



# Executive Summary

## Philippines ICT Market Landscape Study

### Macroeconomics & IT Spend

2015 GDP growth was driven by strong domestic demand, particularly in the services sector. Although the government failed to hit its GDP growth target of 7% to 8%, the Philippines remains one of the best economic performers in the ASEAN region. The generally low inflation environment in 2015 was mainly due to positive supply-side factors, such as lower domestic prices of corn, oil, and rice; lower international oil prices; and lower housing and utility prices. Foreign direct investments in the third quarter of 2015 significantly increased to PHP 48.6 billion compared with PHP 18.6 billion in the same period in 2014. Majority of the foreign investments (PHP 27.7 billion or 56.9%) came from the Netherlands, followed by Japan (PHP 4.1 billion or 8.4%) and South Korea (3.6 billion or 7.5%).

As of November 2015, the Philippines rank first in import growth among other Asian countries with 10.1%. Higher purchase of durable goods, such as home appliance, mobile phone, and cars increase the import payments for consumer goods. The electronic products import grew to a US\$ 2.13 billion amounting 35% of the total import bill. Components/devices (semiconductors) shared 26.1% in the total. This reflects continues interest of Filipinos to new and imported devices.

In contrast with other export goods of the country which are going negative, the exports of electronic products remain the top export with 6.4% increase in revenue. The electronics industry, which accounts for 50% of the country's total exports, has maintained its forecast of flat growth for the entirety of 2015 on soft exports demand. To sustain the growth for electronics industry, SEIPI saw the absence in new electronics investments in the country and manage to connect with several groups exploring expansion in the Philippines. Overall, weak global demand by major trading countries such as China, Japan and US was the main reason of decline in exports.

Good economic condition, lower cost of labor, and good skillsets in the country make the Philippines an attractive market for foreign firms in the manufacturing, BFSI, and BPO sectors. Though the Philippines was affected by the global economic crisis experience by neighboring countries, a growth in imported merchandise means an increasing investment demand in the Philippines.

The e-Government Master Plan (EGMP) for 2013-2016 serves as a blueprint for the integration of ICT solutions for the whole of Philippines government. It builds on past ICT plans and initiatives while consolidating current needs and developing a vision of the future. Key agencies for the implementation of this plan include the Department of Science and Technology (DOST), the Information and Communications Technology Office (ICTO), and the Advanced Science and Technology Institute (ASTI). With the aim of creating a digitally empowered and integrated government that provides responsive and transparent online citizen-centered services for a globally competitive Filipino nation.

One of the major elements of the EGMP, the iGovPhil Project aims to improve government processes and the delivery of public services. The primary purpose of the project is to fully utilize already developed ICT applications, install and operate a secure government email system, as well as develop and deploy common applications and shared services.

The IT spending for 2015 in the Philippines is looking at a healthy performance and is expected to grow by 10%. The strongest increase is in the area of smartphones, followed by midrange enterprise servers, networking equipment, broad IT services, and software needs. Central to this development is the positive outlook in the country's economic indicators and the vibrant spending from consumer sector that indicates an ongoing change in the nature of spending. The Philippines has a large and growing working-age population, and half of the population is under the age of 24.

The "changing of the guards" in the home front has deeply transformed IT spending habits, which will cause a stronger demand for mobility, devices, services, and applications across the country. The increasing ICT demand from small and medium-sized enterprises (SMEs) and continued strong business process outsourcing (BPO) performance will also push ICT spending in 2015.

IDC's Continuum Survey finds huge majority of Philippines companies was looking to increase ICT budget and spending in 2015. This shows a healthy sign for the Philippines in the bigger scheme of things. ICT spending is expected to be heavily impacted by the Third Platform and usage of these technologies is being driven by the needs of companies seeking for new and effective ways for better engagement.

The Philippines IT spending is skewed toward hardware, with more than 70% of all IT spend from enterprises focused on purchasing devices such as smartphones and tablets. Overall market sentiments were more conservative, especially with the upcoming elections. That said, the traditional annual budgets in the banking and telco industries were still being consistently used and spent on enterprise hardware. The main goal for most high-spending industries is to spend IT budgets on modernization and refreshment of legacy systems. IDC anticipates services to increase IT spending in the near future, while government budgets is expected to decline due to economic uncertainties. Communications and media will continue to invest heavily in IT on the back of network modernization and 3rd Platform initiatives.

