

BUSINESS PROCESS OUTSOURCING

Competitive Advantage in an E' Commerce World

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Agenda

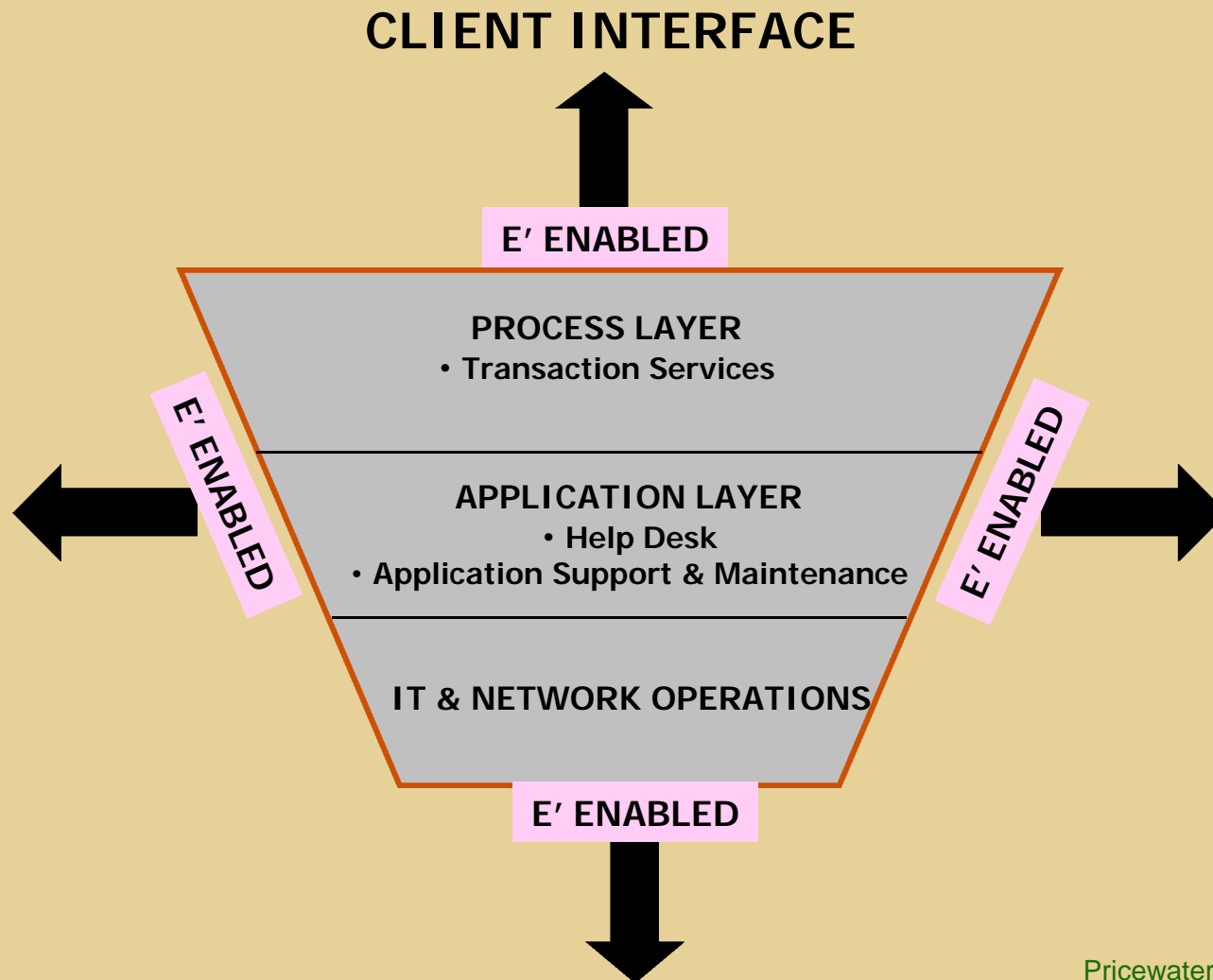
- **What is Business Process Outsourcing?**
- **PwC Strategic Focus and Key Business Drivers**
- **Value Proposition for BPO**
- **Case Studies**
- **BPO in Banking in an E'Distribution Environment.**

How Business Processing Outsourcing (BPO) Works

By entrusting non-core, key support business processes to an outsource partner, BPO allows companies to concentrate management time and investment capital on its core business processes.

By concentrating on what it does best, executive management can focus on returning shareholder value.

BPO Universe



Why is Outsourcing Inevitable?

