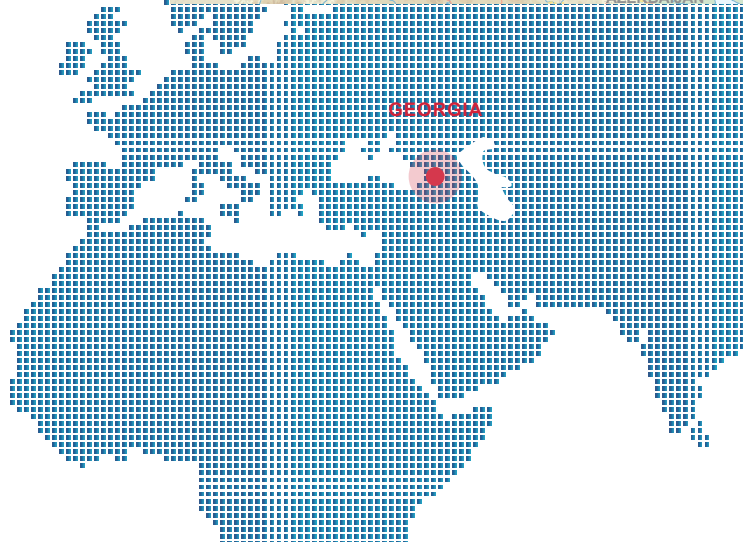




BUSINESS PROCESS OUTSOURCING (BPO)

GEORGIAN NATIONAL INVESTMENT AGENCY
2016

GEORGIA - COUNTRY OVERVIEW



Area:	69,700 sq km	GDP 2015 (E) :	USD 14 billions
Population:	3.7 mln	GDP real growth rate 2015 (E):	2.8%
Life expectancy:	75 years	GDP CAGR 2010-2015 (GEL) (E):	4.9%
Official language:	Georgian	GDP per capita 2015:	USD 3743
Literacy:	100%	Inflation rate 2015:	4%
Capital:	Tbilisi	Total Public Debt to Nominal GDP (%) 2014 :	35.5%
Currency (code):	Lari (GEL)		

OVERVIEW OF GEORGIA'S BPO SECTOR



YOUNG, ENERGETIC AND COMPETITIVELY PRICED LABOR FORCE

- 50% of the unemployed population is in the 20-34 age category
- Average monthly salary in 2015 for BPO sector was 280 USD
- Georgia has one of the most liberal labor codes, not only in the region, but globally and has 75.7 score out of 100 (26th in the world) in Labor Freedom Index (Source: Heritage Foundation)
- According to BPO Sector Research prepared by KPMG, there is about 9 thousand (0.5% of population) readily employable talent pool for BPO sector



EDUCATION

- Georgia has literacy rate of 99.8 % and 92 % of population with at least secondary education
- 72 higher education institutions and over 100 professional education centers provide high quality professionals every year
- Economics and Business, Juridical Sciences and medicine are the most popular faculties
- Georgia provides vocational education training, most of the course's fees are financed by the state



TIME PROXIMITY AND CULTURAL SIMILARITIES WITH TARGET MARKETS

- Strategically located where the two continents (GMT+4), Georgia is uniquely positioned to service any country from Europe to Central Asia
- As a former Soviet Union country Georgia has unique perspective and language skills to service Russian speaking countries
- Vast majority of younger population speaks fluent English (German is the 3rd most frequent foreign language)



INVESTMENT OPPORTUNITIES

- KPMG sector study has revealed big potential for BPO sector in Georgia and opportunity to capitalize on competitive advantages that country offers.
- Functions like F&A, CRM and many more could be serviced from Georgia, giving investors high returns on investment
- With good quality of life, availability of high class offices and good infrastructure (utilities, internet, telecom, etc.) Tbilisi could be ideal destination for BPO centers

OVERVIEW OF GEORGIAN BPO MARKET

CURRENT STATE OF THE BPO INDUSTRY IN GEORGIA

- BPO market in Georgia is in a nascent stage, but more and more companies are being set up to service local and international businesses
- Most companies are small scale with up to 50 FTE, but there are few large BPO companies that have over 100 FTE
- Estimated total employed in BPO sector stands at few thousand FTEs
- Companies don't have any specific sectorial focus. Although largest BPO companies seem to be providing call center, HR outsourcing and IT services
- BPO companies service both domestic, as well as English and Russian speaking countries

