

IT Service Systems Economics Part I

The Local and Global Economy (Statista, 2023)

The Information Technology (IT) Services market covers a range of services utilized by organizations to create, manage, and deliver information that includes services that assist with various other business functions.

Simply, an **economy** is the structure of production, distribution, and utilization of goods and services, which includes IT services that ensure that IT infrastructure, applications, and systems are efficiently implemented, operated, and optimized to support an organization's business objectives and requirements. The services offered depend on the service provider and the client's requirements.

The Local IT Service Economy

Four (4) distinct IT service markets in the Philippines offer different services.

IT Consulting and Implementation

This covers advisory services for businesses to evaluate their technology strategies and align them with their business strategies or internal processes.

Accenture offers IT consulting and implementation outside of business process outsourcing (BPO) operations that it is mostly known for. They offer cloud strategy and design to maximize a company's cloud investment and its benefits. They also offer intelligent operating models and innovation services for companies to respond to market demands by designing and implementing an operating model built for agility, resiliency, and growth.

IT Consulting and Implementation companies in the Philippines include:

- Emerio Philippines, Inc.
- Global BrainForce
- Genie Technologies, Inc.
- I-Asiatic Innovations
- Tsukiden Global Solutions

Revenue in the IT Consulting and Implementation market in the Philippines is projected to reach up to \$106.6 million in 2023.

Business Process Outsourcing (BPO)

This is the transfer of the entire business process from a company to an IT-based third party. BPO has a wide variety of business processes that are either in the back office, such as human resources, or in the front office, which includes customer service in call centers.

The Philippines' IT-BPO sector makes up 13% of the global market share and is ranked 1st in voice-related services, according to Outsourcing Journal. The IT and Business Process Association of the Philippines (IBPAP) estimated that this market earned \$29 billion in 2021. In the same period, this market added another 120,000 full-time employees, which created a workforce of 1.44 million.

The Philippines government implemented the Special Economic Zone Act of 1995 to support the industry in establishing ecozones and information and communication technology (ICT) hubs. The Department of Information and Communications Technology (DICT) also launched the 'Digital Cities 2025' program to assist 25 areas outside Metro Manila in becoming digital cities by 2025.

Some of the popular BPO companies in the Philippines:

- Alorica
- Concentrix
- Genpact
- IBM
- Sutherland Global Services
- Teleperformance

Revenue in the BPO market in the Philippines is projected to reach up to \$0.62 billion in 2023.

IT Outsourcing (ITO)

The external contracting of IT functions, services, and projects instead of relying on company-owned resources.

If an organization outsources an IT task, such as tasks by software developers or outsourcing an IT supplier, the organization will be able to focus on its main functions. This will also allow them to save internal resources and costs in office space, maintenance, and utilities.

Global IT companies and tech giants take advantage of the ITO capabilities in the Philippines, including the following:

- **Google** outsources employees to the Philippines, from IT experts to analytical consultants.
- **Facebook** employs software specialists and subcontracts customer support providers and content moderators in the Philippines.
- **IBM** assigns IT functions like network management and infrastructure maintenance to IT outsourcing companies in the Philippines.
- **Hewlett-Packard (HP)** works with offshoring service providers in the Philippines for customer support and IT services.

Some IT Outsourcing companies in the Philippines:

- Microsourcing
- Sourcefit
- Yondu

Revenue in the ITO market in the Philippines is projected to reach up to \$596.2 million in 2023.

Other IT Services

This is the area that is not specifically mentioned above, which includes system integration, software installation and support, and IT education and training.

In the Philippines, there are a lot of IT services offered on social media, such as screen and battery repairs, hard drive and memory restoration, and basic login/credential resets. This is an easier way to market potential customers compared to stalls in malls that offer the same services, with service providers often calling the attention of passersby no matter if there was an intention to avail a service or not.

There are also IT education and training in the Philippines, including Computer Networking Career & Training Center, Inc. (CNCTC, Inc.). They offer various IT training for certifications in RedHat, Microsoft, TESDA, Azure, and Amazon AWS.

The revenue in the Other IT Services market in the Philippines is projected to reach up to \$0.62 billion in 2023.

Overall, the revenue of these IT service markets is projected to reach \$2 billion in 2023. The revenue is expected to experience an annual growth rate of 10.69%, which will result in a market volume of \$3 billion by 2028.

The Global IT Service Economy

Companies around the world are implementing IT services due to the advent of automation that eliminates monotonous tasks and huge changes in client demand, including tailored pricing and improved customer experience.

Due to the COVID-19 pandemic, companies have realized the necessity for digital adoption in their business operations, such as remote work support, software support, and data security.

