

# Noda Finds Warm Welcome in Philippines

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Andrei Zaitsev, chief executive of Noda

When Andrei Zaitsev arrived to the Philippines early last year, he was met with a tropical cyclone and falling palm trees.

Yet the unfriendly weather did not prevent Zaitsev, 28, head of Russian software producer Noda, from choosing Manila as a location for introducing its call center technology.

"Skyscrapers, good roads. It looked like a miniature copy of New York City. Local officials sold the country to us: They showed us infrastructure and how they worked with investors," Zaitsev said in an interview with *The Moscow Times*.

Despite fierce competition, Noda found a warm welcome in the Philippines. The country is seen by experts as a leading market for business process outsourcing. The Philippines' outsourcing industry, which employs about 700,000 people, generated \$13 billion in revenue

in 2012, an increase of \$2 billion from 2011.

In Russia, Noda's parent company, Naumen, has become a leading player on the market, supplying its solutions to over 300 call centers that employ more than 10,000 workers in Russia, Eastern Europe and Central Asia. Call centers working with Noda solutions serve up to 10 million customers monthly.

Last year, Noda had 13 percent of the call center outsourcing market in former Soviet countries, becoming the third player after such giants as Cisco and Avaya.

In 2011, Naumen reported about \$20 million in revenue.

The company wants to increase its share of the Russian market, but its attention is focused on expansion abroad.

"Since you can't expect dramatic growth in Russia, we understood that it is better to spend time on other markets," he said.

"In Russia a call center employing more than 100 people is considered a big one, while in the Philippines everything from 100 to 1,000 employees is a medium one. We are suppliers for the medium segment," he said.

### **From a Deputy Minister to a Soldier**

A former minority shareholder of Naumen, Zaitsev assumed the position of CEO after working for almost a year as a deputy communications minister in his native Yekaterinburg, becoming the youngest regional official at the age of 26.

In 2010, Zaitsev came into the limelight after he quit his job to join the army, in contrast to most government officials, who usually avoid being drafted.

"This mildly shocked many, even myself. But I believe that military service is a duty, like paying taxes," Zaitsev told Komsomolskaya Pravda in 2011.

Zaitsev served in the signal corps, which he said still rely on "analog equipment."

"It's the most reliable one for the military," Zaitsev said, referring to analog equipment's immunity to cyber attacks.

Zaitsev said he sold his shares in Naumen to make ends meet during his stint as a civil servant and while in the army.

"It was good startup capital that allowed me not to think about stealing something," Zaitsev said jokingly.

Just like the government job and the army, the trip to Manila was a challenge for Zaitsev, who is looking to expand overseas because the Russian market is too small for his business.

### **Calling at: Germany, India, Philippines**

Zaitsev said that at first, he and his partners wanted to get a foothold in Western Europe.

"We all like German sausages," he said.

Zaitsev added that, despite the tasty food and European lifestyle, he had not found the market interesting because of slow growth.

Before visiting Manila, Zaitsev and a group of company executives went to India. The country is known as the mecca of call centers, but Zaitsev said he had not been thrilled.

"The market was stagnating and everyone was concerned with holding on to clients who were running away," Zaitsev said.

He also said that, despite the beauty of Indian architectural landmarks, he found the country hard to live in.

"You had to carry antibacterial liquid with you all the time," Zaitsev said.

Zaitsev, who carries a similar liquid when he travels around Moscow by metro, said it had been no use for him in Manila.

"Everything looked rather clean," he said.

Zaitsev said a good investment climate and developed infrastructure had helped Noda to settle in Manila fast.

"We're plunging into this market head first," Zaitsev said. He added that, in contrast to Russia, all bureaucratic formalities in the Philippines had been resolved in a two-week period.

The good English skills of local workers are also an upside.

"Filipinos can speak English almost like Americans," said Zaitsev, whose sociability has helped him make partners among locals.

"Today, Russian businesspeople who look to expand abroad shouldn't look to foreign countries as if they existed on Mars. All the barriers and fears we create are in our head," Zaitsev said when asked for advice on how to expand globally.

Noda's presence in the Philippines, a country largely unnoticed by Russian businesses, has attracted the attention of Russian ambassador Nikolai Kudashov.

He said in October that the establishment of a Noda office in Manila opens opportunities for cooperation between the two countries.

But Zaitsev said the most difficult thing for the company was to "change the mentality" of locals, who have gotten used to working differently with Americans.

"They came to them and said: We need your hands, and we do the rest," Zaitsev said.

When working with Americans, Filipinos have to buy call center solutions from several suppliers, he said.

"When companies offer three different solutions from three different suppliers, to put them together would cost more money," said Zaitsev.

Noda's approach was different since it offered a full package of call center solutions developed by one company.

The Russian market helped Noda to adjust to Philippine customers' needs.

"In Russia, clients want to have everything from one supplier, while it is different in other countries," Zaitsev said.

He also said Noda's solutions can be installed on ordinary computers. Zaitsev added that the company's systems can be easily integrated with other business systems. The company uses IP telephony, which allows it to avoid dealing with hardware.

In contrast, Cisco requires call center operators to use its own hardware, which makes the final product more expensive, he said.

In March, Noda and local systems integrator Teledata Philippines launched contact center automation services for Magellan Solutions, one of the leading call center operators in the country.

The company is currently building a service center in Manila to use it for expansion to other South Asian markets. Zaitsev said the company wants to gain 20 percent of the local market.

"But it won't be fast; it will take about five years," he said.

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