Establishing a strong BPO industry in Albania

13th February 2017
The global BPO landscape

Opportunities for Albania

Developing and Promoting Albania as a viable BPO destination
How large is the Global Outsourcing (IT-BPO) Market Size?

- Global IT-BPO market recorded steady growth in 2015, with worldwide spend of USD 3.8 trillion and the growth over 2014 was pegged at 4%.
- The largest spend was on Engineering R&D followed by hardware that formed 40% and 26% of the entire global spend.
- Americas remained the largest market 61%, while APAC recorded highest growth of almost 100%, driven by fast growth in bundled IT-BPO services.
- A combination of traditionally high spending verticals such as insurance and government along with emerging verticals such as automotive and retail were key growth drivers for the IT-BPM segment during 2015.
Global IT-BPO Services Delivery Landscape - Changing Dynamics

In just over two decades, IT-BPO sector has been transformed into one of the most widespread industry/services sector globally with a continuing appetite for further geographic expansion. As established locations move up the value chain newer locations enter the fray to fill the gap.

**Established Destinations**
- Increasing Resource Pool Saturation
- Increasing Cost (Resource Pool, Real Estate)
- Infrastructure Stress
- Increasing Social and Geo Political Risk factors
- Increased Attrition
- Growth in Other Services Verticals

**Emerging Destinations**
- Untapped Resource Pool/ High Retention
- Untapped Domestic and Regional market
- Low-cost Resources
- Improving Infrastructure
- Increased Govt. Interest in Sector Development
Evolution of Delivery Locations – ‘Off’ to ‘Near’ and ‘Vendors’ to ‘Partners’

Beginning with achieving labor and cost advantages, Outsourcing has now evolved to become a mission critical process that impacts a buyer’s core business model, drives market growth and enables its globalization strategy.

Albania is currently strong in customer contact services and is maturity its capacity towards corporate functions such as HRO and F&A.
What are the trends in the European nearshore market?

- As globally, IT forms a bigger part of outsourcing spend in Europe
- Germany & United Kingdom are the leading outsourcing spenders in Europe, along with Norway and Sweden
- Automotive & Aerospace (USD 12.9 Bn), Banking & Financial Services (USD 22.4 Bn), Government (USD 12.9 Bn) & Telecommunications (USD 26.3 Bn) were the largest spenders among the industry verticals
- European companies prefer nearshoring to offshoring
- Out of the verticals, Telecommunications, Oil and Gas and Life Sciences had the highest propensity to ‘near-shore’ their services
Riding the right wave will exponentially grow the sector in Albania

- Albania can directly jump into higher margin / niche services if it pursues the right market opportunities.
- Albania’s BPO industry in a nascent stage and this is the right time to identify the right segment & positioning.

### Complexity of Outsourcing Function

- **Low Complexity:** 1st-3rd Generation
  - Talent Pool Size
  - (Call Center, Payroll processing, Transactional Processing, ADM)

- **Mid Complexity:** 4th Generation
  - (CRM, ERP, Tax Services, Financial Reporting, Hosting Services)

- **Mid-High Complexity:** 5th Generation
  - (HR, Risk Analysis, Digital learning, Product training, Integrated Services)

- **High Complexity:** 6th Generation
  - (On-demand services, Cloud solutions, Flexible software platforms)

### Talent Pool Size

- **Albania**
- **Budapest, Hungary**
- **Bucharest, Romania**
- **Krakow, Poland**
- **Warsaw, Poland**
- **Prague, Czech Republic**
- **Bratislava, Slovakia**
- **Riga, Latvia**
- **Sofia, Bulgaria**
- **Tirana, Albania**
- **Tallinn, Estonia**
- **Vilnius, Lithuania**
- **Belgrade, Serbia**
- **Kiev, Ukraine**
The BPO industry has had a significant positive impact on Emerging and Developing Countries...

