



REDEFINING LABOR COST IN BPO STRATEGIES





Cost of Labor Equation Redefined

According to Deloitte's 2016 Global Outsourcing Survey¹ there is a growing trend among organizations to reprioritize their focus on lowering the cost of labor by using business process outsourcing (BPO) services. In the survey, leaders from organizations of all sizes and operational footprints in the Americas, Europe and Asia reported a clear shift from traditional labor cost-cutting as their primary focus for outsourcing functions.

The survey identified a new trend in how organizations view outsourcing. Cost-cutting is no longer the primary driver; instead respondents had a broader approach to outsourcing. Forty-seven percent of respondents identified their service providers as key business enablers, helping to innovate and transform their businesses rather than simply providing labor arbitrage to reduce costs.

The conclusions of several other industry analysts including KPMG and the Everest Group support the Deloitte survey findings. In its end of year 2016 report on BPO deals, KPMG concluded that the future outlook for BPO in 2017 will see more clients opting for outsourcing and not just to reduce costs; and to also avail the value-added services provided by the service providers.²

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Researchers were aware of the shifting trend in outsourcing strategies as early as 2015. In a 2015 Everest Group research report on global contact center outsourcing, its Research Program Director Skand Bhargava concluded that “the call center outsourcing value proposition has transformed over the years from labor arbitrage-driven cost containment to focus on delivering business outcomes such as high customer retention.³”

Clearly, the low cost labor equation has changed how companies approach the value of outsourcing. No longer is the formula as simple as selecting the lowest price offer. Instead, companies are looking to partner with service providers that have evolved their models and processes to better meet these changed business and financial objectives.

What is Driving Change in BPO Strategies?

The competitive landscape for organizations has changed significantly over the past few years largely resulting from technological advancements. The growing number of online solutions available for consumers and the attraction of mobile devices to control and access a wide variety of services has changed consumers' behavior.

Consumers are no longer limited by choice or restricted to brick-and-mortar businesses to buy goods and services in their own country. The convenience and control of mobile access has created a consumer that is always connected to friends, communities and organizations globally.

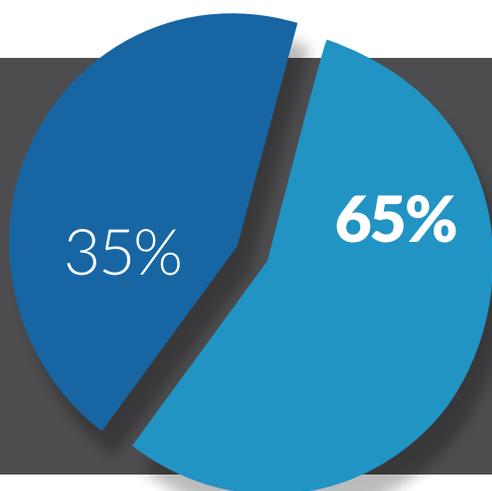
With control at their fingertips,
modern day consumers
now expect goods and services
on-demand.

Organizations all over the world have capitalized on the transformative capabilities of consumer-based technologies and the change in consumer behavior, to redefine how consumers receive goods and services. Digital and mobile solutions have given rise to widespread disruption in almost every industry sector.

Escalating levels of disruption has forced organizations to seek out new solutions to win and retain customers. Innovation and customer experience management have become the key drivers in any business seeking to gain competitive advantage. This change in focus has shifted the primary strategies for BPO. As outlined in the KPMG Global Outsourcing Survey for 2016 a key new trend is for vendors to be identified as business enablers capable of transformation.

New BPO Strategies to Accelerate Growth and Business Transformation

The demise of labor arbitrage as a key BPO strategy has opened the door for innovative, value-based solutions to meet the new requirements of clients. There are a number of notable emerging trends driving the majority of changes in BPO strategies.



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Robotics and Automation

Digital workers are software-based applications designed to replicate human actions necessary to complete a business process. Typically these applications are enabled by artificial intelligence and have different degrees of sophistication and capabilities.

Their cognitive capabilities define the complexity of what they can achieve in a business process. Currently the most commonly adopted digital worker has no cognitive capability and is restricted to perform business processes with structured data and fixed business rules. This type of software is known as Robotic Process Automation (RPA).

There are clear benefits to RPA delivering new value to BPO clients. If properly implemented, RPA has the ability to reduce errors, accelerate completion of processes and reduce costs of operations.

