



# BUSINESS PROCESS OUTSOURCING TRENDS 2019

## A LOOK AHEAD



# INTRODUCTION

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**Business Process Outsourcing (BPO) relationships will be challenged to keep pace with innovation and economic changes that affect companies across all industries. The focus on the customer is heightening while the technological tools and pressure to digitally transform business increases.**

Our 2019 study entailed surveying leaders across 30 industries to identify their most-pressing business challenges. Undoubtedly, the biggest trend is that Artificial Intelligence (AI) and related customer support technology is of primary and increasing importance. IVR (Interactive Voice Response), RPA (Robotic Processing Automation), chatbots, web and mobile customer interfaces have moved from the early adoption phase to widespread acceptance.

Outsourcing continues to be a necessary option as leaders feel pressured to control costs, provide high service levels and meet technology innovation challenges head on. Our study reveals the pressures and emerging solutions in today's outsourcing industry.



# INDUSTRY TREND OVERVIEW

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## Digital Transformation Is on the Rise

Digital transformation of call center operations has passed the proof-of-concept stage. Industry research indicates that new technologies are effective at both satisfying the customer and lowering overall cost.

**Gartner predicts that by 2020, 25% of customer service and support operations will use Virtual Customer Assistance (VCA) or chatbot technologies.**

This is a sharp increase from 2017 where only 2% of these interactions were performed digitally. Gartner states the reasons for this increase are due to advances in Natural Language Processing, Machine Learning and intent-matching capabilities.

Gartner's research indicates a reduction of nearly 70% in agent calls, chat and email inquiries after instituting a VCA program.

**The report also indicates an increase in customer satisfaction and a cost saving of 33% over traditional agent-customer phone calls.<sup>1</sup>**





### **IT Investment Is Strong**

The rise in technology-based call center tools creates urgency to increase IT budgets. Outsourcing is often driven not only by lower costs, but by advanced capabilities by the provider. To keep pace in a dramatically changing industry, IT investments must increase both in-house and for service providers.

Globally, a recent study indicated that IT spend would surpass \$1 trillion in 2019, a growth of just under 5%.

The adoption of cloud technologies is key and companies with advanced digital capabilities are destined to win more business.<sup>2</sup>

IT investments are focused on AI technologies that serve the customer across all channels including chat, web, mobile and social media. Data analytics that measure not only traditional call volume but the customer experience is also on the rise. Customers are more adept at interacting digitally, and their urgency to find solutions drives technology investment.

# CUSTOMER EXPERIENCE: CHALLENGING BUT PARAMOUNT

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The Customer Experience (CX) is a growing priority for businesses across all industries. Forrester research presented a study that indicated six competencies that must be mastered to be a true CX leader.<sup>3</sup>



## CULTURE

A system of shared values and beliefs.



## RESEARCH

An in-depth understanding of the customer.



## PRIORITIES

Focus on the highest priority for the customer and business.



## DESIGN

Define and refine CX based on research.



## ENABLE

Support employees and partners in delivering defined experiences.



## MEASURE

Quantify the quality of customer experiences by linking customer perceptions and actions.

In 2017, Forrester conveyed a simple message: Customers are having mediocre experiences at best. Of 314 companies studied, Forrester had difficulty finding a true CX business leader that exemplified the best customer experience. Research revealed that less than 60% of customers had an “okay” experience while 25% ranked their experience as “poor.”

The customer journey is of growing importance in all industries. The outsourcing challenge will be for companies and their BPO partners to truly understand, be empowered and improve delivery of CX-related services.

## Focus on Profits, Lower Costs

Companies must still focus on the bottom line and cater to stakeholder interests. Outsourcing has been a traditional method of reducing costs, but today companies are also searching for value and innovation. Will outsourcing vendor partners deliver on these high expectations?

### INDUSTRY HOT TIP

**New pricing and contract models** are being used in the industry.

For instance, some experts recommend **consumption-based pricing** as an alternative to traditional fixed-priced contracts.

**Outcome-based cost savings can erode if no accountability processes are in place for both parties.** And, while risk and reward models may be appealing, BPO providers may only participate if there is a high upside potential.<sup>4</sup>

Outsourcing is not a "set it and forget it" arrangement. BPO partners cannot single-handedly reduce the cost impact of legacy systems, poor processes and procedures, or lack of management oversight. Corporations and vendor partners must equally participate to lower costs and provide effective service. Communication breakdowns, which are prevalent in the industry, continue to be the downfall of many partnerships that can ultimately eliminate anticipated cost savings.

