Preliminary Report on Expansion Location Options for Outsourced Services To Xceligent

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Introduction

Xceligent, Inc. – the primary client of Unido Digital S.A.S. (Sociedád Anónima, Simplificada, or "simplified stock corporation"), has indicated its strategic desire to expand its presence in the US nearshore, meaning specifically, Latin America and/or the English Caribbean. As a current provider to Xceligent, Unido Digital wishes to continue to grow its business volume in Colombia, but is also desirous to serve Xceligent from other nearshore markets.

While Xceligent is the premier real estate data provider in the US markets it serves, Unido Digital has developed a competency as an outsourcer to Xceligent, seeking to provide a "no-surprises, problem free client experience," But Unido Digital, founded by a US national, former commercial real estate agent, and institutional commercial property manager (with Jones Lang Lasalle in Ohio, Indiana, & Florida); and currently managed by US and Canadian nationals, has developed an expertise in the aspects and details of operating in the Americas Nearshore, specifically developing markets.

Unido Digital hopes to grow to be the primary, if not exclusive partner of Xceligent, sourcing, operating and managing nearshore service delivery locations that provide service to Xceligent. Unido Digital believes that the street-level experience in emerging markets is unmatched, allowing it to provide services that are at the same time effective, cost-efficient, ethical, and legal. Unido Digital's goal is the highest productivity, transparency and accountability, with no problems, and no surprises.

Objective

Xceligent wishes to migrate existing research operations from The Philippines to the US Nearshore. The US nearshore means neighboring countries in North America, South America, or The Caribbean Islands. This move allows for tighter integration of operations, closer supervision, easier travel, time zone and cultural alignment, and while personnel costs are somewhat higher than certain Asia/Pacific nations, other expenses, such as travel and productivity adjusted costs may be competitive, if not actually lower.

Unido Digital currently provides services to Xceligent out of a Medellín, Colombia based facility. The workforce is currently solicited at a rate of $856,000 pesos, (approximately $295 USD Monthly) a rather low, but still competitive wage. Compensation load adds approximately another $200 USD bringing the effective total compensation rate to approximately $500/month. Unido Digital expects, based on market research and prior industry experience, that this rate remains 40% higher than The Philippines, and perhaps 50% higher than India.

Xceligent has indicated the importance of geographic diversity, and not counting on one single location for outsourced talent. This redundancy is important to hedge against natural disasters, political risk, currency risk, local market conditions, etc.

As Colombia is already a service delivery location, other venues will be explored in this report. Because cost is a significant factor, low cost locations have been given a priority. This report will examine in-depth the countries of Jamaica and Dominican Republic as viable options for an additional location beyond Colombia.

The report will also spend a small amount of time, and include in some statistical abstracts, other neighboring countries that may under certain circumstances, warrant a second look.

Disclosures

The government of Trinidad & Tobago, through its Trinidad & Tobago International Finance Centre, is a paid advertiser in Unido Digital principal Loren Moss' publications, and consults with Moss on outsourcing competitiveness challenges and how to better position the country as an outsourcing destination. Neither Moss or Unido Digital are making a strong recommendation to Xceligent for Trinidad & Tobago, as the country has a high labor cost relative to its neighbors, and is focused on attracting back-office finance & accounting work.

Prime Candidates

All three of the following countries profiled are stable democratic republics with adequate rule of law. Jamaica is a member of the British Commonwealth and still recognizes the Queen of England as Sovereign. All countries are members of the OAS (Organization of American States). None of the countries are facing significant systemic human rights threats or abuses. All countries are stable US allies with US educated politicians. For example, Colombia's current president is a University of Kansas graduate, and The Dominican Republic's immediate past president grew up and graduated from high school in New York.

All three countries have adequate international air transportation and major international telecommunications connectivity.

Colombia

Colombia is a medium-sized country of approximately 50 million inhabitants, with its north coast on the Caribbean Sea, and its west coast on the Pacific. The country is a 3 hour flight from the United States. It has a stable, presidential/congressional system of government, with an unblemished record of protecting property rights of foreign investors. Colombia has progressed a very long way from its days of infamy as a dangerous country menaced by political

insurgencies and organized crime. Today Colombian cities boast crime rates lower than many major US cities, and it has become an international tourism destination.