- **Reduced Unemployment**
- **Women constitute 35% of the growing outsourcing industry**
- **Improved Global Standard of Living**
- **Improved Transparency**
- **Higher Accountability**

- **Increased Pool of Educated Resources**
- **Reduced “Brain Drain” – Retention of Talent**
- **Direct : Indirect Job Creation Ratio 1:2.5**
- **Snowball Effect on Other Industries**
- **Progressive Labor Policies**
- **Income Redistribution**
- **Improved Competitiveness**
- **Reinvestment into Society**

**Key Points:**
- **Direct**
  - Women constitute 35% of the growing outsourcing industry
- **Indirect**
  - Job Creation Ratio 1:2.5
  - Snowball Effect on Other Industries

**Notes:**
- Women constitute 35% of the growing outsourcing industry.
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Albania: BPO Industry Profile

Industries served by Albania’s Outsourcing Sector

- Banking, Financial Sector and Insurance
- Telecom, Media and Entertainment
- Healthcare and Pharma
- Travel, Tourism and Logistics
- Energy & Utilities
- Retail & e-Commerce

### Service Line - 1

<table>
<thead>
<tr>
<th>Voice Inbound</th>
<th>Voice Outbound</th>
<th>Transaction Based</th>
<th>KPO Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Support</td>
<td>Telesales</td>
<td>Data Entry and Analysis</td>
<td>Stock Exchange Agents</td>
</tr>
<tr>
<td>Help Desk &amp; Concierge</td>
<td>Promotion Campaigns</td>
<td>Translation</td>
<td>Legal Services</td>
</tr>
<tr>
<td>e-Commerce Customer Care</td>
<td>Loan &amp; Card Collections</td>
<td>Document Processing</td>
<td>HR Recruitment</td>
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<tr>
<td></td>
<td>Lead Generation</td>
<td>Finance &amp; Accounting</td>
<td>Market Research &amp; Surveys</td>
</tr>
</tbody>
</table>

The total industry size is estimated to be between $120 Mn and $140 Mn
Albania: BPO Industry Profile

The outsourcing sector in Albania has seen steady growth in recent years. The Albanian BPO industry employs between 25,000 to 32,000 professionals across the sector.

Tirana is the outsourcing hub of Albania, followed by Durrës, Vlorë and Shkodër. Elbasan, Fier and Korçë are the other upcoming outsourcing centers in the country. Some of the major BPO companies operating in Albania:
Albania's strengths lie in its capable young workforce that are challenged by lack of scalability and targeted export promotion

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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</thead>
<tbody>
<tr>
<td>• Multilingual capabilities &amp; young population</td>
<td>• Lack of talent pool scalability</td>
</tr>
<tr>
<td>• Stable &amp; one of the fastest growing Europe economies</td>
<td>• BPO sector is largely fragmented and comprises of small enterprises</td>
</tr>
<tr>
<td>• 3rd Least expensive across 38 European Countries</td>
<td>• Lack of BPO sector specific support</td>
</tr>
<tr>
<td>• Investor Friendly- ranked 8th globally in “Minority Investor Protection”</td>
<td>• Lack of unified outreach to the buyer and the investor community globally</td>
</tr>
<tr>
<td>• One of the most easily accessible countries in the European region as per visa and work permit rules</td>
<td>• High call tariffs as compared to other destinations</td>
</tr>
<tr>
<td>• Among the most economical near shore BPO destinations</td>
<td>• Utilities including broadband are comparatively less affordable</td>
</tr>
</tbody>
</table>

- **Opportunities**
  - Albania can be a “partner” nearshoring destination for more matured locations
  - Given its multilingual capabilities, it can focus on exporting BPO voice and non-voice services to other countries such as Germany, France and UK
  - To take advantage of the present finance and accounting talent, the service providers can focus on exporting more transactional processes such as F&A
  - The country also has budding export capability in digital processes such as block-chain technologies

- **Challenges**
  - The export is largely dependent on telemarketing and contact support for Italy
  - Italy has also introduced a legislation that allows customers to choose the country of call’s origin which might deter some of the customers to choose Albanian call centers
  - Since Albania is not yet a member of EU, importing services from Albania may be a concern for some clients
ALBANIA – THE TRUE NEARSHORE

**NEXTDOOR**

South Eastern Europe
Time Zone: CET (UTC+1)

**DEVELOPED SECTOR**

Serves many verticals
Approx. 32,000 employees
State of the art Telecom
Multi-channel capabilities
SMAC ready

**REAL SAVINGS**

CLASS-A OFFICE RENTAL (SQM / MONTH)

<table>
<thead>
<tr>
<th>Country</th>
<th>Rent (SQM)</th>
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<tbody>
<tr>
<td>Albania</td>
<td>€15</td>
</tr>
<tr>
<td>Poland</td>
<td>€28</td>
</tr>
<tr>
<td>Romania</td>
<td>€19</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>€31</td>
</tr>
<tr>
<td>Ukraine</td>
<td>€27</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>€10,200</td>
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**CONTACT CENTER AGENT SALARY**

