

Latin America ...

The New Frontier for Outsourcing

Atlanta Chapter IAOP

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Nearshore Outsourcing

Agenda

1. Economic Trends in Latin America
2. Outsourcing in Latin America
3. Case Study: Colombia

Economic Trends in LatAm

Strengths

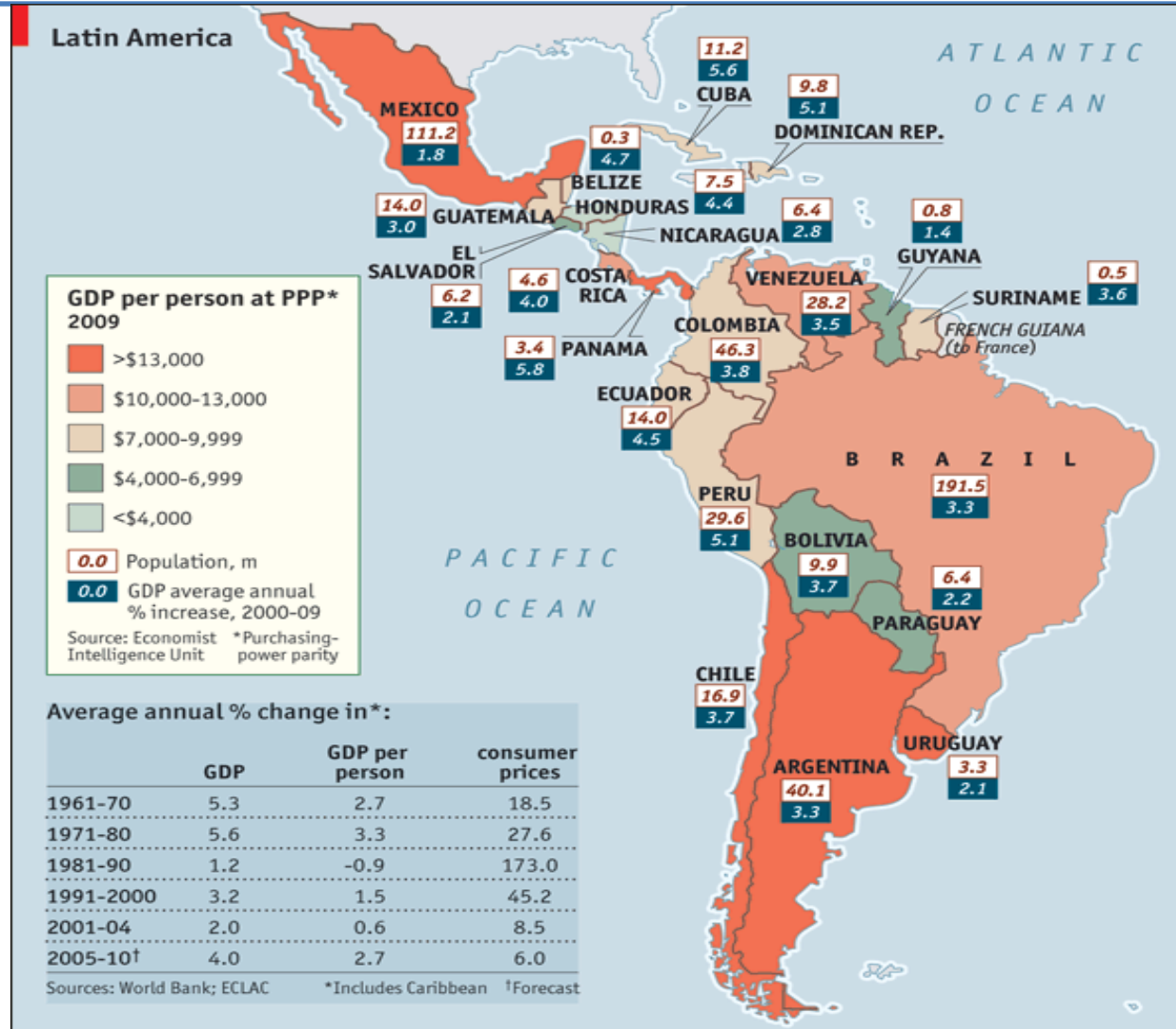
- Population of 580MM
- Consistent economic growth
- Low inflation
- Low unemployment
- Strong ties with US
- BRICs & CIVETs