- Focus on core
- Cost base for services is too high
- Consolidation and standardization
- Competition and cost reduction
- Globalization
- Web & E' Commerce

Cost Base For Services is Too High

- 80s and 90s focus on improving line functions
- Now - a focus on reducing back office costs
- Insurance and banking under pressure
 - Global Consolidation
- Search for increasing shareholder value

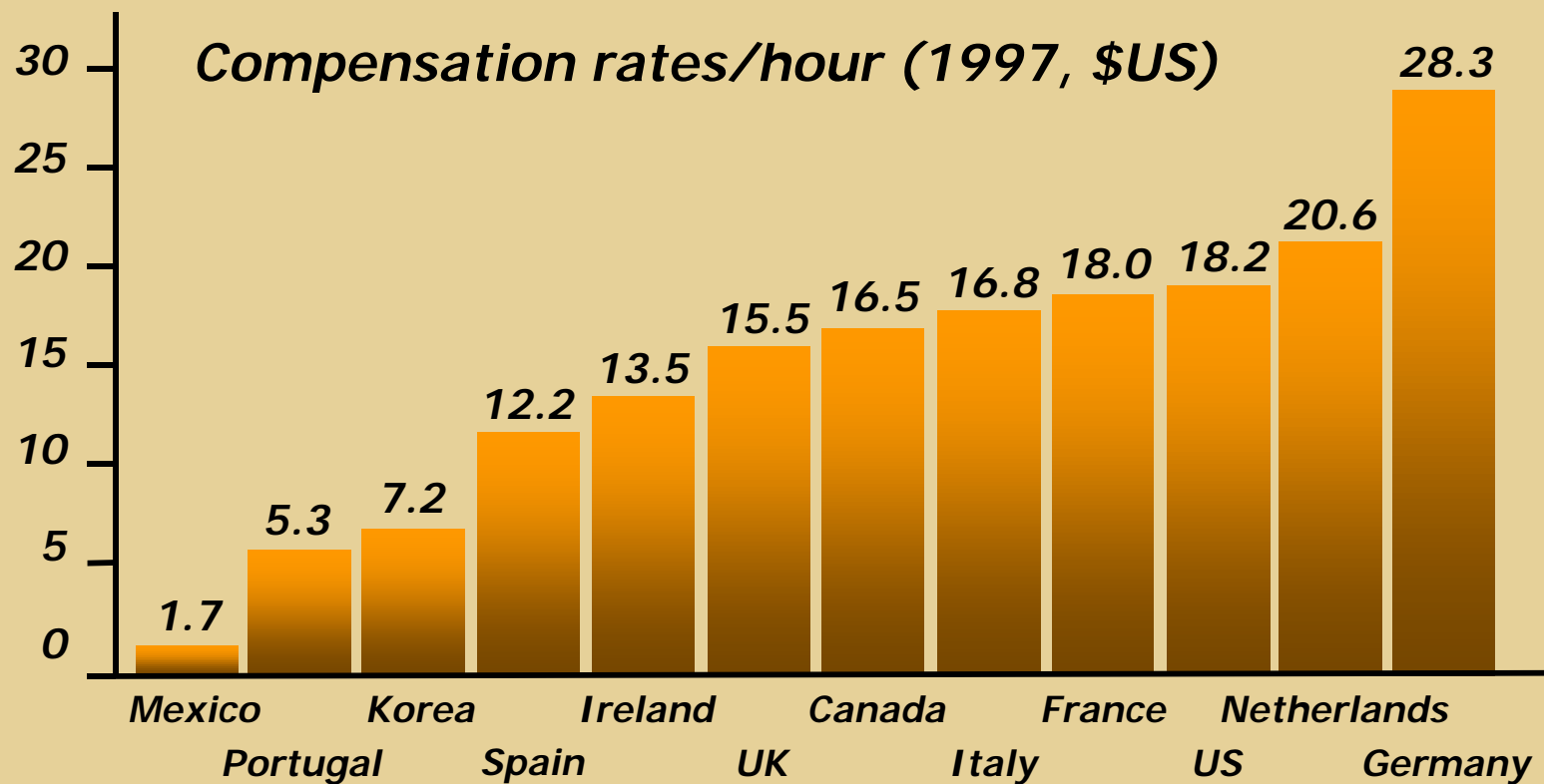
Consolidation and Standardization

- **Mega-mergers**
 - AOL and Time Warner (\$165B)
 - Fuji Bank, Dai-Ichi Kangyo and IBJ (\$1.2T)
 - Vodophone and Mannesmann (\$183B)
 - Pfizer and Warner Lambert (\$85B)
- **Impact of the EURO**
- **70% of processes are generic**

Competition and Cost Reduction

- **Telecommunications deregulated and privatized**
- **Over-production in almost every industry**
 - **Bank, auto, oil, airline, telecom**

Globalization



Source: US Bureau of Labor Statistics

Value Proposition of Business Process Outsourcing

- **Increases Shareholder Value by enabling a company to focus only on its core business**
- **Ensures maximum reliability of outsourced service**
- **Accesses leading-edge technology**
- **Lowers costs over the contract period**
- **Provides industry best-in-class solutions**
- **Benchmarks process costs**
- **Provides truly global solution**

BPO Works Best When There Is:

- **Top management support for the approach**
- **Corporate will to change**
- **A substantial prize to be achieved**
- **A true partnership with outsource partner**
- **Clarity of responsibilities and accountabilities**
- **Effective communication at all levels**

Business Process Outsourcing: The Breakthrough

Market Research

- Documented savings – 16% to 18%
- Yankelovich Partners interviewed 304 executives at world's largest companies in 14 countries – CEOs/Presidents, COOs, CFOs, CIOs, and CSOs
 - 63% have outsourced one or more business processes
 - 84% said they are satisfied with BPO
 - 66% agreed that BPO increases shareowner value

Yankelovich report: “BPO is recognized as a strategy for helping companies focus on their core capabilities and providing bottom-line benefits. BPO is paving the way for leading companies to compete globally and increase profitability.”

