Execs In The Know

CX OUTSOURCING
INSIGHTS

Building Successful Relationships
in Times of Change

SECOND EDITION

In partnership with:

CustomerServ®
OUTSOURCE SMARTER

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INTRODUCTION

The outsourcing industry continues to be in a state of flux. While many providers have bounced back from the changes thrust upon them in early 2020, an afterglow has remained. And while many companies were finally rounding the corner on the work-from-home (WFH) challenges (or those of office reopennings), speeding toward the finish line of program optimization and greater strategic alignment with partners, a new challenger has appeared in the form of emerging economic uncertainty. While it might be tempting to retreat into cost-cutting and downsizing, brands and business process outsourcing (BPO) providers alike need to remain focused on what matters most — creating exceptional experiences for customers. After all, what better way is there to weather an economic storm than to win the loyalty of customers.

This *CX Outsourcing Insights* research helps provide a view into the BPO/corporate-client relationship. All results are from the perspective of customer experience (CX) leaders who manage BPO relationships or run programs that utilize outsourcing services. This research has uncovered several key findings, including:

- The top objective for outsourcing among survey respondents includes Reducing Costs (30%), Meeting Staffing Requirements (25%), and Reducing Risk and Build Redundancies (19%) (page 11)

- Among respondents, the biggest causes for concern when it comes to work-from-home include Connectivity/Internet (48%), Agent Engagement/Supervision (45%), and Data Security (43%) (page 17)

- Thirty-three percent of survey respondents have been asked for price increases by their BPOs in the past 12 months (page 17)

- "Cultural Alignment" is the most important consideration among survey respondents when it comes to selecting a new BPO partner (page 26)

Special thanks to Nick Jiwa, Founder & President of research partner CustomerServ. Nick's experience and thought leadership have been instrumental in helping to shape and refine this research. We'd also like to acknowledge the CX leaders who contributed their expertise to this volume of research in the form of a Practitioner's Perspective, including Rob Lajeunesse (Angi), Darnell Brooks (The Home Depot), Chris Smith (eCampus.com), and Guneet Singh (AppFolio). Your insights and expertise are much appreciated. Finally, we'd like to thank the nearly 50 CX leaders who made this research possible by generously giving of their time and knowledge by participating in this year's survey.

PARTNER COMMENTARY

PARTNER
COMMENTARY

Outsourcing in a Challenging Economy

By Nick Jiwa, Founder & President, CustomerServ

STRONG HEADWINDS

It has been three years since the onset of the pandemic, and while we have turned the corner, new challenges are upon us, and things do not feel completely stable or normalized yet. With slowing demand, layoffs, a looming recession, and other concerns, uncertainty is pervasive. With all these factors and more, what are corporate brands doing to maintain high CX standards? In the face of a possible recession, are brands looking to cut back on expenditures? Are we seeing an uptick or decline in outsourcing? Will brands in-source or outsource more? With cost pressures, do we expect more nearshoring and offshoring? And, how will brands manage consumer expectations and competition in an unsteady economic environment?

There is a lot to unpack, and I will try to summarize the main trendlines found in this report and throughout the industry today.

STATE OF THE BPO INDUSTRY

The BPO industry is a $260 billion marketplace, expected to reach $500 billion by the year 2030. Many factors are fueling this growth, including the broader adoption of outsourcing by companies of all sizes. As the data shows, cost reduction is top of mind; however, other factors are driving outsourcing decisions, such as cultural alignment, the need to improve efficiencies, business continuity, access to new talent, and staffing levels to meet customer support needs.

As the industry continues to grow, should we expect to see more consolidation? Even with the recent mergers of several large BPOs and the likelihood of more coming, M&A activity often paves the way for more, not less, competition. As some BPOs get acquired, new entrants appear, while other aspiring and mature BPOs will continue to win market share. The landscape often balances itself out, even in the face of mega mergers.

Expect to see an expanding BPO footprint throughout the world, with a growing interest in emerging suppliers. As the data indicates, vendor size is not a key factor in selecting BPOs, and over 38% of respondents prefer midsize BPOs. There is a growing appetite for champion-challenger models and aligning with the right BPO, or the right mix of BPOs of the appropriate size and scope, not necessarily defaulting only to BPOs of a certain profile.

PARTNER
COMMENTARY, CONT.

RISING COSTS

Brands are being asked to do more with less, and this could pose a challenge given the uptick in outsourcing costs across most sectors. The average call center agent wage in the U.S. today is $18, driving up outsourcing costs onshore. The average productive hourly rate for U.S.-based BPO support is $35-$45 for top echelon BPOs.

Wages are rising in the U.S., and there is ongoing wage pressure in nearshore and offshore markets as well, especially in more mature regions. There is a direct correlation between countries with a densely populated call center industry, market saturation, and wage pressures compared to countries that are emerging and newer in BPO services and still years away from saturation. In some nearshore countries, prices have increased substantially due to wage spikes, and in mature offshore markets, wage increases are expected, while cost containment pressures remain a priority.

So, how do CX leaders outsource effectively in the face of rising costs? The key factor, as indicated in the data, is to align with the right BPO partners and strengthen those relationships through mutually equitable Master Service Agreements (MSA)/Statement of Work (SOW) terms. BPOs are also under margin pressure, and no brand wants to select a BPO that will be forced to cut corners. Therefore, gainsharing or risk-shared models are ideal, and an effective VMO — Vendor Management Organization — support structure is essential.

CULTURAL ALIGNMENT

Data in our report indicates that culture is the most important factor in selecting BPO relationships. Cultural alignment is all about ensuring that the BPO understands and is willing to embrace the brand's ethos, mission, values, and customer communication style. Cultural symbiosis is essential not only in selecting the right BPO, but throughout the partnership. However, the brand's culture must be one of treating service providers like partners for the brand to experience the same level of cultural synergy and partnership in return from the BPO.

And the BPO's culture must be people- and brand-centric. From the front-line agents up to the CEO, the BPO and its leaders must sing from the same cultural song sheet while providing an environment of transparency, agility, and innovation. BPOs that thrive with long-tenured clients are often the most culturally sound and dynamic organizations that put people first. The BPO and brand have the right cultural transference formula, ensuring that the organizations are well-positioned for a long-term, healthy, and sustainable relationship.

PARTNER
COMMENTARY, CONT.

INSOURCING VS. OUTSOURCING

Only seven percent of the brands surveyed said they plan to in-house more contact volume. This correlates with the projected growth of outsourcing, as indicated earlier. The in-house vs. outsource debate is ubiquitous, and has been for years. The ratio of internal vs. external resources depends on many factors, and while most of the outsourced work today remains customer service, technical support, and sales, we expect growth in other areas as well.

Brands in this survey indicate that their BPOs have recently requested a price increase. This is not surprising, and a trend we started seeing and reporting on pre-pandemic. Most brands plan to maintain an internal presence and are utilizing BPO services to augment staffing needs. While other brands are relying more on BPO support and plan to repurpose the budget to outsourcing instead of insourcing. Brands with in-house operations have reported that they've slowed hiring internally and are allowing BPOs to pick up the slack to meet Service Level Agreements (SLAs), especially their nearshore/offshore partners. As a result, the demand for nearshore and offshore has increased, and will continue to do so.

STAFFING AND PERFORMANCE

Since 2020, certain sectors experienced a huge uptick in demand, while others faced a downturn. There's a sense of role reversal now, with various sectors stabilizing, while others are still grappling. We have learned a lot about consumer behavior patterns and how a global crisis can affect supply and demand, directly impacting staffing levels. Many organizations staffed up to manage a spike in contact volume and have had to offload staff recently, but this shouldn't be interpreted as downsizing; it's normalizing.

