

CustomIQ Research

Professional Services

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What's in this Report

This report is intended to assist buyers of offshore (moving operations to international locations) or nearshore (moving operations to neighboring countries) professional services. Professional services include a broad array of business support services, such as financial, marketing, administrative, legal, consulting, staffing and system integration services. In addition, buyers from all industries procure professional services to support vital central indirect business operations, including administrative, legal, and operations. This report analyzes the global professional services market; however, the report addresses regional markets where outsourcing of services is prevalent.

Best Practices

Selection Criteria

Buyers should weigh how each of the following criteria impacts service prices and professional service provision in a country of interest:

Criteria	Weight (%)	Key Considerations
Macroeconomic Factors	50.0	The consideration of economic and labor factors helps buyers assess the economic viability of outsourcing professional services.
Minimum Wage	15.0	• Direct labor costs are one of the highest operational costs for suppliers and influence the price buyers pay. • Buyers are more likely to benefit from procuring services in countries with lower average minimum wages in the professional services market.
Operational Costs	15.0	• Buyers should prefer suppliers that can maintain low operational costs in their operating country. • Buyers should consider how inflation, commodity prices, utility and utility prices, trade activity and costs of living impact operational costs for suppliers. • Technologies used to provide services may also help lower operational costs; therefore, buyers should inquire what technologies suppliers use to lower costs.



Criteria	Weight (%)	Key Considerations
Skilled Labor Availability	10.0	- Buyers should prefer suppliers situated in countries with ample qualified labor. - Poor access to qualified labor may hurt the level of service, contribute to language and communication barriers and lead to sunken service costs should buyers be forced to switch suppliers. - Countries with a low literacy rate are an indication that buyers may have difficulty sourcing suppliers with English-language and cultural proficiency. - Countries with a high share of unemployment among individuals with advanced degrees may indicate that the professional market is highly competitive or that few jobs are available.
Industry Attrition Rate	5.0	- Buyers should evaluate attrition rate, or labor turnover, to determine if local suppliers can retain qualified staff. - Lower attrition rates may indicate that suppliers have more knowledge, experience and expertise in the financial industry.
Currency Stability	5.0	- Conducting business with suppliers in countries with unstable currencies may contribute to service price volatility or price inflation. - Rising inflation may also lead to high borrowing costs and lower business investments, which can be passed onto buyers in the form of higher prices.
Legal Factors	30.0	A country's laws may increase a buyer's legal and financial exposure or disrupt a buyer's regional operations.
Tax Incentives	15.0	- Suppliers located in countries with lower taxes have lower indirect business costs, often translating into lower service prices for buyers. - Buyers should prioritize suppliers located in countries that offer tax incentives to businesses, such as foreign tax credits or lower corporate tax rates, which may lower a supplier's tax burden.
Labor Laws	10.0	- Buyers should determine how local labor laws impact access to qualified labor, labor turnover, hourly wages, hours worked, and leave benefits. - Strict labor laws may increase indirect labor costs, such as payroll tax and health, retirement and leave benefits, which are typically passed onto buyers in the form of higher prices.



Criteria	Weight (%)	Key Considerations
Contract Laws	5.0	• Contract laws help protect all contracting parties from wrongdoing and breach of contract. • Buyers should weigh the advantages and disadvantages of strict contract laws to ensure that they are not exposed should financial losses or harm arise during the contract period. • Buyers should pay close attention to how local laws govern processes, such as disputes, arbitration, and remedies, to better understand their rights in the country.
Political Factors	15.0	• The likelihood that a geopolitical event can disrupt a buyer's regional operations increases when political stability is weak.
Regional Political Stability	15.0	• Local events, such as protests, riots, political coups or rapid regulatory change may disrupt supplier operations and productivity. • Areas with high political instability may also hurt a supplier's access to labor and may destabilize local currencies.
Geographic Factors	5.0	• A supplier's distance may impact a buyer's ability to receive timely services.
Time Zone	5.0	• Buyers should be able to receive timely communication and support services from suppliers. • Suppliers in more distant time zones may provide services delayed by 1 or 2 business days, which can impact buyer operations. • Suppliers that are nearshore are typically located within (or approximate to) the supplier's time zone, eliminating challenges related to geographic distance.