Factors Driving Growth For Business Process Outsourcing

- **Political**
 - Deregulation in financial and utilities industries
 - Establishment of trade zones (e.g., Andean, Mercosur)
- **Economical**
 - Focus on core competencies
 - Bring products to market faster
 - Merger & acquisitions and business restructuring
 - Uncertainty in world and regional economies
 - Globalization and competition

Factors Driving Growth Globally For BPO (Continued)

- **Social**
 - Greater acceptance of outsourcing as management tool
 - Evolution of shared services center to outsourcing
- **Technological**
 - Rapid reductions in transaction costs
 - Electronic commerce
 - Leveling in demand for ERP implementation
 - Need to access world-class capabilities

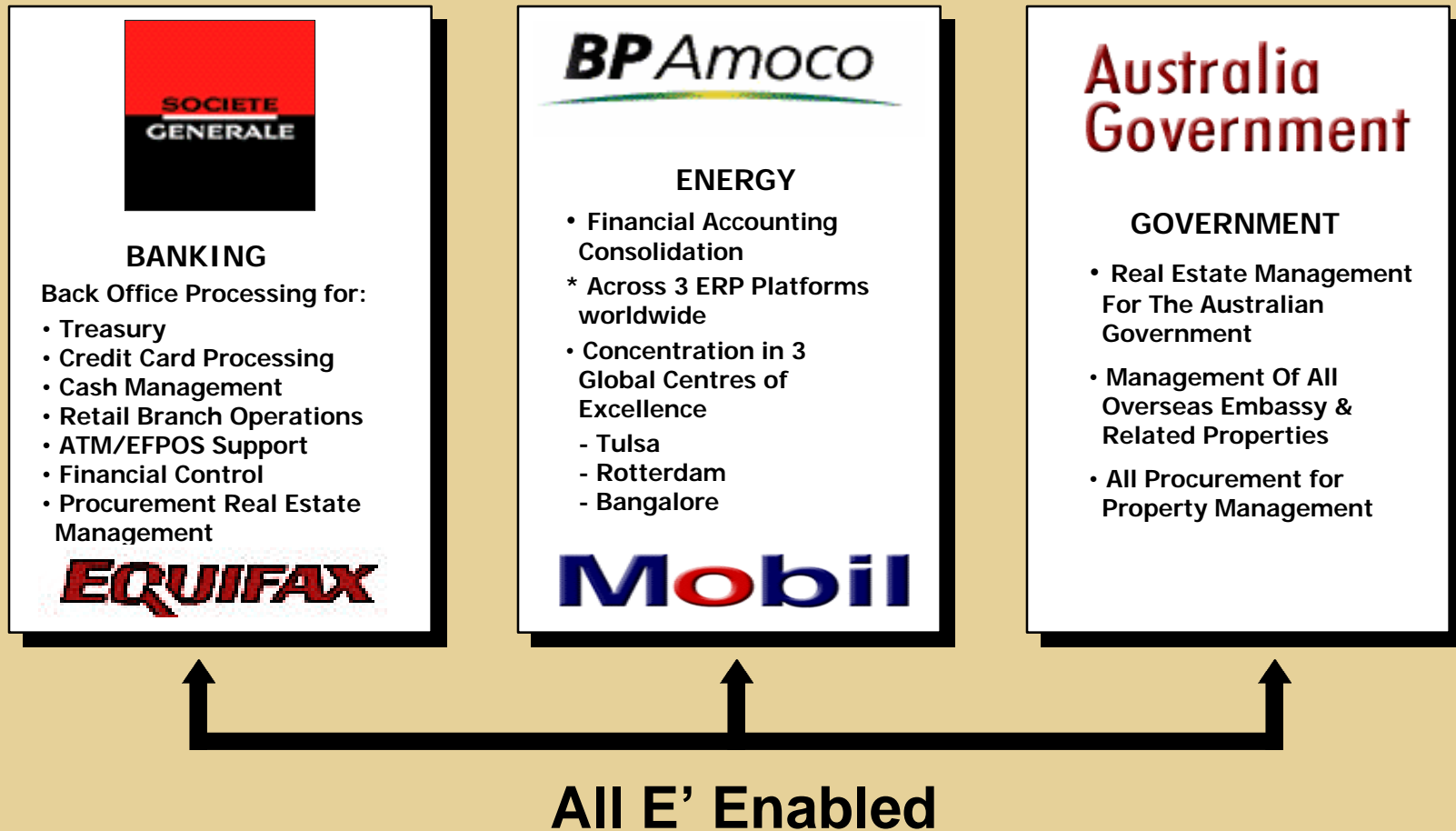
PwC Centres of Excellence

- Designed and operates more than 25 Centres of Excellence globally
- 500 clients, \$6.5 billion in billings
- 12,500 PwC staff worldwide
- Services include:

Bank Transaction Processing	Applications Process	Procurement
Finance & Accounting	Human Resources	Real Estate
Internal Audit	Tax Compliance	
- Skill base of over 25,000 global consulting staff for information technology and change management

PwC has more experience than any other professional services firm in managing large business process outsourcing programs and transforming these processes to global best practices

Some Examples of How BPO Works...



