

Upgrading in the BPO market

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Everest Group helps senior executives of leading companies capture value from the next generation of global services



Range of services

Strategy

Consulting and research services to turn insights into decisions

Implementation

Consulting services to capture value from decisions

Subscriptions

Research reports, data sets, customized tracking services

Resources

Webinars, research, and blogs

The BPO industry is an amalgamation of multiple industry-specific and horizontal markets

Industry-specific BPO

Banking and capital markets

- Retail/commercial banking
- Mortgages and credit cards
- Investment banking
- Asset management
- Custody and fund administration

Insurance (life & pensions, property & casualty, and health)

- Actuarial analysis
- Underwriting
- Policy creation, servicing, and reporting
- Claims processing

Hi-tech manufacturing

- Sales and marketing support
- Order management and fulfillment
- Supply chain planning and support
- Master data, customer and vendor data management
- After-sales service

Other verticals

- Healthcare
- Pharmaceuticals
- Consumer packaged goods
- Retail
- Telecom
- Energy & utilities
- Travel & logistics
- Public sector and others

Horizontal BPO

Finance & Accounting

(Order-to-cash, record-to-report, procure-to-pay, and financial planning & analysis)

Human Resources

(HRIS, payroll, benefits, recruitment, learning, global mobility, and talent management)

Sourcing and procurement

(Spend analytics, strategic sourcing, category management, vendor management, and day-to-day purchasing)

Customer care & interaction

(Query handling, product/service support, order fulfillment, sales support, and customer satisfaction)

