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INTRODUCTION

LOOKING TOWARDS THE FUTURE

Today's corporations are growing at a dizzying pace. As a result, we are challenged to control costs, implement digital innovations, grow revenue, and consistently serve our customers. This balancing act requires that we stay focused on the present while continue to envision our future. As we remain centered on the needs of our customers, we can better understand *why* we need improved processes, better communication, and advanced technology: to better serve our customers.

Our goal is to improve the customer experience, and we accomplish that through new solutions. Technology offers solutions to serve customers more quickly using new tools like chat bots and Robotic Processing Automation (RPA). The growth of Artificial Intelligence (AI) is impacting many industries including the call center sector. The benefits of these and other technologies are understood, but not all companies are aggressively adopting them, often due to high cost, legacy IT systems and lack of expertise.

But we must remember that we are part of a people industry. Whether you are in management, on the front lines, or a vendor partner who provides an expertise, we have a common goal: to help others solve their problems. Business Process Outsourcing (BPO) providers specialize in using their expertise to transform your opportunities into reality.

INDUSTRY TREND OVERVIEW

The use of BPO services is widely adopted across industry sectors. According to Deloitte, over 30% of companies in IT, Healthcare, Finance and HR use BPO services, while over 43% of manufacturing firms use these services intermittently. Sixty-three percent (63%) of BPO consultants expect their clients' marketing efforts to increase over 2018-2019 to accommodate industry needs. And, in a survey of those companies who have used BPO, indicate that 65% of them would continue to use these services.¹ Technical innovation, the need for valued partners, and cost cutting are just a few of the reasons why BPO services are ripe for growth. Clients are also in need of BPO partners to support cloud computing, cybersecurity and the increased use of chat bots and Interactive Voice Response (IVR) in call centers. Despite the growth of technology, companies are still in need of people, processes, and systems to help create an ideal customer service experience. HFS Research presented studies that showed that more than half of respondents indicated that they desire "a true partner that proactively innovates and invents co-delivered business outcomes."²

Customers are who we serve. Technology is helping us serve them more consistently, at greater speed and with more innovation. We also know that there are people on the other end of that chat bot or phone call. The online retail giant Zappos reports each day how many phone calls it receives and the average length of the phone call. However, Zappos is successful in part because it strives for not just a great customer experience, but a customer *connection*. The company lore includes thousands of raving fan comments, spreading the Zappos spirit over the phone lines. They've mastered the art of the customer experience, but also apply technology and metrics to ensure great service.³

To address these topics, COMPANY X offers its annual outsourcing survey, ***A Look Ahead: Business Process Outsourcing by the Numbers***, to provide you with insights into the next twelve months. Our survey reached people across industries to answer these pressing questions:

- When is the right time to outsource?
- How are outsourcing plans changing?
- What are the top outsourcing goals for 2018?

- What are the top challenges with outsourcing providers – and how can you avoid them?

It is important to understand industry trends, as well as to develop a strategic plan for a BPO partnership. In addition to providing you with industry insights, we also offer you solutions to better understand your customer, their needs and what you can offer them.

SURVEY RESPONDENT OVERVIEW

THIS REPORT summarizes the thoughts of hundreds of executives, directors and managers from multiple industries.

Our survey captures a diverse range of respondent responsibilities, from influence/evaluator up to financial approver and decision maker. Participant functions include Finance, IT, Operations, Customer Service, Marketing, Sales and other key departments. Company sizes ranged from 100 to 100,000+ employees. Our respondents are responsible for a wide range of customer or employee interactions volume: nearly 25% handle more than 10,000 interactions per month; 22% handle between 3,000-10,000; and 53% have less than 3,000 interactions per month.

Industries represented in the survey were similarly diverse, including Financial Services, Retail & Hospitality, Pharma & Biotech, Hospitals and Healthcare Providers, Insurance, Media and Telecommunications, Manufacturing and Technology and Software.

WHEN IS THE RIGHT TIME TO OUTSOURCE?

While reducing costs may be a top-of-mind factor for most companies, ultimately, they must service their customers. But, your cost structure may vary. Do you offer high-touch services where customers expect professional, dedicated agents? Do you experience seasonal spikes in call volume, necessitating a temporary increase in staffing levels? Are you expecting rapid growth and contemplating how to onboard teams of new staff members to help you grow?⁴

These are common reasons to seek outsourced services. In fact, most of our respondents agreed with these reasons, but listed another important reason: corporate strategy. Leaders must ensure that their call centers integrate well with other departments while still providing outstanding customer service.

