

Publishing and Media Offshoring: the Philippine Advantage

Subcontracting work to offshore locations is becoming an increasingly common practice among top publishing and media firms. While it's true that ITES (Information Technology-enabled services) has given these firms a means of boosting profitability through significantly lower production and labor expenses in offshore locations, it's certainly not just about cutting costs. A closer look at the current context of the publishing and media industry reveals that, through offshoring, quality output is never compromised with vendors being able to invest in new products and innovations.

In the past, many publishing firms were uncomfortable with the idea of sending their work to third party providers; which explains why offshoring was slow to get off the ground in the publishing and media sectors. Technological innovations have created a new landscape in which media consumption trends are increasingly reliant on digital products. The growth of the offshoring industry has paralleled these trends. Where vendors were once entrusted only as far as low-end services like copyediting and tagging, the industry has advanced to involve higher-end creative services like ad campaign design and testing and e-learning tools.

O&OC's investigations into the local market indicate that creative ITES services in the Philippines now encompasses all of the following: music and sound engineering, advertising, film, industrial design, architecture, comics, photography, publishing, and corporate communication services like writing and conceptualization. The animation sector alone employs 5,000 workers and reeled in \$110 million in export revenues in 2008. While the Philippines is only about a fifth the size of the Indian publishing and media sector, it has significant advantages when it comes to publishing and media. The Philippines is unchallenged as a destination for graphic design, animation, English proficiency and familiarity with Western culture. Its top players more than rival India's leading players. SPi, for example has a workforce of 5,000 and is among the largest publishing service providers in the world.

According to Rafael Verheij, CEO of O&OC, offshoring deals have increased over the last 18 months; namely in Asian destinations such as India, Vietnam and the Philippines. This is mainly due to mergers and increasing pressures on the ad market that drive the need for innovations at lower costs.

As of 2008, offshore pre-press services offered by countries in this region are reported to be worth an estimated \$780 million. Following the offshoring success stories of top ranking publishing and media firms, other firms are now looking to investigate the full potential of ICT.

"In general, the media companies have been slower than other industries to take up alternative sourcing." Rafael said. "However, we are seeing many new entrants in the industry as more and more companies under economic pressure realize the benefits of offshoring relationships. This trend has necessitated many new innovations in service delivery capabilities, making the publishing and media sector very exciting indeed."

The publishing sector in the Philippine BPO industry is approximated at \$130 million this year. It is composed of 20 to 25 vendors with a strong focus on STM (Scientific, Technical and

Medical) publishing, and a current shift being experienced towards educational and corporate publishing segments. The Philippine workforce has been proving itself capable for increasingly higher value services as seen in the proliferation of service providers that now offer end-to-end services. We have observed a 20-30% yearly growth of medium to large publishing vendors. SPi Global Solutions, Innodata Isogen, and Asiatype Inc are among such vendors and have been around for at least two decades.

“The primary target in the publishing industry has been in advertising due to the affordability of qualified resources in graphic design and copywriting. In fact, we have been involved in such offshoring relationships where the buyer saved up to 60% of operational costs,” stated Verheij.

The advantage of ITES for the publishing industry remains the same: the reduction of costs and the ability to focus on core tasks – in the field of publishing, such tasks would be content selection, financing and marketing; with non-core work like editorial and production-related tasks being taken care of by service providers. The current growth of the Philippine publishing industry is proof that fully reaping the benefits of such a scenario is very much within arm’s reach of any buyer.

In order to stay competitive and increase shareholder value, traditional fixed costs must become variable cost – which is exactly what outsourcing does. By using the services of a third party service provider, buyers are given larger production volumes without the need for traditional editorial and production infrastructure. This means increased flexibility, and faster responses to customer needs. Today there are a lot of qualified suppliers in the Philippines with different types of delivery models. Now the issue becomes: how are they different from each other and which supplier makes the best sense for me? Media firms today have a lot of good choices. They have to match up their requirements to these choices.

Under the right guidance, publishing and media firms that utilize vendors in the Philippines have registered savings of between 35% and 70%. As pressure mounts on publishers, effectively utilizing offshore service providers is much more than a viable alternative. As highly experienced consultants at O&OC, we understand exactly how to maximize the benefits in outsourcing anything from composition to pre-press services and we are happy to extend our expertise on the matter.

Rafael Verheij is the founder and CEO of O&OC Company Limited, www.oandoc.com, a global advisory company offering unbiased advice and assistance on outsourcing and offshoring to the Philippines.