Survey results point to improving quality and performance over 2022, especially from work-at-home agents. This is no surprise. Brands and BPOs have had three years since performance challenges manifested as a result of the industry shifting to remote workers practically overnight. And hybrid staffing models have become popular, enabling brands and BPOs to agree on the parameters and qualifications around in-center and work-at-home staffing levels.
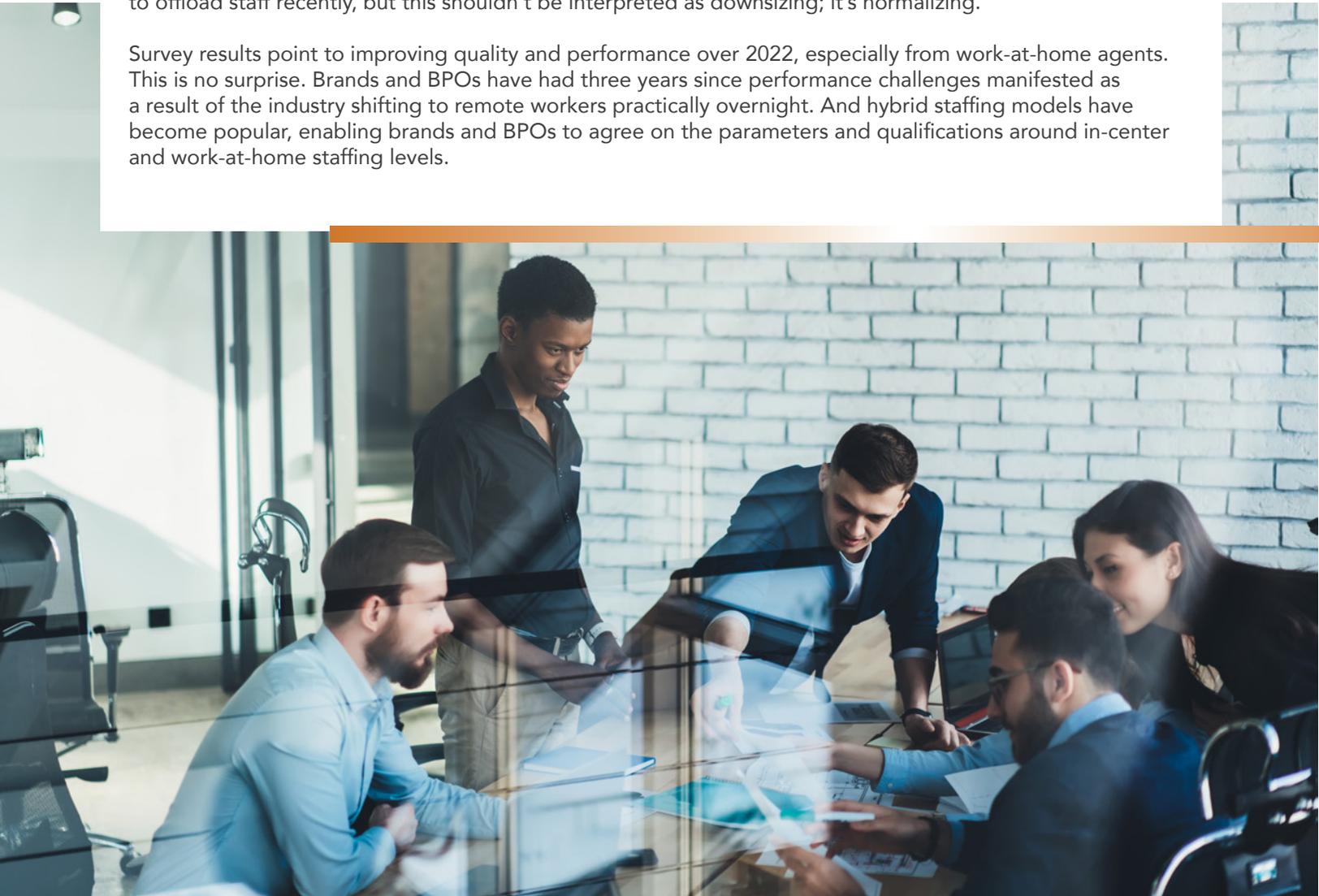
PARTNER
COMMENTARY, CONT.

GEOGRAPHIC DIVERSIFICATION

There is a growing interest in diversification of locations from where BPO services are provided. While the survey responses show that 43% are unlikely to explore emerging outsourcing markets currently, we predict the sentiment will shift over the course of 2023 and into 2024. The survey indicates that offshore gained the most traction, which is not surprising due to lower costs and the accelerated pace of emerging and newer markets offering BPO services today.

The first wave of diversification happened over two decades ago when India and the Philippines emerged, followed by a surge in outsourcing into Caribbean and Latin American (CALA) countries in recent years. And now the trendline is pointing to Africa and other next-generation markets. With the BPO industry poised to nearly double in size by 2030, mature and established outsourcing regions will likely struggle to support the coming growth. Therefore, it is prudent for brands to consider other available and bona fide options, especially countries with underutilized talent and untapped labor sources.

SUMMARY

CX leaders and BPOs have weathered economic cycles, geopolitical issues, natural disasters, pandemics, and a host of other challenges over the past few decades. What does this mean for corporations and industry sectors dealing with rampant change and instability?

Evolving consumer demands, rapidly advancing technology, including artificial intelligence (AI) and robotic process automation (RPA), and an unpredictable business environment are just a few factors contributing to the fast-growing demand for outsourcing. Outsourcing provides companies with the ability to shift with market changes and accelerate change by immediately tapping into the specialized expertise offered by strategic partners. The pandemic's disruption of traditional business operations accelerated the move toward digital transformation, which will continue to drive outsourcing market growth.

While call center outsourcing remains a popular option for companies looking to efficiently scale customer service operations, today's outsourcing market reaches far beyond traditional call center and back-office services. Once synonymous with cost-reduction efforts, outsourcing is increasingly viewed as a high-value partnership that is reshaping the CX roadmap.

Nick Jiwa
Founder & President

CustomerServ®
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Nick's professional journey started humbly as a call center agent in the early days of the industry. Nick helped pioneer the BPO industry as we know it today, initially in operations and ultimately as an executive leader. In 2006, he took his love for customer experience and launched CustomerServ — the BPO industry's authentic ecosystem that helps corporate brands outsource more effectively. Nick is a thought leader, author, mentor, BPO expert, relationship builder, impact sourcing leader and an advocate for responsible business practices. His vision has led to over 100,000 new call center jobs worldwide, and nearly $3 billion in successful outsourcing relationships. Nick was born in Tanzania, emigrated to the USA in 1974, and his first language was Swahili. Nick is a graduate of The City University of New York with a bachelor's in business administration and a minor in art history. He's a WWII buff, vintage collector, soccer fanatic and '80s music nut. Nick resides in Houston, TX and fields his passion for life into his family, community, and advocacy.

