

Strategic Plan for Promotion of Professional Services Trade – Diagnostic Findings

Sunil Sinha, Managing Director
Laureen Katiyo, Senior Consultant
Nathan EME



Project Overview

September Launch

- General consultation, sub-sector meetings
- Initial findings used to select priority sub-sectors

Diagnostic phase

- Field research into local capability – specific services, costs, constraints



Project Overview

- Research into international markets – global trends, supply and demand, purchasing criteria
- Diagnostic report

Strategic Plan

- Action plans
- Costs
- Roles & responsibilities
- Resources



Goals for today

Review and confirm diagnostic findings

- Market analysis
- Capability and competitiveness
- Constraints
- Opportunities

Key discuss points



ICT: International Market

- Huge market, rapid growth
- ICT is cross-cutting, enables overall economic activity (e.g. 40% of services centres in India driven by banks/financial services)
- Global IT-BPO services market including software design, revenue worth US\$967 billion in 2008



ICT: Market Analysis

- North American companies account for 70% of offshore outsourcing spending
- India is largest provider of offshore services. Has 50% of BPO market share together with Philippines
- Indian outsourcing companies expanding, significant players in US and Europe.
- BPO alone grew by 25% between 2007 - 2009 years, generating US\$30 billion in revenue in 2009



ICT: Decision-making factors

- Cost savings (e.g. India has cost advantage of 60%-70% over key source markets)
- Quality of service & reputation
- Quality of labour
- Control
- Risk



ICT: Capability and Competitiveness

Software/ IT application development

- Two main areas:
 - Software/ IT application development
 - Call centres
- Good evidence of industry potential for Nigeria (62% of African ICT market; US\$12 billion investment)
- Bespoke design and advisory service, proprietary products: value-addition, job creation



ICT: Capability and Competitiveness

- Large number of local companies, only 4 well-known software development firms
- Services focused on: financial services, telecoms, govt departments, airlines, energy sector, other services
- Estimated 10,000 IT graduates annually



ICT: Capability and Competitiveness

Call Centres

- Largest regional industry; exporting already – US\$8.29 million in 2008
- 15 call centres (largely domestic & some UK & US services)
- 11,422 jobs: 3,807 seats in Lagos & Abuja
- Services: predominantly customer service



ICT: Call Centre Destination Comparison

(source: Interra Networks Inc.)

	USA	Canada	India	Pakistan	Philippines	Nigeria
Cost/hr US\$	\$20-\$30	\$20-\$30	\$7-15	\$5-12	\$5-\$15	\$2-\$4
Infrastructure	Excellent	Excellent	Very Good	Good	Very Good	Poor
English-speaking	Yes	Yes	Yes	Yes	Yes	Yes
Market	Mature	Mature	Established	Emerging	Emerging	New
Education Level	High School	High School	College/ University	College/ University	College/ University	University
Advantage	Proximity	Proximity Language	Mature	Slight cost advantage to India	Mature	Lowstaff attrition



ICT: Constraints

- High telecommunications costs
- Poor internet connectivity
- Electricity unreliable; high costs
- Insufficient IT skills
- Relevance of training
- Marketing
- Standards for industry professionalism



ICT: Opportunities

Software design

- Potential for high-value added, industry-specific products
- Front office selling point for bespoke programming to diaspora market

Call Centres

- Nearshore - customer service support to financial services & telecoms regional
- Captive call centres



Financial Services: International Market

- Finance and accounting outsourcing worth US\$48bn in 2008
- India accounts for 80% of financial services outsourcing
- US is second largest market
- Accounts payable is the most widely outsourced function



International Marketing

- Transaction management grew by estimated 9.8% from 2004-2009 – continued fast growth predicted
- Tax management estimated growth of 9.3% between 2004 – 2009
- General accounting estimated growth of 8.3% between 2004 - 2009



Capability and Competitiveness

- 24 universal deposit banks with combined total asset base of US\$4.5 billion
- Banking sub-sector accounts for 90% of financial assets in Nigeria
- 20 banks rated in top 100 banks in Africa
- Capital requirements for banks at US\$165 million in 2005
- Capital markets second largest in Africa, next to South Africa
- Total market capitalisation at US\$86 billion at the end of 2007



Financial Services

Constraints

- Poor regulation
- Capitalisation
- Skills shortage
- High transaction charges for customers



Financial Services

Opportunities

- Provision of SME loans to Sub-Saharan Africa
- Remittances
- Loan tracking, loan appraisal etc.
- Banking services for Francophone & Lusophone markets
- Establishment of West Africa capital markets



