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Albanian Outsourcing Association
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Foreign Investors Association of Albania

Business Process Outsourcing in Albania

A Compelling Business Case

Developed by: AVASANT

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Contents

About Albania..... 7

Evaluation of Albania as a BPO Destination 10

Profile of major Albanian BPO companies 23

The Business Case for operating in Albania 24

Appendix 1: Global BPO Market Overview 26

Appendix 2: Key Contacts 30

List of Figures

Figure 1: Albania BPO Industry Verticals, Source: Avasant Market Research 8
Figure 2: Advantage Albania: Intrinsic Advantages, Source: Avasant Market Research ... 9
Figure 3: Peer Group Comparison: Overview, Source: Avasant Market Research 10
Figure 4: Methodology Overview: Comparative Analysis 11
Figure 5: Albania: Population breakup by age, Source: Avasant Market Research 11
Figure 6: Albania: Secondary Enrolment Ratio Peer Comparison, Source: World Bank 12
Figure 7: Albania: Tertiary Enrolment Ratio Peer Comparison, Source: World Bank 13
Figure 8: Albania: Tertiary Enrolment Ratio Peer Comparison, Source: World Bank 14
Figure 9: Overall Unemployment: Peer Group Comparison, Source: World Bank 14
Figure 10: BPO Industry Workforce: Peer Group Comparison, Source: Avasant Market Research 15
Figure 11: Average BPO salaries (Euros/Year): Peer Group Comparison, Source: Avasant Market Research 15
Figure 12: Fixed Broadband by speed (Albania), Source: ITU 17
Figure 13: Internet Access (Percentage Population), Source: World Bank 18
Figure 14: Electricity Cost Peer Group Comparison (US Cents Per KWH), Source: World Bank 19
Figure 15: GDP Contribution, Source: CIA World Fact book 19
Figure 16: Comparison of some of the key doing business factors, Source: World Bank DB 2017 21
Figure 17: Tax Rate Comparison, Source: World Bank 22
Figure 18: Summary Advantages of Albania as a BPO Location 25
Figure 19: Distribution of BPO Services,2014 Source: Avasant Research, NASSCOM 26
Figure 20: EMEA BPO spend over last 4 years, Source: IDC (www.idc.com) & Avasant Contract Database 27
Figure 21: BPM Spend by geography, Source: IDC (www.idc.com) 28
Figure 22: Propensity of Outsourcing in Europe, Source: Avasant, Market Research 28
Figure 23: Preference for Nearshoring vs. Offshoring, Source: Avasant, Market Research.. 29

List of Tables

Table 1: BPO Services offered by Albanian companies, Source: Avasant Market Research 8
Table 2: Graduate strength by education stream, Source: Avasant Market Research 13
Table 3: Comparison of Physical Infrastructure: Office Space Cost, Source: Avasant Market Research 16
Table 4: Comparison of Physical Infrastructure: Electricity, Source: World Bank 18
Table 5: Albania's Key Economic Indicators, Source: Avasant Market Research 20
Table 6: Albanian BPO Companies, Source: Avasant Market Research 23
Table 7: Cost Structure 24
Table 8: Operating Costs/Employee, Source: Avasant Market Research 24

About Albania

Situated strategically in the East Balkans, Albania provides for a very advantageous and safe option as a nearshore destination.

With a thriving democracy and some of the best infrastructure in the region, Albania is proving to become a destination of choice for business. A young and dynamic workforce with a population of close to 3 million makes an excellent and cost effective human capital hub especially for knowledge work. The workforce has a flair for languages and can speak various languages including English, Albanian, Greek, Italian, German, French, Turkish, Serbo-Croatian. Albania is constantly working towards doing business easier and is reflected in the ease of doing business rankings.

Doing Business rankings- 2017

- ✓ Ranked 19th out of 190 for protecting minority investors
- ✓ Ranked 58th out of 190 overall
- ✓ Ranked 44th out of 190 on the Ease of getting credit

ALBANIA – A DESTINATION WITH NEW OPPORTUNITIES

Albania is a country of new opportunities with a youthful highly-qualified and low-cost labour force eager to work. 57 per cent of Albanians are 35 years old and younger and the average wage is one of the most competitive in the region. More than 160,000 students are enrolled at universities and foreign languages such as English, Italian and German are widely spoken.

With the new government fully committed to introducing necessary reforms, improving business climate and making the country grow further, Albania is coming closer to the European Union, which the country aspires to join and by whom it is already regarded as an official candidate country. In October, 2014, Standard & Poor's revised its outlook on Albanian and changed it to positive from stable. In the Doing Business 2015 report, the country was ranked 68th, compared to 90th in 2014. Albania performed very well and is ranked 7th out of 189 economies as far as investor's protection is concerned.

The country's legal framework on FDI has been designed to create a favourable business climate for foreign investors: no restriction on capital movement, simplified tax procedures, no restrictions on repatriation of profits, competitive tax rate; double taxation treaties with 40 countries and a tax system which does not distinguish between foreign and domestic investors. Structural reforms and an improving business climate contribute to GDP growth and an increase in export. According to the World Bank, driven by a recovery in consumption and robust investments, Albania's GDP is expected to rise by 3.2% per cent in 2016, 3.5% in 2017 and 3.8% in 2018.

Genti Beqiri
Chief Executive Officer of the Albanian Investment Development Agency

The Business Process Outsourcing Sector in Albania presents an excellent opportunity for multilingual service offering

The business process outsourcing (BPO) sector in Albania has seen steady growth since its inception and currently employs close to 30,000 professionals. Tirana is the BPO hub of Albania, followed by Durrës, Shkodër and Vlorë. Elbasan, Fier, Lezhë and Korçë are the other upcoming BPO centres in the country.

Albanian BPO companies have a very mature offering in the outbound tele sales and telemarketing service areas and are now looking at further climbing up the value chain by providing high value services as well as IT services. The table below lists the various BPO services offered by Albanian companies:

	Service Line - 1	Service Line - 2	Service Line - 3	Service Line - 4
Voice Inbound	Technical Support	Help Desk & Concierge	e-Commerce Customer Care	
Voice Outbound	Telesales	Promotion Campaigns	Loan & Card Collections	Lead Generation
Transaction Based	Data Entry and Analysis	Translation	Document Processing	Finance & Accounting
KPO Services	Stock Exchange Agents	Legal Services	HR Recruitment	Market Research & Surveys

Table 1: BPO Services offered by Albanian companies, Source: Avasant Market Research

The current set of services exported are mainly focused on telemarketing, customer care, transactions and knowledge process outsourcing services. Companies such as Deloitte are now providing software development and accounting services to Italian firms from their Albanian delivery centres. LocalEyes is another company providing localization services for companies like Apple and Teleperformance, one of the leading global BPO has set up operations in Albania.

Albanian BPO companies serve a host of vertical industries. The following figure presents a snapshot of the industries that are serviced by the Albanian companies.

Figure 1: Albania BPO Industry Verticals, Source: Avasant Market Research

The Albanian companies in this sector primarily serve the Italian markets, leveraging the Italian linguistic skills and providing a cost advantage in the range of 40-45%. Over the past half a decade, the country has become the destination of choice for Italian businesses that are looking to outsource voice base customer integrated services. Majority of end users of the call centre services are Italian customers and wider European customers of Italian companies. Albanian BPO firms are now diversifying to other regional markets such as Germany, Switzerland, France and Great Britain.

Inherent Advantages of Albania as a favourable BPO destination

Figure 2: Advantage Albania: Intrinsic Advantages, Source: Avasant Market Research

Evaluation of Albania as a BPO Destination

In order to identify Albania's competitiveness as a BPO destination, it was compared with other countries that are either established or emerging destinations in the central and eastern European (CEE) region. While Poland is clearly the most established destination in the CEE region with more than 170,000 people directly employed in the outsourcing industry, Romania & Czech Republic are comparatively larger BPO destinations in the region with more than 60,000 people employed directly by the industry. Bulgaria and Ukraine although smaller have been the fastest growing destinations in the region. The graphic below summarises the demographic comparison of the countries – referred to as '*peer-group*' in the subsequent sections.