SURVEY
RESULTS
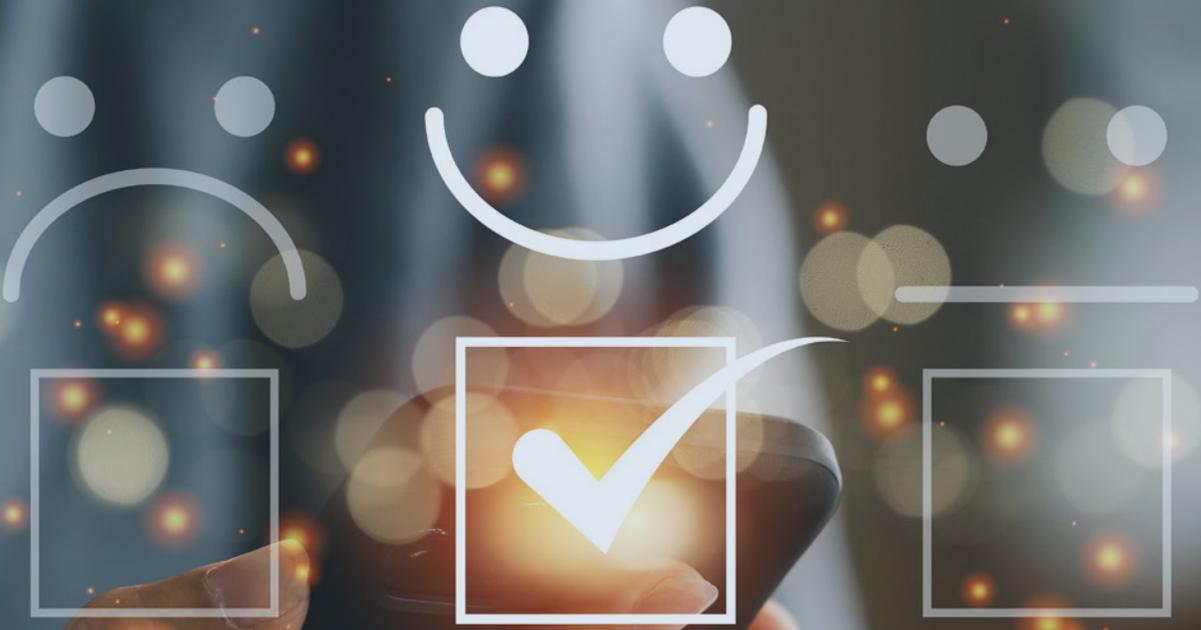
STATE OF THE PROGRAM, CX STRATEGY, **AND CONCERNS**

OUTSOURCING OBJECTIVES AND AREA OF GREATEST RETURN
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

What is your company's primary objective for outsourcing?

- 30% Reduce Costs
- 25% Meet Staffing Requirements
- 19% Reduce Risk and Build Redundancies
- 12% Seasonality and Flexibility
- 9% Improve the Customer Experience
- 5% Acquire Subject Matter Expertise
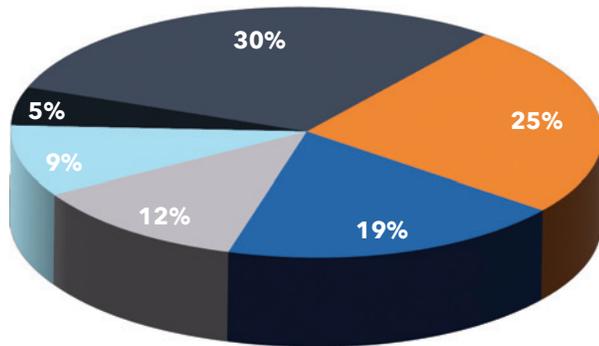
Legend:
- Reduce Costs
- Meet Staffing Requirements
- Reduce Risk and Build Redundancies
- Seasonality and Flexibility
- Improve the Customer Experience
- Acquire Subject Matter Expertise

A little less than one-third of survey respondents (30%) indicate "Reduce Costs" as their primary objective for outsourcing. Although this question wasn't previously asked, one could surmise the number of respondents indicating "Reduce Costs" is on the increase in recent quarters, especially as many companies face new headwinds in terms of inflationary pressures, reduced consumer spending, and other business challenges. Though faced with such pressures, CX leaders need to continue to advocate for their customers, which is why the below result is so reassuring.

Like results from last year, CX leaders continue to perceive tremendous value coming from stronger relationships and more skillful agents. Relationships always matter, especially when they form the foundation for shared objectives and strategies. Furthermore, streamlining processes and strengthening program components also saw gains, with that latter gaining eight points year-over-year. Brands often have robust monitoring and quality programs in place internally, and they should consider expanding those programs out to partners, which can only serve to create greater consistency for customers.

In your experience, focusing on which area of your Outsourcing partnership(s) tends to result in the greatest return on your efforts?

Legend: 2022, 2023

Area	2022	2023
Strengthening Relationships and Strategic Alignment	27%	26%
Improving Agent Training and Coaching	29%	26%
Streamlining Processes	12%	16%
Improving Agent Engagement and Well-Being	15%	11%
Improving Agent Recruiting and Hiring Processes and Requirements	10%	8%
Strengthening Program Components (such as Quality Assurance or Incentive Programs)	0%	8%
Reassessment of Performance Metrics	5%	3%
Updating Program Tools and Technology	2%	3%

CX PRIORITIES
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

When the question shifts to which CX priority (or strategy) is expected to get the most attention in the next 12 months, "Reducing Costs" maintains prominence (22%), but gives way to "Improving the Customer Experience," the number one answer (35%). This is good news for consumers because it demonstrates that even when heading into a challenging business environment, a significant portion of brands is still focused squarely on their customers. It's also worth noting that two other priorities, "Improving Efficiencies" and "Development of AI-Powered Tools and Solutions," are also aimed at ultimately improving the experience for customers, be it with speedier service, greater access to care, or simplified processes.
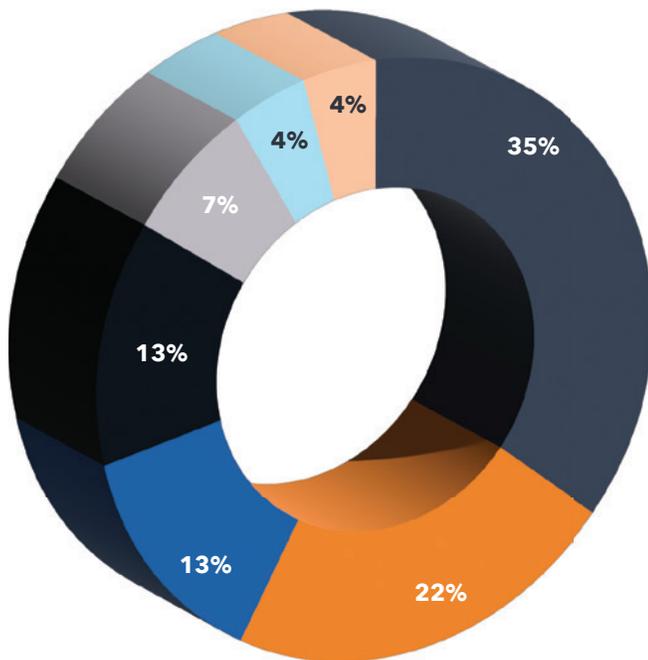
Which CX priority is going to receive the most attention and investment in the next 12 months?

- Improving the Customer Experience
- Reducing Costs
- Improving Efficiencies
- Development of AI-Powered Tools and Solutions
- Outsourcing
- Deflecting Volume from Assisted to Unassisted Channels
- Acquiring New Customers

Chart values: 35%, 22%, 13%, 13%, 7%, 4%, 4%

What will be the focus of your efforts in the coming months, and what will success look like?

"
Our organization has shifted from a focus on reducing costs to recognizing CX's critical role in the homeowner journey, particularly in delighting our homeowners. This change has influenced our decision-making across various areas, including partner investments, technology implementation and enhancement, and policy and agent development. Our primary near-term focus is to unite the customer inbound funnel across our brands for a seamless experience and invest in technology that eliminates friction points for homeowners who trust in Angi to deliver high-quality pros. We're laser-focused on improving our Net Promoter Score (NPS) and Customer Satisfaction (CSAT) across the journey, and especially in relation to CX interactions.
"

Rob Lajeunesse
Director – CX Strategy and Operations

# PRODUCT/SERVICE DEMAND AND CHANGES IN CONTACT CENTER VOLUMES

STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

While most companies are seeing growth, with 70% of respondents indicating "Significantly" or "Moderately" increased demand, about one-fourth (24%) indicated a "Moderately" decreasing demand. While it's tough to pinpoint the cause of this decreased demand, it's possible that it's seasonal in nature, or even sector-specific. For those brands that are experiencing a slowdown in product/service demand, it's important for CX leaders to understand the drivers and take part in the recovery conversation that should be taking place in the wider organization.

Over the past 12 months, which best describes the demand for your company's products/services?

22% Significantly Increased Demand	**48%** Moderately Increased Demand	**6%** No Change in Demand	**24%** Moderately Decreased Demand	**0%** Significantly Decreased Demand

Echoing the decrease in demand noted above, 36% of survey respondents indicated they were seeing either "Somewhat" or "Greatly" reduced contact center volumes. CX leaders should seek to understand the cause of such slowdowns, be it anything from slowing sales to successful implementation of initiatives to deflect volume. If the reduction in volume is intentionally driven, then it would benefit the organization (and customer) to understand the overall impact on the customer experience. In other words, initiatives meant to deflect contact center volumes are only successful if they are having a net-positive (or neutral) impact on customer satisfaction and effort scores.