The ongoing modernization of Philippines enterprises created new avenues for software vendors, while lower cost software-as-a-service solutions had the potential to deepen the market to a greater number of SMEs. SMBs and domestic enterprise customers were comfortable with moving non-core workloads to public cloud delivery models, specifically workspace applications, inventory management, collaboration workloads. This is an area mostly addressed by global majors (albeit through local partnerships) and is expected to shortly include high adoption of Application Development and Test workloads as well to be delivered from public cloud models.

Since the Philippines is more traditional in nature and hardware-centric when it comes to IT spending, the support and training services market continues to command the largest macro-market share. The market is driven by hardware and deploy support services, with more projects coming from the public sector.

## IT Services Market Overview

IT transformation has been the theme of outsourcing market since the start of 2015. More end users have been engaged in outsourcing projects in 2H 2015 because of the need to consolidate resources and scale down IT infrastructure cost. Hosted services have been driving the growth of overall outsourcing market. SMEs are more conventional on their ICT priorities, focusing on the improvement of their basic infrastructure, while large enterprises are taking into account the enhancement of new technology requirement, hence more project-based (e.g. SI and IT consulting) and managed services (e.g. datacenter outsourcing) opportunities.

Project-oriented services, as a proportion of total services spend in the country, increased. This can be attributed to the demand for consulting and systems integration services for data center deployments, movement to cloud, and need for Big Data and analytics-centric projects.

Enterprises are increasingly opting for outsourcing to reduce costs, have faster service delivery, better manage their finances, and integrate business processes easily. Furthermore, growth was enhanced by the expansion of global BFSI and manufacturing companies. As a result, there was an increased demand for colocation services, server hosting, and cloud-based services.

SIs in the Philippines are very traditional, which are still hardware-centric. Most SIs are still transitioning to becoming solutions providers, and some have just started infusing 3rd Platform technologies in their products. In addition, they plan to expand outside Metro Manila and other regions like ASEAN and North America. Key promotion and pricing strategies are tied with the principals for most of them. Some end users are in wait-and-see mode in terms of technology adoption, but they prefer vendors that they trust and worked with.

Top local SIs by revenues in US\$ millions, are ePLDT (32), ICS (18), IPC (14), Questronix (12), TIM (9), AMTI (16), Fountainhead Technologies (7), Nexus Technologies (4), Jupiter Systems (3), and First DataCorp (3).

## Market Entry Strategy

In order to penetrate Philippine's market, IDC recommends three go-to-market strategies for MDEC to consider.

### Bring a Thought Leader mind-set

Thought leader is likely considered as main importance in the Philippines, especially for digital transformation. Penetration as a thought leader in the industry will be significant to increase interest amongst enterprises. Highlight capability in emerging technologies will be critical. Telco providers are highly favoured for ICT, compared to other players. MDEC should use this advantage to upsell/cross-sell ICT solutions to their existing connectivity customers and new potential customers.

- **Market education.** Providing products and services education and guidance is necessary to create more interests and build opportunities in the market. In addition, this will entail and highlight capabilities that lead to trust gain for end-users.
- **Focus on awareness campaigns of emerging technologies, including third platform technologies (cloud, big data, social and mobility) and innovation accelerators like IoT.** Since enterprises are increasingly looking for telco providers that can provide them solutions and 3rd Platform technologies, it is important for telco service providers to undertake transformational journey to build the appropriate operating model or consult entrepreneurial thinkers to understand the cultural shift.

### Broaden ecosystem partnership

Smart partnership is necessary to grab and accelerate strategies in the Philippines, especially in penetrating geo-level markets. Strategic relationship is necessary to build. It is also important for MDEC to acquire expertise from their ICT partners, while retaining their brand identity. This will address the current requirements from the enterprises.

- **Localized strategy, especially for area.** Establishing and evolving sales team per area are critical for this strategy.
- **Consider strategic partnership and channel strategies, especially for emerging technologies expansion.** This may create new opportunities and develop awareness of technologies.

## Vertical-based solution and penetration

Vertical-based penetration is focused in providing vertical expertise to end-users. This includes offering custom solution based on vertical needs and demands, as well as understanding vertical business or behaviours.

- **Vertical demands and behaviors identification.** Evolve sales team by vertical that to cater and understand vertical needs, demands and business process.
- **Vertical-based custom solution for end-users.** Provide custom solutions based on the needs and demands. Develop vertical-based solution capabilities.