PwC BPO is Distinct From Traditional Outsourcing

Traditional Outsourcer

- Focus on peripheral processes at lower end of the value chain with low business impact
- Outsourcer as a “contractor”
- Developed market with established players

PwC BPO

- Focus on key support business processes at high end of the value chain with significant business impact
- PwC as a long-term business partner
- Rapidly emerging market with few experienced players

Key Support Processes

- Closely support core processes
- Value-added with significant business impact

Finance/Accounting

Procurement

Design

Production

Sales

Human Resources

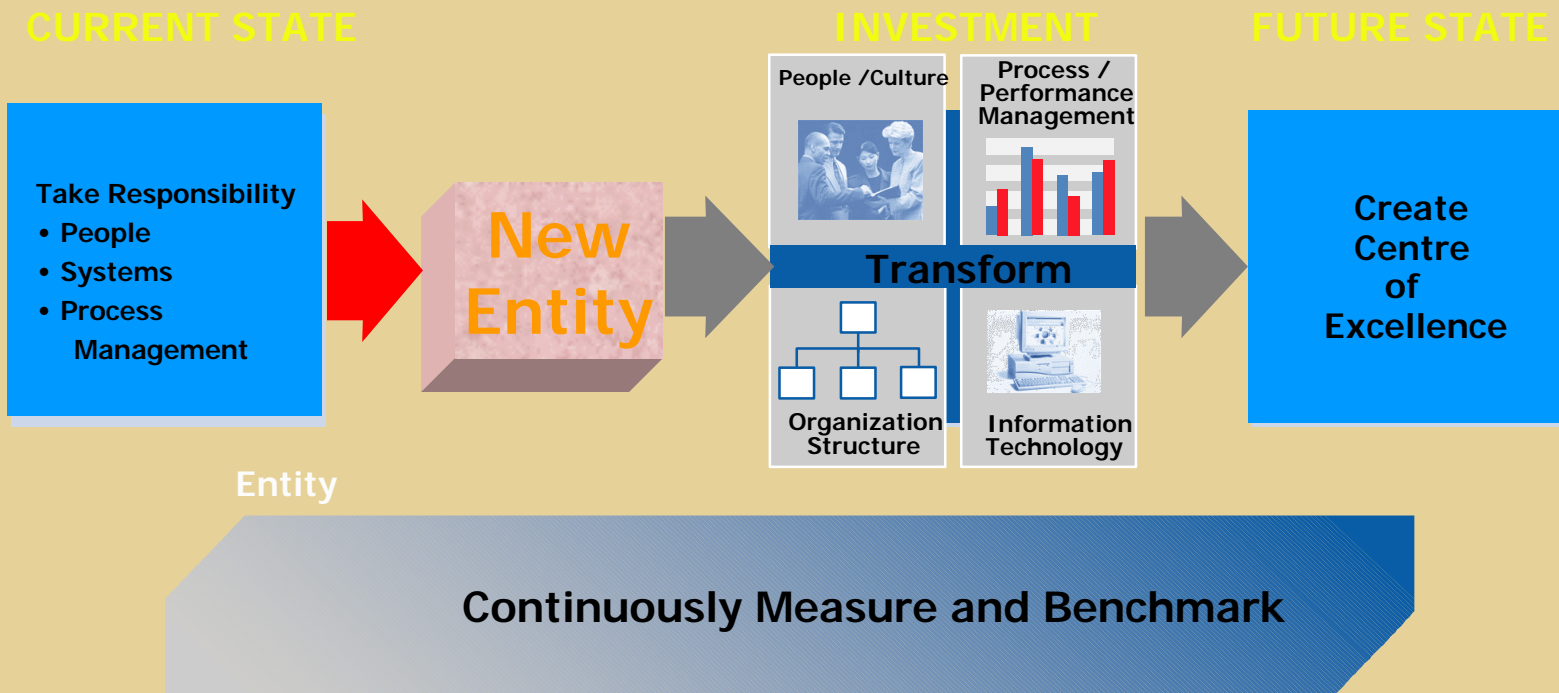
Applications Process

Real Estate Management

Tax Compliance

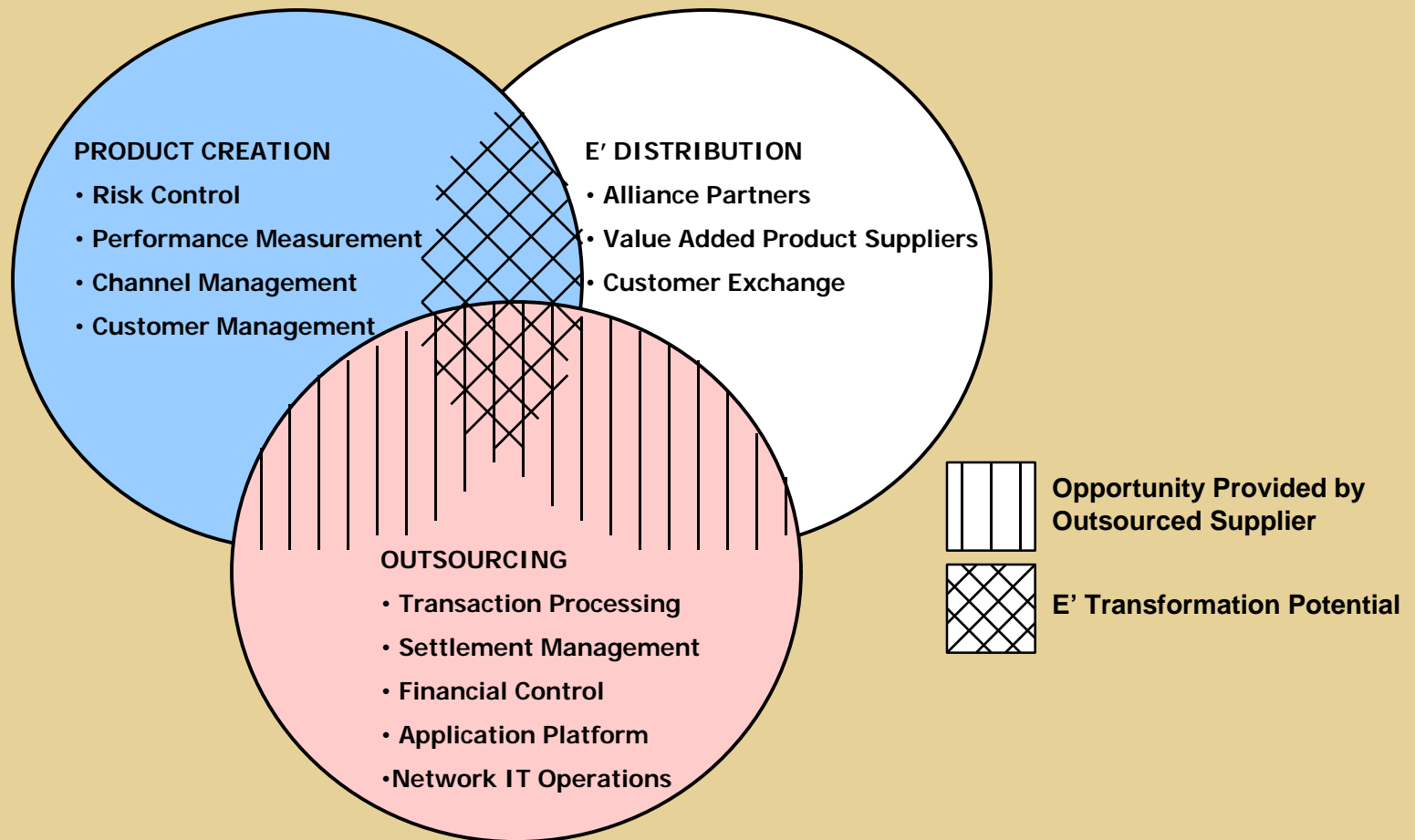
Internal Audit