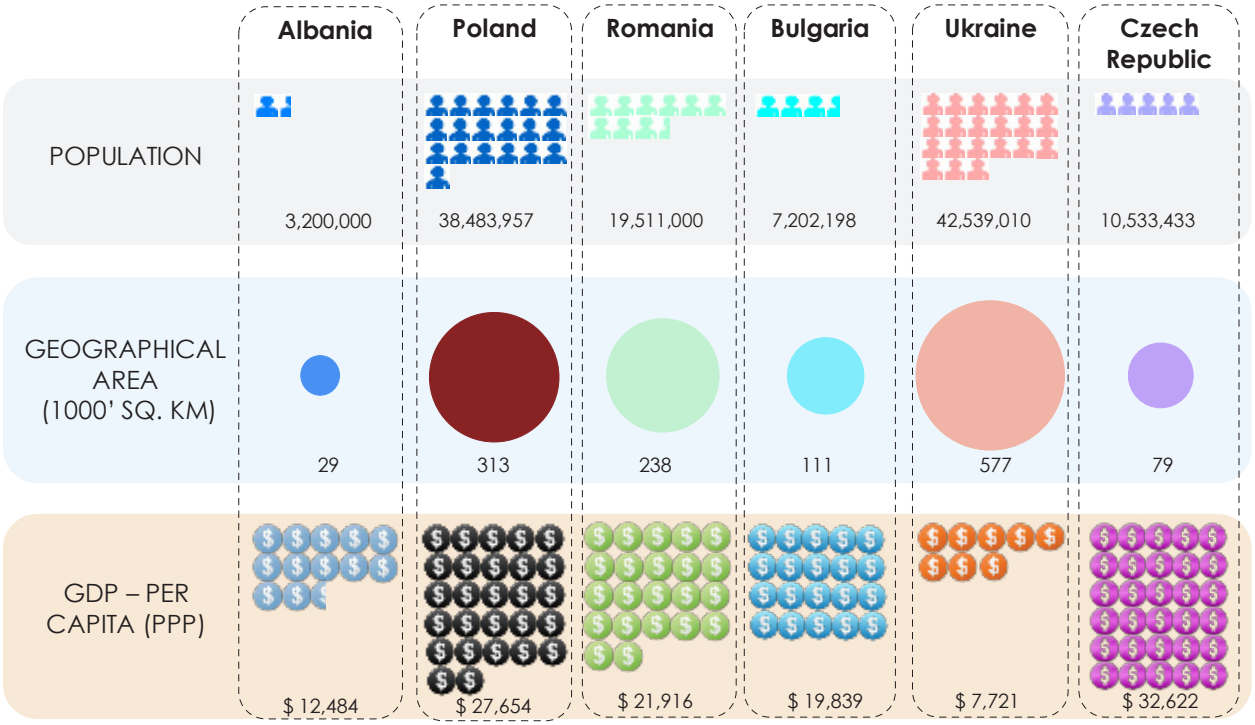

Figure 3: Peer Group Comparison: Overview, Source: Avasant Market Research

Albania was compared with the peer group across the key BPO industry drivers that influence investors (buyers and service providers) in selecting a destination. The drivers are shown in the following figure and compared in the following section:

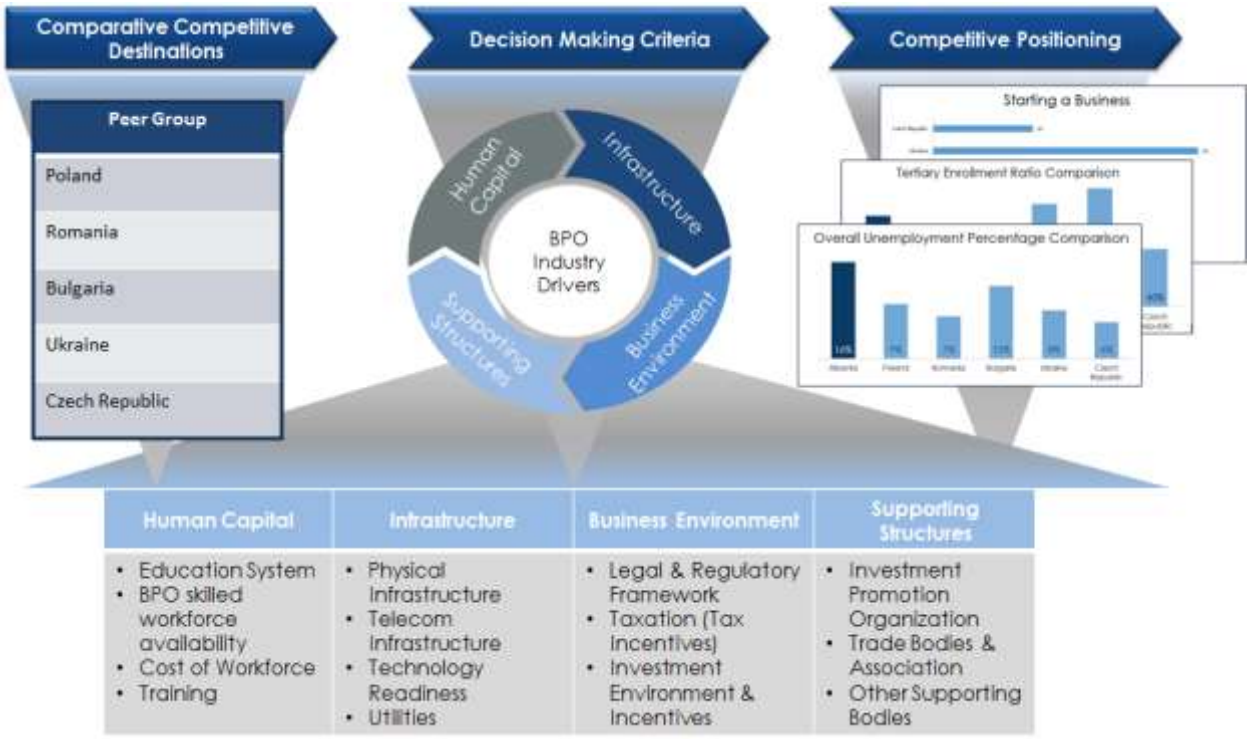

Figure 4: Methodology Overview: Comparative Analysis

1. Available Talent Pool with Definite Cost Benefits

Albania has a population of 3.2 million residents. Albania's population composition and age structure presents a suitable view for scalability of the ITES-BPO industry:

- 60% of the population is aged between 16 to 55 years
  - 41% of the population is aged between 26 to 55 years
  - 19% of the population is aged between 16 to 25 years
- 19% of the population is aged between 0 to 15 years – this bracket of population is set to anchor the next phase of Albania's BPO industry growth trajectory
- 57% of the population lives in urban areas
- Albania's literacy rate stands at a high percentage figure of 97.6%

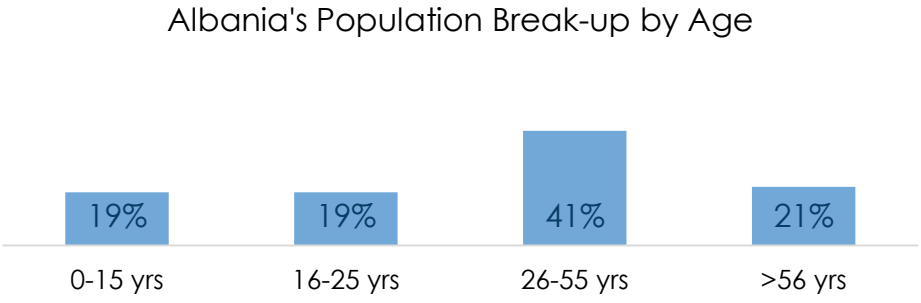

Figure 5: Albania: Population breakup by age, Source: Avasant Market Research

Albania has a labour force of about 1.3 million people. The country has a very advantageous demographic dividend in the form of a cost competitive young workforce. Due to migration, emphasis on learning foreign languages in the education system, cultural affinity and exchanges with neighbouring countries such as Italy, and larger effects of globalization, Albanians generally speak more than two languages. English and Italian are most widely spoken professionally.

1A. Education System

The education system in Albania is well developed and is constituted of both public and private institutions. Education indicators of the country are comparable to European standards. Major and wide-ranging education reforms have been initiated in recent years. Education reforms and opening up of the sector for private investments have led to tertiary enrolment ratio increase from 44% in 2010 to 63% in 2015.

As shown in the graphs below, Albania's secondary and tertiary enrolment rates are similar to that of its peer group countries. There are close to 15 public universities and 25 private Universities in Albania. They provide a steady stream of graduates each year. Around 160,000 students are enrolled in the universities presently.

Traditionally, there has been an emphasis on social sciences, business courses and legal studies in Albania. Gradually, the society is recognizing the importance of science, technology, engineering and mathematics (STEM) subjects in securing professional jobs. Figures 11 and 12 indicate the secondary and tertiary enrolment respectively while Table 2 presents a view of the number of graduates by disciplines in peer countries.