Looking ahead to the future, the different verticals that present different opportunities for MSC exporters are as follows.

- **Hot Vertical.** Financial Services Institutions, Business Process Outsourcing, Communications & Media. With more developed ICT and business mind-set on these segments, understanding enterprises' business process and behaviour will be critical for market penetration. Segment-focused (based on vertical/area) sales will be more effective to create segment-based solutions for the enterprises
- **Warm Vertical.** Retail & Wholesale, Services, Logistics. As developing segments in the Philippines, it is significant for MDEC to be able to cater business problem and needs. Segment-focused sales will be more effective for these segments. Business consultant to upsell or cross-sell to ICT products or emerging technology based on the needs of verticals/area is favourable, especially these verticals and areas have highly implemented telecom services.
- **Cold Vertical.** Government & Education, Manufacturing & Construction. Market and product education is required. Segment-focused sales will be more effective for customer engagement and market penetration for enterprises.

The following table lists the more prominent System Integrators in Philippines for MSC companies to consider potential partnership.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
ePLDT	Can cross-sell products to PLDT, a large telco and its parent company, which is known across all verticals and business sizes. Has engagements with the government. But since the government lacks participation in public-private partnership (PPP) projects, ePLDT's engagements and projects did not take off.	Focuses on enterprises, through PLDT Alpha, which opens pockets of opportunities for the company since the resources are in the enterprises. Is taking advantage of the growing BPO industry.	ePLDT is having a hard time penetrating the growing healthcare industry because of being conscious with data security. Moreover, it is looking for partners with best-of-breed products and services to eventually add security and mobile solutions in their offerings.	Verticals: Telco, Banking, Professional Services  Solutions Focus: Microsoft, Avaya, Symantec, CheckPoint, Cisco, and Aspect	Among all SI vendors in the country, ePLDT might be the biggest one and it is backed by its parent company, the PLDT Group, which is also one of the two largest Telcos in the country. Its focus was originally on datacenters to grow the telco networks, but it has become an end-to-end service provider that focuses on enterprises (micro, small, medium, large, and very large), with dedicated teams handling all segments. Partnership with ePLDT opens a lot of opportunities because its parent company is one of the largest consumers of IT. Potential partners can take advantage of the healthy growth in the BPO, Communications and media, and BFSI — sectors in which ePLDT has a huge presence.
TIM	Has proven track record as SI in the public sector and BFSI. Has a strong project management skill set, in which it's capable of delivering 20 projects at a time. Has been established in the industry, but services	Sees opportunities in the industries that it least plays in. Looking forward to develop and provide new solutions as well as capture various industries in its datacenter business.	The company is committed to educating the market about governance, risk, and compliance. With this, it is partnering with its principals to organize an event in BFSI. This is to help them gain an enterprise view of risk of	Verticals: Public Sector, BFSI, Communications and media  Solutions Focus:	TIM has extensive years of experience as a provider of systems integration services, which makes it a good fit for MDEC's market entry strategy. To capture major projects from several government agencies and BFSI companies,

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	weren't able to transform into the demands of 3rd Platform technologies.		ongoing local and regional regulatory change management.	Systems integration (TIM freely accommodates multiple sets of products)	partnership and alliance with TIM is needed. The company is open for regional and global vendor partnerships that could help them expand its managed services and integration business.
Nexus Technologies	Has over 200 technical certifications across various solutions and product lines. Maintains strong network of IT solutions provider Revenue contribution stream mainly from the resale of hardware. Still slow in transitioning from being a hardware to service provider.	Focuses on staying with its customers through to implementation, hence more opportunities for the extension and renewal of contracts because clients like service providers that ensure service and support.	Nexus as a whole adopts a very open approach to partnering. It understands that carrying a single brand may not necessarily prove customer centric and the need to be agnostic will serve its business goals well. That said, there is a strong expectation on the principal vendor to showcase product leadership as well as to support the ramping up and go to market strategy.	Verticals: Telco, BFSI, Manufacturing  Solutions Focus: Security software, business applications (e.g., ERP, CRM), and hardware maintenance and support	Strong IT capabilities is one of the Nexus Technologies' strength, and MDEC can leverage on it. The company is also a part of the Nexus Group, which is known among the Philippines' top corporations. With this, Nexus can be positioned as the gateway for MDEC to reach more clients across different industries. In addition, it can also be a partner to its sister companies for its various solutions and product lines.
First DataCorp	Has long experience and good track record as an SI from a name-value standpoint. Acquired strength in solutions delivery via investments on certified manpower as well as key strategic partnerships. Has limited control over its sales strategies because most are tied up with the principals. Lack of prominent and	More opportunity in the cloud space, especially it's gaining traction on its key verticals. Has established strategies to address the SME market.	It boosted its systems integration and IT consulting services. These solutions are considered necessary by most companies in the Philippines. Bundled solution packages have been determined to be the key approach to end users.	Verticals: Manufacturing and BFSI  Solutions Focus: Implementation of Microsoft products and solutions	First Datacorp is upgrading its services business to become a provider of high-valued solutions. To achieve a smooth transition and have effective implementation of its new business, MDEC can introduce MSCs that offer high-valued solutions and assist First Datacorp in the integration of the services. It is strong in delivering solutions through investments on certified manpower and key strategic