**BPO succeeds when there is a true and committed partnership. Achieving lower costs remains a primary goal at the C-level and will continue to be a strategic goal for 2019.**

# SURVEY / RESPONDENT OVERVIEW

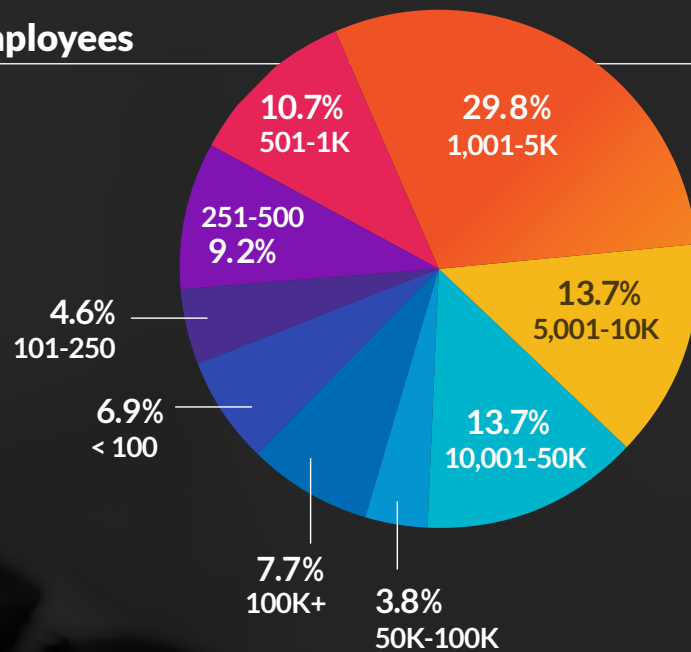
## Industry

More than 30 industries are represented in our survey including:

- Technology & Software
- Financial Services, Banking and Insurance
- Manufactured Goods, Non Apparel
- Construction & Engineering
- Government
- Consulting
- Business, Professional, Nonprofit and Membership Associations

## Company Size by Number of Employees

Large organizations were the primary respondents to our survey



# SURVEY/RESPONDENT OVERVIEW CONT'D.

## Department Leval

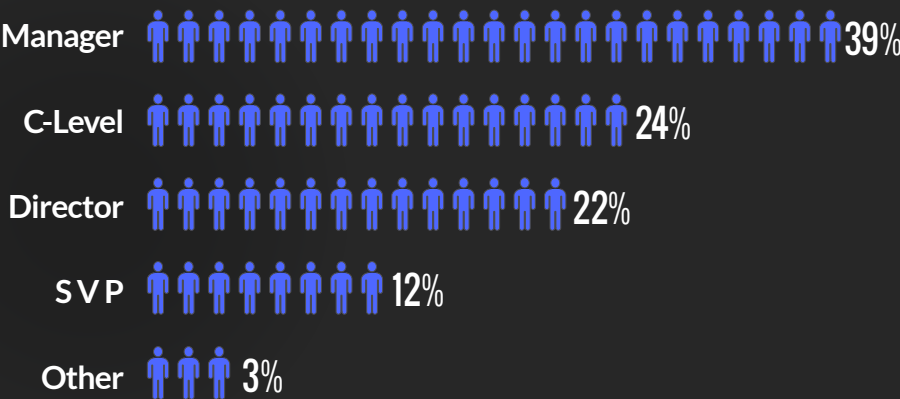
While our respondents varied in their areas of responsibility, **IT, Operations, Finance and Customer Service** accounted for **90% of participants**.

These four departments often have primary responsibility for the design and effectiveness of BPO and their answers offer valuable insights on the state of the industry.



## Role/Professional Standing

All levels in an organization contribute to the selection, design and effectiveness of BPO





# INCREASED FOCUS: OUTSOURCING '19

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**Outsourcing will continue to be a valued business option for 2019.** While a majority of companies plan to continue, increase or outsource for first time, a small percentage (5%) plan to consolidate their outsourcing partners, and 8% plan to bring existing outsourced services back in-house.

