

Tap Into a Lucrative Service Industry in The Philippines

By Kirsten Raccuia

The Philippine archipelago has everything you'd want in an exotic place to live...powdery white-sand beaches...crystal-clear waters...mountains... and a rich Spanish history that is still evident today.

Whether you choose to live in a tiny mountain hamlet like Tagaytay—or a First World city with modern amenities like Cebu—you can always find what you're looking for.

You can live on \$1,000 a month because the cost of living is so much lower than it is in the U.S. Luxuries, like having a maid and gardener and getting regular pedicures and massages, are the norm for most expats.

But you'll also find that The Philippines is a hub for a type of business that is potentially lucrative.

Many times, when you contact a large company like Dell or HP, you're calling a local number but speaking to someone in India or The Philippines. That's because the company has outsourced its customer services to a call centre in a more cost-effective country.

They outsource other tasks, too...like payroll and billing, medical transcriptions, digital media, search engine optimization, website design, and even engineering or architectural work. This is called business process outsourcing (BPO), and The Philippines is a great location for setting up a "back office" to carry out these sorts of tasks.

Even with a small staff of three or four



Artem Soukhomlinov found a great business opportunity and a healthy, outdoor lifestyle in Cebu.

and an entrepreneurial spirit, you can set up a company like this and begin offering your services to clients. You don't have to be a customer services professional... you just need to have management skills. Not only will you find skilled and eager employees, you'll also enjoy generous government tax breaks for starting this kind of business in The Philippines.

The minimum wage in The Philippines is \$150 a month, which makes for significant savings on labor costs. And The Philippines government fully backs the BPO industry in several ways. It offers tax abatements that can last up to eight years with no corporate taxes and no value-added taxes from day one. That equates to a 12% saving on your rent and all office-related equipment and set-up purchases.

Not all types of business qualify for majority foreign ownership in The Philippines, but BPOs, if set up properly, can. "There are several ways to form a business and the structure, as well as the business classification, are very important to consider," says Paul Whiteway, of *Cebu Expat Services*, who says he can typically can get a business up and running within eight weeks of the initial paperwork being completed.

Manila and Cebu are the two most popular cities in The Philippines business process outsourcing ventures. While Manila is currently the leader in this field, a better option for an expat is Cebu, as it has much clearer skies and better weather. It has the amenities you'd expect from any First World city, with the added advantage of being within 30 minutes to those postcard perfect beaches that The Philippines are so famous for.

Expat Opportunity

Artem Soukhomlinov has enjoyed a life of island-hopping, scuba diving, and off-road motorcycling since moving his IT services company to Cebu in 2011. Initially, he tried Chiang Mai, Thailand, but then realized he would have job candidates with better skills and better english in Cebu and moved there three-and-a-half years ago. At that time he had three employees. Today, he has 92.



You'll find good business prospects and gorgeous beaches in the Philippine city of Cebu.

"I really wasn't getting ahead at the pace that I wanted to back home in Australia. And I felt that there were greater opportunities abroad for me, both with business as well as personal development and experience. I didn't really want to be stuck in the rat race," says Artem.

"I find the number of candidates that apply for our jobs overwhelming because there is such a great desire to work here. The Filipinos have an excellent work ethic and a desire to learn, which makes them perfect for IT-related positions.

"With our firm, the IT service sector provides the largest gross revenue, followed by the logistical services. I believe, as time goes on, the market will squeeze the profits of the IT services, but I can see a bright future for the specialty forwarding business.

"Freight forwarding companies move things from A to B. They must make sure the client has supplied all the needed documents, lodge it with the relevant government agencies, and track the item at any given time. They save 60% to 90% on the cost of that labor by utilizing our offshore teams, compared to hiring staff in their own offices."

Such savings make Artem's operation competitive and, subsequently, profitable.

Government Support

"The combination of tax savings, coupled with the low cost of well-trained and more easily understood English-speaking employees, makes moving a back office to The Philippines a great choice," explains Lindsay Clark, a partner in Australia-based CoinOp Solutions.

He explains that his firm has been

outsourcing to India since 2004. It opened its own back office in Cebu in 2014 with three employees and now has a staff of 12.

“This type of growth would not be possible back in Australia,” says Lindsay.

Adam John is a 35-year-old entrepreneur who took his BPO company full circle, from start-up to a sale last year. He credits his team in Cebu for their efforts in helping him achieve his professional goals.