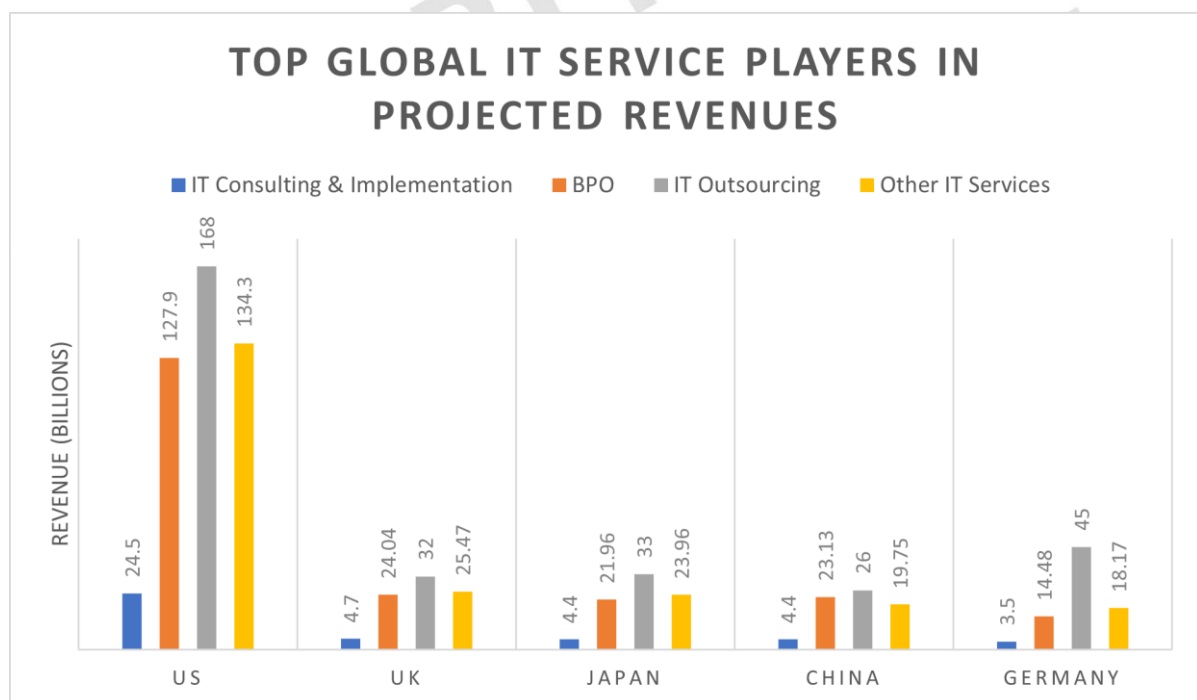


Table 1. Projected revenues per IT service market in 2023

Here is the breakdown of revenue projections for key players in the IT service systems industry.

1. **United States:** This country is projected to generate the most revenue in 2023 and reach \$455 billion.

Their dominant market is IT Outsourcing, with a projected market value of \$168 billion in 2023. Other IT Services come in second with a projected reach of \$134.30 billion, followed by BPO at \$127.90 billion and IT Consulting and Implementation at \$24.5 billion in revenue reach in 2023.

The United States is expected to have a market volume of \$629 billion by 2028 based on the expected annual growth rate of 6.70%.

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2. **United Kingdom:** The revenue in the UK is projected to reach \$86 billion in 2023. The IT Outsourcing market dominates, with a projected market volume of \$32 billion in 2023.

Other IT Services also come in second in the UK with \$25.47 billion of projected revenue, followed by BPO at \$24.04 billion, and IT Consulting at last with \$4.7 billion projected revenue in 2023.

The United Kingdom is expected to have a market volume of \$117 billion by 2028 based on the expected annual growth rate of 6.26%.

3. **Japan:** With \$83 billion in projected revenue, Japan sits in third place as one of the key players in the IT service industry.

IT Outsourcing also dominates the Japanese market, with a projected market volume of \$33 billion in 2023. It is followed by Other IT Services at \$23.96 billion in projected revenue, then BPO at \$21.96 billion, and IT Consulting & Implementation at \$4.4 billion in projected revenue.

Japan is expected to have a market volume of \$106 billion by 2028 based on the expected annual growth rate of 4.93%.

4. **China:** At 4th place, China is projected with \$73 billion in revenue in 2023. IT Outsourcing also dominates the market, with a projected market volume of \$26 billion.

The BPO market is in 2nd place with \$23.13 billion, followed by Other IT Services at \$19.75 billion. The IT Consulting market comes last with \$4.4 billion projected revenue.

China is expected to have a market volume of \$110 billion by 2028 based on the expected annual growth rate of 8.58%, thus outpacing Japan by \$4 billion.

5. **Germany:** Lastly, Germany is projected to have a \$61 billion revenue reach in 2023. IT Outsourcing dominates the market with a projected market volume of \$25 billion.

Other IT Services also come in second in Germany with \$18.17 billion projected revenue. The BPO market followed with \$14.48 billion, with IT Consulting at last with \$3.5 billion projected revenue.

Germany is expected to have a market volume of \$85 billion by 2028 based on the expected annual growth rate of 6.80%.

These data gathered by Statista include Business-to-Government (B2G), Business-to-Business (B2B), and Business-to-Customer(B2C) enterprises. At the same time, the figures are based on enterprises' technology spending on products, consulting, and outsourcing services.

The data is patterned using current exchange rates. The market is also updated twice a year in case market dynamics change, such as a pandemic or a war. Thus, the impact of the COVID-19 pandemic since 2020 and the ongoing Russia-Ukraine war is considered at a country-specific level as well.

The demand for IT services has been steadily increasing and growing since 2021, which ensures business continuity and strengthens business resilience to future disruption. The global IT Services market is expected to reach approximately US\$1,771 billion in 2028 through digital transformation, automated business processes, and the increasing demand for cloud services and infrastructure upgrading.

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