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	unique product or service compared with other SIs				partnerships. MDEC can leverage its capabilities in systems integration services in the manufacturing industry.
IPC	Expert in providing cloud-based solutions and services. Is able to adjust pricing especially to SMEs. Limited business application offerings. Branding is confusing because it is part of PLDT Group.	Sees opportunities in industries that require cloud and run its business applications through cloud. Sees opportunities in application management and development specially for mobile. Able to customize Salesforce.	IPC provides flexibility to its clients. With this, scaling up or down anytime is not a problem and clients will not end up with too much or little services, space, or licenses because customers only pay for what they need.	Verticals: Banking, Discrete manufacturing, utilities, financial services  Solutions Focus: Datacenter management and cloud-based solutions and services.	Micro, small, and medium-sized enterprises (MSMEs) love to work with IPC because of its Enterprise Sachet, which is a pay-as-you-go model that enables them to use the competitive tools and solutions that large enterprises also use. MDEC can partner with IPC to utilize its expertise in providing business apps running through the cloud. Because of its strong focus on cloud, more companies tap them on the back of the growing requirement on cloud-based solutions.
AMTI	Has a solid experience in systems integration and is the leading partner of global IT brands, with over 50 IT vendors and over 30 nationwide partners. Has a wide array of technology solutions and IT services, from enterprise computing, 3rd Platform technology solutions, to industry solutions and voice and video solutions.	Taps the services and technical capabilities of a number of trusted and local IT companies in major cities in the Philippines. The strategy is called Technical Alliance Program (TAP).	As its hardware business is the biggest among the technology domains, AMTI thinks that some support services do not automatically go to their revenue. Therefore, AMTI provides a uniform support services to gain more clients. The company also focuses on 3rd Platform technologies, such as Big Data and cloud. It also provides security solutions and services. Its approach is to position its engineers, who are	Verticals: Telco, BFSI, Manufacturing  Solutions Focus: Healthcare solutions, enterprise applications, Big Data, enterprise computing, network, and security	MDEC should work with AMTI as it has experiences on working with Malaysian IT services providers, such as Strateq. Its work with regional providers means that it is a strong SI not only inside the country. It has good understanding of the market as it can guide its partner whichever path they want to take, be it on the hardware-, software-, or services-side of business. In terms of disruptive technologies, it has built its

