services 2010

- Exports of services (A$m): 50,570
- Imports of services (A$m): 57,360
- Services trade deficit (A$m): 6,790

AUSTRALIA is being TARGETED for Services Globalisation (SG)

Slow economic recovery in US and Europe

Visa challenges in US

Australia is the only high growth economy in the developed world

Australia is now catching up US and Europe in globalization of services

AUSTRALIA IS AN ATTRACTIVE MARKET FOR SG
AND IS NOW BEING **TARGETED FOR SG**

Australian Corporates face different pressures – and are looking to SG for HELP in this

Extreme cost pressures
in some sectors of Australian economy
- Manufacturers,
Exporters,
In-bound tourism
(due to high A$)

Cost pressures
in some other Sectors
-Banks,
Telcos,
E&U
(slow growth)

Skilled resource pressures
in other sectors
- Gas, Iron Ore
Re-construction
Infrastructure
(high growth)

Australian businesses keen to leverage SG

SG value proposition will differ from Industry to Industry and from company to company

Australia – Service Globalisation Markets (page 1 of 2)

Not All services can be globalised

Market Base (?)

Covered and Uncovered Markets (?)

Services Globalisation is growing at faster rate than the overall growth of the services market

Australia – Service Globalisation Markets (page 2 of 2)

Oligopolistic markets

Large Corporates

Banks, FSS, Telcos, Airlines

Retail Manufacturing

Global Service Providers

Accenture, IBM, HP, Capgemini….

Significant Investments in Globally Delivered Services

30 – 60% headcounts in Global Delivery Centres

Services Globalisation is being used in every deal, wherever possible

Indian Service Providers

- All major and number of Tier 2 Indian services providers are active in A/NZ
- Different strategies being followed by different Indian services providers

All major Indian services providers each have headcounts in thousands supporting A/NZ customers

Thought # 1

- Are Australians comfortable with services globalisation ?

Thought # 2

- Are most Australian companies getting tangible value from services globalisation

Thought # 3

- Are most Australian companies performing as per their original business case for with services globalisation ?

Thought # 4

- Why does services globalisation have a high mind share of C- level executives, Govt, Trade Unions, Press and other stakeholders – as compared to manufacturing glopbalisation

Thought # 5

- Is there a services globalisation skills gap in Australia

Services Globalisation is NOT just about low cost resources

Multinational Business Management
Managing Virtual Teams
Managing Knowledge Transfer
Managing Cultural Differences
Managing relationships in dynamic high growth environment
Managing Structural Differences
Aligning different behavioural drivers towards a common objective

Creating a Global Mindset &
an ecosystem all along the Services Value Chain

Thanks

Q & A