Thirty-two percent of respondents  
**WILL CONTINUE WITH  
EXISTING OUTSOURCING PLANS**

32%

32%  
Another one-third will either  
**INCREASE OUTSOURCING or  
OUTSOURCE FOR THE FIRST TIME**

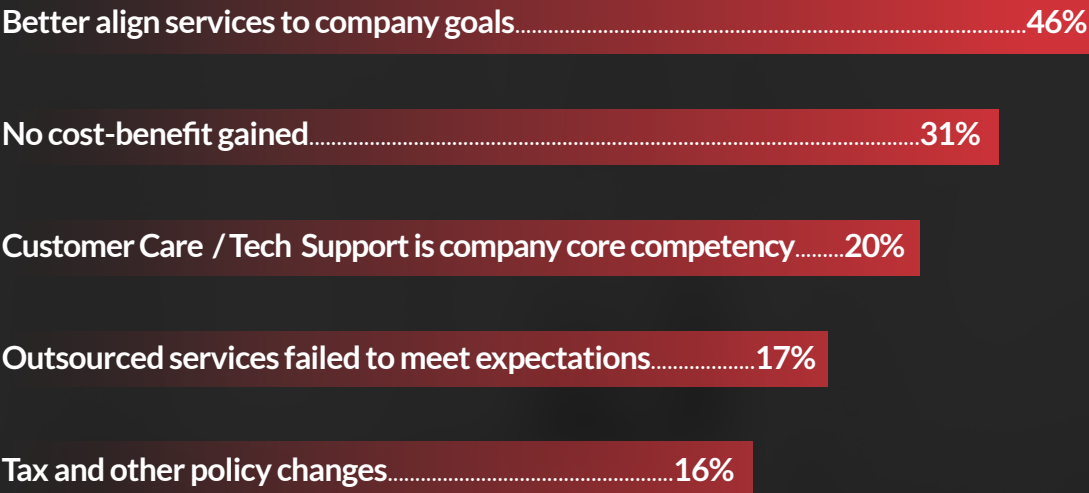
**Companies with 500 to 1,000 employees are most likely to increase their use of outsourcing (64%).** We found a consistent trend with larger companies, where over one-half plan to increase their use of outsourcing. These included firms with 1,000 to 5,000 employees (54%), 5,000 to 10,000 employees (56%) and 10,000 to 50,000 employees (50%). The largest employers, who were typically first adopters of outsourcing, also plan to expand use of BPO (40%)

Year-over-year results show a marked change in attitude in our respondents. **For 2018, the overall average of firms expecting to outsource for the first time or to increase outsourcing was only 11.5% as compared with 32% for 2019.**

**Intentions have also changed for those that have no plans to outsource or desire to bring services back in-house.** In 2017, 36% fell in this category; in 2018, it rose to 59%; and for 2019, only 31% anticipate not outsourcing or bringing services in-house.

One reason for the uptick in 2018 may have been the anticipation of changing regulations, political environment or economic trends, which did not have the expected impact. In an uncertain environment, organizations are less likely to invest in new technologies and systems or process changes.

**Companies choosing to keep or return services in-house:**



# STRATEGIC GOALS: FOCUS ON CUSTOMERS, COSTS

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Our survey identified key strategic goals for contact centers for 2019. Year after year, two goals are consistently at the top of our BPO survey: providing a better customer experience (48%) and achieving lower or more predictable costs (48%).

This year's goals represent a 10% difference from 2018 where there was a heavier emphasis on reducing or achieving more predictable costs (2018: 58% vs. 2019: 48%). For 2019, providing a better customer experience rose to the top of the list, increasing 14 percentage points over the previous year. ROI is still on the minds of our respondents, increasing 9% from 2018 to 2019.

## Top Strategic Goals for Outsourcing

Provide better customer experience .....	48%
Reduce costs/ more predictable costs.....	48%
Process standardization to improve efficiency/ more consistent delivery .....	43%
Drive better business outcomes/ROI .....	40%
Provide more current/effective IT .....	40%
Reduce risks and/or handle transaction demand variability .....	30%
Focus on core company capabilities/ reduce management oversight .....	29%
Enhancing cybersecurity & privacy compliance measures .....	20%

**Gartner echoes the importance of focusing on CX.** While data and analytics are gaining prominence across marketing and sales departments, it may not pinpoint a customer's attitude toward the organization. Customer loyalty is based on trust in the entire company not just a specific product or service.