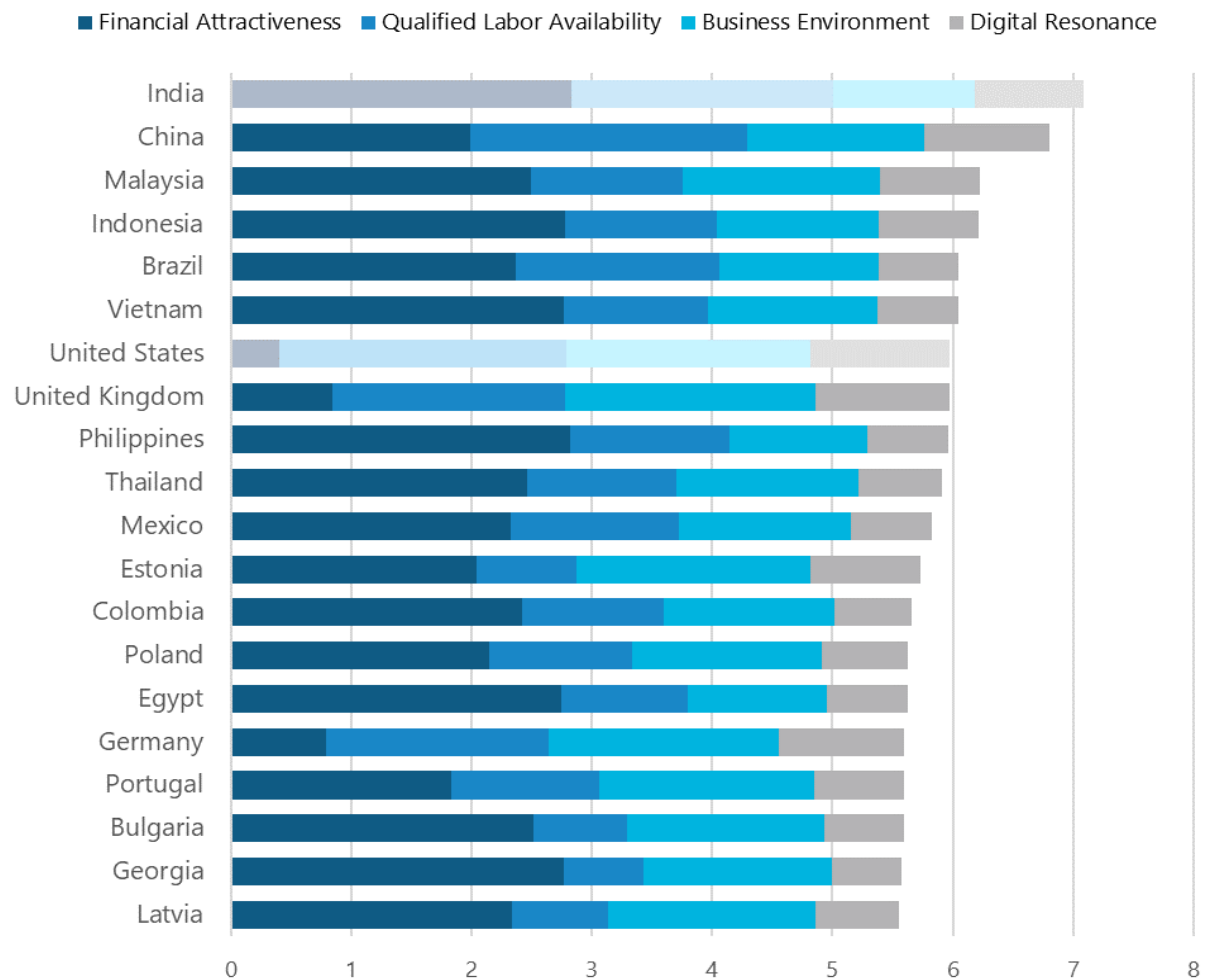


Country Profiles

Top Countries

The following survey conducted by Kearney provides a high-level overview of countries participating in the market:

Top 20 Countries Leading Business Services Outsourcing



Source: 2021 Kearney Global Services Location Index

The survey defines each category by the following factors:

Financial Attractiveness: Compensation, infrastructure, tax and regulatory costs

Qualified Labor Availability: Experience, quality, labor availability, education and language skills

Business Environment: Social environment, infrastructure, adaptability and intellectual property laws

Digital Resonance: Digital/technical skills, cybersecurity, technology trends and corporate activity



The following sections outline key economic indicators that buyers can use to compare countries based on the factors outlined in Selection Criteria. Due to COVID-19 related disruptions, few national statistical agencies release 2021 data; therefore, ProcurementIQ provided 2020 data (unless stated otherwise) for each indicator. Sources for each indicator are provided at the end of this report in the Data Sources section.

Macroeconomic Factors

Labor & Employment

- China out-competes all countries in labor size due to its geographic and population size.
- Brazil and Vietnam are home to highly educated labor pools, making them ideal candidates for highly-skilled professional service fields.
- The Philippines and Thailand have the most comparable direct labor costs; however, Indonesia and Vietnam undercut the top countries with the lowest direct hourly wages.

Country	Labor force (total)	Estimated market employment (thousands)	Labor force with advanced education (% of total working-age population with advanced education)	Unemployment with advanced education (% of total labor force with advanced education)	2019 Average nominal earnings for market professionals (\$USD per hour)
China	783,981,188.0				
Indonesia	135,802,879.0		84.2	4.4	1.6
Brazil	107,461,083.0	4,500.9	81.4	6.8	6.4
Mexico	57,839,046.0	1,884.1	77.5	4.4	3.3
Vietnam	57,307,619.0	812.8	87.5	2.5	1.8
Philippines	45,122,827.0	816.1			4.4*
Thailand	38,650,533.0	910.9	82.8	1.5	5.1

*Value was determined using an alternative source to the dataset presented in the table.

Inflation & Currency Stability

- Brazil has the strongest dollar; therefore, buyers will likely pay service prices closer to North American prices than other listed countries.
- According to the country's national statistics agency, in 2020, Brazil reached its highest recorded inflation rate since 2016. In addition, the Brazilian Real also experience high volatility between 2020 and 2021 as the country's faces challenges from rising interest rates, political instability and weak currency in Latin America.
- China, Vietnam and Thailand experience little currency fluctuation during the pandemic compared to the other listed countries.





Country	Inflation, consumer prices (annual %)	US Dollar Strength (Currency Rate 2020 USD)	2019-2020 YOY Currency Rate Change
China	2.4000*	0.1449	0.1%
Indonesia	1.6450	0.0001	-3.0%
Brazil	6.3850	0.1940	-23.5%
Mexico	3.2600	0.0465	-10.3%
Vietnam	1.8150	0.0000	-0.7%
Philippines	2.6000*	0.0202	4.4%
Thailand	5.1200	0.0320	-0.8%

*Value was determined using alternative source to the dataset presented in the table.

Legal Factors

- Suppliers in China and Brazil pay the highest share of corporate taxes, which may increase business costs. Tax burdens may be directly passed onto buyers in the form of higher service prices.
- Thailand suppliers benefit from a more conducive regulatory environment compared to businesses in Brazil. However, China and Thailand enjoy business environments that support better business performance among suppliers.
- Mexico, Vietnam and Thailand have more robust collateral and bankruptcy regulations, suggesting that suppliers in these countries have an easier time accessing credit. As a result, business operational costs are typically lower in these countries.
- Corporate litigation in the Philippines and Brazil experiences the longest delays, hurting buyers engaged in lawsuits with suppliers in those countries. Therefore, buyers should pay close attention to contract provisions with conducting business in these countries to avoid incurring legal costs that may hurt their operations.