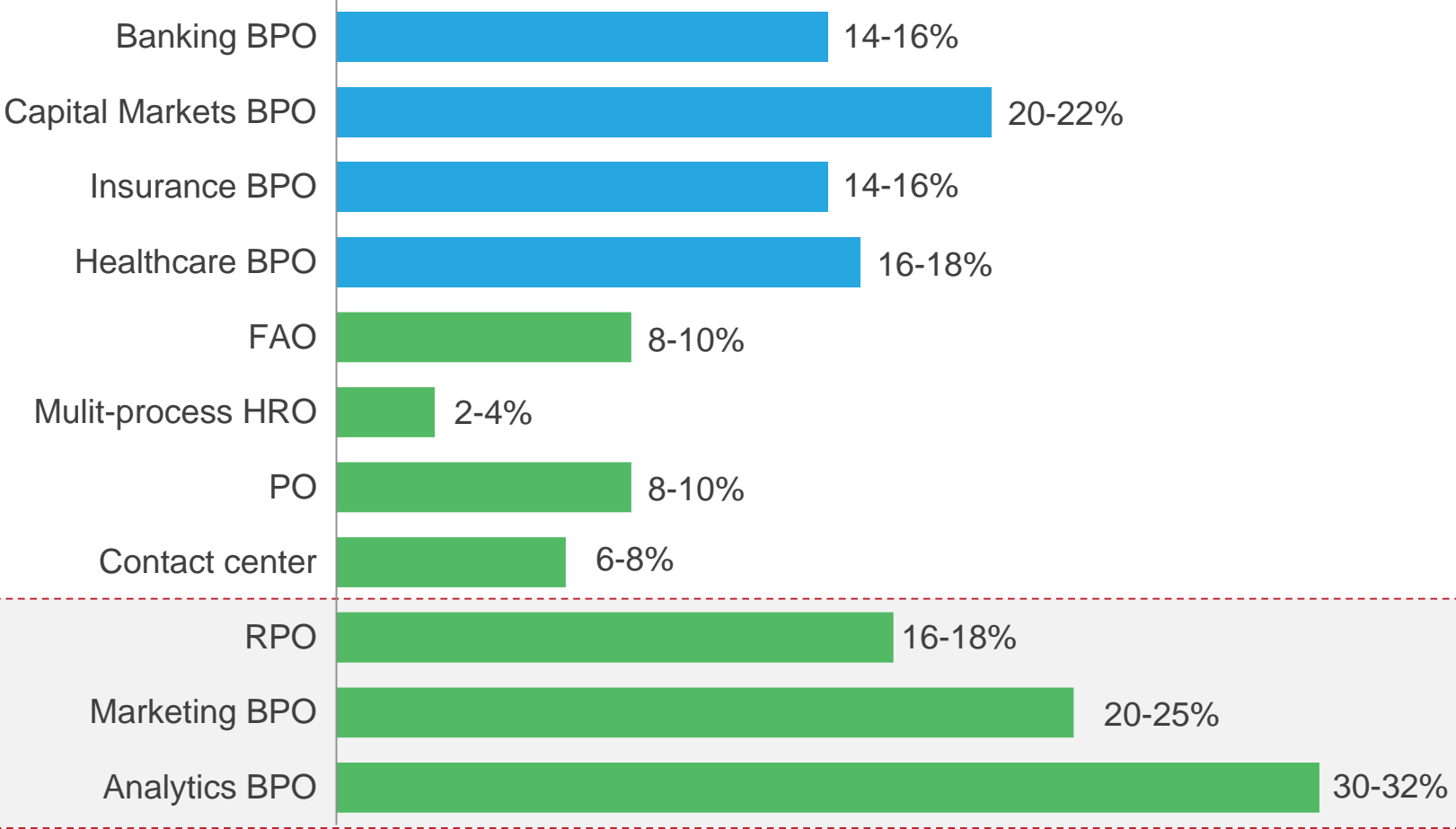
Knowledge services

(Research, analytics, legal process, and data management)

Industry-specific BPO leads growth; growth in horizontal BPO is coming from newer segments

BPO segment growth (3 year CAGR)
Percentage

Industry-specific BPO
Horizontal BPO



**CFOs are
generally
happy because
BPO delivers
promised cost
savings...**



...but others are underwhelmed because BPO is often slow to change or improve operations after the initial implementation



**But cost still matters.
Cost + ? is the winning value proposition**

The move to a cost+ value proposition necessitates shifts in the underlying solution elements

Solution elements	Cost-only value prop.	Cost+ value proposition
1 Sourcing model	<ul style="list-style-type: none"> • Either-or, seldom both 	<ul style="list-style-type: none"> • Hybrid – shared services and outsourcing
2 Scope	<ul style="list-style-type: none"> • Transaction-intensive • Horizontal services 	<ul style="list-style-type: none"> • Transactional + judgment-intensive + analytics • Horizontal + industry-relevant services
3 Transformation	<ul style="list-style-type: none"> • Functional/siloed (AP, AR, GL) • Pure lift-and-shift 	<ul style="list-style-type: none"> • End-to-end process-driven approach (P2P, O2C) • World-class lift-shift-and-fix
4 Technology	<ul style="list-style-type: none"> • Tie-and-run 	<ul style="list-style-type: none"> • Technology augmentation (add-on tools) • Platform-based BPO/Business-Process-as-a-Service (BPaaS)
5 Delivery model	<ul style="list-style-type: none"> • Offshoring-led 	<ul style="list-style-type: none"> • Balanced offshore-nearshore-onshore model
6 Source geography	<ul style="list-style-type: none"> • Mature markets (North America, Europe) 	<ul style="list-style-type: none"> • Emerging markets (e.g., APAC, LATAM, MEA)
7 Pricing	<ul style="list-style-type: none"> • FTE-based 	<ul style="list-style-type: none"> • Hybrid (FTE and/or output /transaction based with gain sharing components)

There are three basic technology models in BPO

Increasing role of technology in BPO

Tie-and-run

Limited role of technology where service provider plugs into the buyer's existing systems to deliver services

Technology augmentation

Tools / wrappers from service provider serve as "add-ons" to the existing systems to address specific gaps or create better user experience / engagement

Platform-based BPO

Pre-integrated applications and pre-built processes, owned by provider, with pricing built into the BPO contract. Could be single or multi-tenant