Colombia enjoys a free trade agreement with the USA and several other countries. The government has traditionally relied on petroleum for foreign exchange, but has made a concerted effort to diversify, especially into knowledge sectors such as BPO, contact centers, and IT. UruIT, Xceligent's software provider currently develops and delivers software from a Medellín location.

As in many developing countries, government corruption remains an issue, as does unequal distribution of resources and infrastructure throughout the country. Most of Medellín and Bogotá are thoroughly modern, but underserved rural populations may not have potable water or sewage. This has led to some of the social issues and insurgencies that Colombia has struggled with in the past. While the country continues to improve, this is still an issue.

Colombia has mature institutions. The world hears about Colombia's peace process, but in Colombia, the insurgencies and threats to stability have been isolated to remote jungle areas for years. Middle income life is normalized with children walking to and from school each day. There is no known threat of corruption to international businesses or business people.

Colombia's minimum monthly wage is currently $820,857 pesos, or approximately $265 US dollars, including the mandatory transportation allowance. Colombian law also mandates that workers making less than twice the minimum wage must be given a set of clothes including shoes 3 times a year. All workers making less than 10x minimum wage must receive extra payments in June & December.

Unido Digital pays entry level workers who are fluent in English $276.38 plus transportation allowance, which is $11/month more than minimum wage. Some higher-stress contact centers may pay over $1.5 million/month for English-language workers, but have sales or collection quotas, require nights and weekends, or require particular skills beyond English, such as software or product expertise.

Medellín specifically, is Colombia's second largest city. With a population of 2.5 million, it has more than adequate capacity to absorb the entirety of Xceligent's outsourcing needs.

Some Colombian businesses are unionized, but unions are not a significant threat to well run outsourcing firms with high employee engagement.

Real estate prices are reasonable compared to the US and there is ample supply. Unido Digital's current offices are 300 square meters, and priced at $3.41 USD per square foot. Here is an

example of currently available space suitable for small BPO – roughly 21,000 square feet at a base rent of approximately $5200 USD/month.

Strengths

Unido Digital already operates in Colombia, servicing Xceligent. Xceligent could simply give the order and Unido Digital could ramp up to 50 people in a matter of days, 100 in a matter of weeks, and 500 within two quarters. Because we are already operating here, there are very few variables or unknowns. What you have seen is what you will continue to get.

Colombia is politically stable, and safe for international visitors. Culturally, the country is by far the most pro-USA in South America. Colombia has a rather technologically advanced government, with many services available online. Many government offices are surprisingly automated and efficient.

Xceligent's software provider, UruIT is also located here, meaning multiple objectives could be accomplished during the same trip.

There is very little day-to-day corruption. Neither Unido Digital or Loren Moss has ever faced an attempt for a bribe or favoritism in 14 years in Colombia. Compare that to México, where Moss was robbed twice—by the police! The last time, during a visit where he had been recruited to promote México as an investment location.

Colombia in general, and especially inland areas such as Medellín are outside of the hurricane zone. Tornadoes are rare to non-existent. Colombia has a very reliable power system and blackouts are not generally a concern. A significant portion of electricity is generated via renewable hydroelectric power.

Weaknesses

Current Unido Digital researcher wages are already very low for the market. It will be very difficult to reduce wages lower. We are close to minimum wage already and at minimum wage it will be very difficult to attract bilingual talent, who expect a premium.

Colombia is a high-tax jurisdiction with complicated accounting, and there is little political will to remedy that.

Like most developing economies, Colombia does suffer from political corruption, but perhaps not as much as some neighbors. This political corruption takes the form of local politicians embezzling funds, or prosecutors taking bribes from organized criminals. Business generally do not need to offer bribes to operate, and police are usually not prone to bribery.

Colombia's education is uneven, but no worse than other countries being considered in this report. It is Spanish-first, with English being an almost mandatory second language.

Colombia, like other countries considered in this report, is in a seismically active area. Modern building codes require earthquake resistant construction. Flooding can be a concern in some areas, but generally not in urban office or industrial zones. Colombia's hydroelectric power generation came under threat last year temporarily due to a severe drought, though power supplies were never interrupted.

While the rule of law is very strong from a business perspective in Colombia, the jurisprudence and legal theory are based on Napoleonic Codes and in some areas very different than US law, based on British Common Law. Legal guidance is required more frequently than it would be in the US.