Risks

- Productivity growth
- Income inequality
- Security

Countries to watch

- Brazil, Mexico, Chile, Colombia, Peru



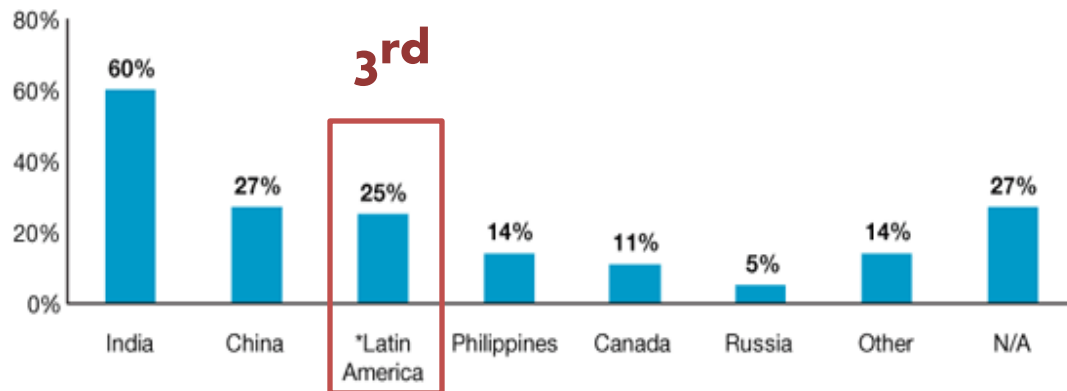
Source: World Bank; ECLAC

LatAm Outsourcing Landscape

“Latin America is the third most popular outsourcing destination”

- Harris Interactive

Outsourcing by the Numbers - Countries to which 300 of U.S.' Fortune 1000 companies outsource:



*Latin America includes: Mexico, Brazil, Chile, Argentina & Guatemala
Source: Survey of 300 U.S. Fortune 1000 Companies – Harris Interactive

Which BPO & ITO services are being outsourced to LatAm?

- ✓ Multi-Lingual Voice Services
- ✓ Specialized Back-Office Processes
- ✓ Knowledge Processes
- ✓ Application Development & Management
- ✓ Independent Software Testing
- ✓ IT Infrastructure Management

Latin America's importance as a provider of global ITO and BPO is growing given its proximity to the U.S., language skills, telecommunications infrastructure and tax incentives.

Colombia and **Peru** lead LatAm in world rankings for ease of doing business and offer incentives for companies.

Established outsourcing destinations such as **Brazil** and **Mexico** have a large workforce but their growth could be limited by a slow bureaucracy and regulatory obstacles.

English is not spoken as widely in LatAm as it is in India, but that is [rapidly] changing as more young university graduates are bilingual or even **trilingual**.

Source: KPMG

LatAm Outsourcing Advantages

“Latin America’s outsourcing industry is growing faster than any other region in the world, estimated to grow between 5.5 percent and 6 percent, led by growth of between 10 percent and 12 percent in Brazil” -Cassio Dreyfuss, Gartner Research

Benefits in Outsourcing to LatAm

- ✓ Close physical proximity
- ✓ Similar time zone
- ✓ Cultural affinity & shared history
- ✓ Modern telecom infrastructure
- ✓ Tax incentives in many countries
- ✓ Favorable business environment
- ✓ Trilingualism: English, Spanish & Portuguese

Competitive Wages For Skilled Labor (\$USD)

Country	Financial Analyst	Economist	Accountant	Electronic Engineer
Chile	47,503	65,920	46,460	60,267
Brazil	33,356	46,284	32,618	42,321
Perú	26,746	37,121	26,159	33,937
México	20,268	28,127	19,822	25,715
Argentina	12,351	17,133	12,079	15,669
Colombia	11,676	11,340	12,210	9,714

Country	Data Entry	Secretary	DBA	Jr. S/W Programmer
Chile	21,501	33,019	59,689	29,591
Brazil	15,100	23,188	41,912	20,785
Perú	12,108	18,592	33,611	16,663
México	9,173	14,087	25,467	12,626
Argentina	5,589	7,552	15,518	7,695
Colombia	3,858	6,450	15,360	4,536

