



When Specialisation Wins Over Size

Choosing a challenger BPO provider over a large universal one can help you achieve a competitive advantage in a dynamic economic context

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INTRO

Business Processes Outsourcing (BPO) is one of the most effective ways to increase competitiveness and achieve significant growth while boosting efficiencies and business continuity. However, to make it happen, you need to find the right BPO partner to meet your needs and expectations.

What does it usually look like, and what counts most? There are multiple factors that companies take into account. Sometimes buyers of Digital Transformation and Business Process Outsourcing solutions look for “safety in size”.

This paper discusses the drivers and deterrents of working with outsourcing market leaders - the Giants of BPO-and provides insights into a new generation of nimbler, specialist outsourcing vendors claiming a considerable slice of the market.

DE-RISKING VENDOR MANAGEMENT

The traditional BPO business model was based on labour arbitrage; lifting and shifting operations to offshore and nearshore locations to reduce costs. For years businesses found reassurance in these large companies and their tried and tested legacy systems and global production facilities and, of course, in the low cost of labour.

Unchanged for decades, this classic model worked well for large, voice-driven, simple operations, but has fallen short in terms of the CX world we described above. The market has other demands, namely a broader ensemble of specialised deliverables, a deep understanding of the varied domains that allow the design and implementation of modern CX operations, the ability to scale affordable technology, and blend in Digital functionalities, all wrapped up in a new relational contract between vendors and brands.

The Everest Group's 8th Annual Business Process Services Top 50 states that "BPS (also referred to as business process outsourcing or BPO) started as a cost optimisation concept focusing on "non-core" and "back-office" business processes. Today BPS permeates the entire business process value chain, addressing a plethora of business objectives." These exceptionally large companies find it difficult to adapt quickly enough to continuous change, creating an unacceptable potential for business disruption and a negative impact on business performance.

With the breadth of choice in terms of vendors, brands can procure specific vendors for unique programs. For example, traditional vendors source high-volume, lower-complexity solutions, and specialised companies design higher-complexity programmes. A nimbler, specialised vendor may assist in refining and modernising CX operations, blend in Artificial Intelligence (AI), develop self-service solutions and design a premium service, whilst an established player may be better-suited to scale to 10,000 FTEs in one year.

There is a consensus about the need for companies to rethink and consolidate sourcing strategies and diversify vendor portfolios. De-risking vendor management allows businesses more choices to continue to tailor their CX further to cope with an evolving business environment and produce added value and cost efficiencies.

This is possibly why our overall research reveals a much broader vendor segmentation landscape than a decade back, with traditional, market-crunching companies and specialist services vendors offering ever-differentiating value propositions



WHEN SHOULD SIZE NOT BE THE ONLY CONSIDERATION

With thousands of Business Process Outsourcing vendors worldwide, picking the right provider can be difficult. The outsourcing vendors differ in size, value proposition, specialisation, operating models, range of services, technology etc.

The key challenge is finding the right provider to ensure your business - within a reasonable budget, has access to domain expertise, well-trained talented teams and scalability, all governed by a close partnership, where challenging the status-quo and demonstrating care is the mantra.

The selection of potential BPO partners is vast. However, at the same time, choosing the right BPO vendor is becoming even more difficult with the industry continuing to expand rapidly. According to recent Grand View Research (GVR), the global business process outsourcing market was valued at USD 245.9 billion in 2021 and is projected to expand at a compound annual growth rate (CAGR) of 9.1% from 2022 to 2030*.

Interestingly, the BPO industry is currently responsible for creating the second-highest number of global jobs and contributing to the changes in the GDP of various small countries. Many firms, from small start-ups to huge ones, are outsourcing their processes to take advantage of the readiness and innovation available in the highly competitive BPO environment **.

Returning to the initial question regarding the issue of vendor selection, it is enticing for buyers of outsourcing solutions to include only the largest (over 50K employees) and most well-known players on the short list of potential BPO providers. Unfortunately, the “safety in size” often wins over agility and innovation at first look.