**Gartner estimates that by 2020, 40% of all data analytics projects will focus on CX and customer attitudes.**<sup>5</sup>

Our survey showed that while C-level minds are focused on efficiency, 55% indicated process standardization and consistent delivery are top strategic goals, followed by providing a better customer experience (48%). However, the SVP/VP role is more focused on the bottom line, with 69% citing reduced or predictable costs as a top goal, followed by 50% focused on providing current, effective IT services. Directors have a similar focus on IT (52%) and reduced costs (48%).

**There is a strong correlation between the size of the organization and its top strategic goals.**

EMPLOYEES	TOP GOAL by COMPANY SIZE
501-1,000	Provide better customer experience
1,001-5,000	Provide more current/effective IT
5,001-10,000	Focus on core company capabilities/ reduce management
10,001-50,000	Reduce costs/ more predictable costs
50,001-100,000	Tied with Drive better business outcomes/ROI and Provide more current/effective IT
100,000	Drive better business outcomes/ROI



# 2019 TOP BUSINESS CHALLENGES



Our respondents indicated that providing great CX while keeping an eye on the bottom line continue to be the top strategic goals for 2019. However, getting there can be a challenge.

Customer data security and fraud prevention is the top of mind issue for the coming year, with 54% ranking this as the primary challenge. As we continue to hear of cybersecurity threats like the Marriott data breach of November 2018, companies must be more vigilant than ever to protect customer, financial and proprietary data.

As companies struggle to keep up with the pace of change, infrastructure stability will also be a challenge in 2019 with 42% of respondents indicating their challenge to keep pace with continued growth and change. Business continuity and disaster recovery (34%) and changing regulations and policies (33%) were also shown as important, related challenges.

With a focus on the bottom line, the cost of labor in a tight job market is also of concern, coming in third at 39%. As the minimum wage increases to \$15 per hour in some markets, finding qualified talent at a competitive wage is a challenge. We noted a rising concern over the previous year, where the cost of labor has now moved up from the fourth spot.

Unemployment rates in the U.S. are still at record lows, forcing companies to look for alternatives. The top talent crunch also prevents companies from automating and innovating more quickly, which would also save costs and increase their competitive edge. Companies are now searching for talent beyond traditional methods. New solutions include partnerships with universities and crowdsourcing to find necessary talent.

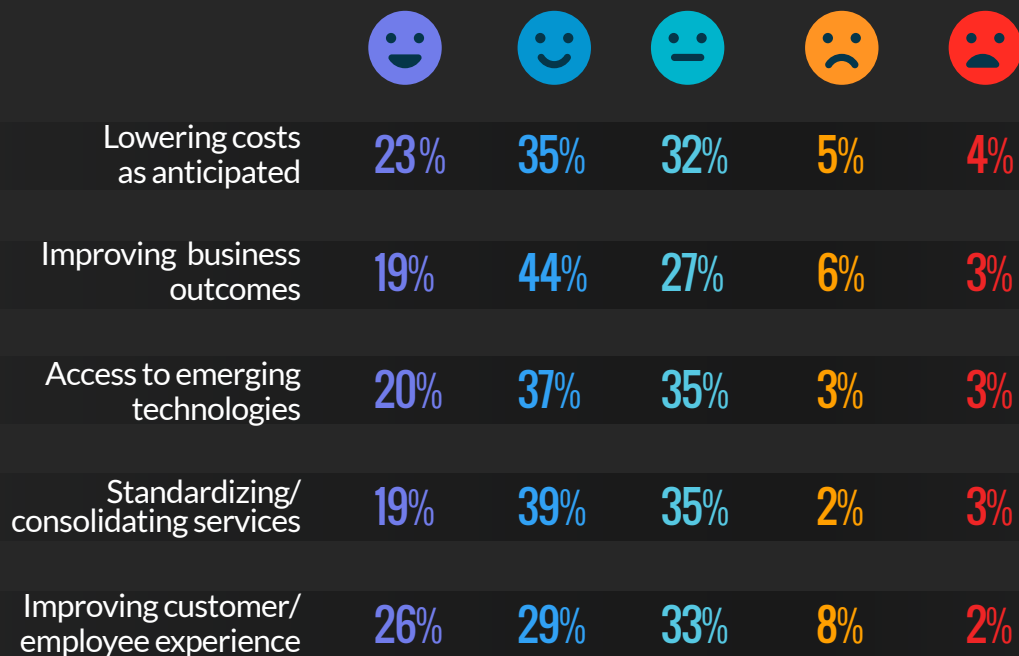
As companies brace for automation, they expect to retain less than 60% of their current workforce. No clear retraining path is readily apparent for those choosing to retain and retrain displaced workers.