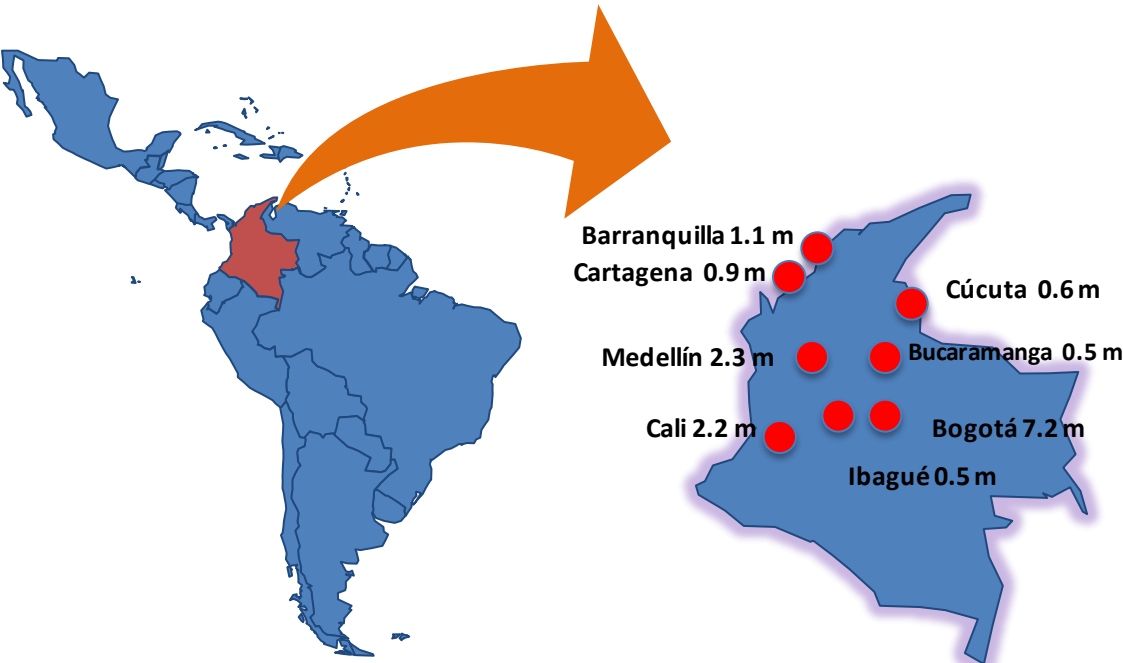
Source: Salary Expert ; Human Capital

Case Study: Why Colombia?

“ We see Colombia as one of Latin America’s most attractive investment opportunities over the next 3-5 years [due to its]...renewed political calm, an increasingly entrenched acceptance of pro-business policies across most of the political spectrum.”

- RBC Capital Markets Research (28-Jan-2010)

Colombia has the 2nd largest population in LatAM with 45 million people, and 8 cities with more than 500,000 inhabitants