PwC BPO Approach

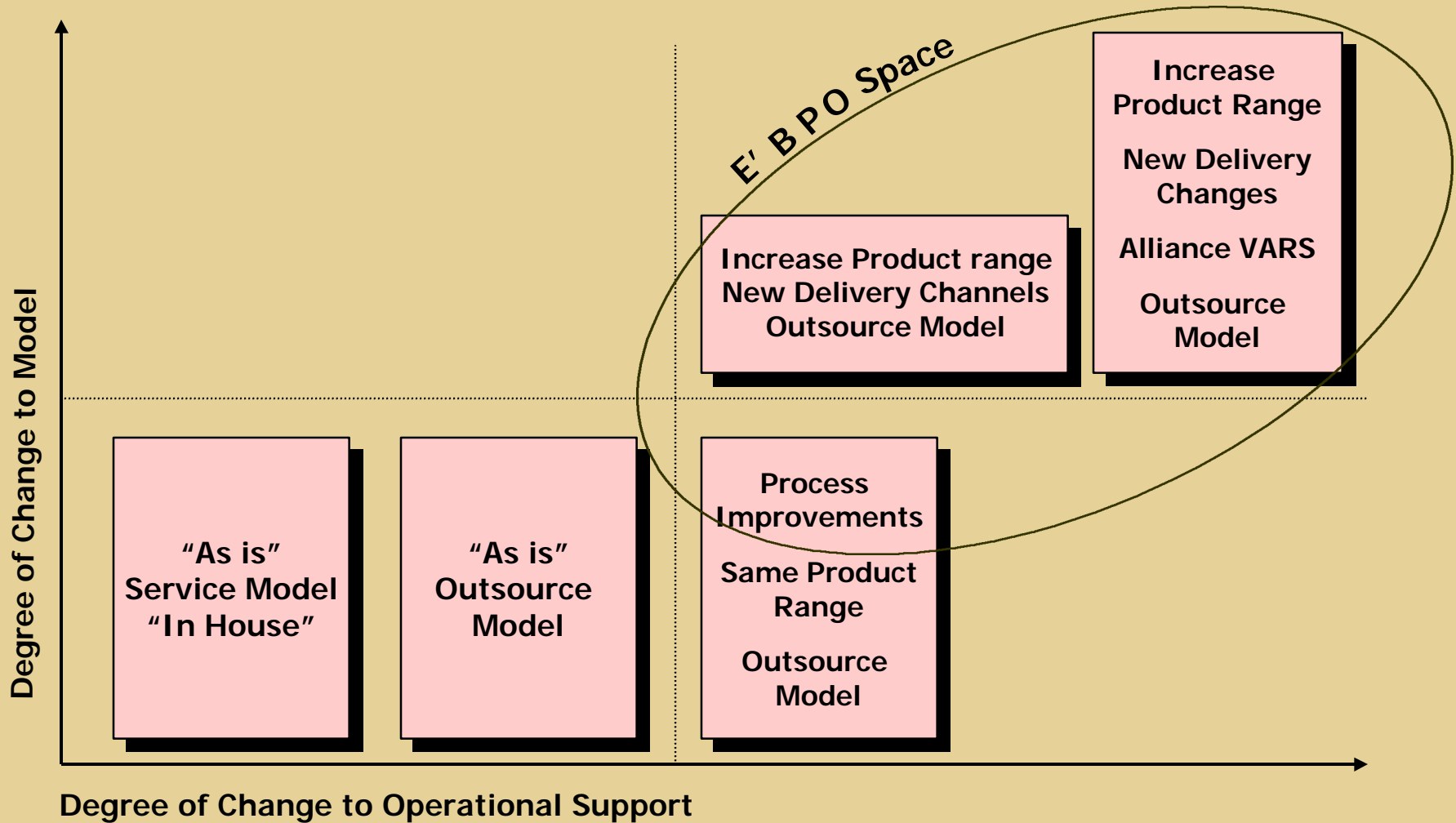


BPO transitions, transforms and grows formerly non-core people and/or processes in new market-driven environments

Banking in The E Distribution Environment....



Change Matrix.....




Centres of Excellence

The Centre of Excellence concept is a powerful way of partnering with a company to deliver high quality service

- **Shared Services.** Designed to operate as a Shared Services Centre with multiple clients
- **Best Practices.** Advanced technologies, and continuous improvements to enhance performance, profitability, and shareholder value
- **Global Back Office.** Staffed with local nationals who understand the host country's business practices, regulations, and social customs
- **Major Locations.** Australia, Colombia, India, Japan, Korea, Netherlands, Poland, Venezuela, UK, US

What are The Demands on Management....

- **Mastery of Processing Methods**
 - **Leadership in Change and Programme Management**
 - **High Communication Quality - Internally & Externally**
 - **Technology Mastery**
- 
- **Increased Competition**
 - **Impact of E' Business**
 - **Need to Extend Product Range**
 - **Marketing & Brand Excellence**

Processing Excellence..... Dream or Reality?

- **Seamless Delivery**
 - **Minimum Manual Intervention**
 - **Reconfigurability**
 - **Full Audit Trail**
 - **Known Cost**
 - **Continuous Metrics**
 - **Customer Focussed**
 - **Highly Skilled Staff**

Global BPO Network of Centres of Excellence



The Centres are designed to serve as a Global Back Officesm to support the client operation