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	<p>Has own partnership program that helps them deliver quality services to its clients.</p> <p>Although it has more than 3,000 clients across the Philippines, it still has select industry focus. It has no vertical approach in terms of selling products and services, which is important.</p>		<p>highly certified by world-leading names in technology, to tailor-fit a complete solutions package based on client demands.</p> <p>It is present in almost all key vertical markets. Its advantage is that it also provides industry-specific solutions such as healthcare solutions to target an industry.</p>		<p>technical know-how in providing analytics and cloud-based solutions.</p>
ICS	<p>Provides after-sale support, including the maintenance of mission-critical applications. Has strong pool of consultants, sales people, and IT talents. As a third party, it experiences difficulty in providing different requirements, especially the projects that have already been started by their principals.</p>	<p>Opportunities are in SMEs. Will take advantage of the influx of foreign investors to the country. Will still make business around hardware maintenance and support since the market is still hardware-centric</p>	<p>It is growing not just business applications but also cloud-, Big Data-, mobility-, and datacenter-based solutions. Through this, they will be able to cater to the needs and requirements of its customers in BPO and BFSI, where it has huge business.</p>	<p>Verticals: Professional Services, BFSI, Public Sector</p> <p>Solutions Focus: Servers, storage, networking solutions, business application implementation</p>	<p>The company gains trust from its clients by providing after-sales support, including the maintenance of mission-critical applications, alongside its expertise in providing extensive managed services, systems integration, and hardware deploy services. By partnering with ICS, MDEC can lean on the company's strong pool of consultants, sales people, and IT talents. To increase the number of its clients, the company is targeting foreign investors in the country and the SME market.</p>
Jupiter Systems	<p>Solutions are locally developed, hence easier for clients to adopt the solutions. Solutions adopted the setup in the government. For example,</p>	<p>Sees opportunities in the SMB space since there are more SMBs than enterprises in the Philippines. Optimistic on companies investing in the country. Keen on intensifying its</p>	<p>The use of mobile devices is introduced for distribution, invoicing, and advanced selling. In addition, the company is moving toward cloud-based solutions to complement the ERP system.</p>	<p>Verticals: Hospitality, Manufacturing, Retail</p> <p>Solutions Focus: ERIC and OASIS</p>	<p>Jupiter Systems is a known vendor with strong footprint in the hospitality and retail industries. It is venturing into automotive industry to deliver its best custom solutions, which makes it a perfect partner for</p>

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	they can easily adjust the price or value-added tax if there's a new requirement from Bureau of Internal Revenue (BIR). Solutions have bugs, and it's one of the major complains of its clients.	presence in the automotive industry as there are lots of pockets of opportunities and requirements for ERP solutions.	This is on the back of companies moving its business application to the cloud environment.		MDEC. This will be beneficial for MDEC because Jupiter System's solution is locally developed and local clients can easily adopt to it. Cloud-based solutions to complement ERP systems will be its new focus that MDEC can leverage.
Fountainhead Technologies	One of the largest SAP, NetSuite, and Oracle resellers or channel partners. Can handle more workload than their competitors. Payment is amortized. More clients are enticed with this payment strategy. Has limited partners, hence limited offerings. Lack people for managed services.	Looks at the maturity of technology adoption of Filipino enterprises. Sees the opportunities in the 3rd Platform technology space, in which it plans to offer cloud services.	Fountainhead Technologies is moving away from upfront payment basis to amortization. In this way, cost-sensitive SMEs can manage their OPEX better and could plan for the next project with the company.	Verticals: Retail, BFSI, Manufacturing  Solutions Focus: Oracle business suite, Big Data and analytics, and systems integration	Fountainhead Technologies is a good fit for MSCs in Malaysia because it has already built strong alliance with other service providers, such as Oracle and SAP, among others. MDEC can benefit from it through its comprehensive portfolio that serve several industries as well as the company's custom designed long-term support and maintenance services that prove cost effective in many cases.
Questronix	Has established its presence in the industry as an SI. Has good leasing options. One of the primary partners of IBM in Asia/Pacific. It is a provider of traditional solutions. This makes the company weak in terms of solutions running on disruptive technologies like cloud. Limited	Opportunities in cloud, analytics, and security in the SMB market. Will penetrate market that require high-valued services. The company shifts away from hardware selling. Will grab the opportunity in IT consulting. So instead of providing it as a value-added service, they will make it as revenue-generating service.	Questronix is making a gradual move from selling hardware to selling more solutions. They have to make this significant transition because the market now requires solutions that are built on 3rd Platform technologies. Although there is still a huge chunk of revenue from its recurring hardware business, they are growing the	Verticals: BFSI, Telco, Retail  Solutions Focus: IBM Systems, ERP, systems integration	In the next few months, Questronix will rebranded itself as an ICT service provider as it will focus on providing more solutions than hardware products through a structure of services portfolio ranging from System Integration, Consulting Services, and Deploy and Support Services. With the new focus given, Questronix will adopt further custom solution

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	background in security, analytics, and cloud.		revenue by focusing on high-valued services.		and is expected to infuse 3rd Platform technologies into its portfolio.

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## IDC Malaysia

Suite 7-03, Level 7 The Pinnacle  
Persiaran Lagoon, Bandar Sunway  
46150 Petaling Jaya, Selangor  
Twitter: @IDC  
idc-community.com  
www.idc.com

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