

## PROFILE OF INVESTMENT OPPORTUNITY

### ICT: Business Process Outsourcing / English Voice Services

- Ready access to available labour pool
- Highly competitive wage rates
- Greenfield investment opportunity
- Easy access to robust ICT infrastructure



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## 1. Industry Overview

Business process outsourcing (BPO) is a subset of outsourcing that involves the contracting of the operations and responsibilities of specific business functions (or processes) to a third-party service provider. BPO is typically categorised into back office outsourcing - which includes internal business functions such as human resources or finance and accounting and front office outsourcing - which includes customer-related services such as contact centre services. BPO that is contracted outside a company's country is called offshore outsourcing. BPO that is contracted to a company's neighbouring (or nearby) country is called nearshore outsourcing.

According to NASSCOM Review 2012, the global outsourcing market has grown exponentially over the past twenty years and grew nearly 2 times that of global technology spending in 2011. BPO forms a significant part of the global services market and has both a fast growth rate and wide global spread. Traditional BPO firms are now facing increased attrition and rising costs and are rapidly exploring nearshore expansions and opportunities. The Caribbean offers the largest English speaking talent pool and is fast emerging as a credible nearshore location, especially in providing voice-based Call Center (CC) services. According to an assessment report done by Avasant, a global sourcing advisory firm, **Trinidad and Tobago has a high potential to emerge as a credible English voice-based destination.**

COUNTRY	STRENGTH	POPULATION (Mn)	CC employee base
Trinidad & Tobago	High potential	1.3	1,000
Jamaica	Emerging strong	2.7	13,000
Dominican Republic	Emerging strong	10.2	25,000
Barbados	Moderate potential	0.3	2,000
Puerto Rico	Moderate potential	4.0	-
Belize	Moderate potential	0.3	1,600



## 2. Business Potential

There are currently no international BPO/English Voice Based Service Operators existing in Trinidad and Tobago. However, there are a few local call-center operations offering voice-based services. The largest operator currently has 200 seats and provides services such as directory assistance, service order activities, debt recovery, emergency calls and dispatch, interview of clients for insurability, scheduling of appointments for passport applications and interviews to determine eligibility for university. This operator currently has no clients outside of the local market. There are

over 25 other local companies that provide English voice-based services to their own clients with an agent capacity of approximately 1000. None of these local operators currently service foreign clients and thus there are no exports being generated by this market.

The main benefits to Trinidad & Tobago in the setup of large BPO outsourcing firms include:

- A significant addition to GDP that will increase ICT sector contribution (currently 3% of GDP)
- A significant addition to exports which has the potential to substantially increase T&T's foreign exchange earnings. BPO exports from the Caribbean (JA, BE, BBDOS, DR) are currently approximately US\$600m and growing.
- BPO/English Voice Services currently employs approximately 41,600 people in the Caribbean. Less than 1,000 are currently employed in this sector in Trinidad and Tobago.

## 3. Significant Investment Opportunity

Investment opportunities exist for BPO companies with a large English Voice Service focus, seeking to provide high-quality customer interaction services to their clients from a nearshore location. In the short-term, nearshore opportunities can be realised by companies seeking to provide contact centres/ customer interaction services such as phone answering, telemarketing, customer retention, help desk etc. Based on the existing ratio of employee base to population in the region, one can assume that Trinidad and Tobago can potentially accommodate an employee base of approximately 5,000 to 6,000.

