

Media title: Vietnam has potential to become the next BPO giant

Author: Dinh Thi Quynh Van, General Director of PwC Vietnam

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Vietnam has potential to become the next BPO giant



By Dinh Thi Quynh Van
General director, PwC Vietnam

Business process outsourcing (BPO) is believed to be one of the five sectors with the greatest potential for growth and investment in Vietnam in the near future, along with solar and wind energy, luxury hotels, modern agribusiness and food, and retail banking, according to PwC's 'Spotlight on Vietnam' report released in October 2017.

Vietnam's BPO potential is backed by quite advanced IT infrastructure and a large workforce that welcomes 40,000 new ICT graduates each year. With the continued growth of digital connectivity and market demands, there is plenty of room to develop the BPO sector across the three main types of services, namely domestic outsourcing (onshore outsourcing), near-shore out-

sourcing, and offshore outsourcing.

Vietnam's geographical location, young and abundant workforce, and stable government committed to economic growth all create fitting conditions to develop BPO. With the release of recent government policies to boost technology and education investments, Vietnam is gradually transitioning from a low-cost manufacturing centre to an outsourcing destination for business services requiring high-skilled talent.

High potential for growth

Candidly speaking, BPO in Vietnam is a young industry with a small market size and revenue in comparison to India, China, or other Southeast Asian countries such as the Philippines, Malaysia, and Indonesia. Vietnam's BPO revenue in 2015 was roughly \$2 billion, one-eleventh that of the Philippines (\$22 billion), the biggest BPO player in Southeast Asia. BPO revenue accounted for 17 per cent of the Philippines' GDP in 2016 and was the second-largest sector for foreign exchange attraction. With 20 per cent annual growth, BPO revenue of the Philippines ranks third globally (just below India and

China), and is forecast to hit \$40 billion in 2020.

Although Vietnam's BPO market is still in its early stages, we have seen some encouraging results over the years. According to the eighth edition of the Global Services Location Index released by A.T. Kearney in 2017, which analyses and tracks the contours of the offshoring landscape in 55 countries, Vietnam ranked sixth out of 20 emerging markets with the highest potential for BPO growth. It jumped five spots in comparison to the previous year, surpassing the Philippines (seventh) for the first time, and is expected to grow by 20-25 per cent annually. Vietnam has even outdone China to become the second largest offshore software research and development (R&D) partner for Japan in 2016. Yet Vietnam's BPO revenue only accounts for 1 per cent of the country's GDP, indicating tremendous room for BPO to grow.

BPO could bring good value to Vietnam, as it is a promising sector to attract foreign customers and business partners. More and more international corporations are focusing on their core businesses and outsourcing at least some of their non-core businesses.

This gives rise to BPO services like software R&D, call centres, payroll, order classification and processing, and more. Meanwhile, local companies, particularly those in the financial sector, are also looking to outsource data processing and/or their support services.

It is safe to say that Vietnam's BPO growth potential is massive. Aside from software R&D, there is abundant talent available for other outsourcing services such as accounting, payroll management, customer service, and others. If local market players can leverage the 'late-comer' advantages, Vietnam's advancement in high-end outsourcing categories could be much faster than that of other players in the region. For instance, Vietnamese firms could start investing more in knowledge process outsourcing, which requires higher expertise like market research, data mining, fraud analytics, strategic planning, and so on.

Pressure to transform

BPO is fraught with risks and businesses make thorough considerations before using these services. BPO clients usually screen their service providers based on several factors, including the ability to meet security and quality stan-

dards, system availability, continuity in performing the services, and ability to innovate and provide new services.

One big challenge for Vietnamese BPO providers is the lack of qualified employees. Despite having good professional skills, many workers lack soft skills such as communication, presentation, and English skills, especially when compared to the Philippines and India.

Another challenge for BPO providers is the advancement of technology, particularly in artificial intelligence and machine learning. Chatbots and CRM systems are getting more common in the business world. They optimise the time spent on customer service processes and require fewer people to run. Even small and medium-sized enterprises can apply these technologies to enjoy reduced human resource costs and improved business efficiency and competitiveness.

In addition, there are various tools and systems to support non-core businesses such as enterprise resource planning solutions for finance, human resources, and manufacturing and inventory management. These cutting-edge technologies threaten the necessity of low-end BPO services.

These challenges have driven demand for BPO providers to transform and improve their quality and services. BPO providers need to focus on developing mid- and high-end services, or their basic outsourcing jobs will be replaced by smart and automated applications and artificial intelligence.

The Vietnamese government has shown its vision through many supporting regulations to attract foreign exchange and FDI in the IT industry. For example, Vietnam has welcomed the opening of several foreign-invested IT R&D centres. These can be considered the first stepping stones to build up the IT ecosystem needed to support the BPO sector.

BPO services in Vietnam hold many competitive advantages and are following a similar growth trajectory to India's and the Philippines'. Continued engagement in large markets such as Japan and China will bring significant foreign investment to boost the development of high-tech outsourcing in Vietnam. Nevertheless, for further advancement in these services, BPO providers in Vietnam need to transform by innovation to meet the ever-increasing demands of the market. ■