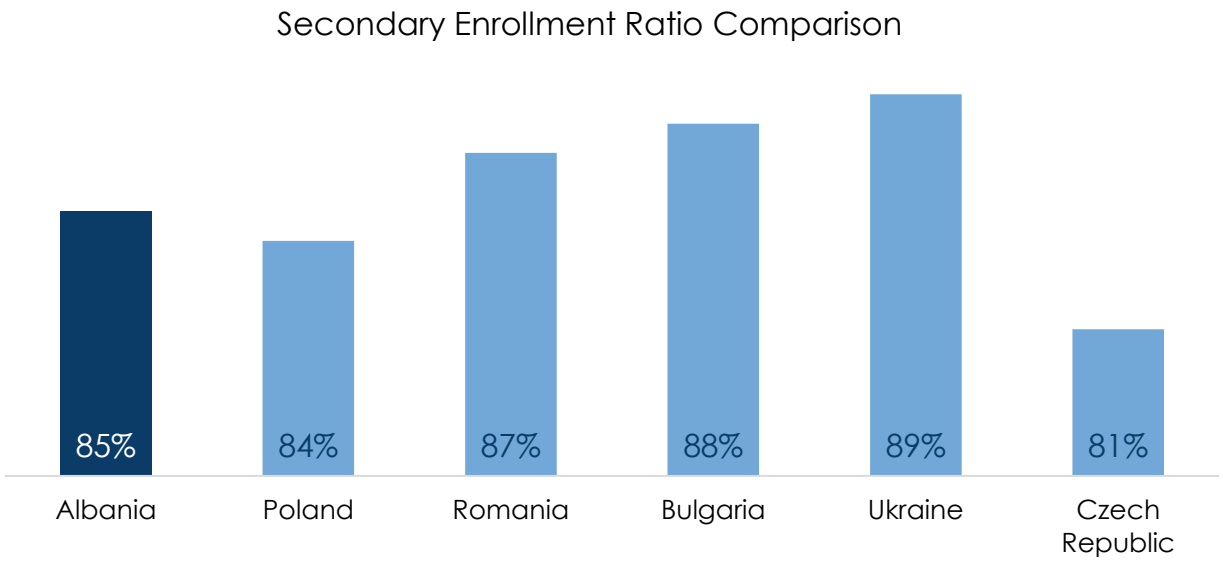

Figure 6: Albania: Secondary Enrolment Ratio Peer Comparison, Source: World Bank

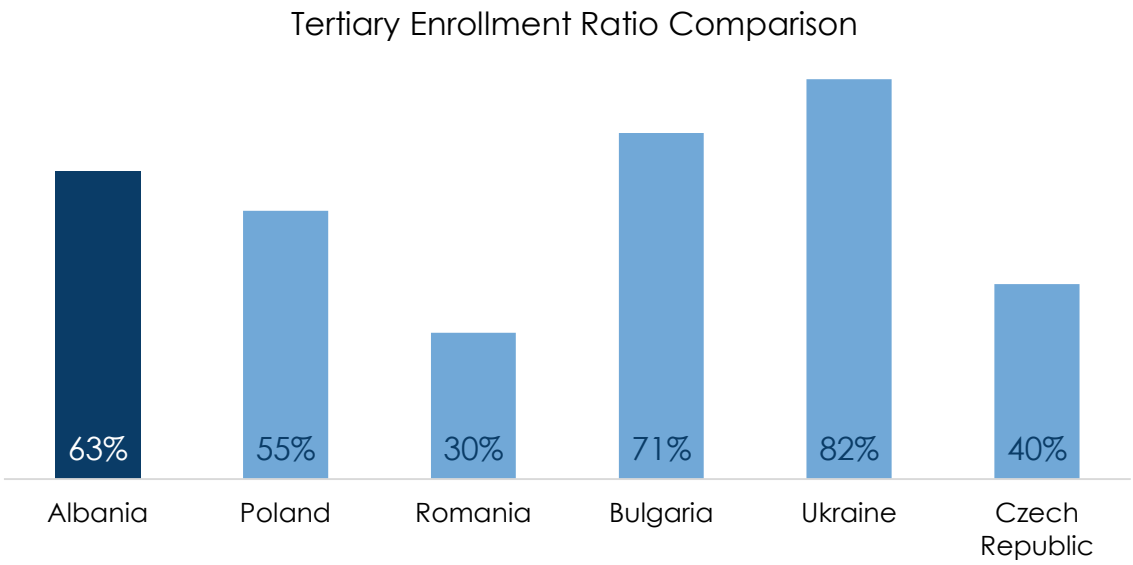

Figure 7: Albania: Tertiary Enrolment Ratio Peer Comparison, Source: World Bank

	Total	Business, Law & Humanities	Health & Life Sciences	Math & Statistics	Computing & Service Sector	Engineering & Mfg.	Others
Albania	30,501	16,531	4,026	2,806	793	2,349	3,996
Poland	450,000	130,000	77,849	3,326	73,411	32,296	133,118
Romania	200,106	89,096	2,851	2,969	1,597	39,039	64,554
Bulgaria	64,091	32,495	274	178	1,752	9,756	19,636
Ukraine	642,387	273,014	12,392	6,120	6,138	130,405	214,318
Czech Republic	107,773	37,549	2,273	751	4,569	13,196	49,435

Table 2: Graduate strength by education stream, Source: Avasant Market Research

Although the absolute number of graduates in STEM courses are less, the proportion of such graduates is much higher in Albania in comparison to the peer group, this can be seen in table 2. This is a strong indication of a mature educational setup that is better aligned to the market needs.

1B. Skilled Workforce Availability

Availability of skilled workforce is higher in Albania as the unemployment in the working age population is higher as compared to its peer group. Majority of the employees in Albania's BPO industry are women. The Female-Male employee ratio is around 60:40. An estimated 97% of women population in Albania are literate with about 82% of the entire population attending secondary school. The following graphs depict that although the female unemployment is comparable with peer destinations, its overall unemployment is the highest.

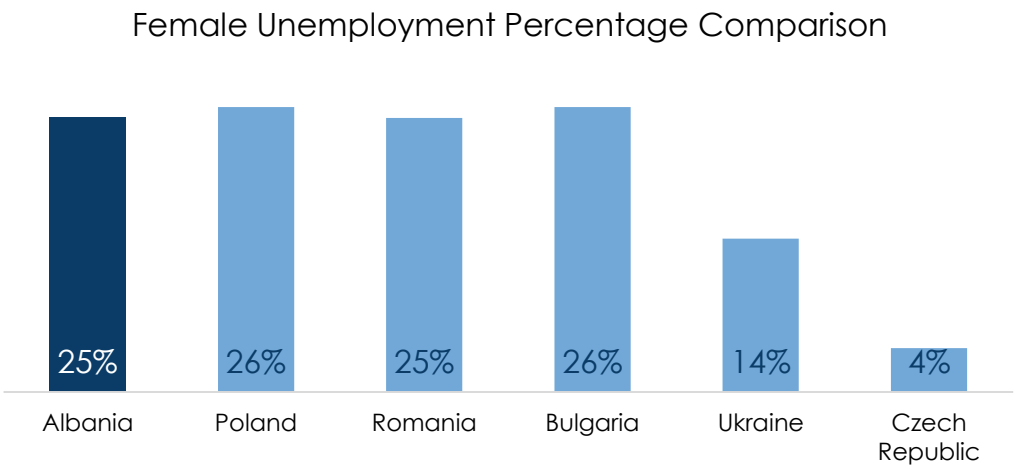

Figure 8: Albania: Tertiary Enrolment Ratio Peer Comparison, Source: World Bank

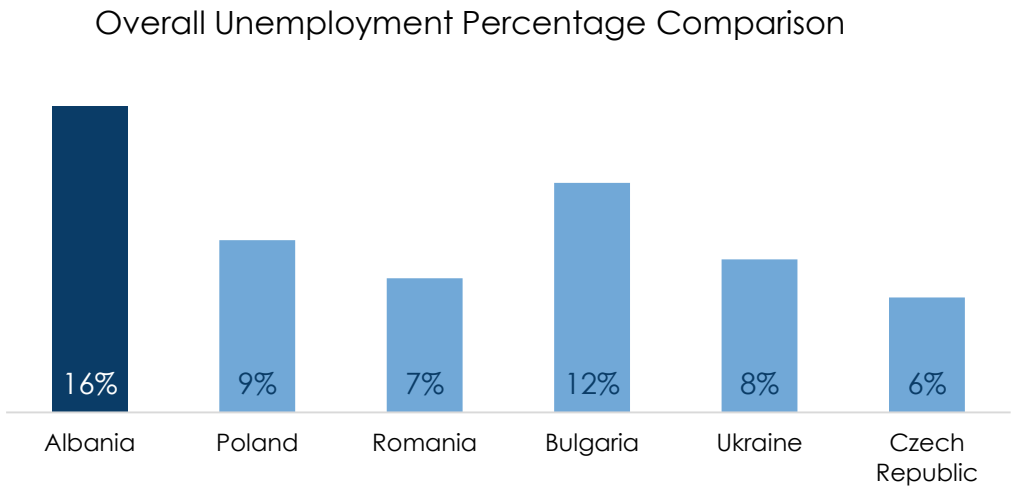

Figure 9: Overall Unemployment: Peer Group Comparison, Source: World Bank

1C. Workforce Maturity

About 90% of the total number of employees work in customer facing positions and the remaining in supervisory, managerial or administrative roles. Although Albania has a low base of talent pool, the country provides sufficient scalability and well-trained human capital. The following graph compares the size of billable BPO workforce in the peer countries.

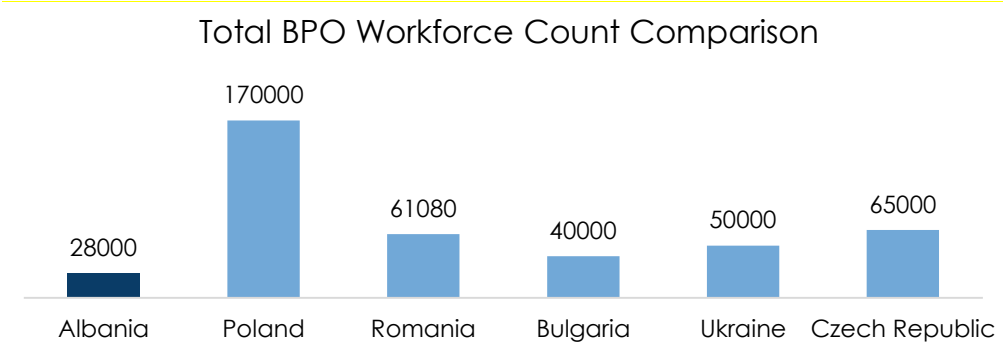

Figure 10: BPO Industry Workforce: Peer Group Comparison, Source: Avasant Market Research

1D. Cost of Labour

Albania's biggest advantage is the affordability of its workforce. Traditionally, Albania has seen a low to medium inflation growth that has kept the prices of goods and services low in the last few years. The surplus workforce availability has also been instrumental in keeping wages low. This compares well with the more mature CEE destinations such as Poland, Ukraine and Czech Republic. In addition, there is a steady stream of new graduates joining the workforce, trained in market aligned courses.