BPO outsourcing services



Enabling tools & technologies

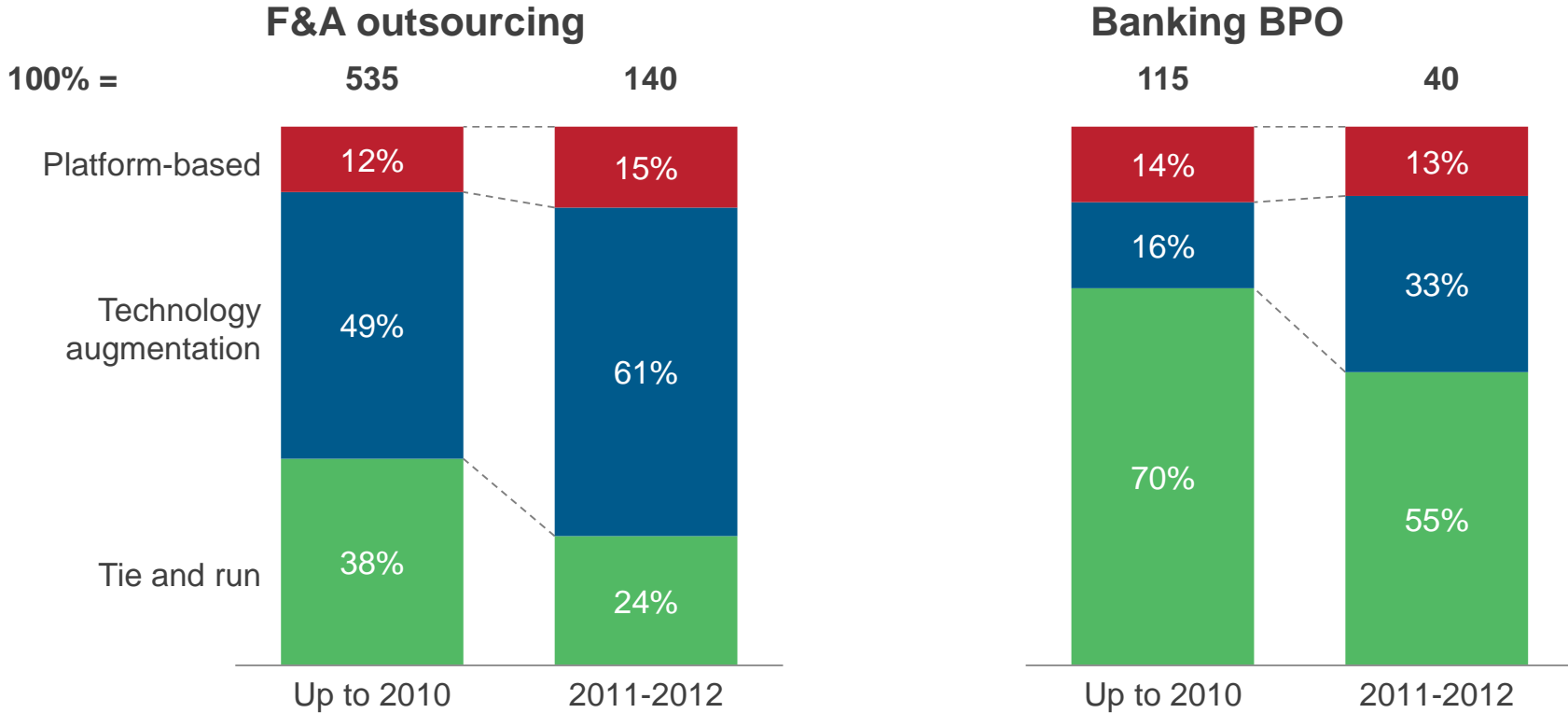


Core processing system(s)



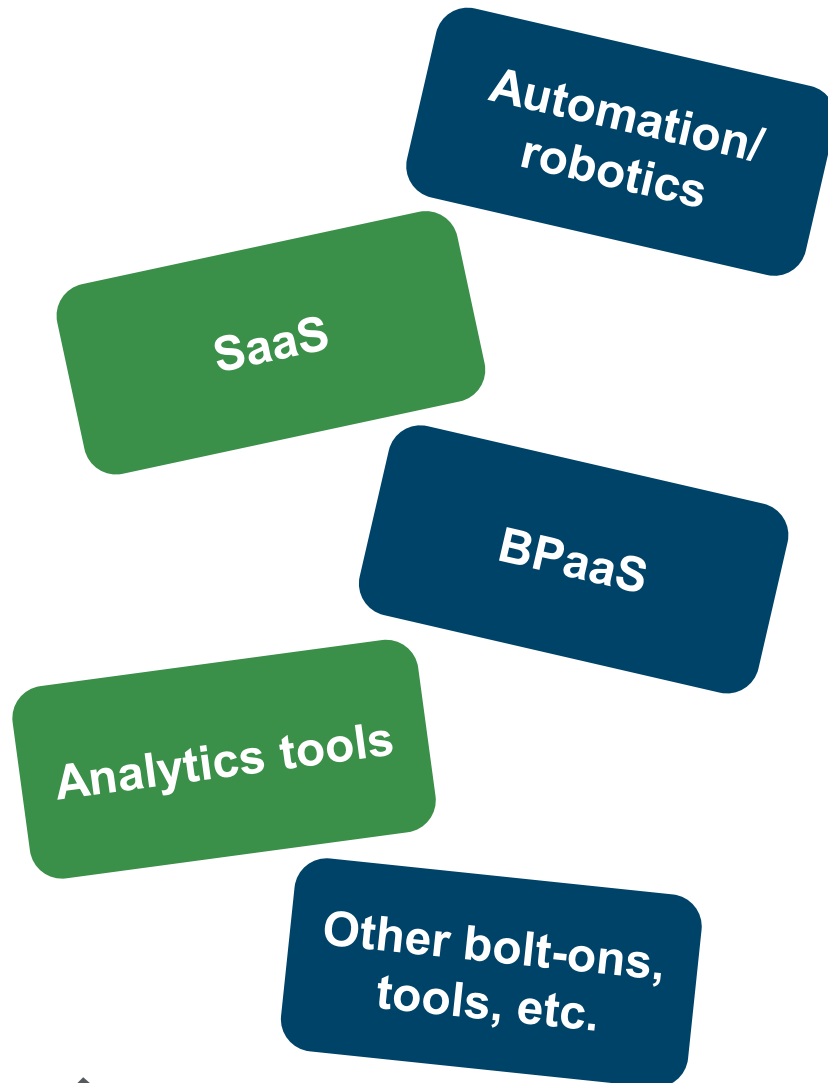
Technology-enabled solutions are increasingly adopted by the market