Over the past 12 months, how would you describe any changes to your contact center volumes?

15% Increased Greatly	**40%** Increased Somewhat	**9%** Remained Unchanged	**27%** Decreased Somewhat	**9%** Decreased Greatly
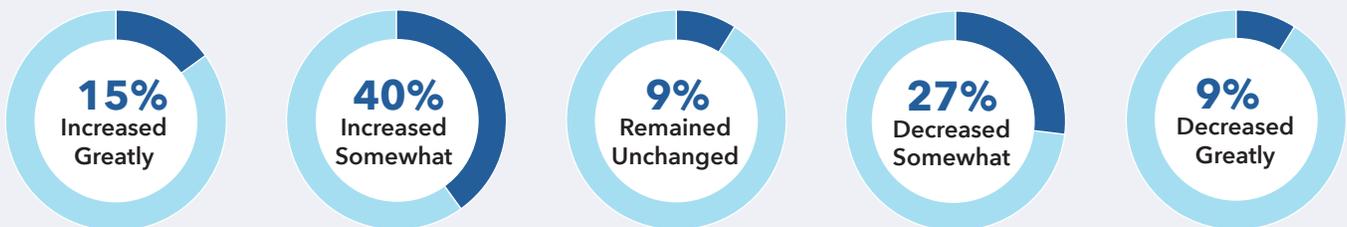
CONCERNS ABOUT ONGOING BUSINESS SUCCESS
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

In a question that addresses business concerns head-on, 67% of respondents hinted at concerns for economic headwinds, be it a downturn in the economy, currency pressures, softening demand, or a banking or other financial crisis. And while the concern is real and legitimate, as of early June 2023, several U.S.-based economic risks have eased, including a recovery within the banking sector and passage of a U.S. debt limit deal. While the U.S. and world economies are not quite out of the woods during this current economic cycle, a broad recession has so far been avoided and employment remains strong across industries.

What are you currently concerned about when it comes to the success of your business?

26%
21%
18%
16%
11%
8%
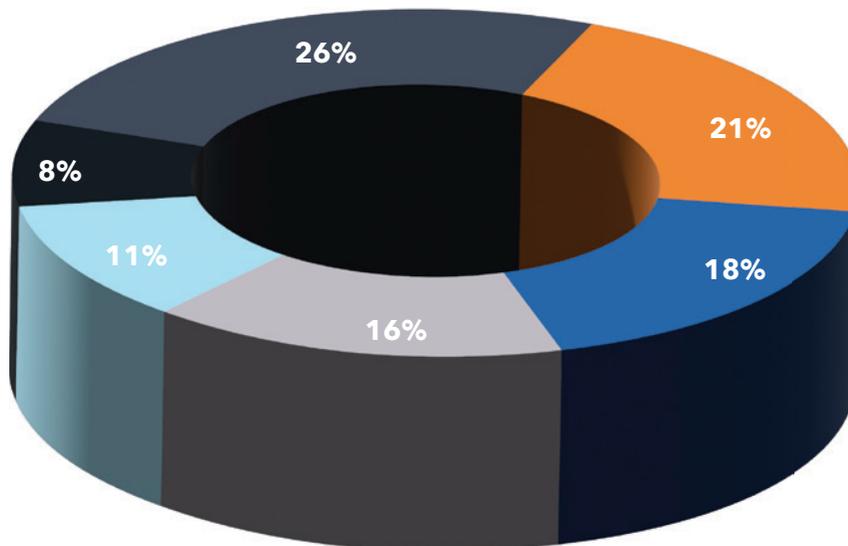
■ An Economic Downturn
■ Increased Competition
■ Inflationary or Deflationary Pressures
■ Softening Demand for Your Company's Products/Services
■ Layoffs or Other Reduction of Human Capital
■ A Financial/Banking Crisis

CONCERNS WITH OUTSOURCING
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

Eighty-six percent of survey respondents expressed one or more specific concerns with outsourcing, with only 14% indicating no concerns at all. Top concerns were "Program Performance/Quality" and "Guarding Brand Equity/Reputation," with more than half of CX leaders expressing a concern for each. Not surprisingly, these top concerns have a direct impact on the customer experience. To address such concerns, providers and clients would benefit by collaborating closely on measures for success and ensure adequate brand training and immersion.

Which concerns, if any, does your organization have with outsourcing in general? (Select all that apply.)

Concern	Percentage
Program Performance/Quality	57%
Guarding Brand Equity/Reputation	55%
In-House Performs Better	32%
Data Integrity/Security	30%
Costs	23%
Loss of Control	14%
No Concerns	14%
Stakeholder Approval	11%
Vendor Selection/Management	11%
Schedule Adherence	2%
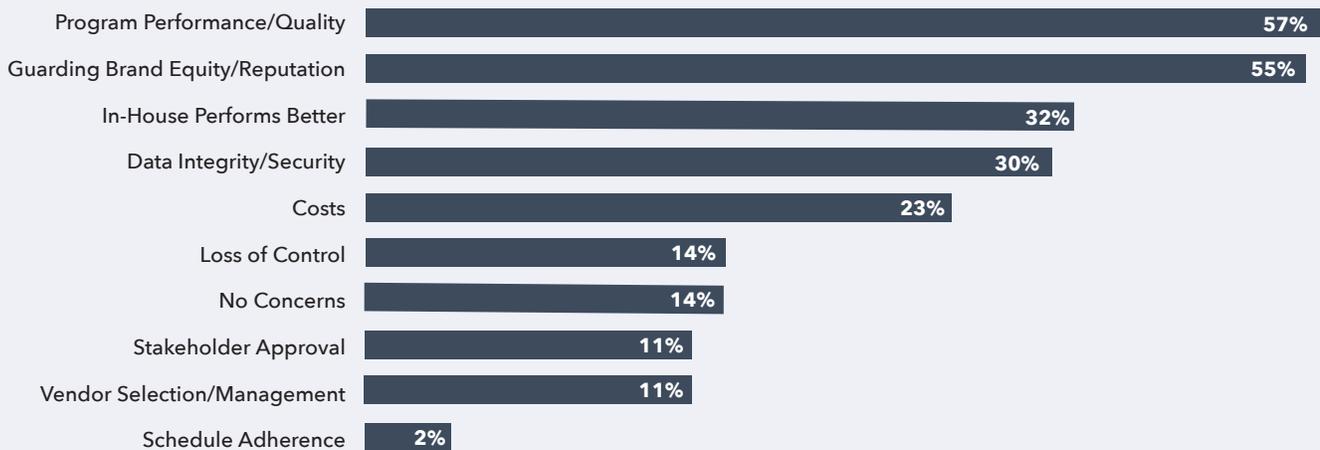
What have been some of the most effective strategies and tools for driving performance with your outsourcing partners?

"This is a very interesting perspective that drives the question of partner investment. Performance/Quality can be solved if you cultivate an environment that duplicates the culture of your internal associates. This often takes a bit of time, as the outsourcing environment is fueled a bit differently than a first-party environment. It also starts within the request for proposal (RFP) process and introducing your partner to your culture through exposure of various aspects of your business. In terms of guarding your brand and reputation, it's important to have your outsourcing associates feel as if they are brand advocates. Being a brand advocate comes with the expectation of ensuring associates understand what it means to protect the brand, but also being empowered to do the right thing and take care of customers. When In-House is performing better, bringing your outsourcing partners together with internal partners will aid in closing operational and customer gaps. When the team drives for the betterment of the business as one unit, you will begin to see parity in performance. It's also important to move away from numbers and migrate to behaviors that promote an effortless experience for the customer."