The graphic below illustrates the cost advantage presented by Albania as compared to the peer-group. Since employee costs are the biggest component of a BPO firm's operational costs, firms realize the biggest cost advantage in Albania because of its cheaper wages. This also mitigates the issue of high attrition in the BPO industry generally.

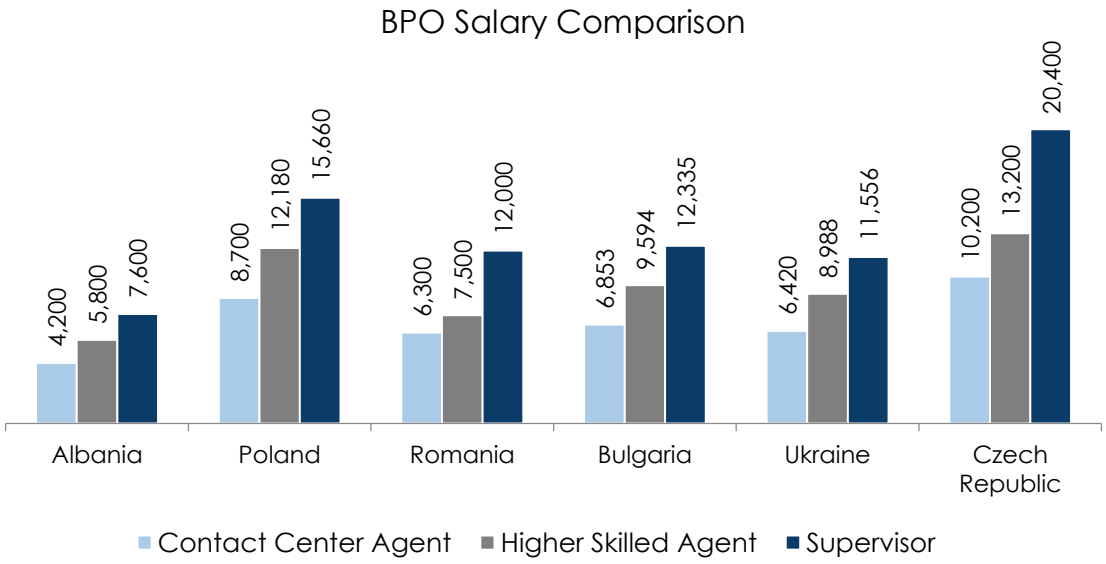

Figure 11: Average BPO salaries (Euros/Year): Peer Group Comparison, Source: Avasant Market Research

2. Ready to Move-In Affordable Infrastructure

Promoting development of infrastructure in terms of internet connectivity, broadband access, IT parks, electricity, roads are essential to kick-starting and sustaining the BPO sector. Albania's infrastructure development initiatives are focused on both micro level and macro level development. Micro level focuses on the internet access through broadband networks, business parks with adequate power supply, mobile and fixed line connectivity, and, related costs for each of them. At the macro level, Albania has focused on supporting national infrastructure that can be leveraged to support the entire economy. Such infrastructure includes public transportation, and other public utilities such as air connectivity, water supply, and sanitation services.

2A. Physical Infrastructure (Transport, Real Estate, Business Parks, Rent etc.)

Effective air and road connectivity is an important element for growth of business. There are two international airports in Albania: Tirana International Airport & Kukës Airport. The government has also approved development of two more airports in Vlorë and Sarandë.

Physical Infrastructure also includes real estate in terms of office space to run a 24/7 BPO operations. At the end of first half of 2015, total office space supply in Tirana stood at 104,000 square meters including competitive and mixed-occupied Class A and Class B buildings. The majority of office supply is located in the city centre (including the Central Business District). A key to a flourishing BPO sector is presence of technology parks which enable usage of shared resources and dedicated environment for uninterrupted operations by the service providers. The Tirana business park is a step in the right direction. TBP is the largest real estate, foreign, private investment in Albania- A €100 million project, being implemented by Lindner Group of Germany. Located nearby the Tirana International Airport in an area of 22 ha. TBP will have 17 buildings, with a total built up area of app. 176,500 m^2 and 3600 parking spaces by 2022. The first phase (3 buildings with a gross floor area of approx. 39,000 square meters) of the Tirana Business Park was inaugurated on 30th June 2015 and was visited by the Chancellor of Germany, Angela Merkel on 8th of July 2015, followed by an economic conference with highly placed business representatives. Tirana Business Park Website

In the peer group, Albania has the lowest Class A building rent per square meter per month at an average of 15 Euros per square meter per month (ABA Business Centre), however the office market is completely concentrated in Tirana. The secondary cities do not have business districts. It is expected that the arrival of new buildings will bring the much needed additional supply, which will have a downward impact on rental rates.

Infrastructure Indices	Albania	Poland	Romania	Bulgaria	Ukraine	Czech Republic
Class A rent per sq. meter/month	€15	€33	€28.5	€18.6	€31	€26.5
International air transport score	4.5	4.3	3.8	4.1	4.1	5.9

Table 3: Comparison of Physical Infrastructure: Office Space Cost, Source: Avasant Market Research

2B. Telecom (Mobile/Broadband)

Three international companies are currently operating in the field of mobile telephony. The number of mobile phone users has surpassed 3 million users and continues to grow at more than 90% annually. Due to heavy competition in this sector, the quality and quantity of services have been enhanced and service costs have significantly declined. After the privatization of the state-owned fixed telephony company, the country witnessed a significant uptick in the number of subscribers. This has also contributed significantly to the spreading of internet services in the country.

Mobile Telecom: Albania's mobile market has undergone rapid growth due to heavy competition in the sector, initially with the entrance of Albanian Mobile Telecommunication, Vodafone and later through the entrance of Eagle Mobile and Plus network.

Broadband: Internet access is available through a variety of means including dial-up, leased line, microwave radio, ADSL, Wi-Fi and Fibre. Broadband uptake is rising in response to increased availability and drastic tariff reductions. Recognizing the potential of applying information and communication technology (ICT) to improve both social and economic development, Albania has taken steps to make broadband easily accessible to the masses.

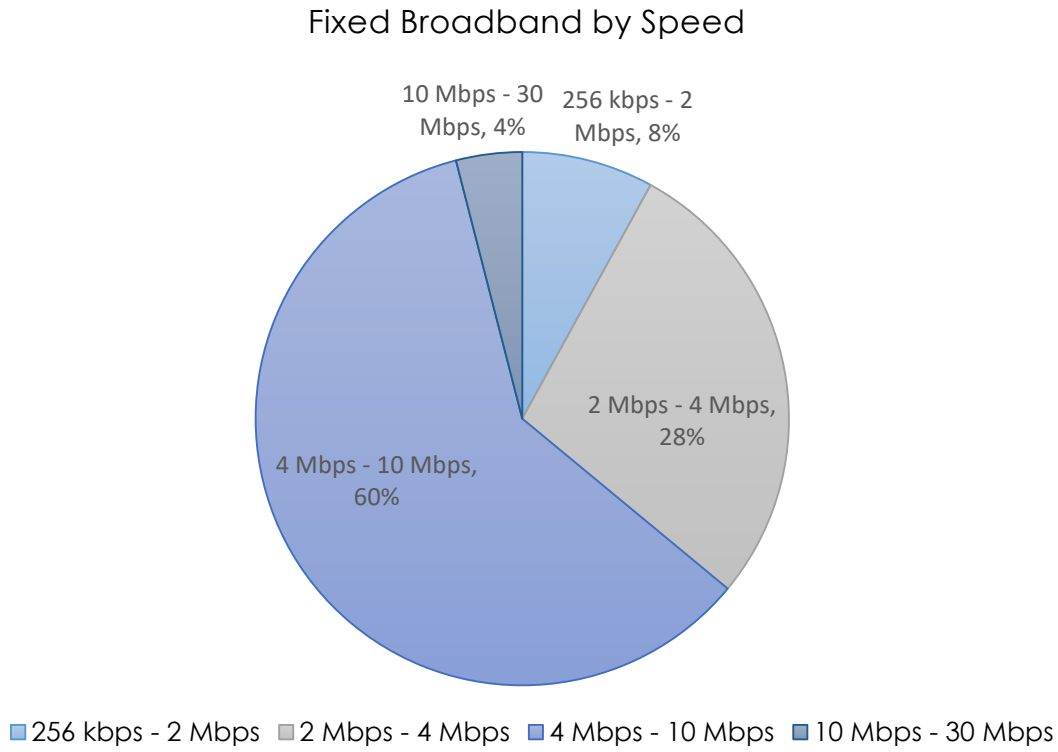

Figure 12: Fixed Broadband by speed (Albania), Source: ITU

Mobile Broadband continues to witness strong growth in Albania. As of 2014, the country had 1.4 million mobile broadband users with 51% penetration among mobile users. 38% of active subscribers used 3G services.

