

Vietnam: A BPO, IT & Software Perspective

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Vietnam has one of the highest economic growth rates in the region and with ongoing reforms the country is expected to play an ever-increasing role in the expansion of the sourcing market. The Tholon's 2014 Top 100 Outsourcing Destinations listed two of its cities – Ho Chi Minh City (ranked 17) and Hanoi (ranked 22). Although regionally and globally competitive, the technological infrastructure needs further development and the cost of labor is being driven up by the scarcity of skilled resources to meet growing demand. Local commentators, however, note that you don't have to be the cheapest to get business. It's about providing options especially while those weaknesses are addressed.

Vietnam has one of the highest growth rates in outsourcing and has established its presence in the sector as an alternative destination for low-cost offshoring services with especially strong growth in the call center industry. The government has put in place policies to promote the country as an outsourcing destination, with the services segment expected to expand rapidly.

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Vietnam is home to 1,000 software companies employing over 80,000 people according to the Vietnam Association for Information Processing. It is also now one of the world's ten largest software exporters and has outplayed India to become the second-largest software outsourcer in Japan behind China. The United States is its second largest customer.

The software sector increased value from US\$ 680 million in 2008 to US \$1.2 Bn in 2012. The total revenue of the IT sector in 2012 was US\$25.5 billion, reflecting a tremendous growth rate. In 2012, Ho Chi Minh City in particular had more than 12,000 IT companies, generating US\$1.9 Bn, almost 8% of the country's total IT revenue.

This growth was underpinned by investments from some of the world's largest companies including Accenture, Alcatel-Lucent, Bayer, BMG, Cisco, Nokia, Sony, Oracle and IBM. The companies either outsource BPO directly from their local branches, or use third-party suppliers.



Data Digitalization
Photo Courtesy of VietNamNet Online

Vietnam's IT market is set to maintain its position as a regional outperformer over the medium term. In their 2Q 2014 IT report Business Monitor International forecast IT spending will grow at a compound annual growth rate (CAGR) of 12.6% between 2014 and 2018, with expansion underpinned by rising incomes and enterprise modernization.

While perhaps not the cheapest outsourcing destination, Vietnam is very competitive against other countries. Research firm Frost & Sullivan note that the cost of hiring IT experts in Vietnam is 30% to 50% less expensive when compared to other global leaders in the outsourcing industry such as the Philippines and India, and employment costs in the IT and software development segments are 90% lower than in the U.S. According to a 2012 report by the Japan External Trade Organization

(JETRO), monthly pay in Vietnam was roughly 32% of that in China, 43% in Malaysia and Thailand, and 62% in Indonesia.

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There is also increasing momentum towards Vietnam becoming a global center for electronics production as wages rise in China and manufacturers look to protect margins by moving to Vietnam.

Vietnam also has a lot of talent. Each year, around 1-1.5 million people enter the labor market. The median age in the country is 28.7 years. Significant investments are being made in education and training. According to the World Bank's 2014 Vietnam Development Report, over the past two decades, literacy and calculation skills have helped Vietnamese workers move from low productivity agriculture into higher productivity non-farm jobs. Moreover, the continuing support from the Government has enhanced and promoted employee's skills and professional development.

One main advantage is that English and Vietnamese languages both use the Latin alphabet. It is easier for the Vietnamese to study and speak English. Schools in the country also teach French and Russian. In recent years, German and Japanese languages have also become popular among young people.

Building Credibility

Vietnam has been working to improve its outsourcing sector customer relationships, brand awareness and loyalty. Application tools have also enabled Vietnam contact centers to play an active role globally while building a track record. These tools include Computer Telephony Integration (CTI), Call Monitoring (CM), Interactive Voice Response (IVR), and Automatic Call Distributor (ACD). The ACD tool is estimated to account for about 40% of the applications used in Vietnam's outsourcing sector.

At the same time, recognition for the BPO industry in Vietnam has come in the form of the award given to [SPi Global](#) for their work in the country's outsourcing sector. This company, which is a leading global player in the BPO industry, has received the distinction of providing the best outsourcing service in Vietnam for the third year in a row. The award has been conferred by the [Vietnam Software Association \(Vinaso\)](#) and has been a motivating factor for the Vietnam BPO industry overall.

The Ho Chi Minh City unit of FPT Software, the country's leading software outsourcing company, with local 2013 revenues topping \$100 million was recognized in early 2014 by the IAOP as one of the Top 100 Global Outsourcing Leaders. FPT Software is the first Vietnamese-based company to have ever been selected. The award recognizes excellent performance across four categories: size and growth, customer satisfaction, organizational competencies and management capabilities. The IAOP also recognized FPT in 2013 as being one of the Top 10 leaders in SouthEast Asia.

In March 2013 British, Japanese and Vietnamese businesses formed an alliance to create the largest call center, BPO and technology business in Vietnam. The partnership between Harvey Nash Vietnam and MOCAP Vietnam will build an in-bound and out-bound call center to promote software and business process outsourcing to the Japanese markets. (MOCAP is owned by Mitsui & Co (Asia Pacific) Pte. Ltd.)



Photo Courtesy of Harvey Nash
Group plc

Under the partnership Harvey Nash Vietnam will take a 15% stake in MOCAP Vietnam and transfer its call center business to MOCAP Vietnam. Harvey Nash brings 12 years of expertise in software and business process outsourcing. MOCAP Vietnam's access to Japanese markets will enable the partnership to win new contracts and significantly grow the Vietnam based businesses.

Another development was reported by The Saigon Times in early 2014 whereby Swiss Post Solutions (SPS) will be expanding BPO services in the financial sector, particularly for banks and insurance companies. SPS has been operating in Vietnam for over 10 years and employs more than 1,000 people. The company is operational from Ho Chi Minh City to Can Tho City, providing its services 24/7, 365 days a year.

With government commitments to support the high-tech industry with investments in human resource development, granting tax incentives to software companies, reducing telecom costs and setting-up software parks such as Saigon Software Park and Quang Trung Software City amongst others, Vietnam is well positioned for continued future growth.