Business process outsourcing (BPO) enables a company to focus on its core competence, while moving non-core business processes to service providers who share the benefits of economies of scale and learning curve with the client. In the last decade, there has been immense growth in this area—spurred by globalized labor arbitrage and digital connectivity. The list of functions being outsourced expanded from traditional call center activities to include back-office or middle-office functions such as purchasing and disbursement, order entry, billing and collection, human resources administration, cash and investment management, tax compliance, internal audit, legal services, and payroll. BPO when done right delivers productivity improvements, cost savings, increase in profits and shareholder value, and innovation.

Over time, BPOs have become more important propositions for large diversified global technology service providers who have traditionally built their franchise around technology development, maintenance, and consultancy services.

The State of the BPO Industry

Large, high growth, global market

- Research firm IDC puts the worldwide business process outsourcing (BPO) market at $209.4 billion in 2017, predicting a compound annual growth rate (CAGR) of 5.7 percent.

Drivers for Growth

- **Cost reduction**: Faced with economic uncertainty and increasing investor expectations, many companies turn to strategic business process outsourcing to grow the bottom line. Significant wage differentials (1/3rd the cost) in places like India and China compared to the western world contributes to this trend. Being able to achieve the same operational output (quality adjusted) with substantially lower costs is a compelling proposition.

- **Labor arbitrage**: A talented pool every year of freshly minted college-educated, English-speaking population allows outsourcers access to a seemingly unyielding supply of labor.

- **Infrastructure improvements**: The advent and rapid development over the past decade of the internet, and strides in global networking and telecommunication makes communicating with someone across the globe as easy as someone in the same office.
Proactive governance: Governments in emerging economies like South Africa, Indonesia, Malaysia, Philippines have introduced policies and incentives, and improved infrastructure to enable BPOs to operate smoothly as they are seen as drivers of economic growth.

Challenges of rapid growth

- **Increased competition:** New countries are joining the outsourcing market each year. Gartner, Inc. takes out an annual list of 30 countries important for offshore services, in which a number of names are from the Americas, Middle East, and Asia. Further, as more companies open shop, increased competition reduces margins and stretches sales cycles, as clients take a longer and deeper look at available alternatives.

- **Attrition and turnover:** The immense growth in business won by outsourcing companies requires quickly hiring and ramping up employees to deliver the services. This demand pull encourages job shopping, with candidates bidding up competing offers. In addition, the market in emerging markets like India for mid and senior level managers has sharply spiked with wages seeing growth levels of 30% annually. Annual attrition rates reaching 25% are not uncommon in some high-growth markets. The company then not only has to invest time in recruiting new talent but also in training the replacements.

- **Market uncertainty:** At a time when most companies in OECD markets like US, UK, and Western Europe, were trying to cut costs, the kind of initial capital and people investment that an outsourcing transaction entailed, was seen as unnecessary and for the time being, avoidable.

Looking to the future: BPO 2.0

Evolution from cost reduction to quality customer service

As a BPO service provider, how do you stay ahead of competition and thrive in a fast-growing, crowded market with limited pricing power? Service provision is no longer just about cost reduction, it is also about customer engagement with the intent of generating value from each interaction, in the course of delivering the service.
Outsourced service providers have to give the same focus on business processes and global service models as their clients. They serve as key value centers for their client’s overall business, finding new ways to drive satisfaction among them, retaining and growing existing portfolio, and implementing processes and systems to better identify sales opportunities during inbound calls.

This increased focus on service suggests that a one-dimensional cost focus is less prevalent than it had been in the past.

Value multiplication is a powerful concept in BPO. It refers to the service provider’s ability to capture, analyze, reengineer, and optimize business processes that it executes for clients—using a mix of technology, process, and people innovation. Leading BPOs have moved beyond cost-based competition to offering gain-sharing models for customer-centric business processes like retention, cross-selling, and compliance. In order to deliver such services, they rely on technology platforms that offer powerful capabilities to build proprietary process models with comprehensive analytics and agile process management tools.