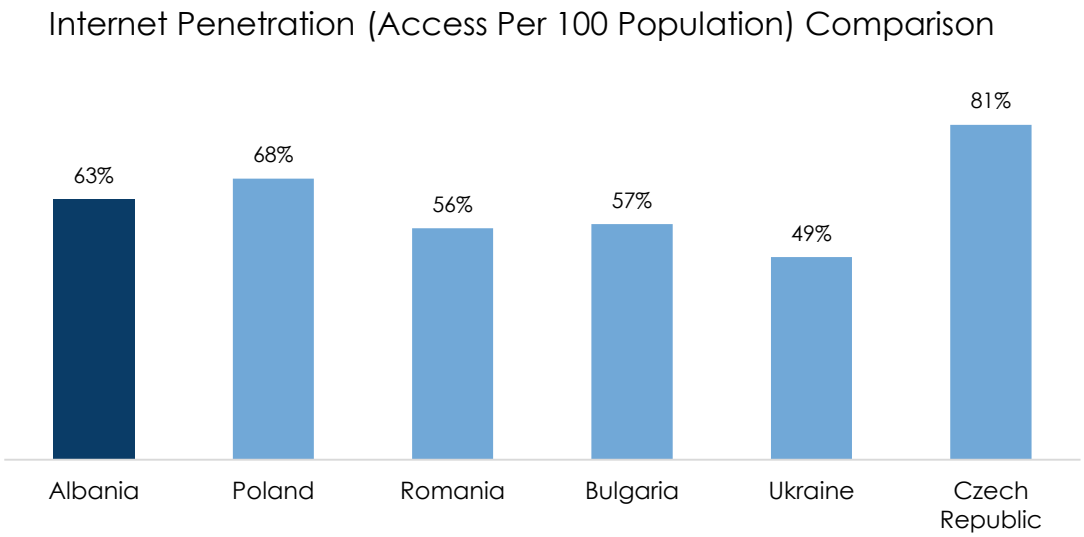

Figure 13: Internet Access (Percentage Population), Source: World Bank

2C. Utilities: Power

The utilities sector underwent a successful privatization drive in the electricity distribution sector in 2009. This critical reform has resulted in a marked increase in the reliability of electricity supplies in Albania. With the investments in new hydropower stations and the Vlorë Thermal Power Plant, Albania has made huge strides in its commitment towards securing domestic power generation. The following table presents comparative analysis of the key indicators of utilities in the country.

Infrastructure Indices	Albania	Poland	Romania	Bulgaria	Ukraine	Czech Republic
Power Consumption per capita (KWH per person)	2530	3940	2490	4640	3600	6280
Electricity Reliability (SAIDI)[1]	111.8	1.4	3.7	2.4	5	1.4
Electricity Cost (US cents per kWh)	10	15	9	13	14	15

Table 4: Comparison of Physical Infrastructure: Electricity, Source: World Bank

[1]*SAIDI is the average outage duration for each customer served. SAIDI is measured in units of time. It is usually measured as number of hours over the course of a year.*

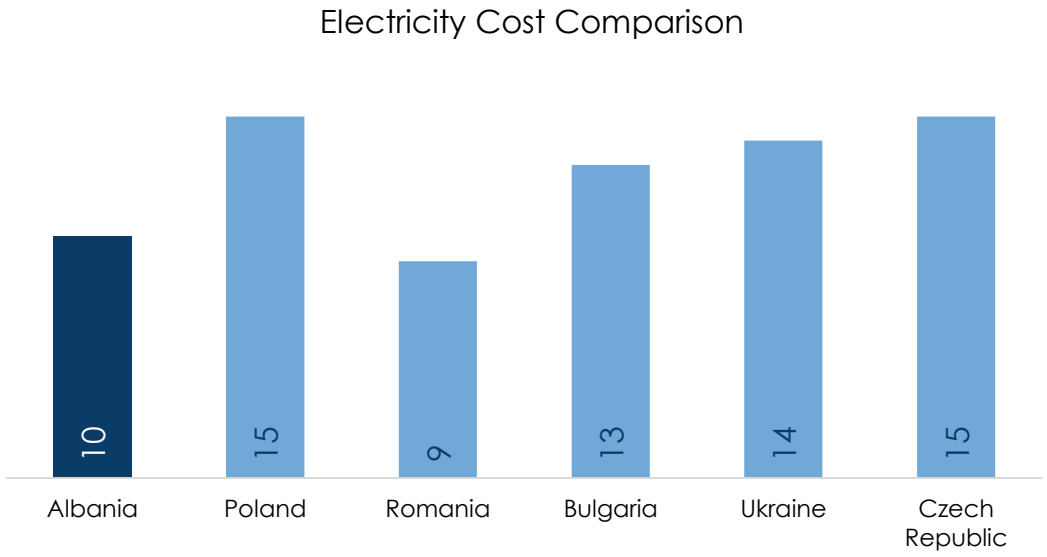

Figure 14: Electricity Cost Peer Group Comparison (US Cents Per KWH), Source: World Bank

3. Favourable Economic & Business Environment

With a GDP of USD 11.5 billion, Albania is an upper-middle income economy with the services sector dominating the country's economy, followed by the industrial sector and agricultural sector. With a real GDP growth rate of 2.6%, Albania's GDP per capita is USD 4151. Albania enjoys a fairly lower inflation rate of 1.9%, as measured in 2014-15.

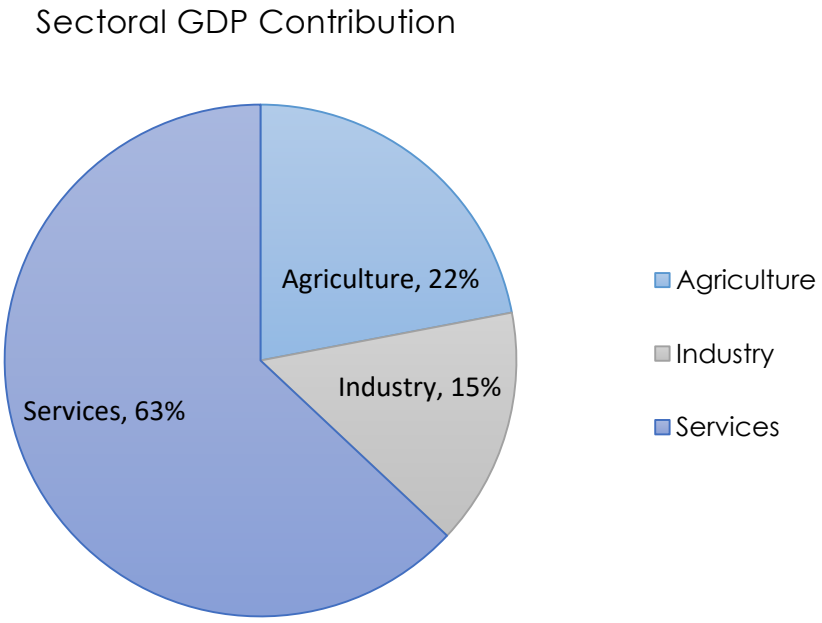

Figure 15: GDP Contribution, Source: CIA World Fact book

While services sector is the mainstay of the Albanian economy, industrial production faced a growth rate of 3.4%. Major business sectors include energy, mining industry, oil and gas, tourism, agriculture and food, manufacturing, BPO industries and telecommunications.

Foreign direct investment (FDI) to the average tune of USD 1 billion per year has been secured by Albania in the period between 2008-14. In the first half of 2016, FDI inflows were mainly concentrated in the energy sector (about 60%), oil (15%), financial inter-mediation (10%), construction (4%) and the telecommunications sector (2%).

Key highlights of Albania's economic indicators are captured in the table below:

Key Economic Indicators	
GDP (USD bn)	11.5
GDP per capita (USD)	4151
GDP growth	2.6%
Services contribution to GDP	62.6%
Inflation (consumer prices)	1.9%
Commercial bank prime lending rate	7.6%
Exports	EUR 1.7 billion
Imports	EUR 3.9 billion

Table 5: Albania's Key Economic Indicators, Source: Avasant Market Research

As per the World Bank, the Albanian economy is expected to grow in the near term, driven by a recovery in consumption and robust investments. Net exports are expected to gradually contribute to growth as EU economies recover while risks to the outlook are mostly low.

4. Reformed Legal & Regulatory Framework

Albania is a parliamentary republic. Integration into the European Union has been the ultimate goal of all the post-communist governments in Albania. The major priorities of the current government are thorough reform of the legal system, fast and stable growth of the economy, development of the education, health, sports and culture to reach the EU standards, ensuring national prosperity and EU membership. The following legislations are in place for protecting the IP and interests of the investors.

- Intellectual property
- Copyright act
- Industrial property act
- Trade secret act

Out of 190 economies ranked on the 'Doing Business' rankings by the World Bank, Albania was ranked 62 in 2015, 97 in 2016 and 58 in 2017. The drop by 35 ranks in 2016 was due to short term challenges on one particular parameter out of the 10 parameters of the ranking- "Ease of Construction Permits" as the Albanian Government had suspended new permits for construction to curb illegal construction for a few months. The

government took cognizance of this drop in ranking and undertook rapid initiatives in this area among other areas, such as a new online portal for registering properties, thereby improving the overall rankings by 39 places in the 2017 WB Doing Business Ranking.

Due to a specific law on minority investor protection, Albania ranks 19th globally in "Minority Investor Protection" on World Bank's Doing Business rankings. Albania also scores higher than most European and Central Asian destinations on 'Ease of Getting Credit' for conducting business. The following figure presents a comparison to 'Distance to Frontier' scores for Albania and countries from the peer group.