New findings suggest that companies have exhausted their traditional cost-savings approaches, especially those that targeted labor savings through offshore operations. Companies that chose an offshore call center approach to reduce costs had to overcome the hurdles of customer satisfaction and cultural differences. In addition, foreign labor markets are now experiencing increased costs, which reduce targeted savings for domestic companies.

New research by HfS Research indicates that across 20 of the industries surveyed, there is highly diminished interest in offshoring any additional operations to reduce labor costs.<sup>6</sup>



# CURRENT STATE OF BPO RELATIONSHIPS



With BPO as a mainstream service, we asked our respondents what they thought of their current outsourcing programs. We focused on discovering if outsourcing met their expectations to achieve corporate goals.

Organizations rated their satisfaction level with their current outsourcing program dramatically higher than the previous year. Sixty-three percent (63%) were moderately or very satisfied with outsourcing for improved business outcomes, whereas only 34% of respondents felt this way in 2018.

When asked if outsourced programs lowered costs as anticipated, 58% were moderately or very satisfied with outcomes, as compared with 43% in 2018. Fifty-eight percent (58%) felt outsourcing met their expectations for standardizing or consolidating services. In regards to accessing emerging technology, 57% were moderately or very satisfied versus 38% in 2018.

Fortune 500 companies have benefitted from having their own call center staff, but organizations such as Siemens and IBM have chosen to outsource their customer service. They have reportedly reduced their costs to as low as \$1 per customer call, making call center outsourcing a realistic option for even the smallest of companies. Outsourcing relationships are also valuable to support seasonal call spikes and allow companies to focus on their core competencies. Achieving this level of customer service and cost-effectiveness takes commitment but even the largest of organizations have achieved unparalleled results.<sup>7</sup>

## Pain Points Remain

Challenges remain, creating pain points with outsourcing vendor relationships. Most common problems include communication issues, lack of oversight, agent skill level issues, inconsistent delivery, lack of innovation and security concerns.

Communication issues include misunderstanding of accepted practices and policies, setting expectations and managing relationships. Management oversight is also a cause for concern, with respondents citing training, skill level, industry knowledge and inconsistent delivery at issue.



While outsourcing often had a cost advantage, respondents were concerned about security issues, lack of innovation and inconsistent processes. In short, outsourcing vendors still have a gap to overcome to meet client expectations for reliability and delivery.

In the past, sending work offshore to inexpensively paid full-time employees (FTEs) was popular to lower costs. Research now shows that companies, in-house as well as outsourcing vendors, are bringing call center jobs onshore to overcome unexpected hurdles. Cultural differences, political uncertainty and other factors left an indelible mark on customers' experience, often encouraging them to go elsewhere.<sup>8</sup>