Darnell Brooks
Director, Strategy and Operations Process

CONCERNS WITH OFFSHORE/ NEARSHORE PROVIDERS
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

Like the general concerns for outsourcing cited above, concerns specific to offshore/nearshore providers touched on performance (in this case, agent performance), but also centered heavily on accents/communication and proficiency with the English language. While accent neutralization training can help, greater discernment in selecting the right geolocation is prudent. This can sometimes include locations that might have a strong handle on English/American communication styles and customs, but have yet to establish themselves as centers for contact center outsourcing. Getting a true feel for the center and workers is also why site visits are a crucial part of the process of selecting the right provider.

Which concerns, if any, does your organization have specific to offshore/nearshore BPO providers? (Select all that apply.)

Concern	Percentage
Accents/Communication	57%
Agent Performance/Skill Level	57%
English Aptitude	41%
Quality	34%
Safety/Security	30%
Infrastructure/Reliability	30%
Attrition/Absenteeism	27%
Adequate Staffing Levels	14%
Time Zone Difference/Distance	14%
No Concerns	11%
Market Saturation	5%
Guarding Brand Equity/Reputation	2%
Leadership	2%
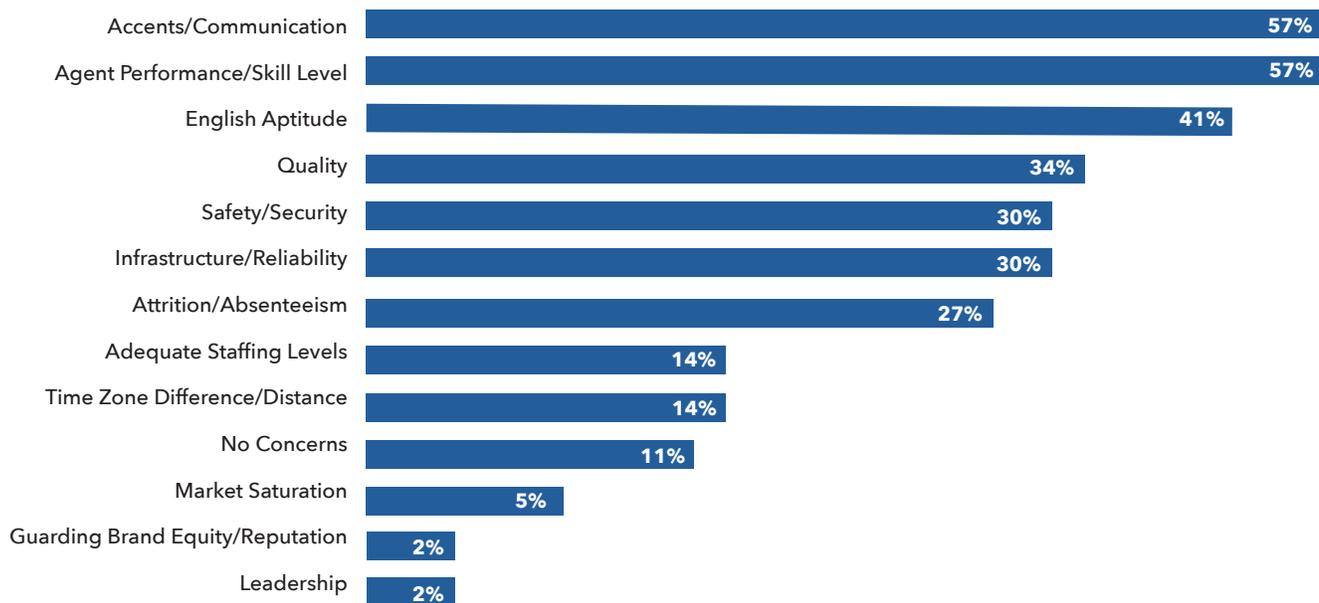
How has your company been able to neutralize concerns and find success working with offshore/nearshore BPO providers?

"At eCampus.com, a "plug and play" approach isn't what we wanted with our BPO partner. We wanted a partnership where both organizations leaned on each other to determine overall success. A willingness to collaborate and communicate, then quickly pivot into strategic changes, were key drivers in lightening any internal concerns for us. eCampus.com rides a roller coaster of staffing needs, so we had to have a BPO that aligned with our cyclical staffing and technological needs. At the starting gate, creating a mutual understanding of what success looks like was important to us. When considering the Iron Triangle of "good, fast, cheap," eCampus.com continuously strives to never make "good" optional. A BPO excited to share that vision with us was important.

From a practical perspective, when looking at offshore/nearshore providers in remote and hybrid work circumstances, an understanding of internet penetration in the precise geographical areas mitigated some upfront concerns. We view agent communication and overall skill as core table stakes. Fitting the skill set of each agent into the channel that gives the agent the best opportunity for success is key. We collaborated with our BPO partner in identifying the specific approach to recruitment and candidate selection in a way that fit with our culture and skill set needs. A key to ongoing success is establishing open and regular communication. Informal communication daily and formal communication weekly reaffirms and builds both the partnership and accountability for both parties."

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**Chris Smith**
Director of Customer Service

WFH CONCERNS AND PROGRAM HAPPENINGS
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

Year-over-year, several prominent concerns with work-from-home (WFH) have moderated, while two specific concerns have risen. The most notable rising concern is "Data Security," with 43% of CX leaders indicating it as one of their biggest WFH concerns, up 16 points year-over-year. Among those concerns that have moderated most, worries about "Agent Engagement/Supervision" and "Training/Coaching" have fallen most sharply, as has "Workplace Security/Privacy." That's not to say that these are not still major concerns, but based on these results, they have been effectively addressed at many organizations in the 16 months since this survey question was last asked of CX leaders.

Which aspect(s) of work-from-home are currently your biggest causes for concern? (Please select no more than three answers.)

	2022	2023
Connectivity/Internet	48%	48%
Agent Engagement/Supervision	68%	45%
Data Security	27%	43%
Training/Coaching	59%	41%
Transference of Company Culture	36%	32%
Quality of Work/Performance	39%	25%
Workplace Security/Privacy	41%	23%
Work Environment/Professionalism	9%	18%
Technology/Agent Tools	11%	11%
Recruiting/Hiring	18%	7%

In keeping with the theme of economic pressures (as touched upon in earlier results), one-third of survey respondents indicate they were approached by their BPO vendors for a price increase in the past 12 months. This is likely due to several factors, including wage and price inflation, continuing tightness in the labor market, and increased costs associated with reestablishing in-office workspaces. Additionally, close to one-third of survey respondents have made a move to onboard a new vendor, or are making plans to do so, indicating a moderate level of turnover in the industry.

Please indicate which of the following has happened within your outsourcing program over the past 12 months. (Select all that apply.)
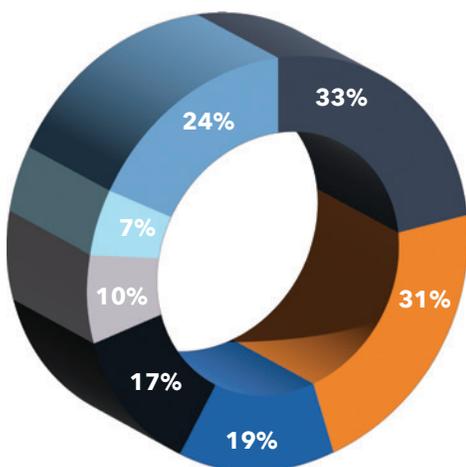
- 33% — Our BPO vendor(s) have asked for price increases.
- 31% — We have onboarded a new vendor(s) or made plans to do so.
- 19% — We have decreased the number of BPO vendor(s) or made plans to do so.
- 17% — Our BPO vendor(s) have asked to renegotiate contract terms.
- 10% — Our BPO vendor(s) have asked that we allocate more volume to their lower-cost locations (offshore/nearshore).
- 7% — We have in-sourced more of our customer contact volume or made plans to do so.
- 24% — None of the above.

