



IBM Global Business Services



# Toronto's Competitive Positioning in the ICT Sector

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TRRA project partners:



ICT TORONTO

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## Project Overview

### Goals

- Identify key competitor regions globally for Toronto's ICT sector.
- Identify the strengths and weaknesses of Toronto relative to other city regions on key investment decision drivers.
- Understand Toronto's position in the global marketplace with respect to its ICT industry.

### IBM Team

The PLI – Global Location Strategies team is international in composition and consists of individuals in the Americas, Europe and Australia with several decades of cumulative experience in location advisory services. IBM PLI-Global Location Strategies benchmarking methodology has been used very successfully to guide the investment decisions of numerous ICT companies.

### Methodology

- Selected four sub-sectors where Toronto has some competitive strengths (digital media, professional shared services, next generation electronics and specialist software development).
- Shortlisted benchmark competitor regions globally that are considered ICT leaders with strengths in all four selected sub-sectors (Bangalore, Boston, Frankfurt, Manchester, San Jose, Washington, DC).
- Collected and analysed thousands of indicators to assess the quality of each region's business environment, potential to recruit skilled staff, presence of industry cluster, flexibility of labour and regulations, infrastructure, real estate, living environment and language skills as well as the relative operating costs to locate in each region.
- Results were plotted on Cost-Quality Maps to show proximity to the "Ideal" location for each sub-sector.

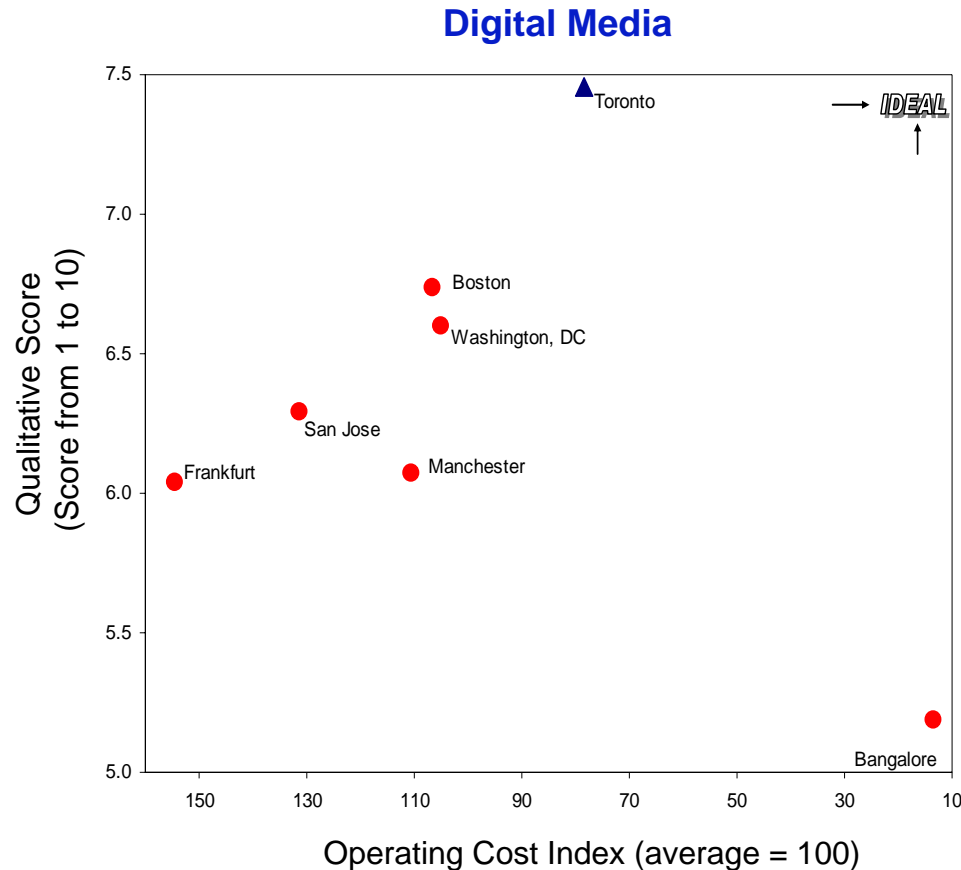
## Key Findings of the Report

- Toronto clearly ranks as the most ideal location in two sub-sectors, Digital Media and Professional Shared Services. Toronto receives top grades for quality and comes second only to Bangalore in low operating costs.
- In Digital Media, Toronto receives high marks for its attractiveness to international recruits and its strong base of creative industries. It is undoubtedly the front runner.
- In Professional Shared Services, Toronto's appeal comes from the wide range of languages spoken as well as the large pool of qualified potential recruits.
- In the third sub-sector, Next Generation Electronics, Toronto ranks competitively against other North American alternatives on cost and has a better quality offering due to its proximity to other markets.
- In the fourth sub-sector, Specialist Software Development, Toronto comes second to Bangalore. Toronto has a cost advantage with an almost similar quality offering against North American competitors and a much stronger offering against European competitors.