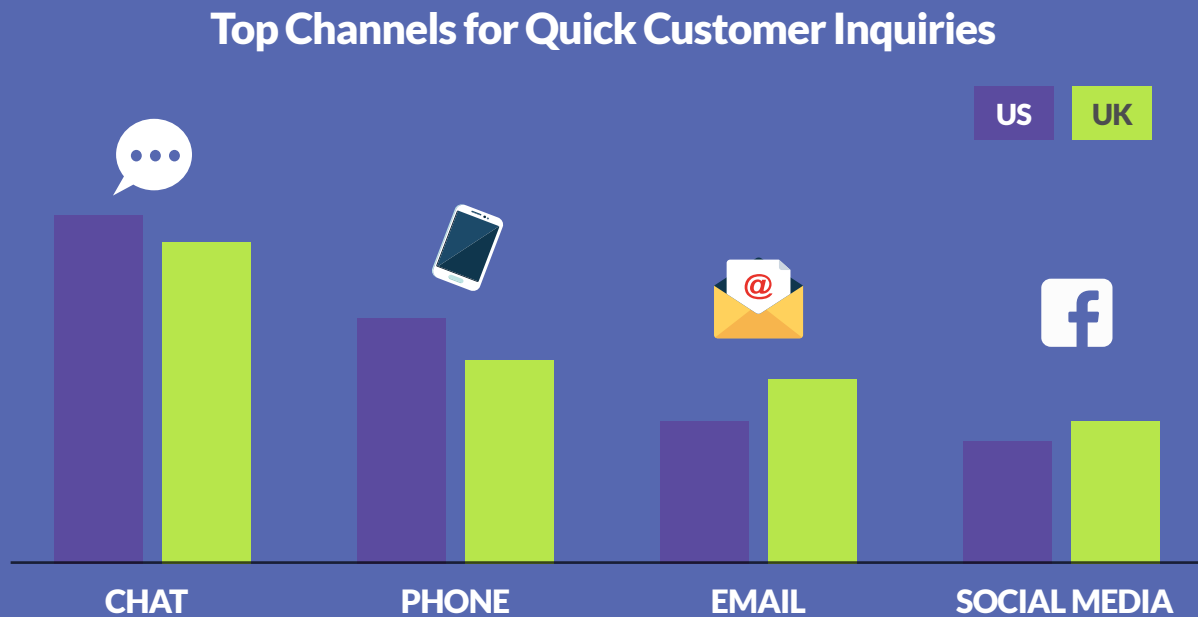
Today's call center operations are focused on the customer and reducing costs. It is this customer focus and hyper-attention to the customer journey that is forcing both in-house and outsourced vendors to reconsider their approach, while still focusing on the bottom line.



## WILL ROBOTS OVERTAKE CALL CENTER OPERATIONS?

RPA is quickly being implemented into call center operations. Robots are indeed a viable replacement for some but not all human activities.

Our 2018 survey on chatbots indicated that 52% of consumers choose chat as their top channel for quick customer services inquiries. However, nearly 40% still prefer a human to a chatbot.



The number one reason consumers gave up on a chatbot to reach out to a human was because their issue was too complex or unusual.

In our 2019 survey on consumer concerns on privacy and security, more than two-thirds (68%) of respondents, said they don't trust automated technology such as chatbots with personal data including birthdates, account numbers and social security numbers.

When asked for personal data, 43% of respondents said they have switched to voice/phone from an automated technology to provide a response.

Consumers also suffer from trust issues when it comes to automated technology.

Despite these concerns, bots are here to stay. Findings from HFS Research indicates that robotics may not only lower costs but prevent firms from having to offshore their operations.<sup>9</sup>

### A few key characteristics define which processes are ripe for robotic innovation:



#### **SIMPLE RULES, FEW EXCEPTIONS**

For workflows that have simple, logical and unambiguous rules, RPA may be a viable solution due to its high accuracy and low cost. In addition, processes with minimal exception handling can also be performed with RPA.



#### **ACCESS TO MULTIPLE SYSTEMS**

For processes requiring access to multiple systems currently performed by humans, a robotics solution may be successful. These solutions could be less expensive and labor-intensive, and may be more reliable with software that includes a presentation-layer integration approach.



#### **STABLE ENVIRONMENT**

If a business process is on a stable platform with no anticipated changes, there may be opportunities to innovate and automate using RPA.



#### **HIGH-VOLUME, MINIMAL INTERACTION**

High-volume processes are ideal candidates for automation and today's call center operations are no exception. Processes that require minimal human interaction should be considered for RPA.

Understanding the current baseline manual costs is the first step in determining the financial advantages of RPA. Industry standards suggest a minimum of 200% of current manual costs should be the expected savings for implementing a robotics solution. RPA may also shorten the time-to-market of newly automated processes, allowing departments to develop a prototype within a few short months.

Call center operations are still in need of top talent to carry out their core mission of customer service. RPA helps companies right-size their labor force by automating routine processes in a highly accurate fashion, allowing them to use their highly trained workforce for customer-facing and important decision-making capacities.

# CHOOSING THE RIGHT BPO VENDOR

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Finding the right outsourcing partner may appear to be a treacherous journey, especially if you are new to BPO. What questions should you ask? How do you know if they are the right partner? What happens if something goes wrong?