Technology model adoption in BPO
Number of new contracts



Source: Everest Group (2014)

BPO is alive with many forms of technology innovation



Provide next generation value beyond labor arbitrage

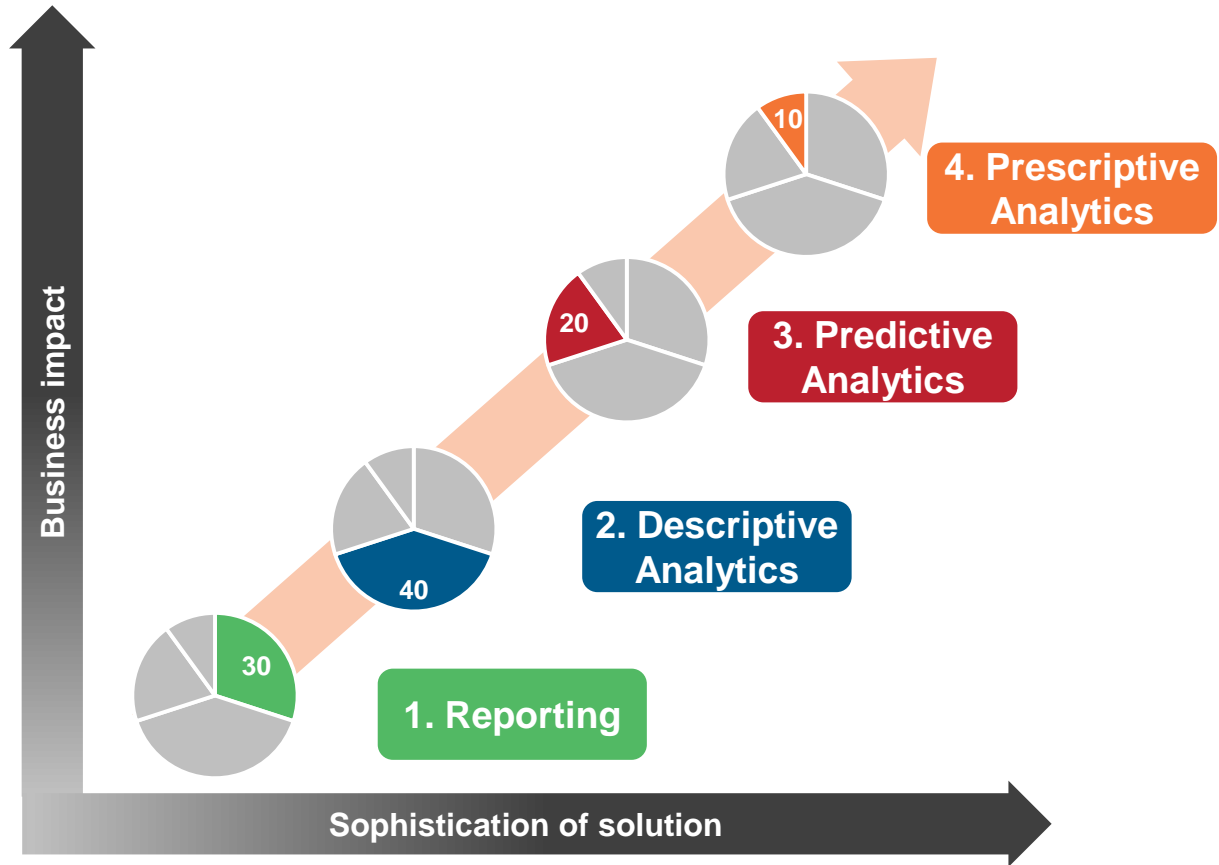
- Overcome limitations of legacy systems
- Enable flexibility to adjust what is done and how it is done
- Create greater predictability
- Enable more visibility into the numbers and what is behind the numbers