Most of the cost savings can be achieved in low-value, back-office functions currently still performed by human labor such as form-filling and invoice processing.

In cases where RPA or other automated solutions such as virtual assistants are introduced into sales and customer service functions, the value proposition for organizations becomes more complicated.

The primary cause of this challenge is based on whether the organization limits access to human interaction due to the introduction of such software. According to a recent survey from West Interactive Services, 65% of customers still prefer voice-based service from humans when they have a specific question or technical problem.⁴

Humans can resolve issues for customers while also displaying empathy and integrity. If executed properly, the human interaction has the ability to generate a positive, emotional response with the customer, leaving him or her with a better experience than if the customer had to resolve the issue through automated self-service.

The challenge for organizations implementing digital workers at the customer interaction level is to ensure human interaction with customers is elevated rather than restricted. This will ensure the customers' experience is not hampered.



Customer Experience

Another major force driving new BPO strategies is the importance of customer experience as an integral strategic component for market differentiation and business growth.

According to Gartner Research customer experience has become the new competitive battlefield.⁵ The rationale for this statement is based on how the competitive landscape has changed due to the decrease of product and service differentiation generated by digital solutions, globalization, and seamless access to information.

Collectively these forces have empowered consumers to make decisions about products and services based on new dynamics. One of the new components driving change in consumer behavior is the role of customer review websites in the research stage of the buying cycle.

The proliferation of reviews capturing feedback and sentiment on almost any type of organization and its products has redefined how consumers evaluate products and services before making a purchase. The level of trust in a brand is no longer manufactured through traditional advertising.

According to Nielson research 83% of respondents said they completely or somewhat trust the recommendations of friends and family. This trust isn't only limited to known individuals. It extends to the opinions of people they have never met. Nearly two-thirds (66%) said they trusted consumer opinions posted online.

Today, brand value is determined through the collective experiences delivered for consumers by an organization. These experiences form the basis for online reviews by consumers and impact the value of the brand for future customers. The shift of power from organizations to consumers has solidified customer experience as an important strategic driver for growth and market differentiation.

Organizations need to be able to deliver consistent, high-quality experiences that are valued by their customers in order to achieve a positive emotional association with their brand. High quality human interaction is still the best form of achieving emotional engagement.

Digital workers have their place in customer service when they augment and support humans by performing low-value, repetitive tasks. This frees up human service agents to focus on delivering a higher level of service to customers that is designed to achieve a better customer experience and positive emotional association with the brand, ensuring the organization can reap the greatest value.



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Nielson: Global Trust In Advertising, 2015:
<http://www.nielson.com/us/en/insights/reports/2015/global-trust-in-advertising-2015>



The New Economics of Labor Costs

With the growing number of digital workers and the importance of delivering great customer experiences, organizations are re-evaluating the value placed on human labor. More organizations are shifting their focus from labor arbitrage and toward the business benefits delivered by human labor. The new economics of labor costs are increasingly being reflected in contractual arrangements with BPO providers.

The 2016 Deloitte Global Outsourcing Survey highlights the emerging trend of organizations evolving the nature of their relationship with outsource providers by incorporating enhanced service level agreements and governance structures. These changes remove the traditional labor costing models in BPO contracts and now begin to compensate service providers based on the business benefits gained from every customer interaction.

Organizations at the forefront of emerging customer experience strategies are maximizing the value by choosing a partner focused on achieving measurable business benefits rather than simply cutting costs.

About CGS's BPO Services

CGS prides itself on its ability to extract value for clients through its best practice governance model. This model ensures shared risk and clear objectives are monitored and met in line with client expectations. The model has three fundamental components of effective sourcing: Authority, rules and process. Using this model CGS works in partnership with clients to ensure optimal business value is delivered through enhanced customer experiences and innovative service models.

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.

Trusted by these amazing companies



**AWARD-WINNING
CALL CENTER
OUTSOURCING SOLUTIONS**

CGS Business Process provides customer and technical support to the world's most admired companies and their customers.

90% +

+90% of customers return to CGS for additional call center services for nine years or more

45 MILLION

45 million+ interactions with customers per year

70%

70% of employees have a college degree and/or an advanced certificate in their field of support

Clients, including three world-leading PC makers and three leading telecommunications companies, turn to CGS to gain the efficiency, talent, state-of-the-art technology, and business flexibility they need to support fundamental processes, compete, and grow without sacrificing outstanding personal service.

For more information, visit CGSINC.com

SOURCES

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