SOME OF THE COMPANIES ALREADY OPERATING IN GEORGIA



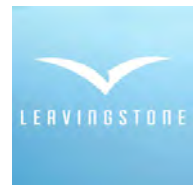
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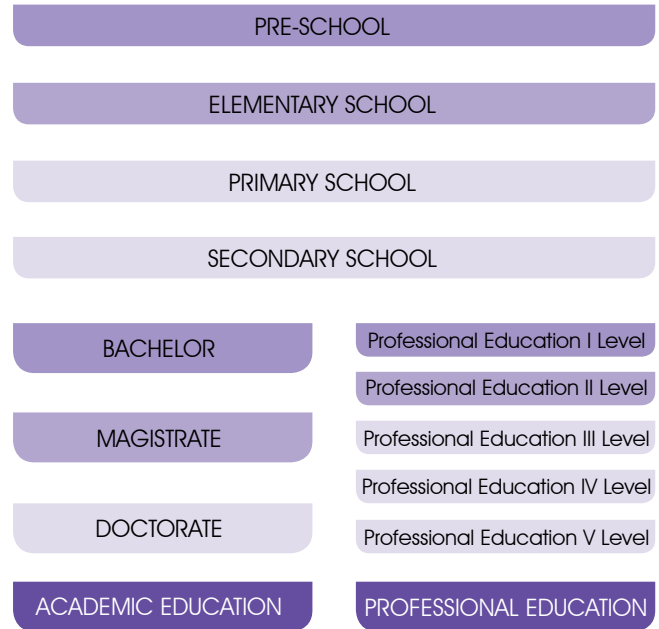
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EDUCATION SYSTEM

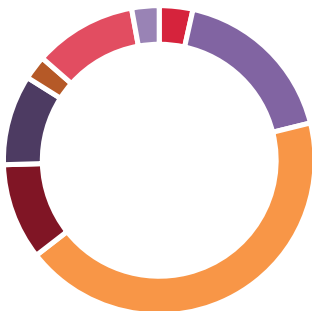
EDUCATION

- First 4 levels of education is mandatory for every citizen of Georgia (from Pre-school to Secondary school)
- Almost 80% of graduates from secondary school continue education in some kind of tertiary education institutions
- Georgia has 72 higher education institutions and over 100 professional education centers, ensuring constant flow of high quality professionals every year. During last 5 years 127 950 students graduated from Higher education programs
- Vocational training course's fees provided in professional education centers, are mostly financed by the state

EDUCATION SYSTEM OF GEORGIA



GRADUATES BY FACULTIES



- Education
- Humanities and Arts
- Social sciences, business and law
- Science
- Engineering, manufacturing and construction
- Agriculture
- Health and welfare
- Services

TALENT POOL - ESTIMATED BY KPMG BPO SECTOR RESEARCH

Sources of Talent for BPO	Available Talent	Probable Talent	Readily Employable	Readily Employable		
				Middle Management	Experienced Candidates for BPO	Fresh Candidates for BPO
Fresh Graduates	17,141	11,132	1,006	X	X	1,006
Experienced Talent Pool	864,109	65,660	5,349	1,302	1,298	2,749
Unemployed Talent Pool	1,250,322	43,350	2,721	X	705	2,016
Total	2,131,572	120,142	9,076	1,302	2,003	5,771

FILTER FOR FRESH GRADUATES:

- Graduated from non-relevant faculties
- Pursued higher education or left country
- Don't have necessary language skills
- Don't have necessary computer skills
- Don't have necessary soft skills
- Etc.

FILTER FOR UNEMPLOYED TALENT:

- Younger than 20 and older than 40 years
- Without tertiary education
- Not looking for jobs
- Don't have necessary language skills
- Don't have necessary computer skills
- Don't have necessary soft skills
- Etc.

FILTER FOR EXPERIENCED TALENT:

- Employed in non-relevant industries
- Employed in industries with higher average salary
- Younger than 20 and older than 40 years
- Don't have necessary language skills
- Don't have necessary computer skills
- Don't have necessary soft skills
- Etc.