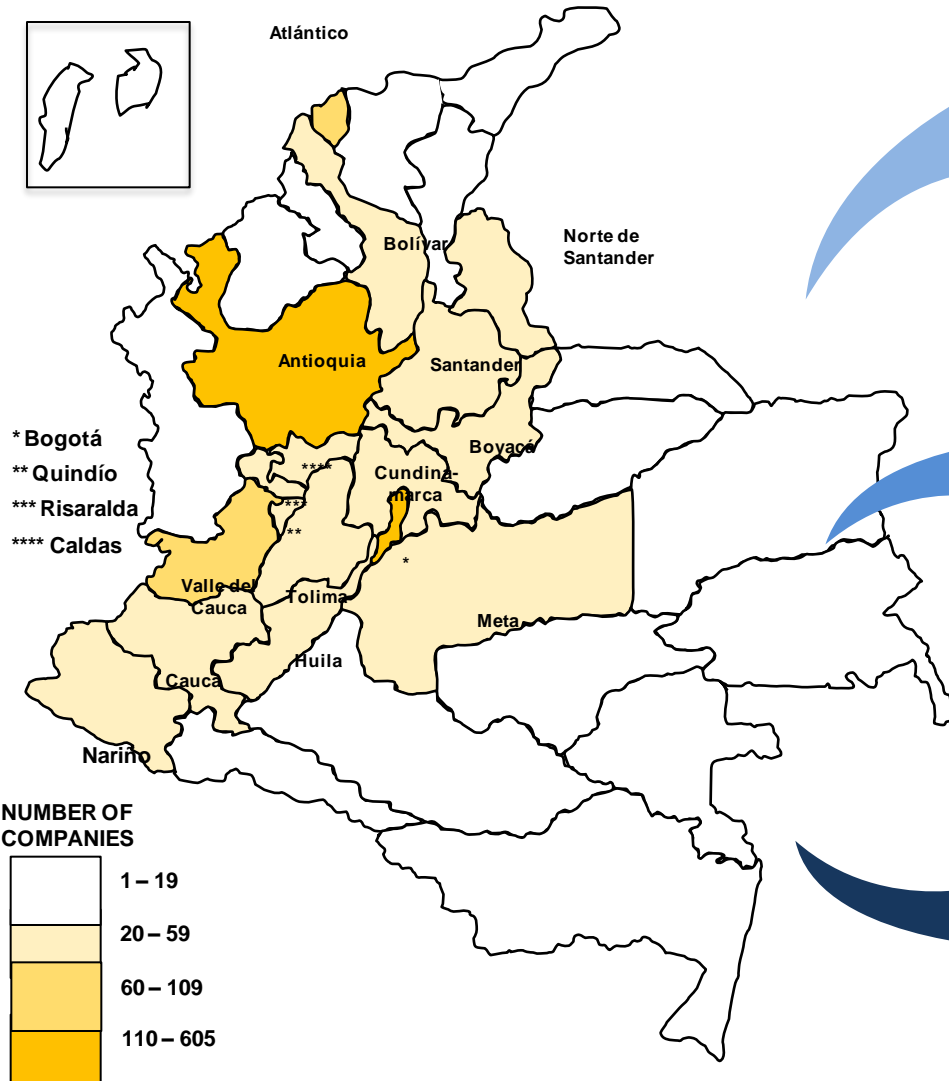


Six Reasons to Choose Colombia?

- 1. Low Risk:** Moody's now rates Colombia at Baa3, turning it into investment-grade territory
- 2. Ease of Business & Proximity:** Easiest country to do business in LatAm, located two hours away from the continental U.S.
- 3. High-Skilled Talent:** Colombia ranks 3rd in Latin America for the number of accredited Universities(194) and technical institutions (88) ⁴
- 4. Large Talent Pool:** Colombia has the 2nd largest population in LatAm consisting of 45mm+ inhabitants
- 5. Favorable Environment:** Availability of single company free trade zone, pro-business tax framework, and intellectual property protection
- 6. Low Cost:** Lowest labor and infrastructure cost within the leading countries in LatAm

Sources: McKinsey & Co., Moody's, CIA World fact book, Colombia Ministry of Education

Case Study: Colombia Outsourcing Facts



DIVERSIFIED OFFERINGS

- 27% of companies are call centers
- 73% provide ITO and BPO services

84,000 EMPLOYEES

- IT Services: 16,000 employees
- BPO Services: 10,000 employees
- Call Center: 58,000 employees