Country	Labor tax and contributions (% of commercial profits)	Total tax and contribution rate (% of profit)	Ease of doing business index (1=most business-friendly regulations)	Ease of doing business score (0 = lowest performance to 100 = best performance)	Strength of legal rights index (0=weak to 12=strong)	Time required to enforce a contract (days)
China	46.2	59.2	31.0	77.9	4.0	496.3
Indonesia	11.6	30.1	73.0	69.6	6.0	403.2
Brazil	39.4	65.1	124.0	59.1	2.0	801.2
Mexico	27.2	55.1	60.0	72.4	10.0	340.7
Vietnam	24.3	37.6	70.0	69.8	8.0	400.0
Philippines	8.9	43.1	95.0	62.8	1.0	962.0
Thailand	5.4	29.5	21.0	80.1	7.0	420.0



Political Factors

- Mexico has the highest level of corruption compared to other countries. As a result, the increasing likelihood of corruption may make it difficult for buyers to conduct business in the state as well as open them up to legal and financial risks.
- Philippines has the highest level of political instability and violence. Although terrorism is not a prevalent risk in Vietnam, petty crimes (such as theft and assault) are common.
- Thailand has the most governmental stability and effective rule of law among the top outsourcing countries. As a result, policies created by legislators are typically considered reasonable and encourage economic growth.

Country	Control of Corruption Rank	Political Stability and Absence of Violence/Terrorism Rank	Rule of Law Rank	Government Effectiveness Rank	Regulatory Quality Rank
China	43	38	45	72	43
Indonesia	38	28	42	60	51
Brazil	42	25	48	44	48
Mexico	23	21	27	46	60
Vietnam	34	54	53	54	42
Philippines	31	17	34	55	55
Thailand	39	27	58	66	61

The table represents 2019 global rankings. Higher ranks indicate more favorable social and regulatory environments.

Geographic Factors

- Nearshore locations to North America, such as Brazil and Mexico, will provide buyers minimal communication disruptions. In addition, buyers should experience lower service lead time from suppliers in these countries.
- Chinese and Philippine businesses have the longest time variation (12 hours ahead), increasing correspondence time.
- Buyers that outsource to countries more distantly located from their time zone should ensure that suppliers operate on a 24/7 basis, or at minimum, closely aligned to the buyer's time zone.
- Buyers should ensure that service level agreements (SLA) with their suppliers meet industry service availability standards to minimize communication and support services lapses.





Country	Hours from Eastern Standard Time (EST) (hours)
China	+12
Indonesia	+11
Brazil	+1
Mexico	-1
Vietnam	+11
Philippines	+12
Thailand	+11

Competitor Insight

Outsourcing Trends

- **IT services, accounting, marketing and customer support account for the largest share of outsourced services.**
 - Buyers commonly pursue time and materials, fixed price and target cost pricing models when outsourcing professional services.
- **During the pandemic, demand for technology outsourcing has been growing at an accelerated rate in a few notable industries**
 - Big data, blockchain and cybersecurity technology outsourcing is rising rapidly among buyers in the finance industry.
 - As finance and accounting (F&A) services move more into the digital space, buyers will have access to a broader market of full-integrated accounting platform providers across the globe.
 - Denmark is experiencing fast growth in financial technology (fintech) outsourcing. As a result, Denmark's national government has implemented an aggressive technology growth initiative, which has attracted tech giants, such as Microsoft, Nokia and Google, to set up research and development infrastructure.

Maturing Outsourcing Markets

- **Ireland continues to dominate the global tech and digital services markets**
 - Ireland is currently home to eight of the world's top 10 software companies and the headquarter of more than 250 leading financial services firms.
 - Dublin is considered a global top ten fintech hub and an incubator of innovative start-ups.





- **The Philippines continues to dominate the business process outsourcing market**
 - The country is attractive to buyers because of its affordable labor costs, high-quality services, and 24/7 support availability.
 - The largest market segment in the Philippines specializes in customer support and front-end operations in the financial services and telecommunications sector.

Emerging Outsourcing Markets

- **Eastern Europe is becoming a more attractive IT outsourcing destination**
 - During the next three years, Ukraine, Poland, Belarus, and Romania will become direct competitors to India and China in the IT outsourcing space due to the high-quality performance and affordability of suppliers in those markets.
 - For instance, the IT sector accounts for 60.5% of outsourcing companies and third place in the Belarus economy.
- **Latin America is quickly becoming a top contender for attracting tech start-ups**
 - Brazil, Mexico, Colombia and Chile are among the popular professional service outsourcing.
 - São Paulo, Brazil, has become Latin America's digital hub by attracting a larger share of start-up investments than Chile, Colombia, Argentina and Mexico combined.



