

Good morning, Vietnam – A new destination for software offshoring?

A high-level summary of the Vietnam Software Offshoring market along with the Pros and Cons.

Global Software Offshoring At A Glance

- According to a survey by A.T. Kearney
 - **73% of Fortune 2000 companies** say offshoring is an important part of their overall growth strategy.
 - Gartner predicts worldwide offshore spending will reach **\$50 billion in 2007**.
 - India currently holds **80% to 90%** of the offshore market. However, its market share will shrink to **20% by 2010**.
 - Today, less than 10% of US companies outsource to more than one country but **most are evaluating multiple locations**.
 - The number one issue for CIOs thinking about offshoring remains to be **“Cost-versus-Risk”**.

Global Software Offshoring Hierarchy

- According to the 2006 Global Outsourcing Guide
 - **India is still the leading player.** However, cost is rising with high turnover rate. Major companies are moving up the food chain to compete with the US tier-1 consulting companies.
 - **China is growing fast** (25% growth rate since 1999.) 2 million Chinese software programmers. English and lack of US business process knowledge along with potential geo-political issues are drawbacks. Major IP issues.

Global Software Offshoring Hierarchy

- According to the 2006 Global Outsourcing Guide
 - **Other Asian players** (Malaysia, Philippines, Thailand, Singapore, Vietnam) **are emerging with typical growing pains** (critical mass, geo-political, costs, language.)
 - **Ireland** is the leading European software offshore destination. Cost is a big factor.
 - **Eastern European players** (Hungary, Romania, Bulgaria, Poland, Czech Republic, Russia, Ukraine) are in the same boat as other tier-2 Asian players.
 - **New players in Latin America** (Mexico, Costa Rica, Brazil, Argentina) look very attractive due to geographical proximity to the US.
 - Africa (Ghana, South Africa) and the Middle East (Israel) are other possibilities.

Vietnam At A Glance

- A fast growing country ready to join other Asian tigers
 - **Size:** 329,560 sq Km (slightly larger than New Mexico.)
 - **Population:** 83 million
 - 32 % younger than 14 years old.
 - 63% between the ages of 15 and 64.
 - **Literacy Rate:** 94%
 - **GDP Growth:** 6 – 8 %.
 - **Government:** Socialist Republic of Vietnam (Communist government with a strong market-driven economy.)
 - **Largest Cities:** (Hanoi – Capital City; Ho Chi Minh City – Business Hub.)
 - **Primary Businesses:** Agriculture, Forestry, Fishing, Textile ...

The Information Technology business is new, emerging and growing!

Vietnam IT Business At A Glance

- Growing sector of the new “high tech” industry
 - 500 companies with over 10,000 professionals.
 - 300M USD in gross receipts with over 90M in software export. Annual growth rate of over 25%.
 - A handful of “large” companies with mature CMM development processes.
 - Favorable government treatments
 - Exempt from corporate income tax (28%) for the first 4 years.
 - Software products have zero VAT.
 - Preferential income taxation for IT professionals.
 - Current US companies: Intel, Anheuser Busch, Bayer, BMG, BP, Cisco, IBM, Merrill Lynch, Nortel, NTT, Sony and many others.

Why Vietnam? The Good ...

- An emerging player with strong potentials
 - Labor rate is still very cheap.
 - English as the “second” language.
 - Low attrition rate.
 - Loyalty, Diligence, Creative.
 - Serving as subcontractors to Indian firms.
 - Exporting IT labor to other Asian countries (Japan, South Korea.)
 - Favorable government tax breaks.
 - Huge Vietnamese Expat community looking to return and do business in Vietnam.

On the other hand ...

Why Not Vietnam? The Bad ...

- Infrastructure challenges.
- Intellectual Property challenges.
- Understanding of US business processes.
- Lack of senior IT managers and leaders.
- Smaller technical/professional labor pool.
- Not ready for large scale projects.
- Time difference (15 hours ahead of PST.)
- Government Policies.

IT21 Solution! The Beautiful ...

- We can close the gap by minimizing the risks and maximizing the rewards
 - **Office located in Saigon South with plan expansion to new Software Park** – This minimizes infrastructure issues.
 - **Strong and experienced management team** consisting of former US Chief Information Officers and senior management consultants
 - We understand US business processes.
 - We are obsessive about protecting our clients' intellectual property and sensitive data.
 - We have experience with SOX, Data Security and Business Continuity Planning.
 - **Our primary partner is the Vietnam preeminent law firm**
 - We have connection to the Government and local business community.
 - We understand and can help our clients navigate local laws and regulation.
 - **We have formed strategic partnership with major Vietnam software companies** enabling us to scale our operation to our client' project needs.