One high-growth area where BPOs are increasingly leveraging software platforms is customer interaction management. As value shifts from transactions to interactions across the economy, companies are investing heavily in designing and delivering differentiated interactions to their customers across all channels—web, mobile, and social. These software platforms, commonly referred to as Customer Engagement Hubs (CEH), offer a range of capabilities that enable BPOs to rapidly differentiate their value proposition for clients. Specifically:

- **Unified customer views and knowledge repository:** Customer engagement hubs are fast becoming the basis for delivering exceptional customer service. Multichannel communication tracking ensures nothing is falling through the cracks across channels. So businesses communicate using the channel the
customer prefers, with context and consistency. In addition, a multichannel knowledge repository ensures response quality regardless of the channel of communication.

- **Workflows to ensure interaction tracking and completion**: Track customer interactions end to end whether it is across contact centers geographies or across different departments. Business-aware routing of incoming interactions means that the right person in the contact center responds to the query or channel he is best suited for. Very often an interaction can require multiple contacts or follow-up activities that need to be completed as part of the interaction. A sophisticated workflow that links the processes and departments together ensures that the interaction is driven to completion and handled consistently regardless of the channel of interaction.

- **SLA compliance**: A key part of outsourcing services is the ability to deliver to stringent customer service level agreements. The assurance that timelines are met and audits are being met for quality control purposes. Each interaction requires tracking and measurement to ensure that SLAs are being achieved and be able to flag and handle SLA breakdowns before they occur.

**Innovative, value-added services**

- **Cross-sell and up-sell capabilities**: Sell through service. Once the customer has been served well, cross-sell or upsell opportunities present themselves. Effective customer service centers, therefore, can become powerful profit centers for the company. According to McKinsey, contact centers can generate 25 percent of new revenues for financial service companies and 60 percent for telecommunication companies. The impact on the company performance can be dramatic, to say the least. Intelligent interactive sales tools can help the agent have a guided dialog with customers to guide them to the right solution—without coming across as “Stasi.” For example, a large UK-based eGain Telco client was able to reduce handset exchanges by 38% using eGain-patented Guided Help capability. This not only created huge cost savings but also created opportunities for agents to help customers select right wireless plans, adding requisite features, in addition to upsell opportunities for accessories to go along with the new phone purchase.

- **Integrated self-service experience**: Customers like self-service when it is joined up and easy to use. While traditionally viewed as being in “competition” to agent-based services provided by outsourcers, web self-service as part of an integrated proposition can provide differentiated value to BPO clients. Self-service, though, must be integrated with agent assistance to provide a holistic experience to customers. Consider the scenario: the customer visits the company website, looks for information and then decides to call the company number where she is asked for her account
details through the automated voice prompts and once connected to an
agent has to repeat the information. Now multiply the chaos by the channels
of communication in play today—mobile, social, SMS, email, etc.—and you
see the magnitude of the challenge. Multichannel self-service is a proven way
to lower costs, yielding significant savings that can be passed on to clients.

- **Business process management:** BPO is outsourced BPM in action! Gartner
defines BPM as a structured approach to managing an organization’s
environment and employing methods, policies, metrics, management
practices, and software tools. A business process can span multiple people
and multiple systems. A good BPM platform enables “codification” of best
practice across this spectrum to ensure consistency and efficiency of process
handling. This eliminates redundant activities and helps identify critical
ones. Not only does is improve productivity but it also helps BPOs re-
engineer processes to make them more efficient.

- **Proactive tools:** Drive front-end effectiveness. BPOs can uniquely help
clients reach their customers and prospects wherever they are to generate
more business. Proactive, personalized offers can be tailored to fulfill sales
and marketing needs across touch points.

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**Powering BPO 2.0 with eGain Customer Engagement Hubs**

**Success stories built on eGain platform**

Hundreds of leading businesses, including dozens of BPOs, around the world trust
eGain software to design and efficiently deliver rich multichannel interaction
processes for customer care and online sales engagement. Gartner has rated eGain
a leader in its Magic Quadrant for Web Customer Service several years in a row.
eGain's top-rated Customer Engagement Hub (CEH) software platform provides the following compelling benefits for BPOs (and their clients) as the basis of competition shifts in the BPO business from cost to quality to innovation:

- **Reduce interaction cost across web, mobile, and social**: A large European Telco was able to achieve savings of 15M Euros in staff support costs while at the same time increasing first time fixes to 84% and reducing escalations to 16%. The client used the Guided Help capability in eGain to make all agents as effective as its best agents in troubleshooting complex client issues.