Here is where the challenge appears, especially when you seek a strong partnership, strategic counsel, exchange of disruptive ideas, and full attention. When dealing with the enormous BPOs, you may:



The solution is simple. Consider choosing a nimbler, specialist truly bespoke BPO provider over a large generalist. You will unquestionably receive more tailored outsourcing solutions and flagship partnership treatment, prioritising your customers and business needs.

* Source: GVR Report covering Business Process Outsourcing Market Size, Share & Trends Analysis Report, By Service Type (Customer Services, Finance & Accounting), By End-Use (IT & Telecommunication, BFSI), By Region, And Segment Forecasts, 2022 – 2030.

** Source: Allied Market Research: BPO Service Market Type, Organisation Size, Vertical: Global Opportunity Analysis and Industry Forecast, 2022-2029

THE INCREASING ROLE OF THE AGILE, SPECIALIST BPO

Specialist BPOs have grown significantly over the last couple of years, becoming more and more trusted by outsourcing buyers. It is all due to their capability to bring expertise and fresh air to the BPO strategy and help achieve a competitive advantage in specific domains, such as gaming, fintech, social media, e-commerce, new economy, and many more

Typically, a Specialist BPO is smaller than the large generalist one. Therefore, it is more agile, flexible, cost-efficient, and focused on closer customer relationships. What makes it unique is a domain specialisation. These include industry know-how, relevant experience, well-trained agents and out-of-the-box solutions.

The Specialist can deliver hyper-personalised services more resiliently, which the generalist BPOs could not provide within a sensible commercial proposition.

Referring to the Everest Group Survey on Portfolio Strategies in Outsourcing, firms are increasingly engaging with specialists. They aim to mitigate the talent challenge and ensure access to experienced and industry-oriented brand advocates' pool, de-risk outsourcing relationships, transform and modernise services or boost technology. As per the survey, there is a 42 % increase in using outsourcing partners in general and a 53 % growth regarding hiring specialist BPOs*.

** Source: Everest Group Enterprise 2021 Key Issues Survey; Portfolio Strategies in Outsourcing survey included in the "The Rubik's Cube Approach to Designing your Service Provider Portfolio" document.*



SPECIALIST VS ENORMOUS GENERALIST

Specialised Business Process Outsourcing providers and the largest corporations vary in many points. The first group, for instance, offers a consultative and individual approach to business. The second one has a more comprehensive cover and more renowned customers but is more bureaucratic and focuses on profitability to a larger extent.

Below are unique sweet spots that show more differences. They are an essential insight allowing you to understand what makes a specialist BPO the Challenger.

	Right-size Specialist BPO	Large Generalist BPO
COLLABORATION	<p>With fewer decision-makers and less bureaucracy, a Specialist offers better time responsiveness, quick problem-solving, and a partnership ethos.</p> <p>Such a company is flexible and proactive in building the best way to accomplish goals, nurture customers and support their brands, even in constantly changing circumstances.</p> <p>It often adapts to the client's needs and time, not the other way around.</p>	<p>A large provider simply cannot afford to give the attention each company expects and requires. Worst, it may also defer their project countless times.</p> <p>Additionally, by partnering up with a giant corporation, a buyer often needs to give up time to cope with red tape, such as reviewing, approving, and starting projects. These may include more stakeholders and stages than desirable, slowing the operations down significantly.</p>
DOMAINS UNDERSTANDING	<p>It plays the role of an industry-focused outsourcing partner and trustworthy consultant with a deep domain understanding. It usually offers valuable insights on a given sector, best-in-class implementation practices and tailor-made solutions, allowing smooth and quick deployment.</p>	<p>The generalist is present in multiple industries and deals with several different domains regionally and globally. However, its employees have much more limited expertise and knowledge of each sector. They are far behind the Challenger's level.</p>
TALENT	<p>Specialist BPO has limited ability to provide the same scalability and number of locations as the giant firm does. Still, it acts more strategically, activating sites in locations that are more important for the buyer CX or Trust and Safety operations, matching skills, language, and culture needs faster.</p> <p>Access to people, from agents to top executives (C-level) is available, both in day-to-day operations and during strategic governance meetings. This shifts the partnership focus to outcomes, innovation and white-glove care.</p>	<p>On the other hand, a large BPO can offer customers a large scalable talent pool across varied skill sets and locations, probably in each part of the world but with a high turnover rate.</p> <p>Access to the organisation's strategic, highly experienced C-level people is limited, leading to a more transactional than value-add partnership.</p>