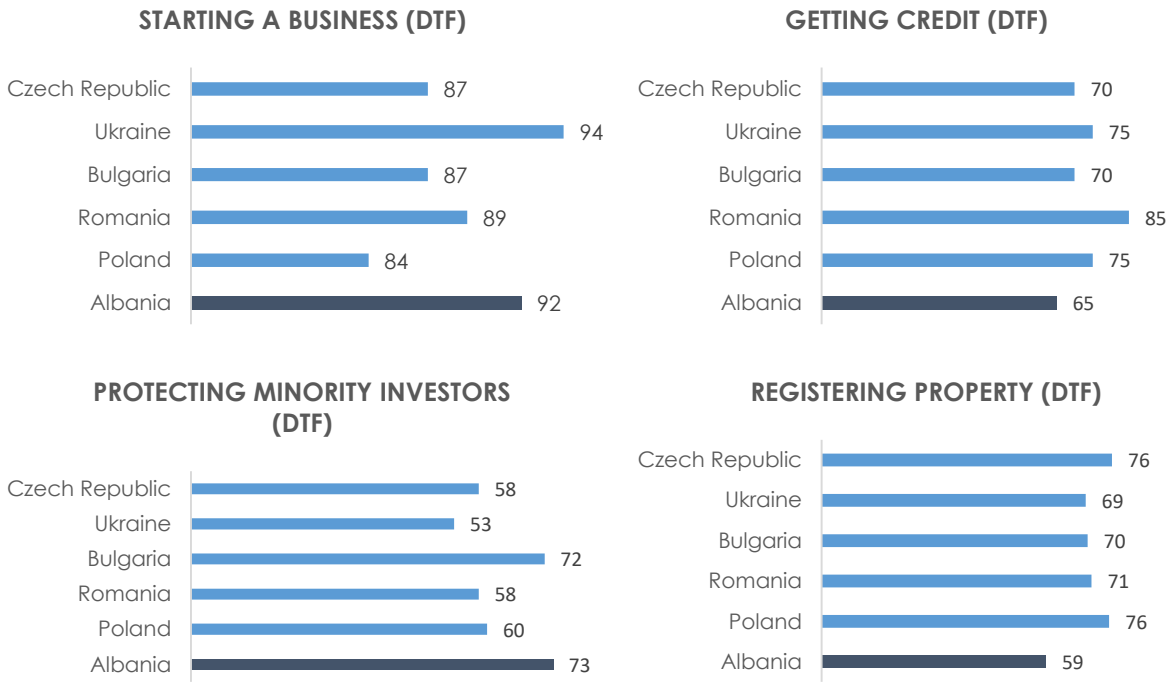

Figure 16: Comparison of some of the key doing business factors, Source: World Bank DB 2017

Distance to Frontier- An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. Source- World Bank's Ease of doing business report

Albania fares well on other parameters such as Transparency, Bankruptcy, Dispute Settlement, etc. Following are some of the salient features about Albania's Business & Regulatory Environment.

4A. Laws on Foreign Direct Investment

- The Law on Foreign Investment allows 100 percent foreign ownership of companies and outlines specific protections for foreign investors.
- No prior authorization required for an initial investment & No sector is closed to FDI
- The government does not screen foreign direct investment
- Investors enjoy the right to expatriate all funds and contributions from their investments

- Albania is signatory of the New York Convention and foreign arbitration awards are recognized by Albania
- Albanian law does not impose performance requirements on foreign or domestic investors

4B. Transparent Procurement

Albania introduced an e-procurement law in 2006, and is amended periodically to improve public procurement procedures

4C. Foreign Trade Zones/Free Ports/Trade Facilitation

Government of Albania has approved construction of 8 industrial parks (Technical & Economic Development Areas- TEDAs) and 2 Free Trade Zones. These are expected to be used for production, agro-processing, export-import, and supporting activities.

4D. Taxation

The magnitude of taxation in Albania is lower than most peer group countries as depicted in the figure below. Albania made paying taxes easier in 2017 by introducing an online system for filing and paying taxes.

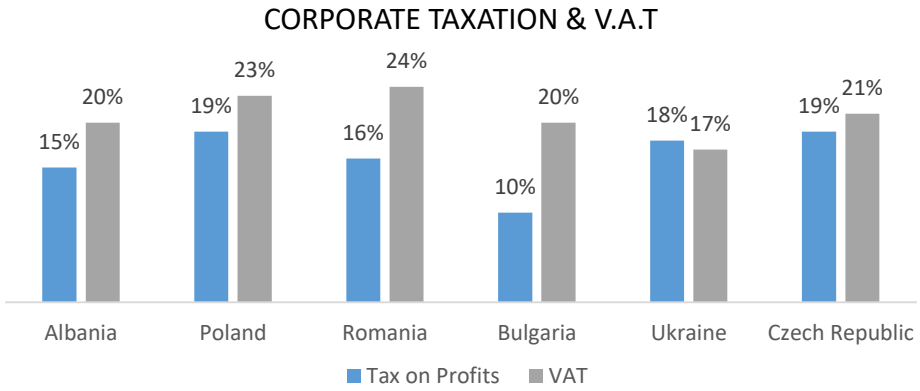

Figure 17: Tax Rate Comparison, Source: World Bank

5. Attractive Investment Environment and Incentives

The government, in the past, has given importance to the ICT sector and has been able to draft various legislations around information security and others, which are in line with the current EU norms. It has also put a lot of emphasis on e-Government initiatives and digitization in the government departments.

5A. Fiscal Incentives

- Losses can be carried forward for three consecutive years
- Tax exemption of dividends designated for investments from resident taxpayers

The incentives rolled out by Albania that are relevant to the BPO sector are:

- Exemption from Corporate Income Tax (up to 50% of the tax amount) for a period of 5 years. (Current CIT rate is ~15%)
- Custom duty and VAT exemption for Imported goods
- Exemption from VAT for Albanian goods that enter TEDA
- Goods can be transported from one TEDA to another without paying custom duties or VAT
- Training costs are twice deductible for a period of 10 years
- Fiscal incentives to promote employment
- Capital expenses are 120% deductible during a period of 2 years if developers and users invest in TEDA within three years of its operation
- R&D costs are twice deductible for a period of 10 years

Profile of major Albanian BPO companies

The following table provides the list of some of the leading BPO companies, currently operating in Albania.

Top BPO companies	Brief Profile
Teleprformance	**Teleperformance Albania** is part of the larger international group which delivers end to end Business Services from 47 countries worldwide. The Albanian operations have 2900 employees operating from around 1400 seats, primarily serving the Italian market in Marketing and Customer Relationship Management. It has two centers in Tirana and Durres
alba contact	**Albacontact** has been one of the most diverse telemarketing contact centers in Albania. It has ~250 people, majority of which serve the Italian markets. The company also possesses English, German and Greek capabilities. They are trying to expand into data entry and inbound services.
ids	**Intercom Data Services (IDS)** has 3000 employees spread across 10 locations. Offers wide variety outsourcing services such as demands, through a variety of services offered: Inbound, Outbound and Back Office.
	Tregi Marketing Group has around1200 employees Centers across Tirana, Durres, Elbasan, Shkoder, Lushnja, Kavaja, Korce engaged in contact centre services such as tele-sales, product promotions, customer care, etc. through multi-channels.
Euroservices	**Euroservices** is a mid-size call centre company with about 350 people. They have marquee clients like Vodafone for whom they do tele selling of internet services.
LOCALEY Your product seen through loc	**LocalEyes** is a company spin-off from Apple which provides services from 12 offices globally. The Albanian operations employs around 75 people and offers services such as such as market localization, software localization, talent sourcing and Contact centre consulting.
	Albacall provides telemarketing, customer support, back office and data processing services. It is part of the Abramo Industrial Group. The company employs around 1600 people.

Table 6: Albanian BPO Companies, Source: Avasant Market Research

The Business Case for operating in Albania

Typical Operating Costs for a BPO Centre present savings in the tune of 30% to 50% compared to other destinations in the peer group

The tables below indicate the cost structure and total annual operating costs of a 200 employee strong contact centre operation based out of Tirana. Given the availability of ready to move in Class A infrastructure and relevant BPO talent pool in the city, we believe that an operation of such size can be achieved in the first three to six months of operations. The first table below (Table 7) indicates the estimated costing and utilization of key operational factors while the second table (Table 8) calculates the total annual costing of the contact centre.

Cost Structure:

Human Resource	
Employees	200
Average Annual Salary*	€ 4860
Benefits (% of salary)	25%
Training Costs (% of salary)	7%
Facilities	
Gross sq. meter/employee	7.75 sq. meter
Size of facility	1550 sq. meter
Rent per sq. meter. /month	€ 15
Utilities & Telecom	
Energy Usage (Annual Estimated) **	300,000 kWh
Electricity Costs	€ 0.1 per kWh
Telecom & Internet (Annual Estimated) ***	€ 36,036

*Assumption based on 70:20:10 ratio of agent: higher skilled agent: supervisor
**Assumption based on usage of 25,000 kWH electricity per month
*** Assumption based on inputs received from various BPO service providers; VOIP Costs are 0.03 € per minute and 10 MBPS Internet connection is Euros 100 per month in Albania

Table 7: Cost Structure

Approximate Operating Cost/Employee:

Approx. Annual Operating Cost	
Human Capital	€ 1,283,040
Rent-Office Space	€ 279,000
Electricity	€ 30,000
Telecom & Internet	€ 36,036
Total Operating Costs (200 Employees)	€ 1,628,076
Costs/Employee	**€ 8,140.38**

Table 8: Operating Costs/Employee, Source: Avasant Market Research

The per employee costing of € 8,140 for a contact centre operation offers between 30% and 50% cost advantage compared to other destinations in the peer group.