# Digital Media

## Cost – Quality Map

### Key Observations



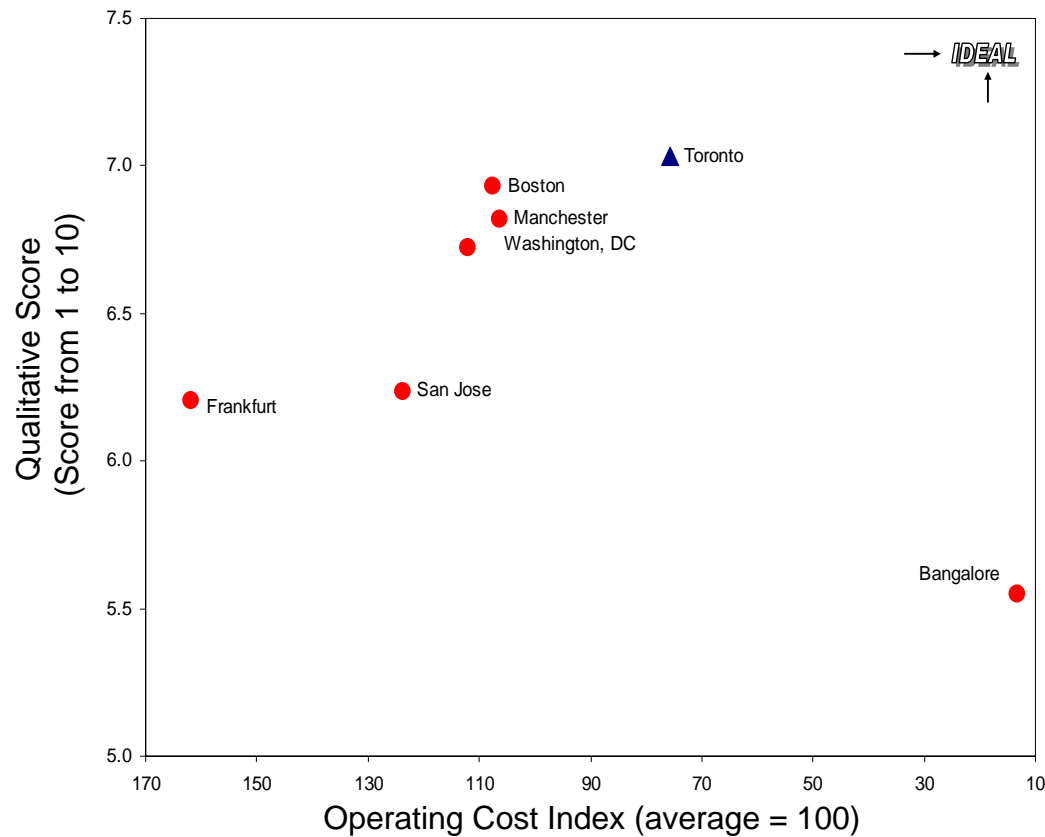
- Toronto combines high quality with low cost. It ranks first for quality and has the second lowest operating costs.
- The region is separated from all others implying a strong niche opportunity.
- Toronto's very strong combination of quality and cost advantages for digital media development leverages the strong existing base of related creative industries.
- The region ranks first in terms of safety and attractiveness to international recruits.
- Toronto ranks first in the potential to recruit skilled staff. The region has access to computer programming and creative media talent. This a key differentiator between Toronto and other regions.

# Professional Shared Services

## Cost – Quality Map

### Professional Shared Services

### Key Observations



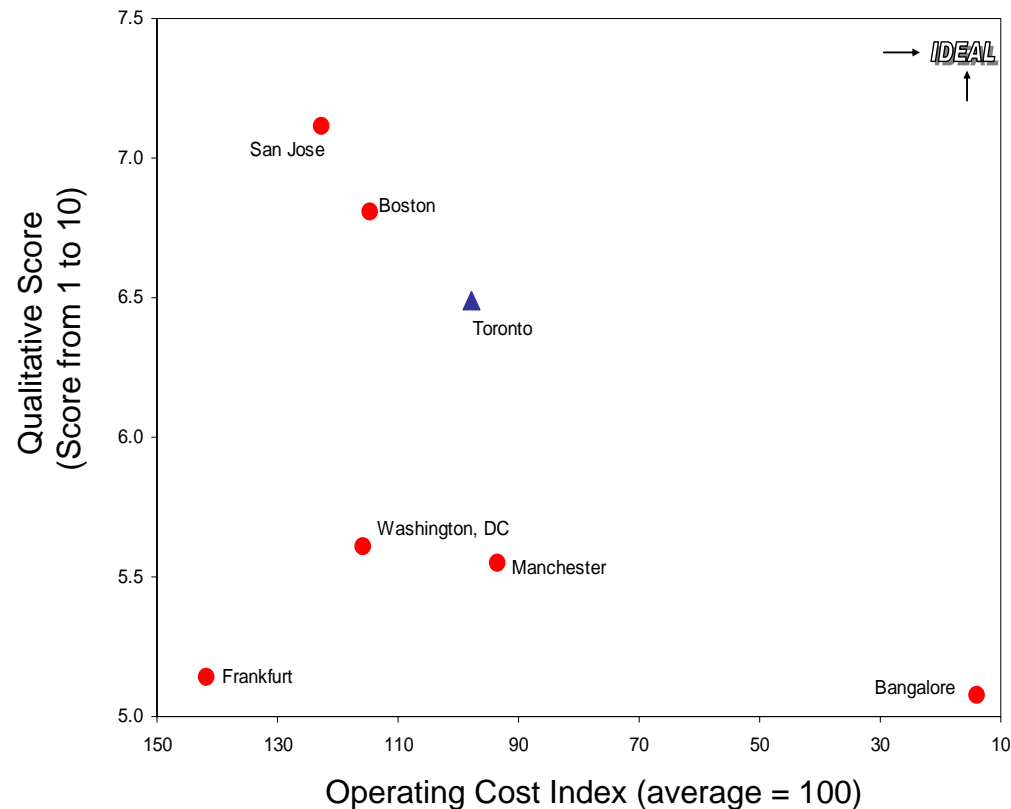
- Toronto is positioned closest to the ideal.
- Toronto has a significant quality and cost comparative advantage for middle office financial shared services, with a wide range of languages available when needed by multinationals.
- Toronto ranks first on the quality dimension and has the second lowest operating cost.
- Toronto has the highest score for the local potential to recruit skilled staff. The region has the largest number of employees in accounting, finance, administrative/ management services sectors.