<p>TECHNOLOGY</p>	<p>Specialised BPO are usually platform-agnostic, while still being fully capable of delivering Digital Transformation and proprietary, omnichannel CRMs. This can be an advantage, especially as organisations increasingly focus on safeguarding their user/customer data, needing the flexibility to work directly with the company tools or deliver proprietary technology on demand.</p>	<p>A generalist will typically lock in the business onto its technology, thus enabling higher profits for their organisation vs personalisation.</p> <p>Integration with 3rd party applications, scalability, and new digital implementations are possible but usually costly and slow to implement.</p>
<p>PRICE FLEXIBILITY</p>	<p>Unlike the large vendors, focusing on making as much profit as possible, the Challenger BPO is usually more flexible while negotiating prices and contract details. The company can offer customers even better prices for the same or an even more comprehensive range of services.</p>	<p>A big market player hardly competes on prices because of the necessity to finance extensive infrastructure, legacy systems, top-rate executives, and hefty consultancy contracts. Such a company often passes the costs to the buyers while billing them for each undertaking and activity.</p>
<p>CARE</p>	<p>Specialist BPOs will give you flagship client treatment.</p>	<p>The large BPO companies are known to have hundreds of engagements in endless verticals running in parallel, many representing other industry giants. The competition for resources within the company and, for example, in sourcing certain talent types is fierce. Your 50-200 FTEs tender may have been received with all honours, but you may find that meetings are taking longer to schedule or giving way to more meetings. Often, these companies cannot afford to provide you with the attention you wish and may defer your project countless times.</p>

CHALLENGER BPO IN THE MULTI-SOURCING STRATEGY

There are situations when organisations have a broader range and more complex needs to cover with BPO services. Therefore, they build an outsourcing supplier portfolio, including a mix of diverse providers. Introducing the right size specialist BPO can, in many cases, be critical to push specific processes forward and empower brand competitiveness in a dynamic economic context.

Multi-sourcing enables companies to cooperate with a few BPO providers engaged simultaneously in one or many projects. It brings in all the needed capabilities to achieve goals like, for instance, an increase in productivity, cost-savings, risk mitigation, continuity of business processes and access to a talented pool worldwide.

According to the Everest Group's insights, there are critical multi-sourcing factors, like diversification of the suppliers' portfolio and balance in the evolving mix of provider capabilities, service delivery presence, and talent skill set. They suggest concentrating 80-90% of the spending with no more than five service providers.

The key elements of a forward-looking portfolio strategy by Everest Group are:

- ◇ Concentrating 80-90% of the spending with no more than five service providers.
- ◇ Including a Challenger to the largest suppliers by keeping the spending gap between tier-1 and tier-2 vendors.
- ◇ Leveraging tier-2 and tier-3 suppliers only for specialist services*.

It is undeniable that a specialist BPO contributes significant value to the multi-sourcing strategy. It can be a source of niche knowledge, skilled and specialist talents, appropriate integration capabilities or dedicated consultancy.

** SOURCE: EVEREST GROUP'S DOCUMENT "THE RUBIK'S CUBE APPROACH TO DESIGNING YOUR SERVICE PROVIDER PORTFOLIO".*



SUMMARY

When should specialisation win over size? After reading all the information collected above and analysing the topic, we can finally conclude when Choosing a Specialist BPO provider over a large generalist can help achieve a competitive advantage in a dynamic economic context.

A specialist BPO is a proper match when you have growth potential and ambitious international expansion plans regarding particular industries. The domain-focused outsourcing partner will enable you to scale your brand and differentiate from competitors. In addition, it will provide you with several dozen or hundreds of expertise FTEs, a more consultative approach, flexibility and a very close relationship.