He was able to have a team of 20 for about the same cost of four or five employees back home in Australia. The large staff has allowed him to tackle bigger and more lucrative contracts as well as continue with his smaller clients.

In 2008, Adam founded Search Found Pty Ltd, a full-service digital media company focusing on IT services like search engine optimization (SEO) and pay-per-click (PPC)

for small and medium business owners in Australia. After realizing that he needed to expand—but feeling crushed by the high cost of labor in Australia—he opened a back office in Cebu to support his sales and marketing efforts.

“Doing business here was not without a learning curve,” says Adam. “It took me a good six months to learn to be more patient and to train my team.”

The results eventually paid off. In a multi-million dollar deal that closed late in 2014, he sold his firm.

After the sale, Adam moved from Cebu to a neighboring Philippine island called Palawan—considered by many to be one of the most beautiful islands in the world. Right now, he’s living on the beach and improving his beach volleyball game daily...while he contemplates his next move.

The BPO sector will continue to grow in The Philippines as more and more companies see the benefits of outsourcing from a savings perspective as well as a growth strategy. If you’re interested in opening a back office for your existing company (see sidebar), you will have an abundance of well-trained and experienced candidates to consider. If your work requires more elaborate technical knowledge and education in a specialized field, there is still a good candidate base to choose from.

Additionally, there is significant room to grow in the niche markets that haven’t been the usual suspects for outsourcing. Cebu has good technology infrastructure, a great mix of talented and hardworking people, low employment costs, and favorable tax structures. There are a lot of great opportunities now and for the foreseeable future.

It’s also a good place to live, offering expats excellent healthcare, diverse shopping and food options, and warm and welcoming people. You can take your pick of housing options—high-rise living with a pool and gym, single-family homes with your own yard, and everything in between.

When Artem isn’t working he takes full advantage of the warm weather and his beautiful surroundings. He spends a lot of time off-roading with his motorcycle through the mountains or scuba diving in the beautiful waters of the western Pacific.

“The Philippines has some of the best dive spots thanks to their 7,000 islands,” he says. “Looking back at it now, I can definitely say I’m happier having moved here. Even if I wasn’t able to achieve what I have so far, the experiences alone—and knowing that I gave it a real go—were worth it. I’m just fortunate that things have also gone quite well with the business, and my efforts have yielded results I never thought possible in this space of time.

“Time abroad has also given me a whole new perspective on life. Seeing first hand how some people who literally have nothing are so happy, and those that seem to have it all can barely even smile, really makes you understand that true happiness cannot be measured in material wealth. You receive far more joy from making someone else’s life better than your own. It’s realizations like these that feel like real achievements, instead of a number in a bank account.”

Could you Take Your Company’s Back Office Overseas?

While the Philippines offers opportunity for the expat entrepreneur, you could also propose moving your company’s back office to the Philippines—and become a remote-location employee in the process.

Tom Blundell, 65, moved to the Philippines in 2012 to open an office for his Oklahoma-based company, Tate Publishing. His employer had been operating in Cebu for a few months when he approached Tom to oversee the operation there. It was an offer that was perfectly timed as Tom was looking for a lifestyle change and thought this was an ideal opportunity.

Now his life is a lot more relaxed and extremely social. When he isn’t busy at work he is out with expats from all over the world, exploring the plethora of international restaurants that Cebu has to offer. He even joined the Cebu Short Mat Bowls Club, which has tournaments every Sunday at the Emerald Isle Irish Pub.

Tom says his company had good reason to relocate this part of its operation.

“In addition to the tax abatements, Tate Publishing’s move was further pushed by recent changes in the U.S. healthcare laws and the Affordable Care Act,” he explains. “We have seen an overall employee increase but also bottom line growth and a rise in services and customer satisfaction.

“Our business is publishing, and our staff has to be understanding of our author’s needs... for which there is no script,” said Tom. “We have to train our employees for a few weeks to a few months depending on the position they are in. However, once trained, we have some of the hardest working and most dedicated employees.”

His firm opened an office in Tech Park (which is a large incubator for tech companies) with 12 employees in late 2012, and now they employ 220. The starting salary for his firm is between \$267 and \$321 a month, which starts at almost double the regional wage.

“Originally, we just had editors and designers, but now we have six executives, edit and design teams, and sales and acquisition, as well as a marketing department,” says Tom.

Tate Publishing used an attorney and got their company started within five months, although there were several unforeseen delays.



Tom Blundell enjoys a great social life in Cebu after relocating there from Oklahoma to set up his company’s back office.