<table>
<thead>
<tr>
<th>Country</th>
<th>Salary (€)</th>
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<tbody>
<tr>
<td>Albania</td>
<td>4,200</td>
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<tr>
<td>Poland</td>
<td>8,700</td>
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<tr>
<td>Romania</td>
<td>6,300</td>
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<tr>
<td>Bulgaria</td>
<td>6,853</td>
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<tr>
<td>Ukraine</td>
<td>6,420</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10,200</td>
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</tbody>
</table>

**PEACE OF MIND**

- EU Candidate
- Mature laws mirrored to EU
- Stable Republic
- NATO member

Ranks 8th Globally in Minority Investor Protection

**UNTAPPED PROFESSIONALS**

- Service Orientation: 32%
- Surplus talent Supply (15-24 age group): 25%
- 160,000 Annual University Enrollments

Multilingual population
Cultural Affinity

Real Estate ~40% cheaper
Salary ~50% lower

~40% cheaper
~50% lower
Market Analysis - Target Geographic Markets

Here are the key target markets for Albania’s unique capabilities. Analysis reveals that Albanian BPO Providers can differentiate by positioning itself as a bilingual / trilingual Nearshore location for Contact Centers and Back-office processes.
## Approach to Target Markets

### Buyer Markets
- Cost effective BPO location (after having reached critical mass)
- Focus on quality delivery & technically advanced - multi-channel capabilities
- Graduate to niche services leveraging Digital, Analytics & Automation

### Nearshore Locations
- Spoke to a Regional Hub for Contact Center & Back-office (low / mid value services outsourced to Albania while established locations undertake high-end, complex and limited scalability tasks)
- Redundant center with BCP-DR for mature CEE Nearshore locations
- Alternative site for locations that are perceived as conflict ridden by international community

### Established Locations
- Alternative location for risk mitigation – BCP / DR site
- Engage with small and medium service providers in search of nearshore partnerships
- Micro-work from large Service Providers & Aggregators such as SamaSource
- Nearshore presence for Offshore Captive Providers

### Target Market

<table>
<thead>
<tr>
<th>1.</th>
<th>Italy</th>
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<tr>
<td>2.</td>
<td>Germany</td>
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<td>3.</td>
<td>France</td>
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<td>4.</td>
<td>US/UK</td>
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<tr>
<td>5.</td>
<td>Canada</td>
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<table>
<thead>
<tr>
<th>1.</th>
<th>Bulgaria</th>
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<td>2.</td>
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<td>3.</td>
<td>Ukraine</td>
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<td>4.</td>
<td>Turkey</td>
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<td>5.</td>
<td>Egypt</td>
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<td>6.</td>
<td>Morocco</td>
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<td>7.</td>
<td>Jordan</td>
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<th>1.</th>
<th>India</th>
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<td>Philippines</td>
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<td>3.</td>
<td>Malaysia</td>
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<td>4.</td>
<td>Brazil</td>
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<td>5.</td>
<td>Indonesia</td>
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Albania should progressively develop its service maturity in the following areas and target markets accordingly

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<tbody>
<tr>
<td></td>
<td>Sales &amp; Collections</td>
<td>CIS (Customer Interaction Services)</td>
<td>F&amp;A (Finance &amp; Accounts)</td>
<td>HRO (Human Resource Outsourcing)</td>
<td>Healthcare &amp; Medical Transcription</td>
<td>KPO (Knowledge Services)</td>
<td>LPO (Legal Process Outsourcing)</td>
<td>Vertical specific services</td>
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<td>Digitization</td>
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<td>Transactional</td>
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<td>Process Specific</td>
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<td>Knowledge Intensive</td>
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- **Short Term Focus** (0-2 years)
- **Medium Term Focus** (2-4 Years)
- **Long Term Focus** (4-5 Years and beyond)
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Opportunities for Albania

Developing and Promoting Albania as a viable BPO destination
To mature its offerings, enhancing Albania's inherent capacity is crucial.

