

A composite image featuring a person's hands holding a magnifying glass over a cityscape. The background is a warm, golden-hued city skyline with various skyscrapers. The magnifying glass is held over a specific area of the city, suggesting a focus on business process outsourcing. The overall tone is professional and forward-looking.

CGS 2017 ANNUAL REPORT

BUSINESS PROCESS OUTSOURCING TRENDS





As the Business Process Outsourcing (BPO) industry matures, the number of companies opting for offshore and nearshore deals year over year has grown while the average price tag for those deals has dropped.¹

Companies' desire to outsource non-core service remains strong heading into 2017. KPMG's latest reports show that the total number of outsourcing deals for all of 2015 was 891, while the total number for Q1-Q3 of 2016 alone was 843. Q3 rose 8.7% year over year and 2017 looks as promising.² *Global Industry Analysts, Inc. reports that the BPO market is projected to reach \$262.2B by 2022.*³

Additionally, the average value of contracts has decreased, suggesting that decision makers are now more strategic about outsourcing tech and operational services for high- and low-skilled activities.

“The average cost of BPO-IT contracts decreased from \$179 million in 2015 to \$116 million in 2016, a 35.2% drop.”⁴

NOTES:

1-2 & 4: KPMG, Global IT-BPO Outsourcing Deals Analysis, 3Q16 Analysis.

3: Global Industry Analysts, Inc, Global Business Process Outsourcing (BPO) Market Report, Feb. '17

WHAT DO THEY KNOW THAT YOU DON'T?

To answer that question, CGS offers our 2017 Annual Outsourcing Survey to provide you with insights into the thought processes of close to 100 executives, managers, and associates from a diverse array of industries.

Responsibilities held by 2017 survey participants in the outsourcing decision-making process ranged from influencer / evaluator up to financial approver and decision maker. Participant functions include: Finance, IT, Operations, Customer Service, Marketing, Sales, and others in companies whose sizes ranged from 100 to 100,000+ employees.

Industries represented in the survey were similarly diverse, and included: Financial Services, Healthcare, Manufacturing, Construction, Energy, Technology, Education, Retail & Hospitality.

With BPO becoming the choice
for ever more organizations,
both large and small,
it's worth considering for
your company too.

Read on...

BIGGEST CHANGE IN BPO PLANS: *NOT* CHANGING PLANS

When asked: “Are your outsourcing plans changing in the next 12 months?” as with last year, 63% of respondents replied that they expect outsourcing to be part of their plans.

Unlike last year, 47% of respondents expressed satisfaction with their current outsourcing situation, saying their “Outsourcing plans will remain the same” a large increase over last year’s number (30%).

At the same time, the number of participants who reported that they would be increasing their outsourcing (12%) went down from last year (23%), as did the number of respondents who will be outsourcing for the first time (2%), which dropped from last year’s value of (7%).

Outsourcing Strategies over next 12 months:



63% **Expect outsourcing to be part of their plan**

of those:

47% Outsourcing will **remain the same**

12% Outsourcing will **increase**

2% **Outsourcing 'first-timers'**

The reason companies might not be increasing their outsourcing or delaying outsourcing for the first time may be attributable to political uncertainty.

To learn more, see ‘*Political Uncertainty’s Effects On BPO Decisions*’ later in this report.

OUTSOURCING IS NOT FOR EVERYONE

The number of respondents who indicated that they have no plans for outsourcing or will be bringing outsourced services back in house in 2017 was 36%, which is about the same percentage as in 2016. Nonetheless, as you consider whether it's worth your company's while to outsource services in the coming year, it's worth noting why those participants said they were keeping some services in house.

When survey participants were asked "What is your primary reason for keeping services in house or returning services in house?" the top response was "Can better align services to strategic company goals when kept in house" (55%), while the number two and three responses respectively were "Customer care/technical support is a core competency for my company" (28%), and "The cost benefit does not make sense for my company" (14%).

Q: What is your primary reason for keeping services in house or returning services in house?

Can better align services when kept in house	55%
Customer Care & Tech Support	28%
Cost benefit not justified	14%

In 2016, costs was the top response, at 32%, core competency was again number two response (24%), alignment was number three (18%).