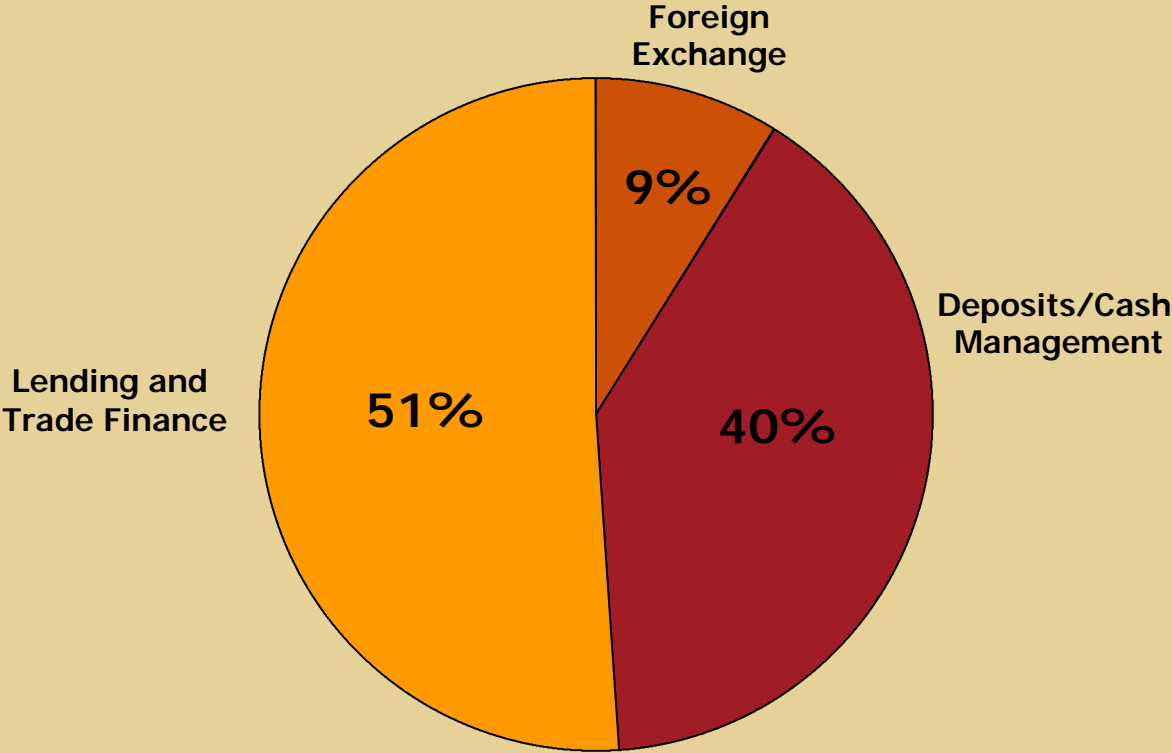
Summary

- **Enables Management to Focus on Customer Value**
- **Enhances Return on Equity**
- **Positions Process for Global Delivery in the Most Efficient & Cost Efficient Environment**
- **Supports Consistent E'Commerce Platforms and Value Added Service Environment.**

Corporate Banking Revenues By Product: 1996

US\$ billions, percent

100% = US\$56 BILLION *



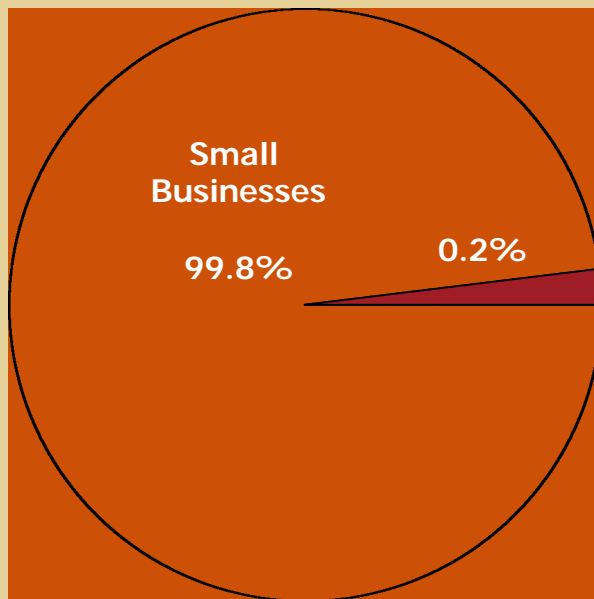
* Based on data for the top 500 banks in Asia, which do not include cooperatives or finance and leasing companies, and excluding offshore loan books. Total revenues may be understated by up to 15%. Revenues are pre-loan loss provisions.

Source: Standard & Poor's DRI; Bank for International Settlements; International Monetary Fund; government statistics; McKinsey analysis

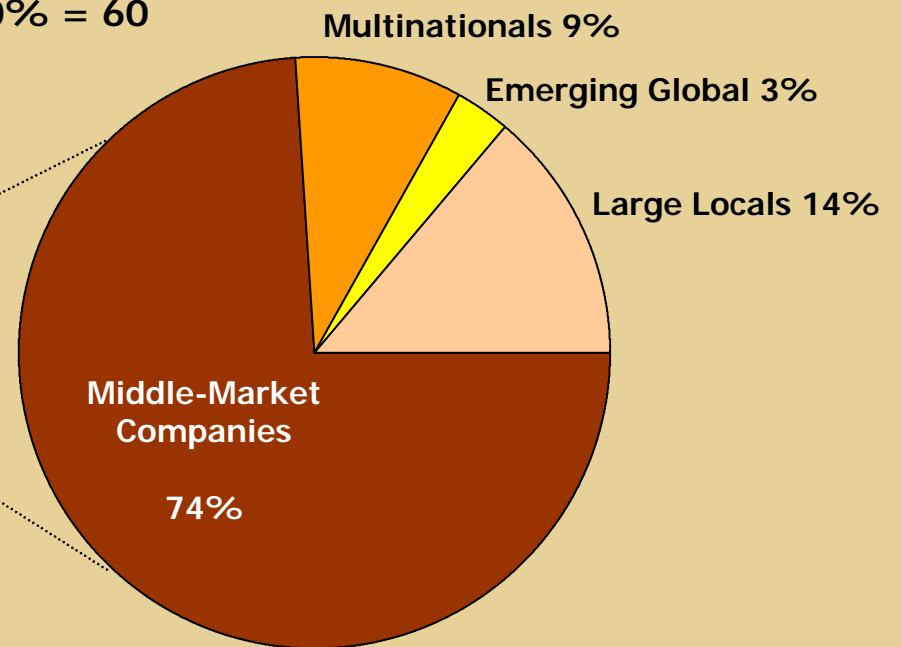
Estimated Number Of Companies In Asia: 1996