TALENT POOL - APPROX. 8% OF THE PROBABLE TALENT POOL IS READILY EMPLOYABLE IN BPO SECTOR

EXISTING TALENT AVAILABLE FOR BPO SECTOR

EXPERIENCED TALENT

MIDDLE MANAGEMENT LEVEL

- There is a pool of around 33 thousand experienced talent for the middle management level
- Based on propensity for BPO, necessary language, computer and soft skills, KPMG has calculated that around 1.3 thousand experienced talent is readily employable in middle management

BELOW MIDDLE MANAGEMENT LEVEL

- Out of about 865 thousand people that are currently employed in Georgia, around 65 thousand are probable experienced talent pool and about 4 thousand are readily employable for BPO sector

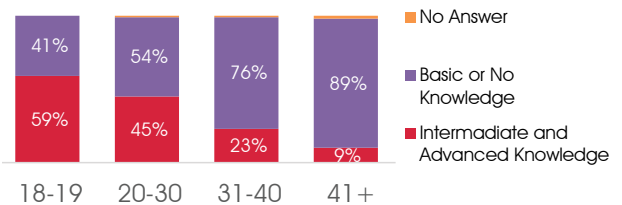
FRESH TALENT

- Annually, about 15 to 17 thousand students graduate from High education institutions. About 25 % of graduates pursue higher education or migrate abroad, remaining 65% percent are probable candidates for a BPO job
- Based on studied faculties and prevalent skills, KPMG estimates that about 1 thousand fresh graduates will be readily employable in BPO sector

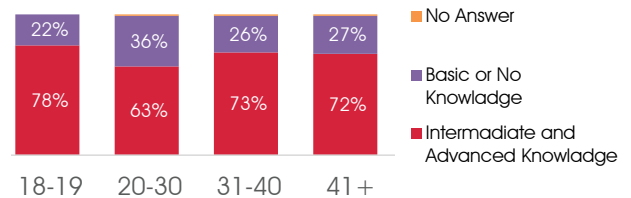
UNEMPLOYED TALENT

- Unemployment rate in Georgia stood at 12.4 % in 2014
- Based on estimates around 43 thousand unemployed people are probable talent pool for BPO
- Based on age, necessary language, computer and soft skills, KPMG estimates that about 2.7 thousand unemployed talent is readily employable in BPO sector

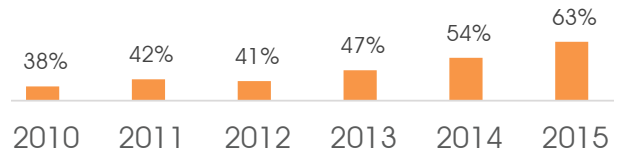
REPORTED KNOWLEDGE OF ENGLISH



REPORTED KNOWLEDGE OF RUSSIAN



REPORTED KNOWLEDGE OF COMPUTER SKILLS



GEORGIA'S FAVORABLE BUSINESS CLIMATE

COMPETITIVE BUSINESS COSTS

- Average monthly salary in BPO sector was 280 USD in 2015 including white and blue-collar workers, as well as C-suite employees
- Setting up company takes only 2 days and it costs about 50 USD (or 100 USD and 1 day)

NO SOCIAL OR INSURANCE TAX

- The only tax payable based on the salary is personal income tax, which is flat 20%
- Georgia doesn't have the Social Security Tax and insurance is not obligatory
- Georgia has only 6 flat taxes and very simple and fair taxation system. All transactions are done online

FAVORABLE LABOR CODE

- The country doesn't have minimum wage regulations and compensation for labor depends on the agreement between employee and employer
- According to Heritage Foundation, Georgia ranks 26th globally on Labor Freedom Index

FLEXIBLE REGULATIONS

- No working permits are required
- Citizens of 94 countries can stay in Georgia without visa during whole 1 year, which helps attracting professional employees from other countries in the wider region

INCENTIVES

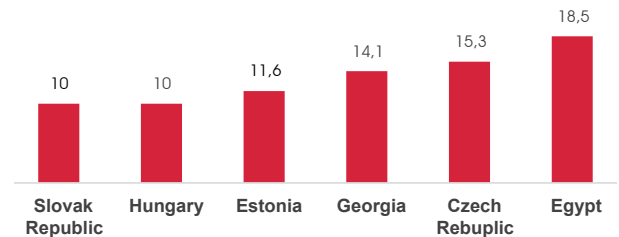
- Georgia provides a profit tax exemption to legal entities of a "virtual zone" (engaged in IT activities)
- Georgia provides free vocational education trainings based on companies needs