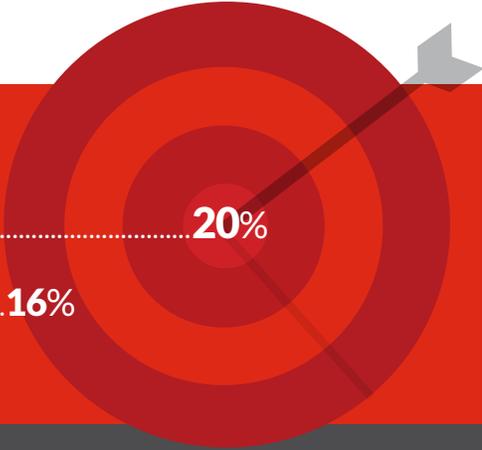
In addition to indicating that clients are looking for outsourcing benefits beyond cost savings, the differing responses from 2016 to 2017 illustrate that the expected value and goals of BPO need to be communicated by both the outsourcing client and the vendor at the outset. (See 'Challenges With Outsourcing Providers and How To Avoid Them' later in this report.)

BPO HELPS ORGANIZATIONS REACH LARGE GOALS AND SMALL ONES

When survey participants were asked “What are your top goals for outsourcing in 2017?” their number one response was “Reduce Costs” (at 20% of responses) with “Improved Efficiency” (16%) in second place. These choices have long been prime drivers for outsourcing services and were the top selections from 2016 as well.

Cracking the top three outsourcing goals for the first time in 2017 was “Providing More Current/Effective IT” (11%), indicating a growing desire by client-partners to keep up with the rapidly changing IT landscape. Last year’s third most popular goal, “Focus on Core Capabilities” has dropped to fourth place.

TOP 3 OUTSOURCING GOALS:



Reduce Costs.....	20%
Improved Efficiency.....	16%
More Current/Effective IT.....	11%

As outsourcing becomes a viable option for smaller companies, the range of outsourcing goals has become much more targeted. With this more diverse array of outsourcing clients comes a correspondingly varied appreciation of outsourcing’s value.

Examples of specific, strategic goals include:

- Reduce risks
- Handle transaction demand variability
- Improve visibility of performance metrics, data analytics
- Global scalability
- Extend coverage hours
- Multilingual support

HAS THE BPO LANDSCAPE CHANGED? 2017 ‘TOP OF MIND’ CHALLENGES

With the uncertainty recently featured in the news in the business, political, and international arenas over the past year, we decided to ask the participants of this year’s survey to “Please rank which challenges will be the most top of mind in 2017?” The top-ranking response was “Economic Stability,” followed closely by “Data Security,” and “Infrastructure Stability.”

TOP-OF-MIND CHALLENGES

Ranked 0-7

Economic Stability	2.85
Data Security	2.88
Infrastructure Security	3.04
Physical Security	4.15
Political Stability	4.63
Cloud Migration.....	4.90
Integrating Robotic Process Automation.....	5.54



Although the choice of outsourcing business processes is largely a business decision involving the costs and benefits BPO provides to participating organizations, this type of decision cannot be made in a vacuum. And, as can be seen in the above results, recent stories about data breaches, economic and political unrest are clearly weighing on the minds of survey participants.

NOTE: Since outsourcing played an outsized role in the 2016 U.S. Presidential election—although mostly in terms of manufacturing jobs rather than outsourced services—some of the challenges listed may be somewhat more politically charged than they may have been last year.

POLITICAL UNCERTAINTY'S EFFECT ON BPO DECISIONS

Due to the prominence of outsourcing manufacturing jobs (specifically in Mexico) in the 2016 U.S. presidential election, we added the following optional question to this year's survey:

Q: Has the outcome of the 2016 U.S. presidential election affected your outsourcing strategy for the next 12-24 months?

<input checked="" type="checkbox"/> No48%	<input checked="" type="checkbox"/> Unsure 20%
<input checked="" type="checkbox"/> Too early to tell 28%	<input checked="" type="checkbox"/> Yes 5%

BPO Industry Experts are similarly divided on predictions:



“Contact centers will largely be left alone.”⁵

- Michael Mills, SVP, Call Ctr. Solutions, N. America, CGS



“We expect outsourcing sector growth to slow in ‘17.”⁶

- Meena Priyadharsini, Locations Desk Researcher, NEO Grp.



“We strongly disagree that Trump’s approach to outsourcing will negatively impact the Mexican call center industry.”⁷

- Alejandra Romero, Business Intelligence Sr. Analyst, Mexican Inst. of Teleservices/IMT

Mills also believes different locations—Mexico, Chile, Romania, etc.—may experience different effects “companies that didn’t hedge labor in the past must now start - that’s good for contact centers.”⁸

TIP: While evaluating BPO solutions, CGS suggests maintaining an open dialog of questions/concerns with potential outsource vendors.

CHALLENGES WITH OUTSOURCING PROVIDERS, AND HOW TO AVOID THEM

This year's survey reveals 31% of respondents have chosen not to outsource any of their business services, while 5% chose to stop outsourcing, bringing services back in house in 2017.