- **Minimize product-specific contact center training and ramp-up**: A large diversified financial services institution was able to cut down their new agent training program from 9 weeks to 2 weeks by using the eGain Knowledge solution to easily capture and securely share knowhow for a broad product portfolio across all agents.

- **Optimize end-to-end service process efficiencies**: A Fortune 500 bank was able to enhance contact center productivity by 70% despite doubling their customer base while raising customer satisfaction to an award winning 97%. By using eGain email and chat response management tools in combination with its workflow and knowledge capabilities, this client not only improved agent productivity but also improved its First Contact Resolution (FCR).

- **Monitor and improve SLA**: A global wireless service provider tightened email response SLAs from a 24 hour turnaround time to 4 hours! The client used powerful workflow capability in the eGain solution to design process monitors that detected and reported on likely SLA failure points. This analysis led to a small subset of email inquiries that caused disproportionate escalations and SLA penalties. Adequately resourcing this inquiry type and auto-routing them to a SWAT agent pool improved SLA compliance and stopped significant SLA penalty payouts.

- **Enhance agent services with joined up self-service to improve experience**: A leading retailer was able to reduce commonly asked incoming queries by 37% by providing easy to use web-based knowledge base for its customers. Escalations from self-service to agent assistance were seamless and context-aware, so clients enjoyed 7x24 self-service without sacrificing human safety-net when needed.

- **Proactive service to improve customer satisfaction and reduce incoming inquiries**: A large wireless service provider enhanced customer experience by proactively communicating regional network fault issues via email and SMS that were likely to cause customer complaints thereby reducing the number of inbound inquiries by 27%.

- **Boost revenue with contextual sales guidance, including "next best" activities**: A large retailer was able to see sales increase by $6.9 M per year through proactive point of sale assistance to online customers.
Reduce TCO by leveraging solution deployment across multiple clients: A US-based HR outsourcer leveraged multi-tenancy capabilities to host over 80 clients on the same installation, with best practice departments that could be replicated to set up new clients in a matter of hours instead of weeks (before eGain).

Agile service with flexible deployment options—cloud, on-premise, or managed: A large electronics distributor went live with their customer service processes on the eGain platform in four weeks, leveraging the eGain Cloud which allowed them speed to market while retaining the flexibility of migrating the platform in-house at a later time.

Next steps

As a solution provider committed to helping businesses differentiate themselves through best-in-class customer interactions, eGain offers a complimentary, no-risk, no-obligation assessment of your current customer service and support operation in the form of a Best Practice Assessment Study (BPAS). Based on your priorities, the BPAS can be focused on the specific topic of this document or your broader contact center and customer service operation. If you found the content of this document to be useful, we are confident you will benefit from a BPAS engagement with us. To qualify, send us an email at info@egain.com. We will contact you to set up a mutually convenient time to conduct a BPAS.

Related white papers in the eGain Library

eGain is a pioneer and innovator in customer service and knowledge management software with an array of industry-first innovations. Our white papers reflect the expertise we have gained from hundreds of successful contact center and customer service software deployments at blue-chip companies around the world. You can view our best practice white papers and innovation briefs at www.egain.com/resources/white-papers/.

About eGain

eGain’s customer engagement solutions power digital transformation for leading brands. Our top-rated cloud applications for social, mobile, web, and contact
centers help clients deliver connected customer journeys in an omnichannel world. To find out more about eGain software, visit https://www.egain.com/products/.

Headquartered in Sunnyvale, California, eGain has operating presence in North America, EMEA, and APAC. To learn more about us, visit www.eGain.com or call the company’s offices: +1-800-821-4358 (US), +44-(0)-1635-800087 (EMEA), or +91-(0)-20-6608-9200 (APAC).

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