GEORGIA HAS ONE OF THE LOWEST BUSINESS COSTS IN THE REGION

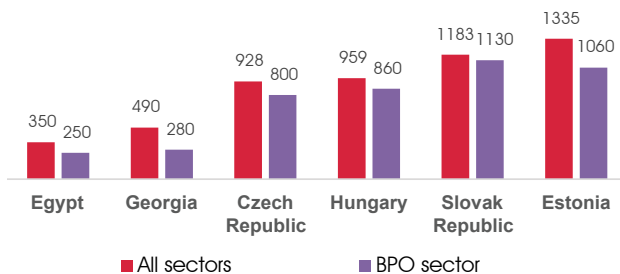
INFRASTRUCTURE & BUSINESS COSTS

- High class, modern Office spaces are available in all major cities of Georgia, with almost 1 mln. sq.m. of office stock
- High speed broadband and mobile internet is available throughout whole country , Georgia ranks 33th in the world in terms of kb/s per user and 35th in terms of affordability
- Utilities costs are one of the lowest in the wide region, approximately 2.5 USD per sq. m.
- Georgia has one of the lowest average gross salary among competitor countries

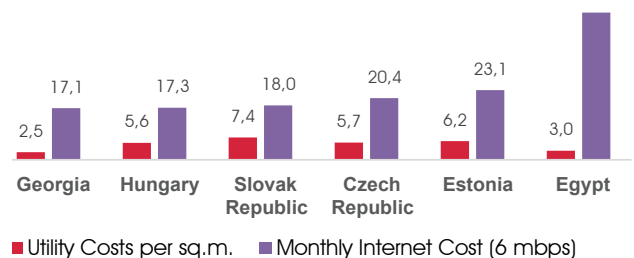
OFFICE RENT PRICES, USD PER SQ.M. (2014)



AVERAGE MONTHLY SALARY, USD (2014)



UTILITY COSTS, USD PER SQ.M. (2014)



INVESTMENT OPPORTUNITIES

CONSIDERING COUNTRY'S COMPETITIVE ADVANTAGES SETTING UP BPO CENTERS IN GEORGIA IS A VERY ATTRACTIVE OPPORTUNITY

Based on Global and Georgian BPO market study, KPMG has revealed 6 sub-sectors which have the highest potential for development in Georgia

F&A

- Employable talent pool with relatively higher quality of education
- F&A is one of the most attractive professions for the university applicants

CRM

- Leverage call center work already being carried out in Georgia, especially from banks and telecoms as well as outsourcing companies
- Leverage existing logistics sector focusing on Georgia's USP as a trans-Caucasian corridor

IT INFRASTRUCTURE MANAGEMENT

- Leverage considerably lower utility and labor costs

HR

- Leverage existing HRO work already being carried out in Georgia
- Traditionally, segment has a range of low-end and high-end activities which is ideal for organizations to explore offshoring

INDUSTRY SPECIFIC OUTSOURCING - TELECOM

- Leverage strong backbone of existing industry – know-how, middle management etc.
- High and rapidly growing demand

INDUSTRY SPECIFIC OUTSOURCING - MANUFACTURING

- Emerging segment with lower competition –aim to get the first mover advantage
- Large pool of fresh graduates is available from top faculties



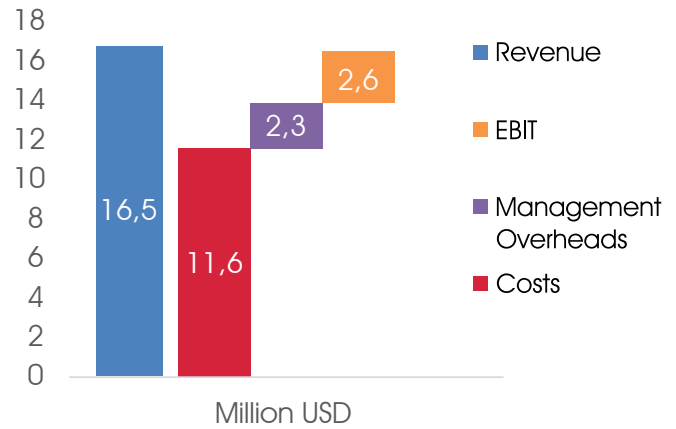
Full version of the study is available

FINANCE AND ACCOUNTING (F&A)

OVERVIEW

- Fresh talent for F&A is expected to come from Economics and business faculty which is the top faculty in Georgia, showing 38% growth in the last 2 years
- Experienced talent in F&A is available in all industries
- Quality of fresh F&A talent with basic skills is assessed as high by business representatives
- Current level of talent is ideal for serving the demand from Russia and the CIS countries
- EBIT margin in Georgia, for companies providing F&A services, is estimated at 16% (EBIT margin for similar companies in Europe ranges from 4% to 9%)

FINANCIAL CALCULATIONS



SOME OF F&A PROCESSES THAT CAN BE OUTSOURCED

- Accounts payable
- Travel and expense
- Credit
- Accounts receivable
- Billing/invoicing
- Collections
- Order capture, revenue accounting
- Journal entries, accounting policies
- Management reporting
- Risk management/Treasury

Financial calculations are based on KPMG study on Georgian BPO sector.