Entertainment: Music Industry

International Market

- Global digital music sales at US\$7.6 billion in 2008 – to reach US\$14.8 billion in 2013
 - Annual increase of 14.2%
- Recorded music sales at US\$29.6 billion in 2008 – to decrease to US\$26.1 billion by 2013
 - Annual decrease of 2.5%
- North America is the biggest digital market



Music: International Market Composition

2009 Estimates	North America US\$ millions	Europe, Middle East, Africa (EMEA) US\$ millions	Asia Pacific US\$ millions	Latin America US\$ millions
Physical distribution	4,861	8,197	4,999	682
Digital distribution				
Internet	2,390	1,239	585	56
Mobile Phones	780	655	2,802	168
Digital Total	3,170	1,894	3,387	224
Total	8,031	10,091	8,386	906

Source: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates



Music: Capability and Competitiveness

- 30 million legal record sales in 2008
 - Estimated value of over US\$9.3 million
- Concerts and music shows annual turnover of US\$105.5 million
- Estimated 10 million record sales lost to piracy
- Physical distribution only, and some mobile ringtones



Music: Constraints

- Production costs (US\$330 for one song in Nigeria; US\$272 in the UK)
- Distribution and Marketing
- Copyright infringements and piracy (regulation enforcement)
- Technical skills



Music : Opportunities

- Royalty collection
- Concerts outside Nigeria (diaspora markets)
- Local concerts for tourists (diaspora visiting relatives)



Entertainment: Film Industry

International Market

- Annual film revenue US\$83.9 billion in 2008
- Projected growth to US\$102.2 billion by 2013
 - 4% annual increase
- Global box office spending to rise from US\$28.3 billion in 2008 to US\$37.7 billion in 2013
- Home video spending to rise from US\$55.6 in 2008 billion to US\$64.5 billion by 2013



Film: International Market Composition

2009 Estimates	North America US\$ million	Europe, Middle East, Africa (EMEA) US\$ millions	Asia Pacific US\$ millions	Latin America US\$ millions
Box office	11,040	10,047	7,101	1,398
Home Video				
Physical sell-through	15,735	12,572	4,361	703
In-store rentals	8,505	2,501	6,303	438
Online rental subscriptions	2,804	545	392	0
Digital downloads	327	54	7	0
Total home video	27,371	15,672	11,063	1,141
Total	38,411	25,719	18,164	2,539

Source: Global Entertainment and Media Outlook: 2009 – 2013



Film: Capability and Competitiveness

- Worth an estimated US\$250 million a year
- 2,000 – 2,500 films per annum
- Employs about 300,000
- Average film sells 50,000 copies
 - Best sellers sell over 200,000 copies
- DVD sells for £1.50-£4 a copy in diaspora



Film: Capability and Competitiveness

- Over 200,000 video clubs
- Rentals average US\$0.50 – US\$1



Film: Diagnostic Findings

Constraints

- Copyright infringement and piracy
- Production costs (US£15,000 for 10-day shoot) and facilities
- Distribution
- Marketing
- Technical skills
- Lack of sufficient cinemas



Entertainment: Diagnostic Findings

Opportunities

- Production facilities
- Packaging & distribution
- Cinemas
- Training



Education

International Market

- Global education export market worth US\$30 billion
- 2.8 million students in tertiary education outside home country in 2007
- 37.5% of students abroad from China, India, Korea, Germany, France, US, Malaysia, Canada & Russia



Education: International Market: Destination Countries

Country	Number of Students
US	595,900
UK	352,500
France	246,600
Australia	211,500
Germany	206,900
Japan	125,900
Canada	68,500
South Africa	60,600
Russian Federation	60,300
Italy	57,300



Education:

Factors influencing choice of study destination

Category	Factor
Cost Structure	Tuition fees
	Cost-of-living
	Cost of travel
Environment	Culture
	Quality of life
	Safety & security
Quality & Reputation	Course offering
	Quality of institutions
	Ability to get job after completion of studies



Education: Capability and Competitiveness

- 26 federal universities, 34 private universities, 25 state universities, 115 polytechnics , 86 colleges of education, 62 Innovative Enterprise Institutions
- 1.2 million student intake in 2009
- Tuition fees per in Nigeria range from US\$5,940 – US\$10,920
 - Tuition fees in South Africa from US£8,500 – US\$16,200
 - Tuition fees in UK from £10,800 - £24,450



Education: Constraints

- Shortage of lecturers
- Curriculum design
- Quality & reputation of institutions
- Environment



Education: Opportunities

- Franchised courses
- Private university expansion into the region
- Target diaspora students
- Attract international and diaspora academia
- Specialised training centres (e.g. ICT skills)