A giant generalist is the right choice when you are also a “big fish” seeking a very broadly experienced and renowned supplier present in numerous locations, and when costs do not matter so strictly. You will receive appropriate support with thousands of FTEs, in each region of the world, in dozen languages, in extensive facilities and with multiple domains.

There is also a third option, when including both a challenging company and a generalist provider in your multi-sourcing portfolio to increase the chances your outsourcing projects will succeed no matter what the future brings.

A FEW WORDS ABOUT CONECTYS

For companies across the globe facing challenges like hypergrowth and market disruption, Conectys is a Customer Experience and Trust & Safety BPO (Business Process Outsourcing) partner that delivers cost reduction and increases the speed of implementation for its clients. Unlike traditional punch-in, punch-out service providers, Conectys co-creates flexible, strategic and digitally-inclusive approaches to our clients’ extraordinary challenges.

Key services of Conectys are:



MULTILINGUAL CUSTOMER EXPERIENCE

Customer service and tech support
– 24x7, 35+ languages



DIGITAL TRANSFORMATION SERVICES

RPA, NLP, conversational bots,
sentiment analysis, voice-to-text,
etc. – platform agnostic



TRUST AND SAFETY SERVICES

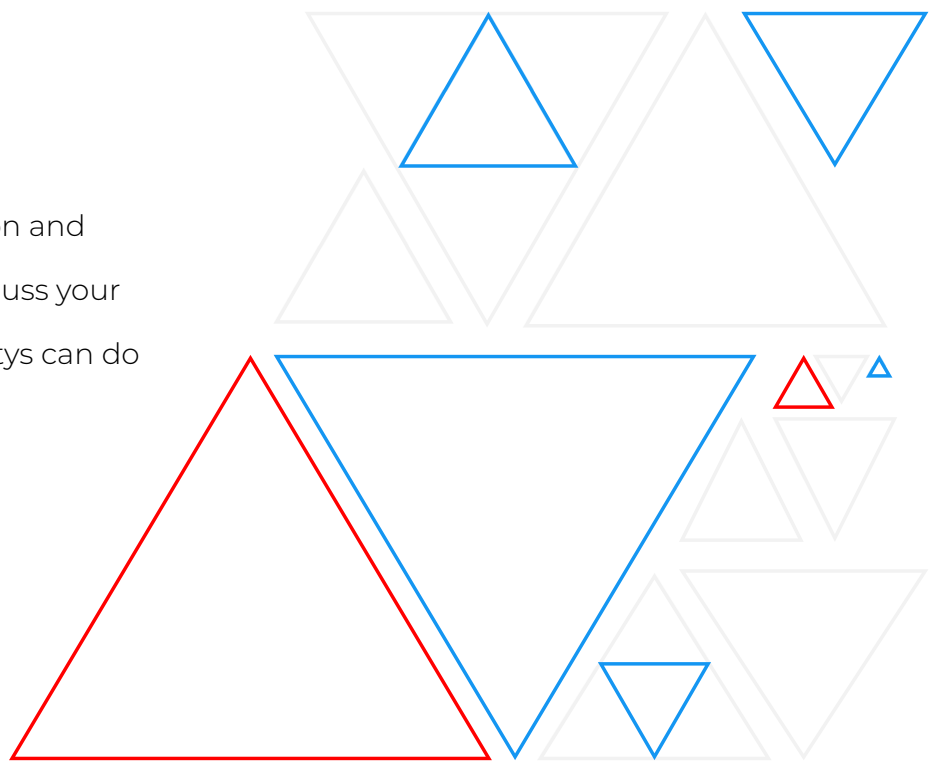
Content moderation on online
platforms according to brand
and social safety guidelines and
regulatory requirements

With smart locations on three continents and over 18 years in the industry, Conectys is large enough to be a safe partner, experienced enough to be specialist, yet of the right size to be flexible, dynamic and entrepreneurial.

CONTACT US



We feel energized by this position and would love to meet you and discuss your business and what Team Conectys can do for your CX and T&S services.



sales@conectys.com

info@conectys.com

rfp@conectys.com



US - 1469 532 0215

UK - 44 203 318 1593

EU - 32 929 8011

HK - 852 800 930 130