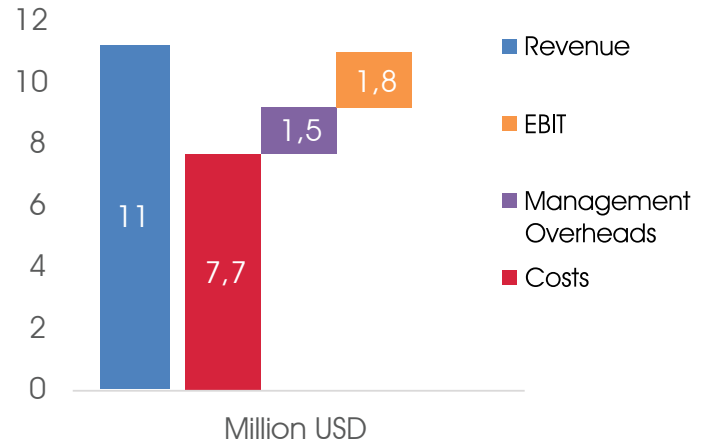
For full report, please contact us

CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

OVERVIEW

- CRM in Georgia is the most developed among the BPO segments with a number of relatively large call centers (between 200 and 500 FTEs) servicing both local and international markets
- Fresh talent in CRM is expected to come mostly from Humanities/Arts faculty which is in top 5 faculties in Georgia showing 77% growth in last 2 years
- CRM experienced specialists are available in the BPO industry as well as in industries with large call centers, such as banks, telecoms and insurance companies which are in the top 3 industries in Georgia by number of FTEs
- EBIT margin in Georgia, for companies providing CRM services, is estimated at 16% (EBIT margin for similar companies in Europe ranges from 4% to 9%)

FINANCIAL CALCULATIONS



SOME OF CRM PROCESSES THAT CAN BE OUTSOURCED

- Campaign execution(loyalty program)
- Management, coupon and gift card management
- Content management
- Cross-sell/Up-sell
- Omni-channel customer care (SMS/web chat/ email/ social media/voice)
- Collections
- Order capture, revenue accounting
- Journal entries, accounting policies
- Management reporting
- Risk management/Treasury

Financial calculations are based on KPMG study on Georgian BPO sector.

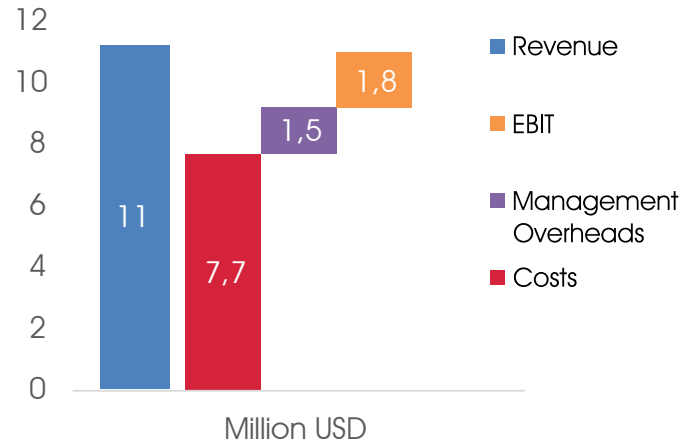
For full report, please contact us

HUMAN RESOURCES (HR)

OVERVIEW

- HR market in Georgia is relatively developed with companies servicing both local and international markets
- Fresh talent in HR is expected to come from Social and Political Sciences faculty as well as Economics and Business which are in top 5 faculties in Georgia. Social and political sciences faculty showed 90% growth in the last 2 years
- Experienced HR specialists are available in the BPO and other industries
- EBIT margin in Georgia, for companies providing HR services, is estimated at 16% (EBIT margin for similar companies in Europe ranges from 4% to 9%)

FINANCIAL CALCULATIONS



SOME OF HR PROCESSES THAT CAN BE OUTSOURCED

- Payroll administration: Produce cheques, handle taxes, deal with sick/vacation time
- Employee benefits: Health, Medical, Life
- HR management: Recruiting, hiring, and firing. Also, Background interviews, exit interviews, and wage reviews
- HR analytics solutions: performance management, employee satisfaction, retention

Financial calculations are based on KPMG study on Georgian BPO sector.