Several Advantages of Albania as a BPO Destination

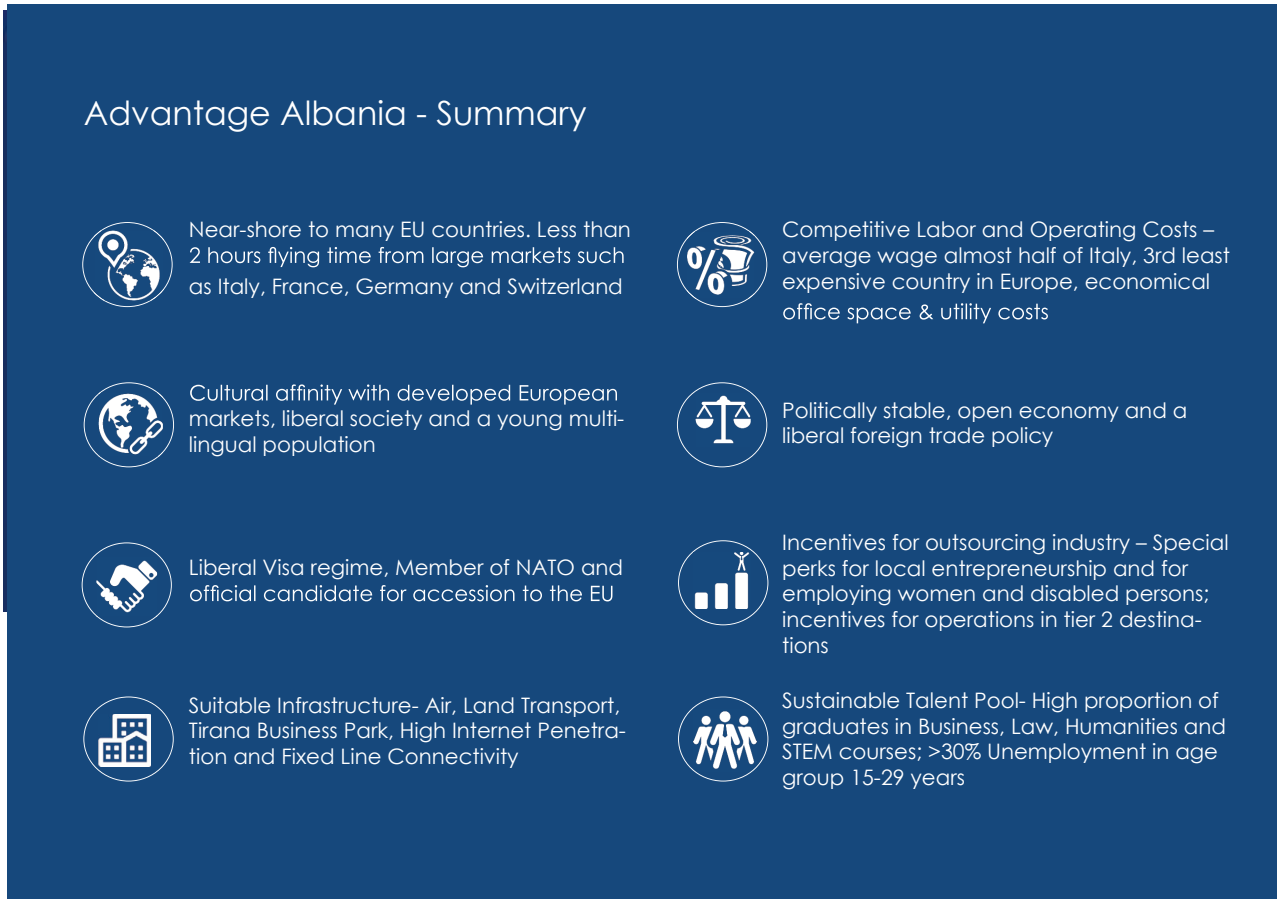

Figure 18: Summary Advantages of Albania as a BPO Location

Appendix 1: Global BPO Market Overview

The BPO ecosystem has evolved through multiple stages over the last few decades. In this era of hyper connectedness, organizations are increasingly integrating digital with their business strategy and operations. This is enabling them to not just predict and better align with their customers' needs but also identify and actualize new opportunities.

While in the last decade, efforts were focused on productivity improvement and innovation, in this decade the focus will be on customer centricity, agility and disruption. This focus will be powered by the digital technologies - Social Media, Mobility, Analytics, Cloud Technologies, Automation and Robotics. And while organizations are embracing the change, they are attempting to balance their investment in digital to "explore the new" with the spend on IT to "maintain the old" and run it better. Digital technologies have further enabled customers to self-serve anytime, anywhere, given rise to more specialized product vendors and normalized and commoditized the service pricing. This has reduced the dependency on cost-arbitrage driven service offering of offshore models and increased the demand of nearshore destinations due to faster response time and cultural affinity.

Owing to these trends, the Global BPO spend grew 5.5% in 2014, with a 4 year CAGR of 5.3% to reach USD 177 billion. During this period, Human Resource Outsourcing (HRO), KPO (Knowledge Process Outsourcing) and Supply Chain Management (SCM) were most in demand. Other services such as Finance & Accounting (F&A), Customer Integrated Services, Content Management, BPO Bundled, Transactional Services and Content Management Services occupied the remaining 40% of the BPO Horizontal demand spectrum.

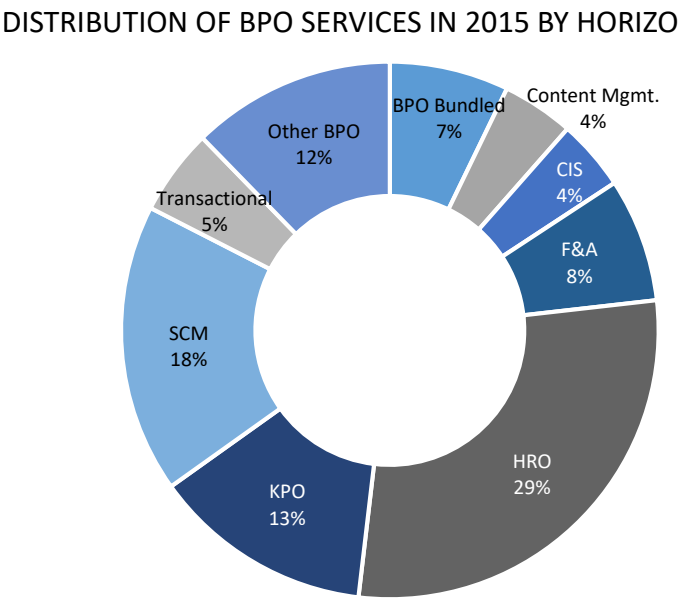

Figure 19: Distribution of BPO Services,2014 Source: Avasant Research, NASSCOM

A large proportion of outsourcing contracts (>25%) came under the segments of Customer Interaction Services (CIS). These contracts were smaller in size and delivered by smaller service providers. These segments are also considered to be potentially opportunistic for smaller service providers.

European BPO Market

The BPO spend in the Europe and Middle East and Africa (EMEA) region increased annually by 83% in 2015. However, this growth has to be considered in perspective of a lower base case. The YoY variations, as shown in the following graph, are representative of slow recovery and apprehensions in the buyer market due to slow recovery and economic turmoil coupled with global events such as Greek crisis and Brexit.

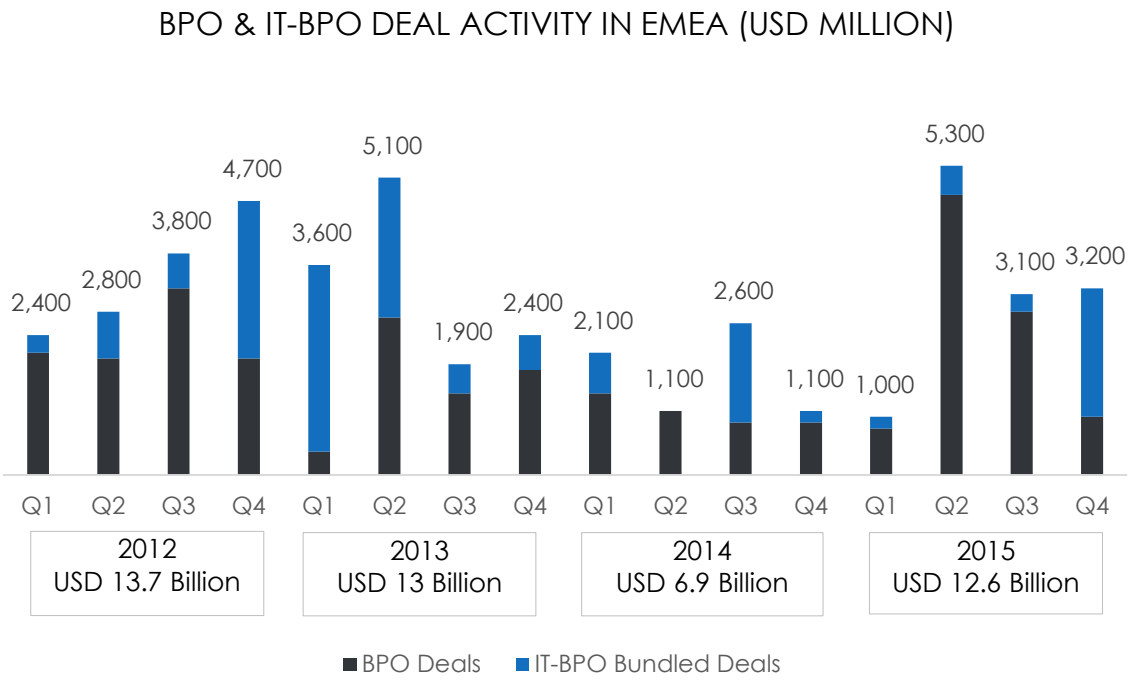

Figure 20: EMEA BPO spend over last 4 years, Source: IDC (www.idc.com) & Avasant Contract Database

The above graph presents the BPO spends in the EMEA region over16 quarters till 2015. The European region has been comparatively slower to adopt outsourcing and offshoring. As can be seen in the following graph, the EMEA contributed about 1/5th to the global BPO spend.