# Next Generation Electronics

## Cost – Quality Map

### Next Generation Electronics

### Key Observations

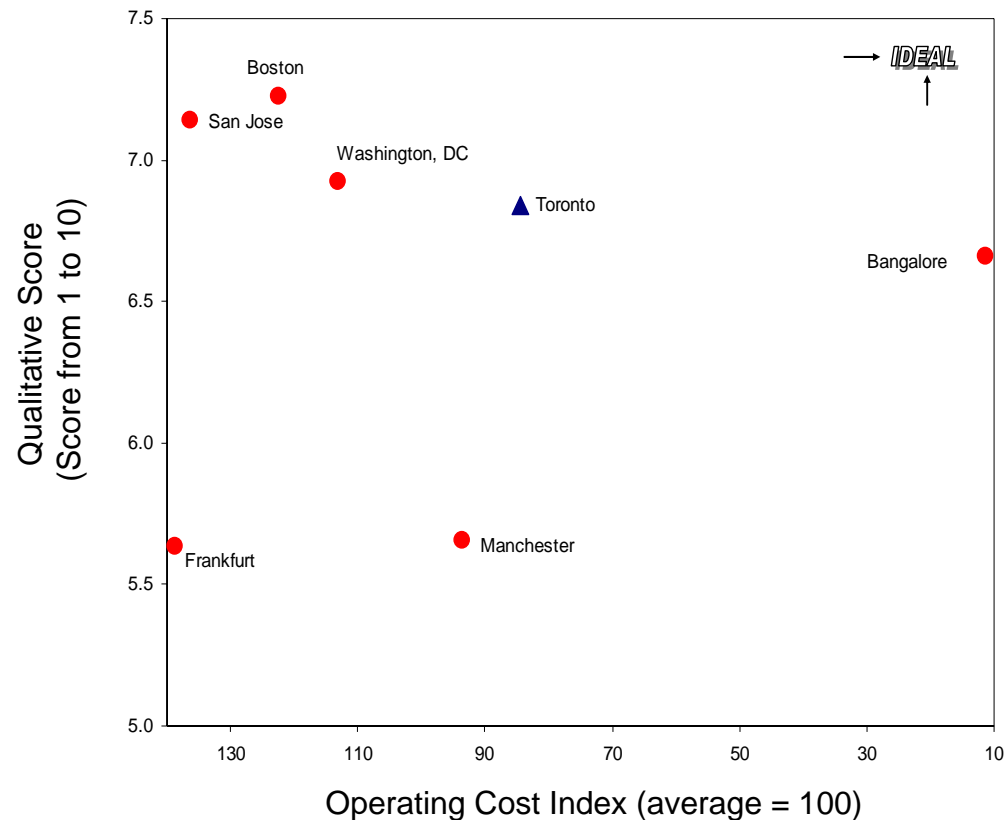


- Toronto is a cost competitive player against other NA alternatives, and has a quality offer better than many, especially where market proximity is important.
- There is a potential savings of approximately 15% for Toronto compared to its closest North American rival.
- Boston, San Jose and Washington, DC have higher numbers of employees working in companies classified as research and development in physical, engineering and life sciences.
- Boston and San Jose ranked higher for the presence of research in electronics and nanotech.
- Bangalore has the greatest cost advantage and the lowest quality ranking.

# Specialist Software Development

## Cost – Quality Map

### Specialist Software Development



### Key Observations

- Toronto has a cost advantage with nearly similar quality against NA competitors, and a much stronger cost and quality offer against European competitors.
- Bangalore is closest to the ideal position because of the cost advantage combined with the quality rating. It has a significant advantage over the other cities in the potential to recruit skilled staff but not in overall quality.
- Bangalore offers a significant cost advantage in labour compared to all other regions.
- Boston and San Jose have a stronger presence of universities and research institutes in computer programming.



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