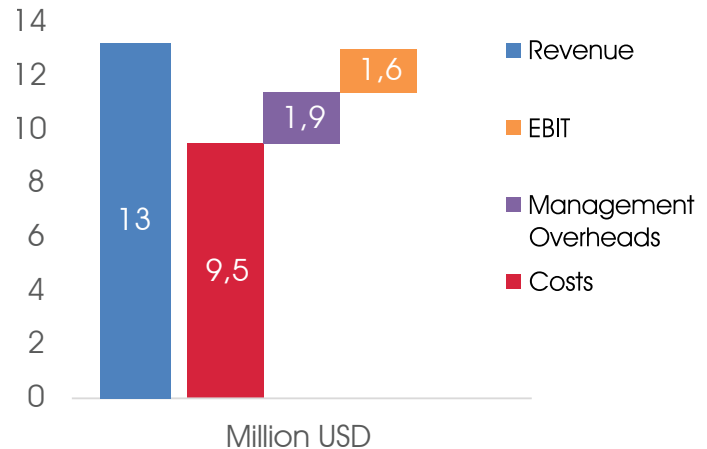
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INDUSTRY SPECIFIC - TELECOM

OVERVIEW

- Fresh talent in Telecom specific BPO is expected to come from Economics and Business faculty, as well as Engineering, Manufacturing and Construction which are top faculties in Georgia. Economics and Business faculty has shown 38% growth in the last 2 years
- Experienced talent is available in telecom industry which is in the top 3 industries in Georgia
- Full range of telecom processes provided by these BPO companies might be provided in Georgia
- EBIT margin in Georgia, for companies providing Telecom services, is estimated at 12% (EBIT margin for similar companies in Europe ranges from 4% to 9%)

FINANCIAL CALCULATIONS



SOME OF TELECOM PROCESSES THAT CAN BE OUTSOURCED

- Assurance – technical help desk, incident and problem management, service level management
- Billing – bill generation, validation, pricing management
- Interconnect/roaming relations – report generation, exchange between partners
- Customer acquisition and support – cold calling, lead generation, sentiment analysis, customer support
- Data analytics – churn analytics, billing analytics, network and assurance analytics, etc

Financial calculations are based on KPMG study on Georgian BPO sector.

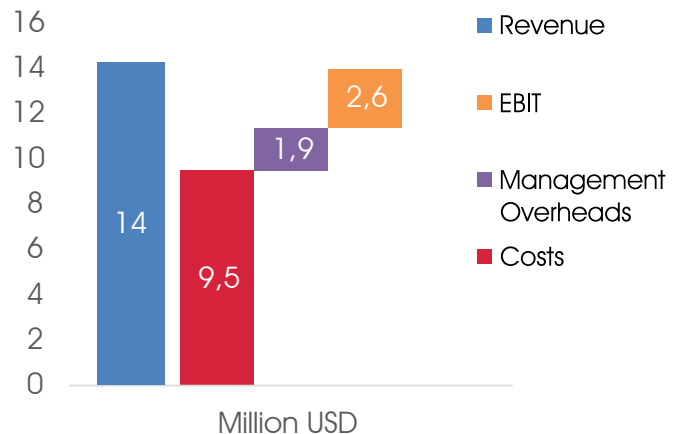
For full report, please contact us

INDUSTRY SPECIFIC – MANUFACTURING

OVERVIEW

- Fresh talent in Manufacturing BPO is expected to come from Engineering, manufacturing and construction faculty, which grew by 56% in the last 2 years
- Experienced talent is available in manufacturing industry which is in the top 3 industries in Georgia
- Georgia can target any of the manufacturing segments serviced by the top Manufacturing BPO companies
- EBIT margin in Georgia, for companies providing Manufacturing services, is estimated at 19% (EBIT margin for similar companies in Europe ranges from 6% to 14%)

FINANCIAL CALCULATIONS



SOME OF MANUFACTURING PROCESSES THAT CAN BE OUTSOURCED

- Supply chain management: Sourcing, purchasing, contracts, invoicing and payment
- Deductions management: pricing discrepancies, freight discrepancies
- Warehouse management analytics: monitoring and tracking of inflow and out flow of materials in warehouses, materials re-order level

Financial calculations are based on KPMG study on Georgian BPO sector.