LOCATION	MONTHLY RENTAL per sq.ft. (US\$)	ICT INFRASTRUCTURE (2 independent providers ensuring full redundancy)
Port of Spain	2.25	Telecommunication room, copper directly to building, fibre nearby
East Trinidad	0.63 - 1.25	Telecommunication room, copper directly to building, fibre more distant
Central Trinidad	0.78 - 1.09	Telecommunication room, copper directly to building, fibre more distant

**Projected CAPEX: US\$2.5m - US\$5m** (depending on the number of seats to be established)

- Assuming a 15,000 to 25,000 sq. ft. warehouse facility, the approximate capital improvements to the building will be US\$2.5m and equipment for the building including furniture, fixtures, equipment & technology will be approximately US\$2.5 million.
- investTT is also in the process of developing CC/BPO ready facilities in East Trinidad located at Tamana Intech Park. These facilities will be ready by the end of year 2013. At that time, the US\$2.5m capital improvements will not be necessary. Access to advanced ICT infrastructure is also included as part of the facilities.

## 4. Stakeholders

At the national level the following companies will be involved:

- Trinidad and Tobago Free Zones Company Limited
- Recruitment firms
- TSTT and Colombus Business Solutions
- University of the West Indies; University of Trinidad and Tobago, and the Youth Training and Employment Partnership Programme
- Real Estate Agencies
- Trinidad and Tobago Chamber of Commerce
- Shipping/transport companies
- The National Information & Communication Technology Company Ltd. (iGovTT)

## 5. Growth of the US market for Outsourcing and Nearshoring

According to Avasant, the nearshore CC services market is estimated at US\$4.7 – \$5.5Bn and about 80% of the CC operations are funded by US companies. As a result of the Caribbean's strong services sector background and its large English speaking talent pool, these traits make it most suited for voice based CC services. Traditional companies are now being faced with rising costs and are seeking ways to improve profitability whilst simultaneously BPO firms are also faced with

increased attrition and rising costs and are rapidly exploring nearshore expansions and opportunities. US-based companies are mainly attracted to the region's cost advantages, cultural affinity, time zones and abundant resources.

## 6. Incentives

Incentives play an integral role in differentiating a location from others. Trinidad and Tobago has comparable incentives to other regional locations. BPOs can enjoy benefits of being located in a free zone which means they will be exempt from customs duties, value added tax and income tax on dividends for an indefinite period. There is 100% ownership of locally registered companies, no foreign exchange controls and companies can enjoy full repatriation of funds. Incentives for training of staff will also be considered based on the specific needs of the operator.

## 7. Investment Benefits

Specific benefits to the investor include:

- Political and economical stability
- Lowest energy costs in the region
- A robust economy
- Advanced physical and ICT infrastructure when compared to other regional locations
- An educated, English-speaking workforce with a relatively neutral accent and a cultural affinity to North America
- Free education from primary to tertiary levels
- Competitive wage rates
- Full telecommunication connectivity from two independent providers with the necessary bandwidth capacity, which is offered from a location outside of the hurricane belt
- Stable and reliable electricity network thus reducing backup requirements
- Seven fiber optic landing stations that ensure a high level of redundancy is provided

These position Trinidad and Tobago well to emerge as a strong nearshore location to offer BPO and English-based Voice Services. This is in addition to the cost effectiveness of other operating factors.

## Comparative Operating Costs:

PARAMETERS	TRINIDAD	JAMAICA	BARBADOS	BELIZE	DOMINICAN REPUBLIC
Wages (US/hr.)	2.70 – 4.50	3.50 – 5.00	4.00	3.9	2.6 – 3.6
Quality of Education (1-poor and 7-very well)	4.4	3.2	5.1	2.7	2.4
Infrastructure (1-V Poor 7=Intl' Standards)	4.4	4.4	5.9	3.5	3.2
Telecommunications Network	3.83	3.78	4.32	-	-
Bandwidth Availability (Mb/s per 10,000 pop)	79.2	7.4	139.9	-	13.9
Network Readiness Rank (top 138 countries)	63	73	38	-	79
Key Locations	Port-of-Spain	Montego Bay; Kingston	Bridgetown	Belize City	Santo Domingo
Electricity Cost (US\$/kWh)	0.05	0.27	0.29	0.19	0.24
Corporate Tax Rate	25%	33.3%	30%	25%	25%
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Corporate Tax Rate	25%	33.3%	30%	25%	25%