OUTSOURCING TOPICS IN NEED OF MORE DISCUSSION
STATE OF THE PROGRAM, CX STRATEGY, AND CONCERNS

In a repeat question from last year's surveying, CX leaders were asked to identify which topics need more attention. Interestingly, the year-over-year results saw significant variance, with topics like "Company Culture Transference" and "Agent Engagement and Wellness," and "New Tools and Technology" gaining significant ground. It may be the case that many organizations have moved beyond the "get up and running" phase and are now focused on program optimization — perhaps even Phase 2 optimization. Whereas Phase 1 optimization includes things like staffing levels and overcoming workplace challenges, Phase 2 optimization focuses more on company culture, peak performance, agent engagement, and improved tools and technology for agents (and customers).

When it comes to Outsourcing, which topic needs more industry discussion and exposure?
(Please select no more than three answers.)

| Topic	2022	2023
Company Culture Transference	16%	37%
Agent Engagement and Wellness	21%	35%
Agent Training and Coaching	33%	33%
Agent Attrition and Absenteeism	19%	30%
New and Emerging BPO Locations	21%	28%
Optimizing Work-From-Home and Hybrid Models	35%	28%
Managing and Monitoring Performance (KPIs and Metrics)	26%	26%
Overflow and Flex Staffing Locations	40%	26%
Agent Recruiting, Hiring, and Onboarding	33%	23%
Contracting, Price Models, and RFP/RFQ Processes	26%	23%
New Tools and Technology	7%	23%
Utilizing Outsourcing Program Data (VoC, VoE, Business Intelligence, etc.)	2%	19%
Creating Partnerships	9%	16%
Data and/or Workplace Security	9%	14%
Business Continuity Planning	7%	14%

■ 2022   ■ 2023

PROGRAM
STRUCTURE

# PROPORTION OF OUTSOURCED HEAD COUNT AND OUTSOURCED FTEs

PROGRAM STRUCTURE

For the most part, head counts were static, with exception of a flip-flopping of those having either all agents outsourced, or none. Worth noting is the difference in 2022 and 2023 survey cohorts. Between the two cohorts, there was only an 18% overlap in participation, meaning only about 18% of 2023 participants also participated in the survey in 2022. The other 82% of 2023 survey participants were brands not previously surveyed. This, in and of itself, can cause some distortion in the trends, which may explain the flip in the number of companies with all or no outsourced agents. Nonetheless, more than half of survey respondents continue to have most of their agents outsourced in 2023.

By head count, how much of your customer care, sales, technical support, or other customer-facing communications are currently outsourced?

| 2022		2023
53%	More Than Half	53%
33%	Less Than Half	31%
2%	Not Currently Outsourcing	13%
12%	All	2%

■ 2022   ■ 2023
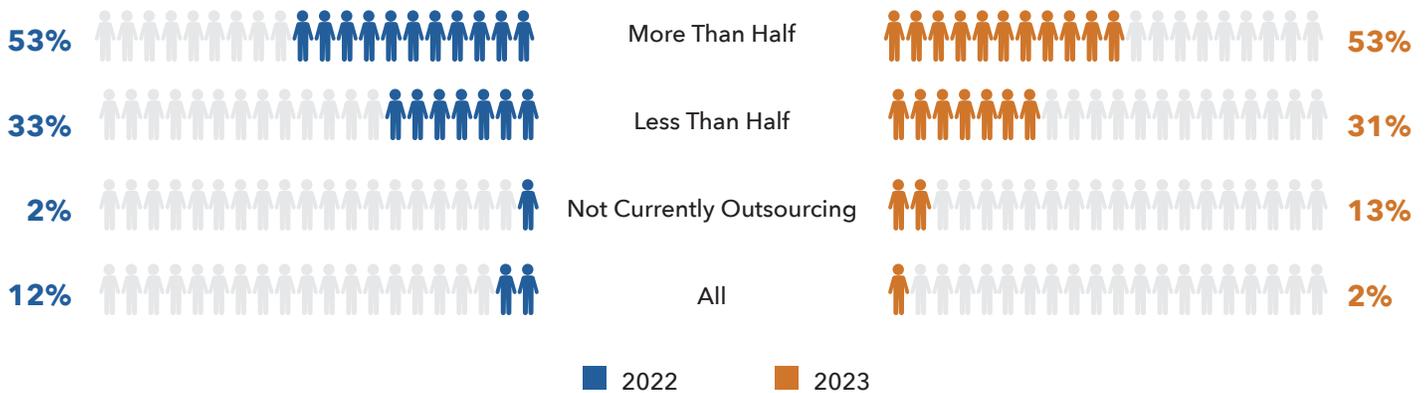
Based on the results below, the 2023 survey cohort included about half as many very large outsourced programs (5,000+ FTEs) compared to last year's survey cohort — 14% in 2022 versus 7% in 2023. Otherwise, results indicate comparable cohorts with most programs (62% in 2022 and 67% in 2023) having 1,000 or fewer when those respondents with "Not Currently Outsourcing" corrected out of the dataset. This indicates just how crucial outsourcing is to the industry, and how important it is for outsourcers and brands to find ways to be successful in doing what's best for the customer.

Approximately how many total FTEs do you outsource?

2022: 2%, 34%, 16%, 9%, 23%, 14%

2023: 16%, 30%, 14%, 12%, 21%, 7%

■ Not Currently Outsourcing   ■ Fewer than 100   ■ 101-500   ■ 501-1,000   ■ 1,001-5,000   ■ 5,001+
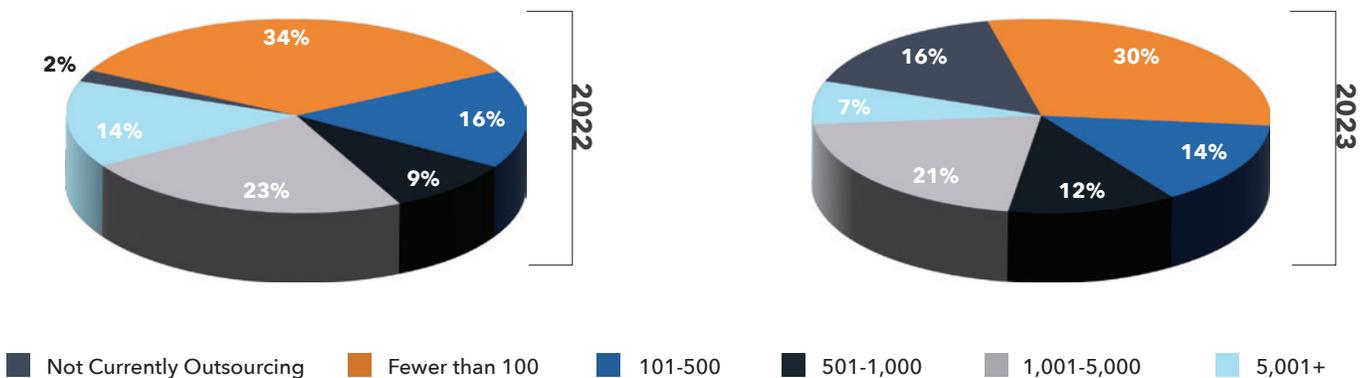
VENDOR COUNT AND GEOLOCATIONS
PROGRAM STRUCTURE

How many different BPO vendors are you utilizing today?
(Please note: This question refers to partners, not locations.)

	2022	2023
Not Currently Outsourcing	2%	15%
1	17%	32%
2-5	57%	40%
6 or More	24%	13%
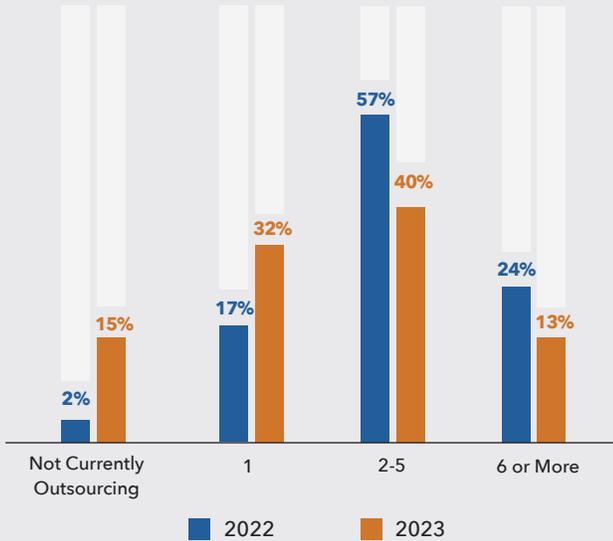
Compared to last year, 2023 results seem to indicate a moderate consolidation of providers among survey respondents, even when correcting out those brands not currently outsourcing. In 2023 surveying, only 13% of brands indicated use of six or more BPO vendors (15% when correcting out respondents not currently outsourcing) compared to 24% in 2022. Furthermore, the percentage of brands utilizing only one BPO vendor jumped 15 points year-over-year. While use of fewer vendors leads to greater consistency of care and easier change management, it can also lead to less flexibility and increased risk due to less site redundancy.