Clearly outsourcing is not for everyone. Yet even clients who appreciate the value of outsourcing will often face challenges which keep them from maximizing its benefits.

To determine the challenges BPO clients face most often, we asked: "Have you experienced any of these challenges with your current or past provider?" The top response, at 20%, was "Communication issues," followed by "Not proactive/lack of innovation/not strategic" at 14% in the number two slot, while tied for third place at 13% were "Too costly" and "Not enough management oversight."

Q: Have you experienced any of these challenges with current or past provider?



In 2016, the number one slot was also held by "Communication issues" while the number two and three slots were "Cultural issues" and "Not flexible enough." **Worth noting: over the past year, challenges presented by cultural differences have decreased substantially.**

To avoid such challenges, outsourcing partners (client and vendor) must work proactively and systematically to build a relationship based on sound communication and clear goals.

**To help establish a solid foundation
for a good client / vendor relationship,
we offer following 8 questions:⁹**

1. Have you defined your current state?
2. Have you outlined your goals?
3. Are key stakeholders involved?
4. Have you anticipated possible objections?
5. Can your vendor meet your technical and skills requirements?
6. Is the vendor a good cultural fit?
7. Have you established good lines of communication?
8. Do you have a clear and concise transition plan?

⁹CGSINC.COM: “Why Outsourcing Fails: 8 Key Considerations for BPO Success,” Feb. 2016

CURRENT PROGRAM RATINGS AND HOW TO IMPROVE CUSTOMER / EMPLOYEE EXPERIENCE

Q: Overall, how would you rate the quality of your company's current support programs?

Average Ratings on Current Programs

	(out of 5)
Customer Support	4.06
Back Office Support	3.86
Technical Support	3.78
Internal Help Desk	3.78

Respondents demonstrate more confidence in services offered through their customer support programs than through technical support and internal help desk programs. In no case did respondents report that support services provided were excellent.

Sadly, this type of sub-excellent performance is not uncommon. Even if the outsourcing partners (vendor & client) have followed all the right steps and established the right protocols according to outsourcing best practices, these plans can slowly become less effective if the partners fail to set up a good governance model.

TIP: The establishment and regular monitoring of a detailed governance model are what keeps outsourcing relationships on track, enables both partners to reach common goals, and continue to meet objectives as defined in the original business case for the project.

HOW TO FIND A STRATEGIC PARTNER

There are many ways to find a partner, including directories or paid advertisements, but most companies want to start with a reference from someone they know or an independent organization.

There are dozens of associations, analysts and publications that can help a company come up with a list of providers to review or help narrow down for potential selection.

Here is a short list of the [Best BPO Resources and Analysts](#) to guide your decision. Visit the [CGS blog](#) for more information and resources.

ANALYST FIRMS

- ✓ Frost & Sullivan
- ✓ Gartner
- ✓ International Data Corporation (IDC)

INDUSTRY ASSOCIATIONS / OUTSOURCING ASSOCIATIONS

- ✓ IAOP
- ✓ PACE

INDUSTRY-SPECIFIC INFORMATION PUBLICATIONS

- ✓ Nearshore Americas h
- ✓ Information Week
- ✓ Shared Services & Outsourcing Network (SSON)

SUMMARY AND CONCLUSION

As illustrated by the results of this year's survey of companies who are actively working with an outsourcing partner or have given the matter considerable thought, establishing an effective and efficient working relationship is not easy.

Moreover, since some companies seeking an outsourcing partner do a less than thorough job of establishing the ground rules, those outsourcing relationships are not as successful as they could be. The key to a successful outsourcing relationship, once a solid business case for the partnership has been created, is good communication.

To create this kind of effective relationship, it's worth following a few simple principles:¹¹

1. Build trust through information sharing
2. Don't forget the value of face-to-face
3. Communication is a two-way street
4. Collaborate strategically
5. Don't micromanage or be too prescriptive
6. Be flexible

Once a positive outsourcing partnership is established, as with any relationship, it takes work to keep everything running smoothly. But since you'll have already built a solid business case for the outsourcing partnership, you'll have already set up the structures and processes that keep the relationship strong.

¹¹ CGS: 6 Steps to Creating Better Strategic Outsourcing Partnerships, July '16.

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- KPMG, 3Q '16 Analysis

Looking For Outsourcing Providers? The Best BPO Analysts & Resources Help Guide Your Decision

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CGS BUSINESS PROCESS OUTSOURCING

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

CGS's BPO group powers clients' fundamental employee, partner, and customer relationships, with services ranging from tech support and help desk to channel enablement, customer care, back office, finance and accounting outsourcing and telesales.

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