Opportunities

The peace process means there is a concerted effort to open up underserved areas of Colombia to investment. These areas may or may not have adequate English-language skills and education, but there are possibilities for "impact sourcing" and sources of inexpensive talent that has lacked access to opportunity.

Threats

Colombia has presidential elections next year, and there are no clear front-runners. A few candidates have policies that are not friendly to enterprise and growth. Colombia's social inequality continues to hold the country back. Though Colombia is no longer an especially violent country, the population still wrestles with the aftermath and trauma of past violence.

Colombia key facts:

Minimum wage $1.38 USD/hour (820,857 COP & 48 hour work week)

Entry contact center wage $1.50/hour (our current approximate rate)

World Bank's Ease Doing Business regional index ranking 2 regionally (behind only México) 53rd globally (Philippines is ranked 99th).

World Economic Forum's Global Competitiveness Index 61 & trending upwards (Philippines is 57 and trending downward)

Population: 50 million

Jamaica

This island country was formerly a colony of the British Crown. In recent years it has been a tourism destination for visitors from North America and Europe, and a successful exporter of culture, with its reggae and cuisine known globally. The small country of Jamaica is located just south of Cuba, and somewhat north of Colombia.

Jamaica is a native English speaking country with a legal system based on British Common Law. Jamaican television is dominated by US channels, and cinemas play US movies. Jamaica has a parliamentary style of government patterned after the British model, and successive governments have shown a bipartisan will to promote the country as a nearshore destination for outsourcing business. Unlike nearby countries such as Trinidad & Tobago or the Bahamas, Jamaica is still a relatively low cost outsourcing location.

Jamaica does struggle with crime, but it is mostly concentrated in poor, gang controlled areas in the urban neighborhoods of Kingston. Violence is not a significant threat to tourists visiting the beach areas, or international business people who happen to be in mainstream areas.

This author has spent time in Jamaica as an analyst and has a cordial relationship with government authorities that should prove helpful in establishing operations.

Strengths

Jamaica is an English-native country, so practically all applicants will have some English skills, unlike the Dominican Republic or Colombia.

As a tourist destination, Jamaica has over 400 international flights per week, meaning that it is very easy to get in and out of the country.

JAMPRO, the country's investment promotion agency, takes an active role in facilitating the arrival of new businesses to the country.

As a "tropical paradise," Jamaica is a very attractive venue for visiting business executives. Facilities are designed with tourism in mind, so home-office employees will look forward to potential travel assignments.

Whereas most Spanish-language country have legal theory based on the Napoleonic Codes, Jamaica's legal system is based on British Common Law, and thus more similar to the US.

Weaknesses

Certain urban areas of Kingston suffer from a high crime rate. Like Chicago, Baltimore, or New Orleans, this crime tends to be confined to certain neighborhoods, and is unlikely to affect international business.

Jamaica has one of the highest energy costs in the region, of over 20 cents (US) per kilowatt hour. Like the Dominican Republic, Jamaica must import practically all of its fuel, including for power generation. As the smallest of the three markets considered, Jamaica does not have advantages of scale when negotiating for bulk fuel.

Jamaica has suffered from a lack of suitable real estate for BPO. The country has historically not needed much office space beyond serving local markets. Most industry has been either in the areas of tourism, agriculture, or mining. There are significant new developments in this area, and the lack of space primarily hinders large operators (1000+ seats). Spaces suitable for between 100-400 researchers are more readily available.

Opportunities

Jamaica has been actively trying to diversify its economy away from dependence on tourism and mining (bauxite). To this end, it has also sought to promote investment in smaller population centers like Mandeville, an emerging BPO location in the country's interior.

As a small country, it is relatively easier to get the attention of politicians and government administrators. An employer of a couple hundred constituents is a "big fish in a small pond" compared to in a larger country like Colombia where there are many employers with thousands of workers.

Threats

Jamaica has a parliamentary style government, meaning there is somewhat less predictability over administrations compared to congressional governments found in The Dominican Republic and Colombia. The country has two main political parties that alternate in power.

In the past, (1970s) the country was wary of US hegemony, and for a time, was diplomatically close to neighboring Cuba, though these tendencies have largely faded.

Jamaica is in the hurricane zone, though modern buildings are generally resistant, as are the mountainous inner areas. As hurricanes tend to travel from east to west, building strength as they cross the Atlantic Ocean, the western area of the country is somewhat protected by the land mass, as well. Jamaica is in a seismically active zone, though earthquakes have not been a recent problem.