2009 SALES: \$2.5B USD

- 57% of sales from ITO and BPO
- 43% from call centers

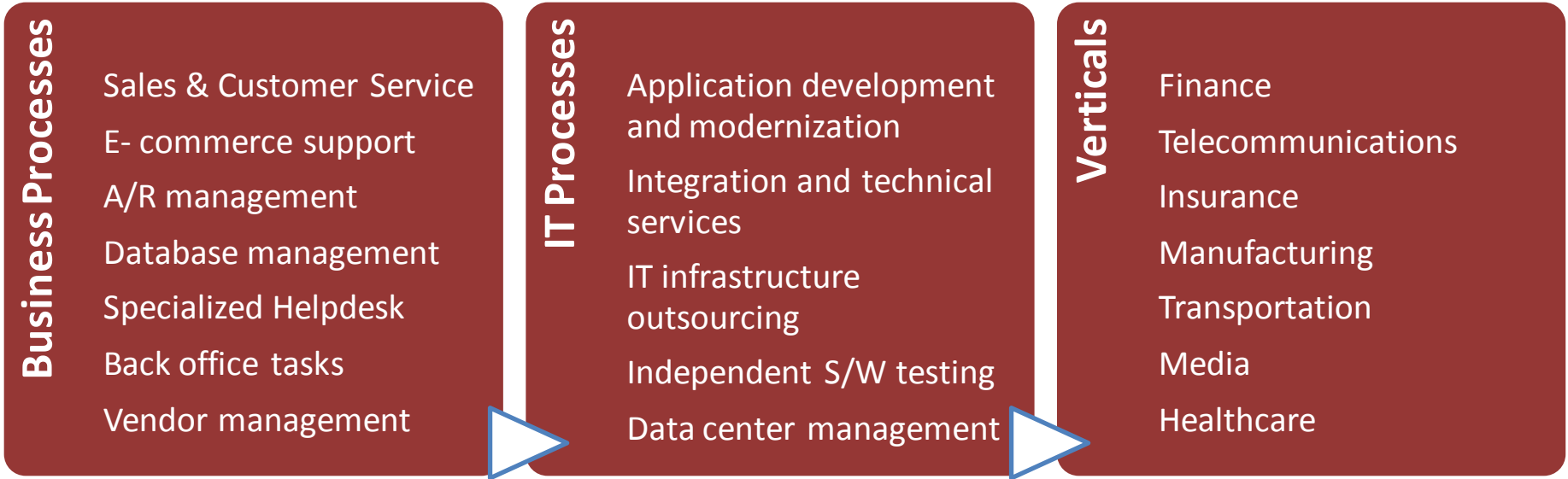
Source: Ministry of information technologies and communications (MINTIC), BPR partners - ISI Emerging Markets, Proexport calculations

Case Study: Getting Started in Colombia

Buy Vs. Build... How should companies approach the decision? KPMG says:

- ✓“**BUY**” when the function you’re outsourcing is standard, readily available, and supported.
- ✓“**BUILD**” when your organization’s core competencies are reflected in the product being developed.

Services Readily Available from Colombia



Source: MCIT. Andi – Chamber of BPO - Proexport

Case Study: Thinking about Colombia?

Key things to consider...

1. **Visit Colombia, the only risk is wanting to stay:** Close, safe & fun; there's nothing better than getting a first hand view of a provider's capabilities and culture.
2. **Learn more about Colombia based provider capabilities:** VSI Nearshore will gladly help you in this endeavor. You should also contact Proexport, the Colombian Gov. agency responsible for promoting the country's services.
3. **When the time is right, outsource high-touch processes & services:** LatAm, and Colombia in particular, can be a powerful source for qualified talent to perform "advanced" tasks, that traditional Asia providers have not been able to master (i.e. Multilingual voice services, specialized back-office processes, and new software applications requiring heavy interaction.).

Common mistakes to avoid...

1. **Poor due diligence on legal structures:** Many companies in LatAm, small companies in particular, have myriad ways to avoid paying taxes or avoid employer liability.
2. **Assuming low turnover rates means turnover will not hurt your team:** Great people are hard to find all over the world and companies compete hard for them. Try implementing retention bonuses to help prevent the loss of key personnel.
3. **Lack of investment in travel and knowledge transfer:** If you sent program managers or tech leads to India three times a year, do the same with your Nearshore partner. Don't assume just because they're closer means they don't need the same high level of attention.

Source: VSI Nearshore Outsourcing & UnoSquare

Case Study: Success Stories

Leading providers that have successfully leveraged Colombia as a prime nearshoring location

LatAm/Colombia Providers



Home: Colombia / USA
Countries Served: USA & LatAm
Services: IT Services, Specialized BPO & Multilingual Call Center



Home: Colombia / Argentina
Countries Served: USA & LatAm
Services: BPO & Call Center



Home: Colombia / Spain
Countries Served: USA & LatAm
Services: Multilingual Call Center

Global Providers



Home: USA
Countries Served: USA & LatAm
Services: IT Services



Home: USA
Countries Served: USA & Colombia
Services: BPO & Multilingual Call Center



Home: USA
Countries Served: USA & LatAm
Services: IT Services

Captive Providers



Home: USA
Countries Served: USA & LatAm
Services: Sales & Service



Home: USA
Countries Served: Colombia, Venezuela, Peru, Ecuador & Panama
Services: Personal & Corporate Banking Customer Support



Home: USA
Countries Served: USA & LatAm
Services: Multiple shared services

Source: Proexport Colombia

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