In describing the geolocation of outsourcing providers, "Offshore" saw significant gains year-over-year, while both "Domestic" and "Nearshore" underwent declines. It's again worth noting that there was only an 18% overlap in the survey participants from last year's report and the current set of survey takers. Nevertheless, the change was dramatic enough to surmise that companies are once again looking beyond domestic sites. This is further confirmed in results on page 28, in which 39% of survey respondents expect to move their outsourced work "Offshore" and "Nearshore," respectively.

How would you describe the geolocation(s) of the outsourcers you currently work with?
(Select all that apply.)

	2022	2023
Offshore	47%	65%
Domestic	65%	48%
Nearshore	70%	41%
Not Currently Outsourcing	2%	13%
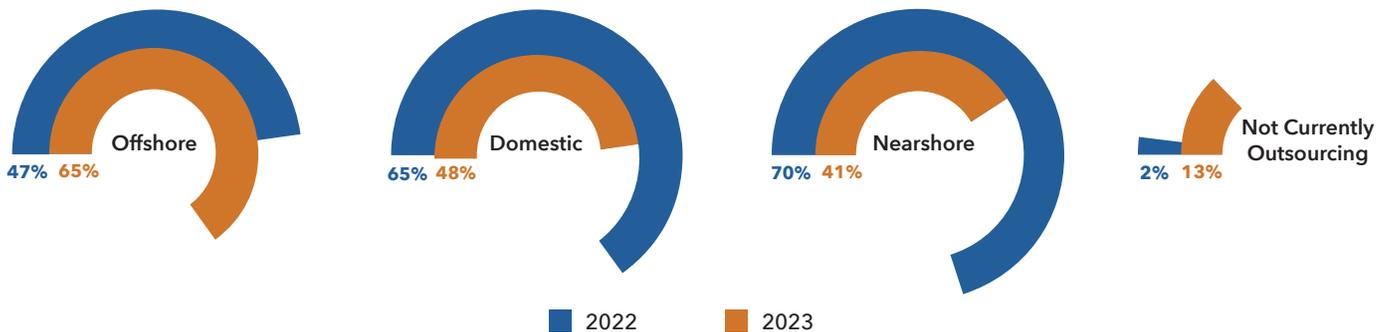
WORKPLACE PREFERENCES AND PREFERENCE FACTORS
PROGRAM STRUCTURE

From where would you prefer your outsourced teams work?

Hybrid is the most preferred work environment for outsourced teams, often with WFH acting as a performance incentive and/or recruitment tool. One-third (33%) prefer to have outsourced workers inside an office environment, with only 5% preferring a strictly WFH environment. Also worth noting is the 19% of respondents who had no specific preference. From an agent perspective, the ability to work from home is undoubtedly an attractive perk. But it must be balanced with many key business considerations, including performance, quality, and security.

33%
Inside a Call Center

43%
Hybrid (Both Inside a Call Center and From Home)

19%
No Specific Preference

5%
Working From Home
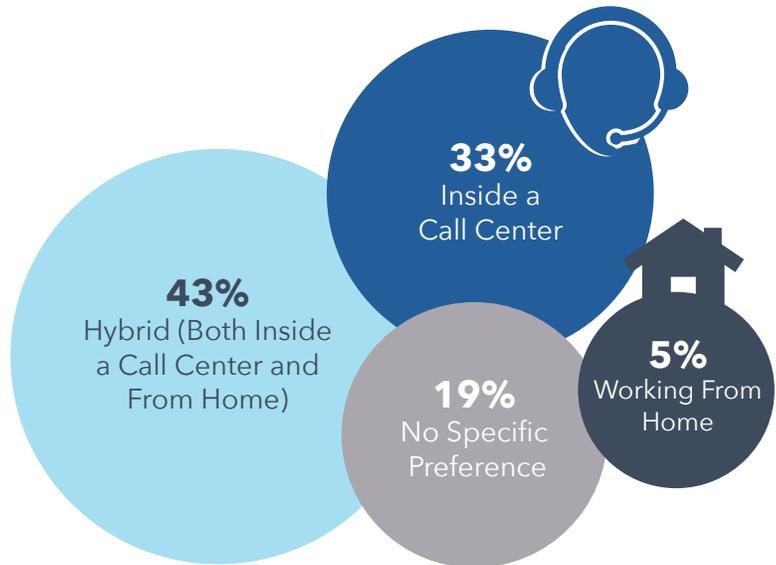
In digging deeper into the above question with a follow-up open-ended question, many of the responses received (about half) centered on quality and performance, particularly among CX leaders who preferred some allotment of in-office time for agents. For proponents of hybrid and WFH, hiring flexibility and employee satisfaction were cited as top benefits. Concerns with the effectiveness or remote training and coaching were also mentioned several times, as was concerns with the security of customer and business data.

Below is a selection of verbatim broken out by respondents' preferred work locations.

In thinking about your response to the previous question, what factors determine your preference for in-center, work-from-home, or hybrid staffing models?

HYBRID

"Having employees work where they are happiest and easiest for them while meeting company expectations."

"We are a fully hybrid company, so we do not care where teammates work as long as they meet our standards for performance."

WORK-FROM-HOME

"Offering WFH helps us retain the best possible talent offshore."

"Work-from-home provides a greater level of flexibility and reliability, plus improved agent retention."

**IN-CENTER**

"There is more control, visibility, engagement."

"Senior management doesn't have confidence in work from home and related performance, so they prefer onsite support."

NO SPECIFIC PREFERENCE

"We focus on meaningful connections with our customers. Not on where our agents are located."

ALLOCATION OF SOLUTION HANDLING
PROGRAM STRUCTURE

Chat, Voice, and Email constitute the solutions most commonly allocated to outsourcers, while Social Media and SMS/Text were the least outsourced solutions. While it might be tempting to presume these numbers are swayed by levels of adoption, that would be inaccurate based on the In-House results (at bottom), which show 75% of brands handling Social Media in-house, and as well as 39% handling SMS/Text in-house. Interestingly, the one solution more likely to be handled by an outsourcer versus in-house is Chat, handled in-house by 55% of respondents versus 70% of respondents who have one or more outsourcers providing Chat coverage. This seems to suggest Chat is the most easily managed solution from an outsourcer's perspective.