Source: World Economic Forum, World Bank, Avasant



Further analysis has shown that the appropriate Total Operating Costs for an English Voice Services operation in Trinidad & Tobago is as approximately US\$13K per employee annually, assuming 200 employees, as shown in the table below:

**Total Cost of Operation – Trinidad & Tobago (\$US)  
200 employees**

\* EVBOP would be considered a Free Zone Company  
(Exemption from import duties, tariffs or Corporate Income Taxes)

**Assumptions**

**Labour**

Employees	200
Average salary per hour	\$3.50
Benefits (%of salary)	20%
Months in year	12
Working Hours/month	160
Training (% of salary)	20%

**Facilities**

Gross sq. ft./employee	75
Size of facility (sft.)	15,000
Rent per sft/month	\$1.23

\*rent quoted is for 20,00 sf in one level warehouse space in East Trinidad upgrade to office use

**Utilities & Telecom**

Electricity Cost/kwh	\$0.03
Approximate KWH/month	30,000
Telecom (Cost/mth-1DS3):	
TSTT	25,000
Columbus	22,100

\*Telecom quotes assume a 3-year contract is signed and that line is dedicated

\* It is assumed that both providers will be used to achieve maximum redundancy

Approx. Annual Operation Cost		
		% of Total
Labour	\$ 1,881,600	70%
Facilities	\$ 221,400	8%
Telecommunications	\$ 565,200	21%
Electricity	\$ 21,600	1%
<b>Total Cost</b>	<b>\$ 2,689,800</b>	
<b>Total Cost/employee</b>	<b>\$ 13,449</b>	



#### **Specific Value Proposition to BPO/CC operators:**

1. Ready access to available labour pool due to high unemployment among the target population
2. Highly competitive wage rates
3. Greenfield Investment opportunity due to current lack of international operators
4. Easy access to robust ICT infrastructure

### **8. Available Labour Pool**

Trinidad and Tobago has a dynamic highly-skilled labour pool and competitive labour costs. The educational system is well-developed from primary to university level: over 7,000 persons graduate with a university degree annually. With an adult literacy rate of 99%, primary gross enrollment ratio (GER) of 104% and secondary GER of 90%, this system has served as a powerful foundation for the nation's development and according to a recent report done by Tholon's, the high literacy rate will act as a stable foundation on which to build on more sophisticated skill sets needed in the BPO industry. Population, labour force and unemployment rates are approximately 1.3 million, 632,100 and 5.8% respectively.

A labour market survey for an international BPO/ call centre operator was conducted in 2012 and over 1,353 applications were received in one month's time indicating that:

- 58% of the labour pool is youthful and energetic ( between the ages of 20 – 29)
- Approximately 50% are currently unemployed and are available for immediate hire
- 65% are interested in being employed at the customer service agent level and expect wages of US\$2.70 – US\$3.40 per hour
- All applicants have attained at least a high school educational background (3.5% with a master's degree; 25% have a bachelor's degree; 27.6% with a 2 year diploma/ vocational degree and 43.9% with a high school education)
- 99.8% have computer skills and are very computer literate

Trinidad and Tobago scored higher when compared to Latin America and Philippines in language testing based on a sample size of 78 of the 1,353 respondents. As previously stated, based on the existing ratio of employee base to population in the region, it is expected that an employee base of 5,000 to 6,000 workers can be achieved and sustained in the first instance.

## **9. Opportunities for Innovation and Collaboration**

Given that there are currently no international BPO/English Voice Service Operators, local development facilities and joint venture prospects are being developed through 2 main institutions namely the Youth Training and Employment Partnership Programme and the University of the West Indies. The aim is to produce programmes that will assist with training and competencies in the English voice as well as IT-enabled services. Subsidised training programs will be offered to specifically target to develop the labour pool available to BPOs.



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