No doubt, cost is a factor. But reliable, professional customer service is a hallmark behind an outstanding business reputation.

HOW ARE OUTSOURCING PLANS CHANGING?

Who is continuing to outsource?

Larger companies with a contact volume of more than 5,000 per month are outsourcing more. We found that 42% of organizations that already outsource will continue this path. Another 17% of respondents will outsource for the first time or increase their outsourcing programs.

Industries that are most likely to outsource include Financial Service, Banking and Insurance, where demand is heating up. Over 21% are outsourcing for the first time or increasing their use of outsourcing in the next 12 months.

How many have no outsourcing plans or are keeping their services in-house?

We noticed a significant increase over previous year percentages, with 59% having no plans for outsourcing or are planning to bring services back in-house. Our 2016-2017 survey indicated that only 36% were not outsourcing or would bring services in-house.

The top 3 reasons for keeping or returning services in-house included: Customer care/technical support is a core competency for my company (29%); can better align services to strategic company goals when kept in-house (26%); and, the cost benefit does not make sense for my company (18%). Only 3% cited tax or policy changes as a primary reason.

What type of skills are you outsourcing today, or do you plan to outsource in the next 12 months?

Companies are outsourcing for gaps that they may have in their organization. Given the demand for technology workers, our respondents indicated that they are outsourcing for technical or knowledge-based, highly skilled activities (37%). The next highest category was for operational, lower-skilled activities (25%); and a combination of tech and lower skilled activities (37%).

Our respondents' answers were in alignment with industry trends. Both AI and RPA are making great advances in the BPO space. Where AI can make a significant contribution is for "high urgency calls," where customers need immediate information such as account balances, flight arrival times or ordering a car. AI tools allow companies to immediately provide service with minimal interaction on the part of the customer. However, those calls that are "high emotion," such as complaints or unique problems requiring human resolutions, AI and Robotics can serve to frustrate the customer. But it is clear that AI solutions are here to stay, and they are replacing repetitive, low-emotion phone calls to more quickly services customers and enhance the human element in customer experience.⁶

WHAT ARE THE TOP OUTSOURCING GOALS FOR 2018?

What are your top outsourcing goals for the next 12 months?

Our respondents were very clear about their top priority: predictable costs (58%). But the next three factors closely tied for second place: customer experience (33%); drive better business outcomes/ROI (31%); and process standardization and efficiency (31%). It's apparent that constantly improving the customers' experience is key to not only attracting, but keeping customers for the long term, which ultimately stabilizes if not increases sales. Outsourcing is also a good return on investment and contributes to improved outcomes. And finally, respondents know that outsourcing helps to create predictable standard processes that lower costs through improved efficiency. It's clear that outsourcing is vital to controlling costs while providing a consistent level of service that customers appreciate.

What challenges will be most top of mind over the next year?

The year 2017 may be best remembered for the Equifax data breach that affected 147 million people. Exposure of social security numbers, credit card and other sensitive personal information sent shock waves to businesses and individuals alike.

Customer and data security continues to be the #1 concern for 31% of respondents. Ensuring that they have the protocols in place to not only protect their customers but also their company's reputation is paramount.

This was followed by infrastructure stability as the respondents #2 concern; and Business Continuity and Disaster Recovery as #3. Larger firms did cite changing regulations and policies as a pressing issue as these external factors have a great impact on their business operations. Of least concern is cloud platform solutions and Robotics Process Automation (RPA).

What investments are you making in emerging technologies?

It's clear that technology, including AI, Machine Learning applications (like Automated Virtual Assistants), IoT (Internet of Things) devices, and new communication tools (Video Chat, Visual IVR) have more than a few companies scrambling to decide what to do next. While improving efficiency, these advances do come with a cost that must be balanced against anticipated returns.