AND

- *We largely trust computers more than people to get it right*

Analytics is a broad spectrum, with basic reporting and descriptive analytics dominating the market

Relative maturity of analytics solutions
Market share



Prescriptive analytics
Prescribing action items required to deal with predicted future events

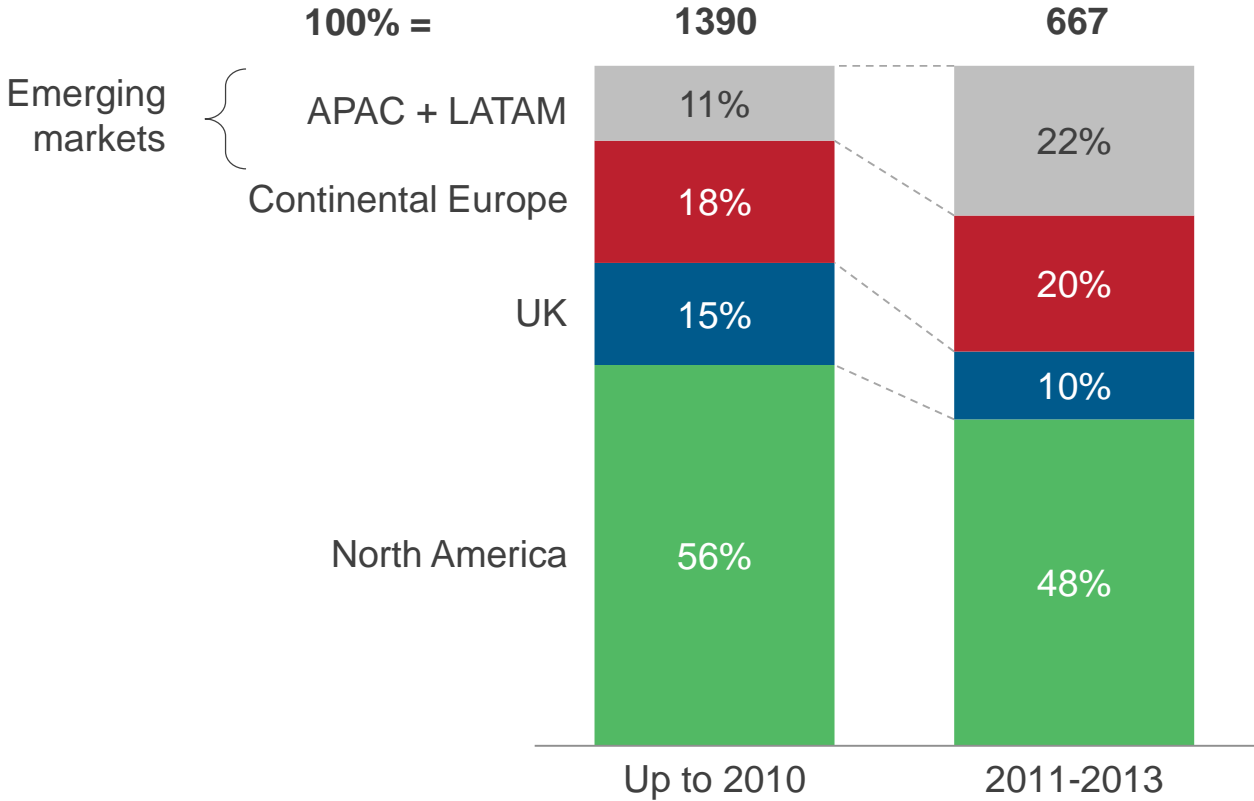
Predictive analytics
Predicting the likely future outcome of events

Descriptive analytics
Actionable insights on the current situation

Reporting
Building data repositories and reporting the current situation

Emerging markets are growing much faster than established ones

Adoption of GAO (FAO, PO, and HRO) by signing region
 Number of new contracts



Source: Everest Group (2014)

Key messages

BPO is evolving on **multiple dimensions**...labor arbitrage is interesting, but not sufficient

In the quest for greater value-add, technology plays a **critical role**

Analytics promises to capture value from the transactional flow – **operational implementation** is challenging

The growth of domestic market BPO in Latin America provides an **opportunity for innovation**



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