**There are many reasons to seek an outsourcing partner, but in our experience, there are three primary motivations:**

## HOW TO VET YOUR FUTURE OUTSOURCING PARTNER



### PRICE

**Typically, businesses seek an outsourcing partner if the cost is too high to provide that service in-house.** Whether it is a lack of talent or a backlog in the IT department, an outsourcing partner may provide the services you need at a lower cost.



### AGENT EXPERIENCE

**If your department has a high turnover or just can't find the right talent, a call center outsourcing partner may have the expertise** and agent experience you need to best serve your customers.



### EXPERTISE

Your goal is to focus on your core competencies, which may not include call center operations. **A qualified, experienced call center vendor partner can provide the expertise** both you and your customers deserve.

Your outsourcing services RFP should include focused questions that reveal your potential vendor partners competencies, allowing you to equally compare answers against multiple providers.

## Here are eight key areas you need to include in your inquiry.

### ADVANCED CAPABILITIES

Most call centers offer the basics to handle high call volumes. Today, call centers should also offer advanced AI capabilities including chat bots, RPA, web, mobile and social media features.

### STAFF EXPERIENCE

In today's competitive job market, high turnover can be indicative of your partner's inability to retain staff. Ask about the level of agent experience, what training and measurement programs are in place to keep staff engaged. The staff is the face to your customer.

### IT INNOVATION

Call centers are becoming a center of technological change. Your potential vendor partner should have AI features in place and a roadmap for future features to benefit you and your customers.

### MAPPED CUSTOMER JOURNEY

To better serve your customers, your BPO partner should have a detailed, mapped diagram of the customer journey addressing types of inquiry and how they are addressed. This will provide evidence that your vendor partner values your customer as much as you do.

### CORPORATE & AGENT EXPERIENCE

If this is your first outsourcing venture, you may not want to choose the newest vendor on the block. Look for years of experience, number of clients in your industry and reputation.

### MEASUREMENTS

You'll only know the effectiveness of an outsourcing partner's process if measured and consistently reported to you. KPIs, SLAs, call volumes and other specific measurements will form a baseline to measure improvement over time and ensure your expectations are met.

### TECHNOLOGY INTEGRATION

Ensure that your vendor partner has the capability to communicate with your existing systems to migrate data accordingly. Include your IT department in the discussions to work out any details in advance.

### COMMUNICATION

One of the primary reasons BPO vendor relationships fail is the lack of communication. Ask about points of contact for sales, operational issues and reporting to keep the lines of communication open. Frequent and consistent communication will ensure your expectations for great service are continually met.



# INVESTING IN THE FUTURE

	INCREASE	KEEP SAME	DECREASE	NOT SPENDING IN 2019
Visual IVR	27%	41%	5%	27%
Chat bots/Virtual Assistants	34%	38%	4%	23%
AI and Cognitive computing	36%	39%	1%	23%
Video Chat	37%	43%	1%	18%
Immersive/virtual/e-learning training & coaching for agents	43%	40%	2%	15%
Advanced Analytics	48%	43%	3%	7%
Tools for Quality Monitoring& Management	49%	44%	3%	4%

With an eye on the bottom line, businesses are still looking to maximize their investments. Where are companies spending their budgets? Our survey responses show they are investing in three areas:

- Quality monitoring and management tools (49%)
- Advanced analytics (48%)
- Agent coaching through immersive, virtual, or e-learning (43%)

Investments in these areas expand not only their IT capabilities but also improve agent skill levels that improve CX.

Visual IVR (27%), chatbots and virtual assistants (23%) and AI and cognitive computing (23%) are all under consideration for their long-term capabilities and ability to reduce costs. These three areas of investment indicate that interest is growing for next-gen capabilities, but they have not reached the top of the list yet. These advancements are designed to better serve the customer but do come at a cost.

Our survey showed that companies with over 5,000 employees are increasing their spending on AI and cognitive computing. These size firms are often in a ramping up period where they need additional tech tools investment to reach the next stage of growth.