Jamaica key facts:

Minimum wage $1.21/hour (155 JAD/hour & 40 hour work week)

Typical entry contact center wage $1.72/hour (220 JAD/hour)

World Bank's Ease Doing Business regional index ranking 6th regionally

World Economic Forum's Global Competitiveness Index 78 & trending upwards (Philippines is 57 and trending downward)

Population: 2.72 million

Dominican Republic

In addition to Colombia, this author knows the Dominican Republic very well, having been a business owner in the country. His daughter was born in the Dominican Republic and holds dual citizenship. He continues to maintain close ties with individuals in the government, security, academic and business sectors.

The Dominican Republic is the independent Caribbean nation with the largest economy. The country of approximately 10 million has very close ties with the United States, where 1 in 10 Dominicans actually live; mostly along the east coast from Miami to Boston. New York City has a very large Dominican population, especially in North Manhattan neighborhoods such as Washington Heights.

The Dominican Republic is a two hour flight from the US, with direct flights from the US into 4 international airports. The country has a growing BPO sector, especially in the contact center area. It's ample population has attracted many of the larger BPO operators, and the work is seen in the Dominican Republic as a professional job. The country has a congressional/presidential form of government, and is probably the closest US ally in the Caribbean, diplomatically.

Strengths

The Dominican Republic has seen tremendous success in its tourism industry, with the majority of visitors coming from the US. This, combined with the country's close ties to the US has resulted in a very strong ESL (English as a Second Language) capability.

The country enjoys strong air connectivity with the US, with many direct flights from most major US airports, including Houston, Dallas, Chicago, Miami, New York, etc. As a tourist destination, many flights are cut-rate as there is strong competition.

The country is politically stable and pro-USA. It is a preferred vacation spot for everyone from Bill Clinton to Rush Limbaugh, with its many golf courses, marinas, and resorts. The tourism industry is very mature, and North America focused. Again, this provides for a strong English-language pool.

Because of close cultural ties with the USA (the entire country is baseball-fanatic) and many families having both a US and island presence, many Dominicans learned English by growing up in the US (as did past-president Leonel Fernandez) and are culturally acclimated to the US. A late 1800s Dominican president once tried to literally sell the country to the US.

The Dominican Republic offers an English immersion program with 52 locations throughout the country, with the aim of boosting the skill and marketablility of the workforce.

Weaknesses

The Domincian Republic suffers from unreliable utilities, with short power blackouts common. It is practically mandatory for businesses to employ backup power generation. Even modest households have UPS backup power supplies to run fans and electronics. Those who can afford them have home gas-powered generators.

The Dominican Republic still struggles with rampant petty corruption and government inefficiency. “You can wait in line all day for a permit, or get it right away if you offer a tip” is an all too common attitude. 14 Dominican politicians and officials have been arrested so far in the widening Odebrecht scandal.

The country is somewhat less disciplined than comparable destinations, and public education is not very good. Private education is common and much better. There is still a large degree of partisan patronage in politics, and “to the victor goes the spoils.” This is not to suggest that corporate operators will find it necessary to engage in bribes or corruption. The author has not found that to be the case.

Of the three countries profiled, the Dominican Republic is where one would face the most ‘hassle’ in obtaining a service call for things like internet connectivity or plumbing service. This is due to less efficiency and technical sophistication at the local small-business level, though things are improving.

The government is rather inefficient, and education is weak compared to some other nearshore locations. Many official documents will have poor grammar and spelling—even in Spanish!

Opportunities

The Dominican Republic remains a relatively inexpensive country in which to do business. The workforce and population in general is very friendly and easygoing. The culture could be described as “Life is a party!” meaning Dominicans are friendly and eager to please. More than in other countries profiled, BPO work is considered professional level, career work. There is less advanced industry on the island competing for bilingual talent, especially away from the coastal tourism areas.

The government is keen to promote outsourcing as a growth industry, and is cooperative in working with potential investors.

The Dominican Republic is a stable democracy and as a pro-USA country, business operations in the country are safe investments from political risk.

The Dominican Republic is also a popular tourism destination, and visiting staff and management from the US will enjoy their stay and want to return.