Most respondents are ready to invest in proven technologies, including video chat (41%), while a smaller percentage (15%) are ready to implement automation (Virtual Assistants), AI and cognitive computing. For the longer term, respondents are choosing to be conservative. A whopping 65% have no plans to invest in IoT (machine to machine/ M2M) engagement platforms within the next five years, while 61% have no plans to invest in Visual IVR and 53% have no plans for AI and cognitive computing. For the shorter term, 28% plan to invest in Automation (Virtual Assistants) within the next two years and another 10% within three-to-five years.

Financial Services, Banking and Insurance are sectors that are moving ahead with automation, with about one-third already investing in AI and cognitive computing. These industries are also getting onboard with advanced communication tools, with over half investing in video chat and another 25% in visual IVR. While these companies are betting that technology will move them forward, another 50% will wait it out, with no plans to invest in the next five years.

Are you looking to advisory firms to help get you on the right path?

How do you invest in a technology when the outcome is risky, expensive and beyond your expertise? Our survey showed that many companies are looking to advisory services to help them make decisions. At the forefront (over 20%) of organizations have or will be investing in service to help with strategies around cloud technologies, and still others (16%) need help with employing data analytics to provide detailed information on performance. Another 14%

are looking to implement other new technologies, but only 6% are looking for help to transform the customer experience.

WHAT ARE THE TOP CHALLENGES WITH OUTSOURCING PROVIDERS – AND HOW CAN YOU AVOID THEM?

What are your biggest outsourcing challenges?

Over half (55%) of respondents have chosen not to outsource any business services. But for those who did outsource, a mere 4% decided to discontinue their services. While it shows there may be concerns about outsourcing key processes, a small percentage opted to reverse their decision.

What are the biggest hurdles to outsourcing? Approximately half of the respondents (46%) list communication issues, which may encompass a variety of items. Nearly 30% thought outsourcing was too costly or that there may be language or cultural issues involved. Digital and physical security is a concern for nearly 27% of smaller companies, while larger organizations (41%) see it as a bigger threat. The final large hurdle to outsourcing is overcoming management issues such as productivity, lack of innovation and not being strategically aligned (24%). Given that these statistics have stayed constant for two years, they appear to be ingrained issues that BPO service providers must overcome.

How do you get beyond such issues when hiring a BPO service provider? It does require due diligence. The best BPO partners will work with you to evaluate performance, provide a clear path to meeting milestones, and offer effective communication strategies. Choosing a provider to help you scale and strengthen your brand is key, and the provider must have the experience, stable workforce, technology to meet or exceed your own, and proven processes to support your current and future operations. In short, BPO providers are strategic partners who must have the management, communication, tools, technologies, reporting and staff that meets or exceeds your own resources.⁶

What is the effectiveness of your current outsourcing program at achieving your goals?

To answer this question, we examined several elements. Did outsourcing lower costs? Over 43% of respondents said that outsourcing was “moderately” or “very effective” at lowering their costs. Could you leverage the provider’s technology? Thirty-eight (38%) percent said yes, that outsourcing was “moderately” to “very effective” at gaining access to emerging technologies. Another 34% believed that outsourcing could be effective at improving business outcomes. More than one-quarter (27%) found that outsourcing was not very effective at improving their customer or employee experiences.

What are key ways to overcome outsourcing challenges?

Whether you choose to outsource your operations or keep it in-house, you will face the same challenges. “Contributions from increased globalization of the Internet, increased usage and expansion of social media applications and the continued technology enhancements of mobile devices to instantaneously access data, global consumers have more information and options at their fingertips than ever before,” says Michael D. Mills, Senior Vice President, Global Sales Contact Center division, COMPANY X. “As a result, consumers not only expect a responsive, simplistic, personal and seamless customer service experience across channels from skilled and knowledgeable customer support agents — they *demand* it.”

We’ve spoken to market leaders about their experience in providing great customer service and they shared their personal confessions with us. Adrian Swinscoe, a customer service consultant, author and speaker discussed his view on Customer Service strategy. “The best companies know if they are, for example, using service as a way to differentiate themselves or if they are optimizing it for speed, cost and efficiency. This gives them clarity and allows them to focus on delivering the best and most appropriate type of service and experience for them and their customers.”

Choosing a BPO provider can help differentiate your company by offering a higher level of consistent service to align with your strategy, and keep customers coming back. Blake Morgan, author of *More is More*, advises, “Start seeing that your customer service operation is a relationship-building tool — it’s a marketing investment not a cost center. If you make customers’ lives easier and better, you invest in creating and retaining more customers.”