Companies feel the urgency to digitally transform their business by implementing the multiple communication channels that customers now use. In a recent CCW study, 46% of companies felt that investing in website self-service was a top priority while 37% will invest in mobile self-service tools within the next year. **The long-term goal is to provide tools that not only react to the customers' inquiries but anticipates them.**<sup>10</sup>

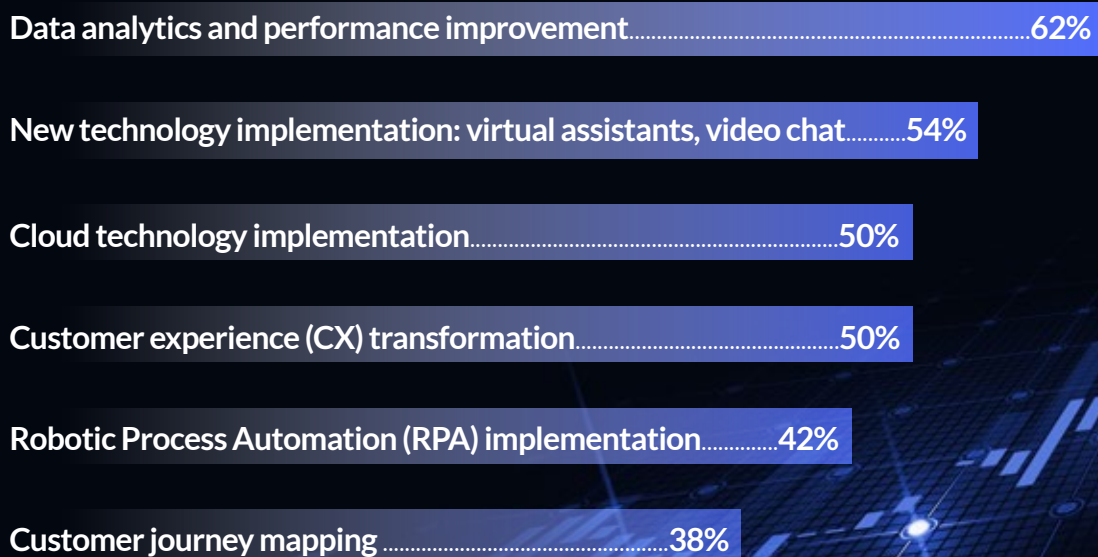
The menu of call-center options continues to expand from traditional live agent phone calls to web, mobile, live chat and social media tools. New cloud-based AI tools, can perform trend analysis to provide analytics that reveal not only the volume of calls, but what prompted the customer call.<sup>11</sup> This valuable information can assist in identifying program or process issues that will help to reduce complaints.



Finally, our survey indicates that spending confidence is increasing. In 2018, 61% of respondents had no plans to invest in visual IVR and 53% had no plans for AI and cognitive computing. The 2019 results are less than half of those percentages indicating that firms may have more spending confidence.

However, companies recognize that they may not have the internal talent and expertise they need to implement transformational tech tools. These organizations will invest in advisory services to jumpstart their progress.

## Advisory Services: Where Companies are Investing



Companies appear to be more confident in proven, advanced technologies and are willing to invest in advisory services to speed up the implementation process. For 2018, we found that only 20% of companies looked for assistance to implement cloud technologies compared with 50% in 2019. Similarly, in 2018 only 16% of respondents sought advisory services for data analytics for improved performance, while 62% sought services in 2019.

Implementing technologies to serve customers, such as virtual assistants and video chat, increased from 14% and 2018 to 54% for 2019. These variations may indicate that companies now see the value of these technologies and are ready to invest and adopt them into their organizations.



## CONCLUSION

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Our survey respondents agreed that 2019 will continue to be a year of challenge, both economically and technically as they strive to serve the needs of their customer. Large companies are rapidly increasing their investment in technology while small- and medium-sized organizations are challenged to up level their IT investment.

BPO continues to be an option for organizations that want to balance innovation and cost savings while remaining profitable and competitive. The customer remains at the core and the business-service provider relationship and will continue to drive momentum in the call center industry.





## ABOUT CGS

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

CGS's BPO division 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.

CGS's BPO division is proud to showcase the value of outsourcing for our clients and it shows! We've been included in Gartner's 2019 annual "Market Guide for Key Customer Management BPO Service Providers," named to the 2019 Best of Global Outsourcing 100® list for the third consecutive year and named the gold winner of the 2019 Stevie® Award for Contact Center/Customer Service Outsourcing Provider of the Year.

We're handling over 50 million customer interactions per year and continuously working on projects that enhance the ROI and exceed the goals that executive management teams are seeking.

**To learn more, visit [CGSINC.COM](https://www.cgsinc.com).**



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