**Basic Requirements**
- **Institutions and Legal Environment**
  - Efficiency and Transparency of public administration, independence of judiciary, physical security and Corporate Governance
- **Infrastructure**
  - Quality and Availability of transport, electricity and real estate infrastructure
- **Political and economic Environment**
  - Fiscal and Monetary indicators
  - Political Stability
- **Education**
  - Primary, Secondary and Tertiary Educations System

**Efficiency Enhances**
- **Market Size**
  - Domestic market size
  - International Market Size
- **Labor Market Efficiency**
  - Labor market efficiency and flexibility, Skill Base, Meritocracy and parity at workplace
- **Financial Market Development**
  - Efficiency, stability and trustworthiness of the financial and banking system
- **Technology Readiness**
  - Adoption and usage of technologies by individuals and businesses
  - Cost of technology

**Innovation & Sophistication**
- **Business Sophistication**
  - Efficiency of business processes
  - Ease of starting and doing business
- **Innovation**
  - Capacity and commitment towards technology innovations
- **Incumbent Maturity**
  - Size and maturity of Incumbents in the sector
  - Industry competitiveness
  - Skill and human capital
To mature its offerings, enhancing Albania's inherent capability is crucial

**Strengthen Association**
- Create a vision for the BPO industry
- Develop National Skill Registry
- Create case-studies and testimonials

**Upgrade Capabilities**
- Deepen vertical capabilities
- Promote resource up-skilling
- Invest in Technology

**Lobby for Incentives**
- Request Government for targeted incentives
- Ask for inclusion of IT-BPO as a focus sector

**Invest in Human Capital**
- Encourage talent pool to upskill though training and certifications
- Introduce vocational training courses
- Introduce people friendly HR Policies to check attrition

**Collaborate for Infrastructure**
- Leverage Tirana Business Park
- Lobby for favorable SEZ Policy
- Work with Telecom and Real Estate Sector for infra development

**Upgrade skills by Academic Alignment**
- Align university courses
- Skill development initiatives at a foundational level

**Develop Standards & Legal Framework**
- Adopt & percolate the BPO standards
- Build capacity for new services
- Policy advocacy for addressing gaps in laws and regulations

**SHORT TERM**

**MEDIUM TERM**
To get the timing of reaching to potential clients right, marketing and brand building should go hand-in-hand with the capacity development.
A coordinated collaboration between various industry actors helps synchronous development and promotion.
Public Private Partnerships are one of the most successfully leveraged mechanisms to promote the BPO industry.

**Infrastructure**
- Joint funding for IT-Park, transport and road development
- Negotiating telecom provisioning & costs with international service providers

**Skill**
- Incentives and tax deductions for “opex” on training
- Aligning academic curriculum with industry
- Collaborating with training service providers for mass skilling

**Marketing & Branding**
- Joint funding international & local marketing events
- Liaising with embassies in international target market to promote the industry
- Facilitating creation of networks and associations

**Innovation**
- Developing digital government services in partnership with local service providers
- Dedicated R&D and innovation hubs, facilitated by the Government
## IT-BPO policy environment that have helped the industry grow in CEE

<table>
<thead>
<tr>
<th>Country</th>
<th>IT-BPO Policy Environment</th>
<th>Serbia</th>
<th>Romania</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Corporate Profit tax capped at 10% only</td>
<td>Custom free import of Machinery, Equipment and Semi finished Goods</td>
<td>Companies are exempt from Corporate Income Tax for a period of 10 years starting from the first year in which they report taxable profit if they invest in fixed assets an amount exceeding approximately €8 million, and throughout the investment period if they employ at least 100 additional employees</td>
<td>Exemption from corporate Income Tax</td>
</tr>
<tr>
<td></td>
<td>A 5-year tax holiday is granted for concession-related investments</td>
<td>The tax loss stated in the tax return can be carried forward and offset against future profits over a period up to 5 years</td>
<td>Employment incentives are also granted to companies which hire unemployed persons aged over 45, as well as for employment of an individual who is the sole supporter of their family.</td>
<td>Exemption from real estate tax</td>
</tr>
<tr>
<td></td>
<td>Income generated commercially in the Free Zones is exempted from VAT</td>
<td>Income generated commercially in the Free Zones is exempted from VAT</td>
<td>Salary income related to the design and creation of software is exempt from tax</td>
<td>Governmental financial support for creation of new jobs</td>
</tr>
</tbody>
</table>

**Service Maturity:** Low  
**Service Portfolio:** Call Center, Payroll processing, Transactional Processing, ADM

**Service Maturity:** Medium  
**Service Portfolio:** HRO, F&A, IT-BPO Bundled services

**Service Maturity:** High  
**Service Portfolio:** Digital Services, Product Development, BPO Platforms