Key Customer Strategy Questions for an outstanding BPO Partnership

Your customers want a relationship with you in this fast-paced, uncertain world. They need dependability in addition to your great product or service. You need a cost-effective partner that is an extension of you. So how can you choose the right BPO partner? First, you must understand your customers, yourself, and the service that you provide.⁷ Consider these questions:

1. **Who are my customers?** To understand your customers, you must understand what problems you help them solve. Your customers have pain points and concerns. How you address those issues is key to your business and customer service strategy.
2. **What are they saying about their experience?** What your customers say about you reveals your successes – and failures. Capturing their opinions must be done quickly before they forget their experiences. Whether it’s through social media, email, surveys or a conversation, gather their input quickly and address their concerns immediately. The more they say, the more you will know how to better serve them.
3. **How does my brand’s customer service experience stack up to the competition?** Your customers have a wide range of choices. Why do they pick you over the competition – or vice versa? Information about your competition is easily available via the internet, social media, industry benchmarks and other data points. Compare yourself to the competition to see how you measure up.
4. **What does a typical customer service interaction look like?** Mapping your Customer Service Experience is a revealing exercise. Are there bottlenecks? Do your average call and wait times tell the whole story, or is there more going on? How do your representatives and sales teams solve common issues? Putting yourself in the shoes of your customer, and being open to corrections, is key to offering an outstanding customer experience.
5. **How do my representatives rate the customer service and their employee experience?** If your employees don’t feel satisfied at work, they’ll carry that attitude into everything they do. Employees are the eyes and ears of your corporation and often your best source of ideas for improvement. Conducting employee surveys to gauge their satisfaction in the workplace. Soliciting their opinions about the customer service they provide not only helps you, but them as well, by valuing their opinion. In the end, your customers benefit from a happy, valued and knowledgeable employee.
6. **Are we investing in regular customer service training, and is it working?** Employees benefit from quality, consistent training that improves their skills and leads them on the path to professional development. As their employer, you want to ensure that your training dollars are well-spent and both your employees and customers receive the benefit of your educational investment. If you’ve yet to invest in training, ask when you will make it a strategic priority. And if you already offer training programs, implement performance measurements and surveys to ensure you’re offering effective programs.
7. **Do we have the right resources and tools in place?** Delivering an amazing customer service experience requires the right people, processes and technology. Not everyone is a “fit” for a customer service role, and they cannot perform their job without training, systems and equipment. Ask yourself what barriers your

company has to delivering a great experience and invest the resources to streamline processes, fill in gaps and put the right people and technology in place.

8. **Is the Customer Service Experience essential to our company's culture?** There's been a lot of talk about "Core Values." They are the lifeblood of the organization and they exist to unite employees throughout your organization. If "service," "customer service" or "respect" isn't included in your values, it's time for a change. *Serving* customers, employees and others starts at the top and must be a value that all employees believe in and practice daily.

These questions take time and effort and a bit of self-reflection, but they are at the core of your Customer Service strategy. When you are definitive about who you are and what you offer, it makes it much easier to align with a BPO partner. These service organizations must align with your customer and employee commitment, values, training and business priorities. These are the standards for which you evaluate all partners that help you achieve your strategy and serve your valued customers.

SUMMARY/CONCLUSION

Technology, especially AI and RPA, are making a significant impact in business communications, and BPO providers can take advantage of these trends. Companies are looking for cost reductions, increased efficiencies, lower labor costs and technical expertise to help them better serve their diverse customer segments. Outsourcing solutions are an ideal way to address these issues but do require service providers to excel at what they do. It's clear that companies that use outsourcing services require trust and communication – the hallmark of any excellent, long-term partnership.

A modern, high-performing call center has a great culture, trained staff, a full range of communication options to serve a diverse customer population, data and analytics, innovation and financial strength, all backed by strong leadership.⁸

Who we are

COMPANY X is a leading global provider of business applications, enterprise learning, and outsourcing services that support clients' most fundamental business activities.

COMPANY X's BPO group powers clients' fundamental employee, partner and customer relationships, with services that include tech support, help desk, channel enablement, customer care, back office, finance and accounting outsourcing and telesales.

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