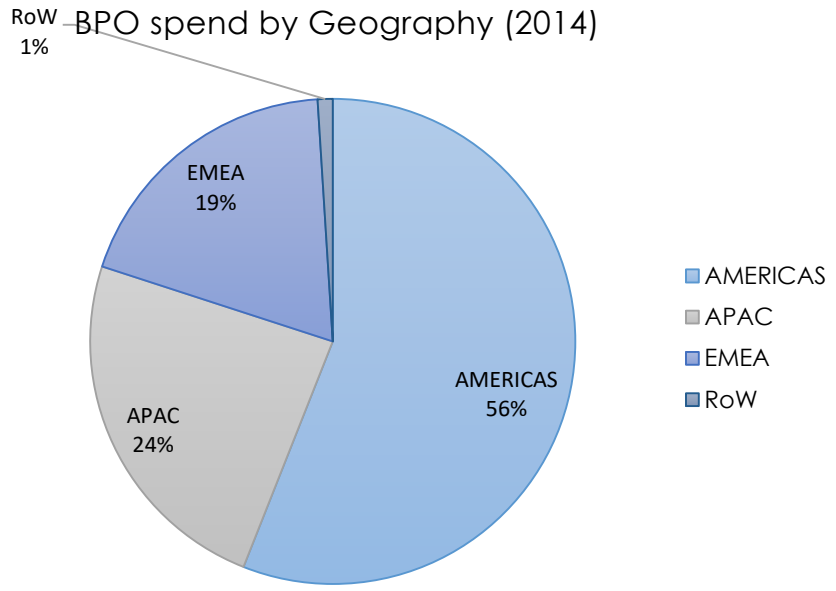

Figure 21: BPM Spend by geography, Source: IDC (www.idc.com)

However, over the last two decades more countries in the region are increasingly getting more comfortable with outsourcing. The countries with a lower penetration level of outsourcing are showing greater promise to adopt outsourcing than before, owing to the trends described earlier.

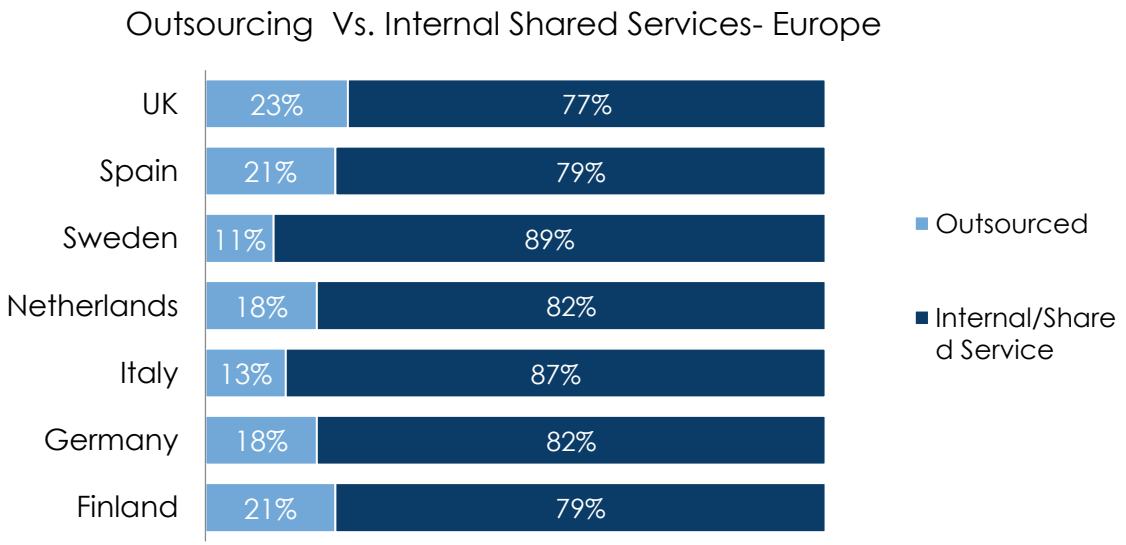

Figure 22: Propensity of Outsourcing in Europe, Source: Avasant, Market Research

While outsourcing, most European buyers (5 out of 7 countries shown below) prefer nearshore destinations as compared to offshore destinations as depicted in Figure 5 below.

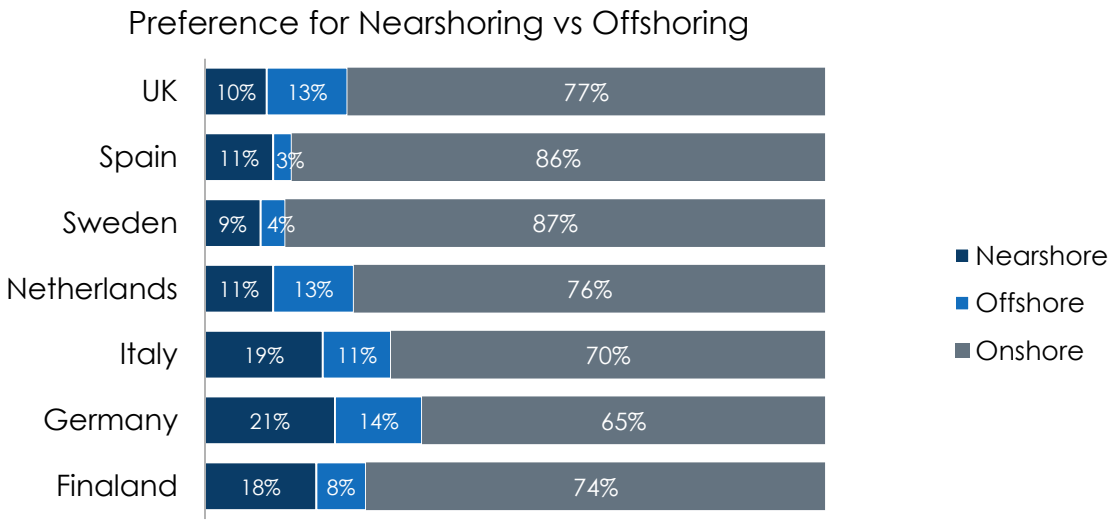

Figure 23: Preference for Nearshoring vs. Offshoring, Source: Avasant, Market Research

European buyers have a clear preference for nearshore destinations. Services such as F&A, and CIS are most commonly near-shored. Other commonly outsourced services in the region include legal, facilities management, payroll, logistics and customer integrated services. Out of these, outsourcing of customer integrated services and procurement are expected to grow at 8-10% and 12-15% respectively in the near future.

Appendix 2: Key Contacts

#	Organization	About	Contact
1	Albanian Investment Development Agency http://aida.gov.al/home	AIDA offers for the foreign and domestic investors, comprehensive support for their investment projects.	Email: info@aida.gov.al
2	Foreign Investors Association of Albania www.fiaalbania.al	FIAA represents most of the FDI stock in Albania from different nationalities and a range of economic sectors such as Banking and Finance, Construction, Consulting, Telecommunication, Mining and Oil and Gas, Energy, Trading, Hospitality, etc.	Email: contact@fiaalbania.al Service Phone: +355 (0) 682055818
3	Albanian Outsourcing Association http://outsourcing.com.al/	AOA supports the BPO sector and protects the interests of its members through promotion, advocacy and lobbying the BPO industry	Email: aoa@outsourcing.com.al Mobile: +355 69 23 64880
4	Tirana Business Park www.tiranabusinesspark.com	TBP is the largest real estate, foreign, private investment in Albania. It is located near the International Airport "Mother Theresa" in an area of 22 ha. By 2022, 17 buildings will be erected, with a total built up area of app. 176,500 m^2 and 3600 parking spaces. Developed based on the best of breed European standards, the group has also built the Lindner group has also built the Business Park Sofia	Email: astefanllari@risialbania.al Mobile: +355 69 603 9911
5	Risi Albania http://risialbania.al/index/#	RisiAlbania is an innovative project, funded by the Swiss government, which aims to improve opportunities for the Albanian young people in finding sustainable employment.	Email: info@risialbania.al Phone: +355 (0) 422 48 527