

The BPO and SSC market Romania 2014

**a DEMO sector brief
by
FRD Center**

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SECTOR BRIEF

The Romanian BPM industry (including BPO and SSC sectors) is a fast growing and attractive investment destination. The country offers a competitive business environment and highly skilled multi-lingual workforce at low cost.

The costs efficiency with the employees, the country's geographical location, the size of the domestic market, the adequate quality of the education system and the solid knowledge of foreign languages make Romania one of the best destinations for companies operating in the BPO and SSC sectors.

In regards to the ITO potential, Romania is one of the best countries in the CEE for near-shore outsourcing, taking into account the low costs and the IT resources to be involved in sophisticated projects requiring access to innovative skills and technologies.

Due to the remarkable performance of its IT&C sector, Romania has consolidated its position as an outsourcing hub in the CEE, the region becoming the new competitor of India. Romania's highly skilled workforce has a better understanding of the Western European culture than their Asian competitor.

Romania ranks 9th globally and 2nd in the CEE, as a preferred destination for companies operating in the business services sector. The business services sector is expected to register fast growth on the Romanian market, as various companies target to reduce the operational costs and to improve the working capital.

The Shared Service Center market in Romania started to develop in 2004 when companies such as Oracle, HP, Microsoft, Endava, EON, Office Depot, Temenos, Deutsche Telecom, Stefanini etc set up their service centers on the domestic market in Bucharest, Cluj, Timisoara, Iasi, Brasov and Sibiu.

The average rates on the ITO market in Romania in 2011 was 26.76 USD / hour:

- Project Manager: 38.24 USD / hour
- Senior Developer: 31.70 USD / hour
- Middle Developer: 25.32 USD / hour
- Junior Developer: 19.67 USD / hour

The salary levels in the BPO and SSC sectors depend on the foreign language capabilities, the rare and required languages being generally better paid.

Examples of monthly net salaries in Bucharest are:

- English (300 – 550 EUR)
- French (325 – 600 EUR)
- German (350 – 700 EUR)
- Dutch (up to 700 – 1,000 EUR)

Bucharest is the main outsourcing location in Romania, having the widest range of skills and languages, the biggest workforce and the proximity to the headquarters of many companies. Cluj Napoca and Timisoara, both important university and business centres, have rapidly developed over the last three years. Bucharest ranked 44th in Tholons' top 100 outsourcing sites, while Cluj Napoca ranked 96th in 2012. Iasi (NE Romania), also an important university centre, offers lower operational and labour costs than Bucharest, Cluj and Timisoara.

The Romanian BPM industry employs approximately 20,000 persons and the number is expected to increase. Despite the financial crisis, the industry's average annual growth rate during the last three years recorded over 20% and a growth of over 30% is forecasted for the next three years.

The investment incentives offered by the Romanian Government in the past years in order to attract foreign direct investments, including real estate tax exemptions and preferential tax deductions for acquiring new technology and R&D centres continue to be attractive for potential investors.

MAIN INTERNATIONAL PLAYERS

Big multinational companies opened at least one centre in Romania during the past years and some of these centres have over 1,000 employees. 80% of the employees have university degrees.

The cumulated turnover of the players in the BPM industry in Romania is estimated at 500 million EUR in 2012.

The most frequent services provided by the BPO centres in Romania are finance & accounting, customer support, procurement and HR, followed by IT, logistics, order administration, call center, research & analytics and legal process outsourcing.

The players active in the Romanian BPM industry are characterised by continuous business process improvement, high quality of services, technological and process innovation and ability to meet the market new requirements.

The main BPO centres are located in Bucharest and other large cities, such as Cluj Napoca and Timisoara.

Many investors in Shared Service Centers, for example Microsoft and Oracle, announced the expansion of their investment in Romania due to the fact that they applied and accessed EU funds with the purpose to create more jobs on the domestic market.

Genpact entered the Romanian market in 2005 by opening a centre in Bucharest. At present, Genpact has two centres in Romania, located in Bucharest and Cluj Napoca. The company provides finance and accounting, procurement, collection, delivery, IT helpdesk and customer support services. In 2013, Genpact Romania recorded a net turnover of approximately 72 million EUR and 2,150 employees.