Threats

The Domincian Republic, like other jurisdictions, suffers from petty street crime. Some (but not all) poor neighborhoods have violent crime problems. Crime is worse in the capital of Santo Domingo, but less of an issue in the smaller cities. The Dominican Republic has a special police force to protect tourist areas and keep them safe.

The Dominican Republic is in the hurricane zone, but the country is large enough that the mountainous interior is protected. The island is seismically active. A recent earthquake that hit the island devastated Haiti (that shares the western portion of the island), but The Dominican Republic suffered only minor damage due to superior construction. Modern buildings are built to be earthquake and hurricane resistant.

The Dominican Republic is a fuel importer, and relies on hydrocarbon for power generation. We are currently in a period of low oil prices. Major changes in petroleum pricing could affect the local energy supply and cost.

Some larger Dominican contact centers have been unionized or faced threats of unionization. Most of these were handling work from large, unionized US telecommunications firms. When Verizon and ATT shifted significant work to The Dominican Republic, the CWA (US telecommunications labor union) traveled to the Dominican Republic and attempted to unionize those workers as a bargaining strategy. It is less likely that smaller non customer-service outsourcing work faces the same threat.

Dominican Republic key facts:

Minimum wage $1.76/hour (15,407 pesos per month, 8 hour workdays & 23 work days per month)

Typical entry contact center wage $2.71/hour (129 JAD/hour)

World Bank's Ease Doing Business regional index ranking 14th regionally

World Economic Forum's Global Competitiveness Index 92 & trending upwards (Philippines is 57 and trending downward)

Population: 10 million

Other possible alternative contenders:

Belize – A small central American country that is native English speaking. Before independence, the country was known as British Honduras. Belize has low costs, but also a small labor force.

Venezuela – Currently Venezuela is in crisis with society on the verge of collapse. Once the crisis passes and stability returns, Venezuela will be a very low cost destination. However that time is still out in the future. Today Venezuela is one of the most dangerous places in the world not actually at war.

Honduras/Nicaragua/Guatemala – These Central American countries are native Spanish speaking but all have made serious attempts to attract English language call center and BPO work. They have inexpensive real estate. Nicaragua is relatively safe, but Honduras & Guatemala suffer from security and crime issues.

Costa Rica – Costa Rica has a high degree of stability and a very educated workforce. The country is suffering from a labor shortage and wages are very high.

Panamá – Panamá has a large, relatively well educated portion of its population that can speak English. The country is a global hub for finance and transportation. Panama is a US dollar based economy, so more expensive than countries with devalued floating currencies.

The Bahamas – Native English speaking , and minutes off the coast of Florida, this country offers a well educated work force, but a small population. Costs of doing business are very low, and with government incentives it may be an attractive option. The economy is dollar based, meaning labor costs are higher. The government struggles to diversify the economy though, so may offer attractive packages worth investigating.

Mexico- Mexico has a giant labor pool, millions of English speaker, free trade with the US, and advanced infrastructure. Crime and security are concerns. This author was robbed twice in Mexico—by the police.

Trinidad & Tobago – This twin island nation is native English speaking, and the government is working hard to attract outsourcing work. The population is highly educated, but also highly compensated. Call center jobs for example, are paying over $3 USD per hour, roughly twice the rate in other jurisdictions.

Guyana – The government of Guyana, an English speaking South American country on the Atlantic Coast, is working hard to attract outsourcing work to the country, that remains somewhat underdeveloped but low cost. Guyana could be worth further investigation as a low cost destination, and again, all English speaking. The country lacks the infrastructure and maturity of other nations mentioned. The telecommunications sector was only recently deregulated, and the country does have international fiber optic connectivity, but less redundancy than other locations.

Regardless of the locations selected, Unido Digital is ready to handle the "heavy lifting" and logistics of establishing, building out, and operating outsourcing functions for Xceligent. We endeavor to continue to provide services to Xceligent resulting in "No surpises, no problems." Our expertise is in nearshore operations, navigating the government, legal and cultural landscapes, allowing Xceligent to focus on innovation in the real estate data sector.

We are able to scale up operations in Colombia almost instantly (just give us the green light) and can move quickly to establish and ramp up operations in multiple additional jurisdictions, providing Xceligent with geographic diversity and redundancy, mitigating multiple risks from natural disasters to changes in the political environment of a jurisdiction.

Thank you for your time.

Loren Moss
President
Unido Digital, SAS