Thousands of companies, percent

100% = 44,179



100% = 60



Source: Government Statistics; McKinsey Estimates

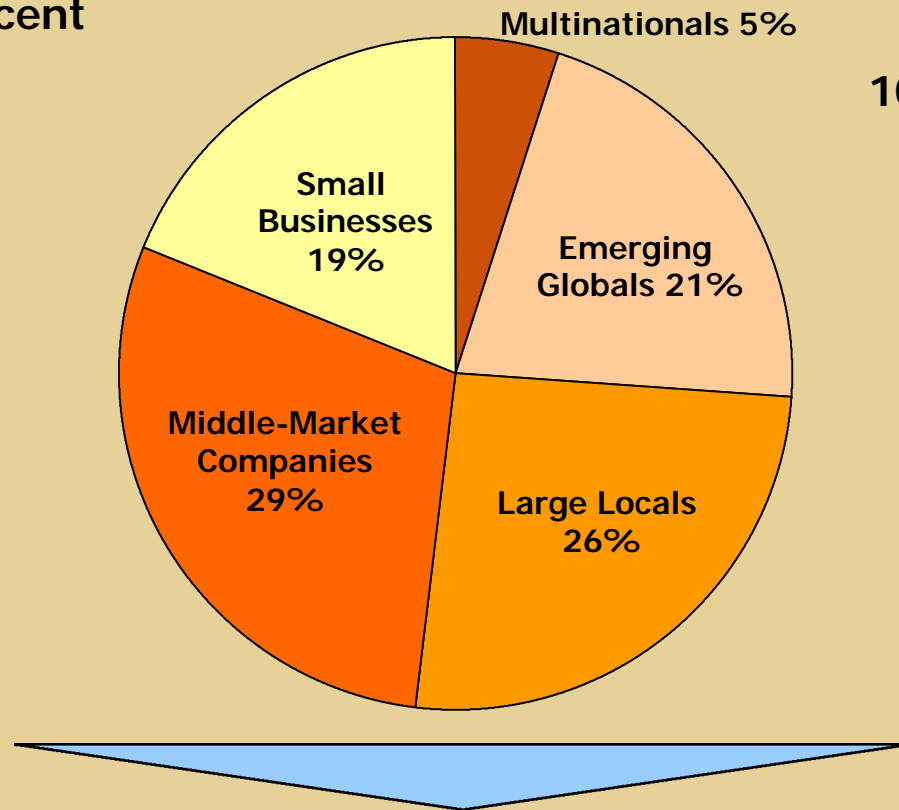
Estimated Number Of Companies In Asia: 1996

	Japan	Korea	Taiwan	Hong Kong	Singapore	Indonesia
Multinationals	380	60	278	296	898	172
Emerging Globals	1,000	194	36	50	90	32
Large Locals	5,000	642	403	350	288	100
Middle-Market Companies	15,000	4,160	2,000	10,000	1,712	500
Small Businesses (Thousands)	2,428	2,802	947	250	34	2,060
Total (Thousands)	2,449	2,807	950	261	37	2,060
	Malaysia	Philippines	Thailand	India	China	
Multinationals	462	62	1,066	276	1,273	
Emerging Globals	84	11	122	42	30	
Large Locals	500	51	97	227	450	
Middle-Market Companies	3,000	844	704	1,741	5,000	
Small Businesses (Thousands)	363	741	299	2,854	31,342	
Total (Thousands)	367	742	301	2,856	31,349	

Source: Government Statistics; McKinsey Estimates

Estimate Corporate Banking Revenues By Segment and Country: 1996

US\$billions, percent



100% = US\$56 billion *

* Based on data for the top 500 banks in Asia, which do not include cooperatives or finance and leasing companies, and excluding offshore loan books. Total revenues may be understated by up to 15%. Revenues are pre-loan loss provisions.

Source: Standard & Poor's DRI; Bank for International Settlements; International Monetary Fund; government statistics; McKinsey analysis

Estimate Corporate Banking Revenues By Segment and Country: 1996

	Japan	Korea	Taiwan	Hong Kong	Singapore	Indonesia
Multinationals	1%	1%	4%	2%	3%	6%
Emerging Globals	27%	35%	4%	6%	29%	19%
Large Locals	22%	41%	25%	20%	39%	17%
Middle-Market Companies	24%	11%	49%	60%	21%	30%
Small Businesses	26%	12%	18%	12%	8%	28%
100% =	\$18.1	4.7	4.2	2.9	1.9	2.0
	Malaysia	Philippines	Thailand	India	China	
Multinationals	4%	6%	9%	6%	13%	
Emerging Globals	20%	37%	20%	31%	11%	
Large Locals	23%	24%	34%	28%	23%	
Middle-Market Companies	32%	21%	23%	18%	34%	
Small Businesses (Thousands)	21%	12%	14%	17%	19%	
100% =	\$3.0	1.3	5.0	2.0	10.6	

* Based on data for the top 500 banks in Asia, which do not include cooperatives or finance and leasing companies, and excluding offshore loan books. Total revenues may be understated by up to 15%. Revenues are pre-loan loss provisions.

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