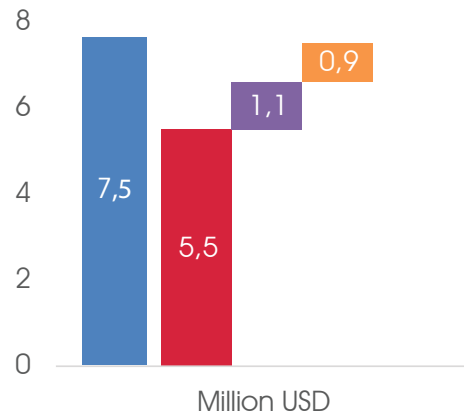
For full report, please contact us

IT INFRASTRUCTURE MANAGEMENT

OVERVIEW

- Significantly lower energy costs compared to CIS and CEE. Price in the range of USD 0.05 to USD 0.06 per kw/h
- Already one big Company on the market- Bitfury has invested in two large data centers
- Fresh talent for IT management is expected to come from Computer Science faculty showed a growth of 11% in the last 2 years
- EBIT margin in Georgia, for companies providing IT infrastructure services, is estimated at 12% (EBIT margin for similar companies in Europe ranges from 6% to 8%)

FINANCIAL CALCULATIONS



SOME OF IT INFRASTRUCTURE MANAGEMENT PROCESSES THAT CAN BE OUTSOURCED

- Data centers
- Desktop services
- Database administration
- Directory service support
- Storage system management
- Service desks o Network administration
- Back up and data recovery service

Financial calculations are based on KPMG study on Georgian BPO sector.

For full report, please contact us

GEORGIAN NATIONAL INVESTMENT AGENCY

- The investment promotion agency under the direct supervision of the Prime Minister of Georgia
- “One-stop-shop” for investors to support companies before, during & after investment process
- Moderator between investors, government and local companies

OUR SERVICES

INFORMATION

General data, statistics, sector researches

COMMUNICATION

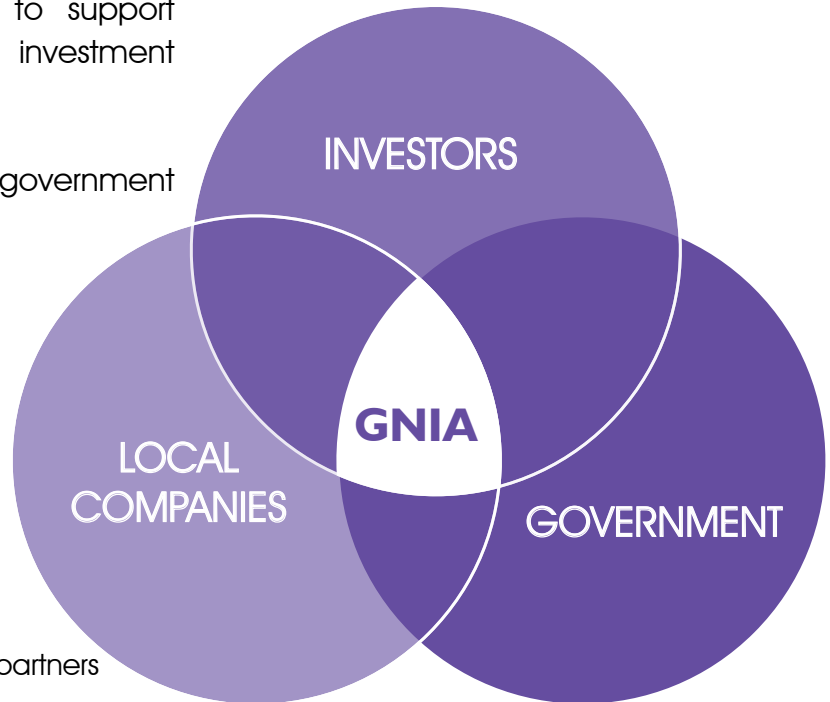
Access to Government at all levels/Local partners

ORGANIZATION

Organization of site visits & accompanying of investors

AFTERCARE

Legal advising & Supporting services



GEORGIAN NATIONAL INVESTMENT AGENCY 2016

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