Data Sources

Indicator Name	Long definition	Source
Labor force, total	Labor force comprises people ages 15 and older who supply labor to produce goods and services during a specified period. It includes people who are currently employed and people who are unemployed but seeking work as well as first-time job-seekers. Unpaid workers, family workers, and students are often omitted, and some countries do not count armed forces members. Labor force size tends to vary during the year as seasonal workers enter and leave.	Derived using data from International Labour Organization, ILOSTAT database.
Literacy rate, adult total (% of people ages 15 and above)	Adult literacy rate is the percentage of people ages 15 and above who can read and write with understanding a short simple statement about their everyday lives.	UNESCO Institute for Statistics
Inflation, consumer prices (annual %)	As measured by the consumer price index, inflation reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as yearly. The Laspeyres formula is generally used.	International Monetary Fund, International Financial Statistics
Official exchange rate (LCU per US\$, period average)	Official exchange rate refers to the rate determined by national authorities or the rate determined in the legally sanctioned exchange market. It is calculated as an annual average based on monthly averages (local currency units relative to the U.S. dollar).	International Monetary Fund, International Financial Statistics.
Ease of doing business index (1=most business-friendly regulations)	Ease of doing business ranks economies from 1 to 190, with first-place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation.	World Bank, Doing Business project
Strength of legal rights index (0=weak to 12=strong)	The strength of legal rights index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. The index ranges from 0 to 12, with higher scores indicating that these laws are better designed to expand access to credit.	World Bank, Doing Business project
Total tax rate (% of commercial profits)	Total tax rate measures the amount of taxes and mandatory contributions payable by businesses after accounting for allowable deductions and exemptions as a share of commercial profits. Taxes withheld (such as personal income tax) or collected and remitted to tax authorities (such as value-added taxes, sales taxes or goods and service taxes) are excluded.	World Bank, Doing Business project
Time required to enforce a contract (days)	Time required to enforce a contract is the number of calendar days from filing the lawsuit in court until the final determination and, in appropriate cases, payment.	World Bank, Doing Business project
Labor tax and contributions (% of commercial profits)	Labor tax and contributions is the amount of taxes and mandatory contributions on labor paid by the business.	World Bank, Doing Business project
Labor force with advanced education (% of total working-age population with advanced education)	The percentage of the working age population with an advanced level of education who are in the labor force. Advanced education comprises short-cycle tertiary education, a bachelor's degree or equivalent education level, a master's degree or equivalent education level, or doctoral degree or equivalent education level according to the International Standard Classification of Education 2011 (ISCED 2011).	International Labour Organization, ILOSTAT database.
Unemployment with advanced education (% of total labor force with advanced education)	The percentage of the labor force with an advanced level of education who are unemployed. Advanced education comprises short-cycle tertiary education, a bachelor's degree or equivalent education level, a master's degree or equivalent education level, or doctoral degree or equivalent education level according to the International Standard Classification of Education 2011 (ISCED 2011).	International Labour Organization, ILOSTAT database.
Control of Corruption: Percentile Rank	Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including petty and grand forms of corruption and "capture" of the state by elites and private interests. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.	Natural Resource Governance Institute and Brookings Institution and World Bank Development Research Group
Political Stability and Absence of Violence/Terrorism: Percentile Rank	Political Stability and Absence of Violence/Terrorism measures perceptions of the likelihood of political instability and/or politically motivated violence, including terrorism. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.	Natural Resource Governance Institute and Brookings Institution and World Bank Development Research Group
Rule of Law: Percentile Rank	Rule of Law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and	Natural Resource Governance Institute and Brookings Institution and World Bank





	violence. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.	Development Research Group
Government Effectiveness: Percentile Rank	Government Effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.	Natural Resource Governance Institute and Brookings Institution and World Bank Development Research Group
Regulatory Quality: Percentile Rank	Regulatory Quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Percentile rank indicates the country's rank among all countries covered by the aggregate indicator, with 0 corresponding to lowest rank, and 100 to highest rank. Percentile ranks have been adjusted to correct for changes over time in the composition of the countries covered by the WGI.	Natural Resource Governance Institute and Brookings Institution and World Bank Development Research Group