Accenture entered the Romanian market in 2006 by opening a centre in Bucharest. The centre provides services of consulting, technology and outsourcing of various processes. Accenture reported a net turnover of 13.4 million EUR in 2013. The company has over 400 employees.

Microsoft Romania was established in 1996. It has two offices, located in Bucharest and Timisoara. The company offers SSC and BPO services for customer support and IT services for EMEA region. In 2013, Microsoft Romania recorded a net turnover of almost 38 million EUR. The company has over 450 employees.

Oracle entered the Romanian market in 1995 by opening an IT centre in Bucharest. In 2004, Oracle opened a customer support services centre in Bucharest that operates mainly for international clients and offers services in 27 foreign languages. Oracle Romania recorded the net turnover of 122 million EUR in 2013. The company has some 2,300 employees.

IBM Romania was set up in 1995. IBM has two big centres (Global Procurement Services Group Romania Remote Delivery Center and Application Services Global Delivery Center Eastern Europe) located in Bucharest. IBM offers IT services, SSC services for procurement, BPO services for financial, customer relationship and human capital management. IBM Romania registered a net turnover of approximately 93 million EUR and over 1,500 employees in 2013.

HP is represented on the domestic market by two entities: HP Romania (officially opened in 2002 and specialised in IT products and services) and HP Global e-Business Operations Centre - GeBOC (opened in 2005 and specialised in BPO services). From its centres in Bucharest and Cluj Napoca, HP offers IT services, SSC and BPO services for various financial, logistic and administrative business processes. HP GeBOC registered in 2012 a turnover of approximately 70 million EUR and over 2,700 employees

S&T opened in 1994 its 100% owned subsidiary on the Romanian market. The company's office in Bucharest provides IT related and outsourcing services. S&T recorded in 2013 a net turnover of almost 26 million EUR. The company has over 130 employees.

Wipro Technologies entered the Romanian market by opening a BPO centre in Bucharest in 2007. Wipro has two offices in Romania, located in Bucharest and

Timisoara. Wipro Technologies recorded a net turnover of some 21 million EUR in 2013. The company has approximately 750 employees.

WNS Global Services Romania was established in 2007. It has a delivery centre located in Bucharest that serves as a near-shore centre for clients with European operations. WNS Global Services Romania registered the net turnover of 7.5 million EUR in 2013. The company has approximately 350 employees.

Comdata entered the Romanian market in 2011. At present, Comdata has four centres in Romania, located in Craiova, Bucharest, Galati and Constanta. Comdata provides BPO services, system integration and business solutions. In 2013, the company recorded a net turnover of approximately 14 million EUR and some 1,200 employees.

Xerox entered the Romanian market by opening an office in 1968. On the BPO segment, Xerox offers in Romania customer care, IT, financial, marketing and HR services. Xerox decided in 2013 to expand its operations on the Romanian market by hiring new employees, due to the increasing demand on the BPO segment. The targeted jobs were for the departments of HR, IT, financial services and customer services. At present, Xerox has offices in Bucharest and Iasi. Xerox Business Services Romania recorded in 2013 a net turnover of some 13 million EUR and over 1,150 employees.

RECENT M&A ACTIVITY ON THE BPO MARKET IN ROMANIA

NTT Data Corporation announced in November 2013 the acquisition of EBS Romania, a local company specialised in providing near-shore IT services for international customers. With Headquarters in Cluj Napoca, EBS has outsourcing experience in the segments of software engineering, software testing, quality assurance and application management and support.

Canadian outsourcing company **Telus International** entered the Romanian market in 2012 by acquiring the majority share package in call center operator CallPoint New Europe, which runs two call centers in Romania, in Bucharest and in Craiova. CallPoint New Europe was established in 2004 and it created, until the partnering announcement with Telus International, over 1,000 jobs in Romania and Bulgaria. CallPoint New Europe is a recognised specialist in multilingual BPO services that received the Award of the Best Romanian Call Center in 2012. In 2014, CallPoint becomes TELUS International Europe

The company **ACS, owned by Xerox**, announced in September 2011 its plans to buy the Italian BPO company XL World, present on the Romanian market with offices in Oradea and Iasi. The acquisition furthered the strategy of ACS to create a global network of BPO centres.