Which engagement solution(s) do you currently OUTSOURCE? (Select all that apply.)
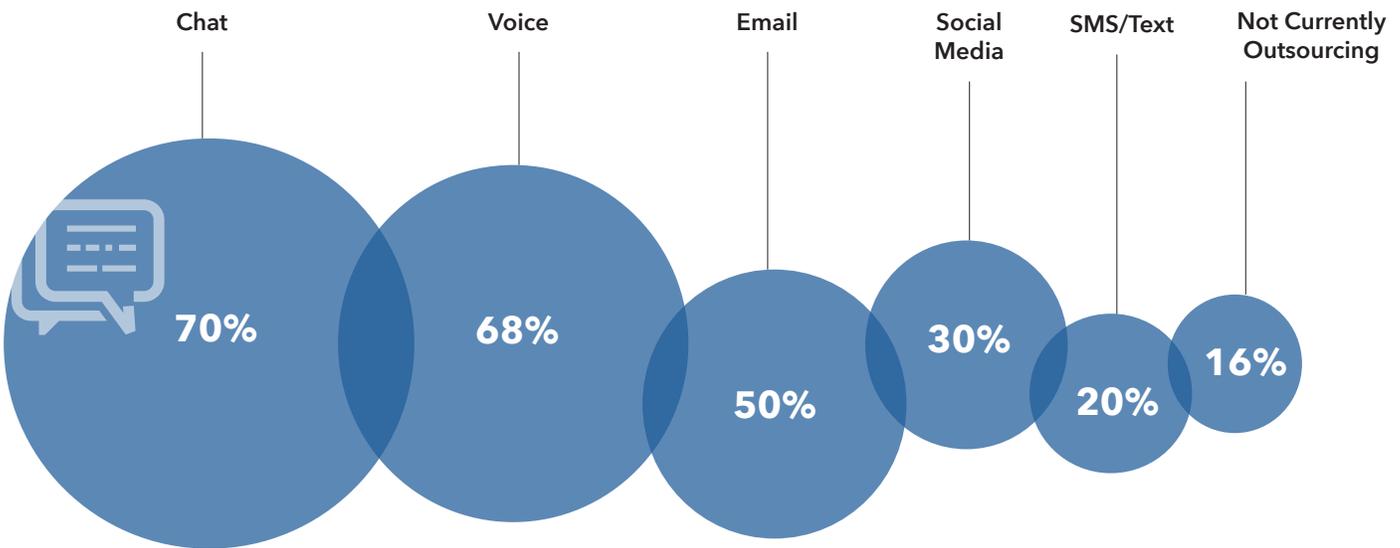
Chat	Voice	Email	Social Media	SMS/Text	Not Currently Outsourcing
70%	68%	50%	30%	20%	16%

Which engagement solution(s) do you currently handle IN-HOUSE? (Select all that apply.)

Social Media	Voice	Email	Chat	SMS/Text	In-Person	None, Everything is Outsourced
75%	70%	68%	55%	39%	32%	0%
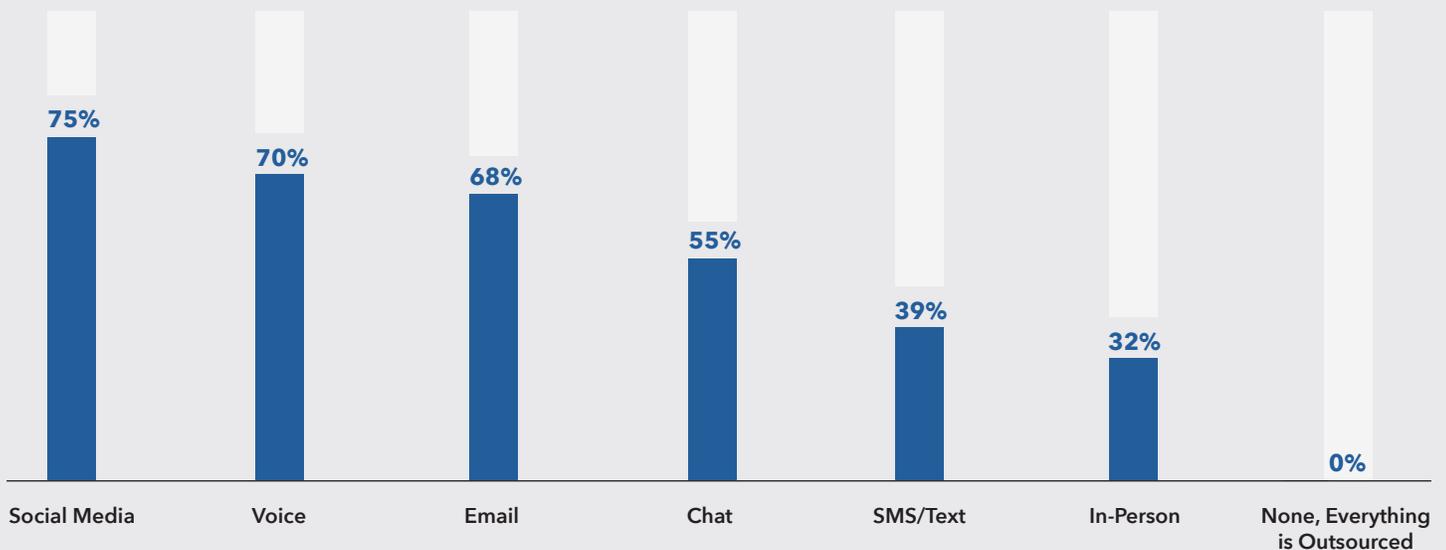
ALLOCATION OF ENGAGEMENT TYPES
PROGRAM STRUCTURE

According to survey participants, Customer Care engagements are just as likely to be outsourced as handled in-house. Technical Support and Sales engagements were also common, but to a much lesser degree, coming in at less than half the rate of Customer Care. Content Moderation was the engagement type least likely to be outsourced, likely due to the sensitive nature of the work. Regardless of which engagement types brands choose to allocate to outsourcers, strict performance monitoring frameworks need to be put in place to ensure performance rates are consistent with or, better yet, exceed those of in-house engagements. But monitoring is only one half of the equation — the other critical component is processes for addressing performance shortfalls and establishing continuous improvement.

**Which engagement type(s) do you currently OUTSOURCE? (Select all that apply.)**

Customer Care	Technical Support	Sales	Not Currently Outsourcing	Retention	Content Moderation
75%	36%	30%	16%	16%	9%
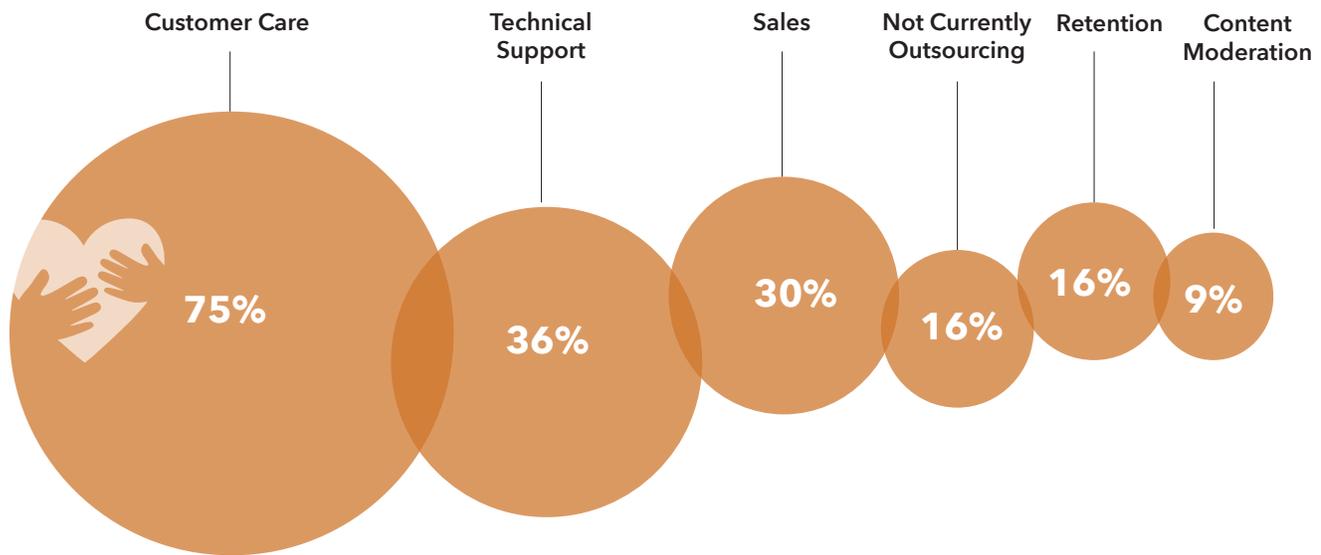
Which engagement types(s) do you currently handle IN-HOUSE? (Select all that apply.)

Customer Care	Sales	Technical Support	Retention	Content Moderation	None, Everything is Outsourced
75%	70%	59%	55%	55%	0%
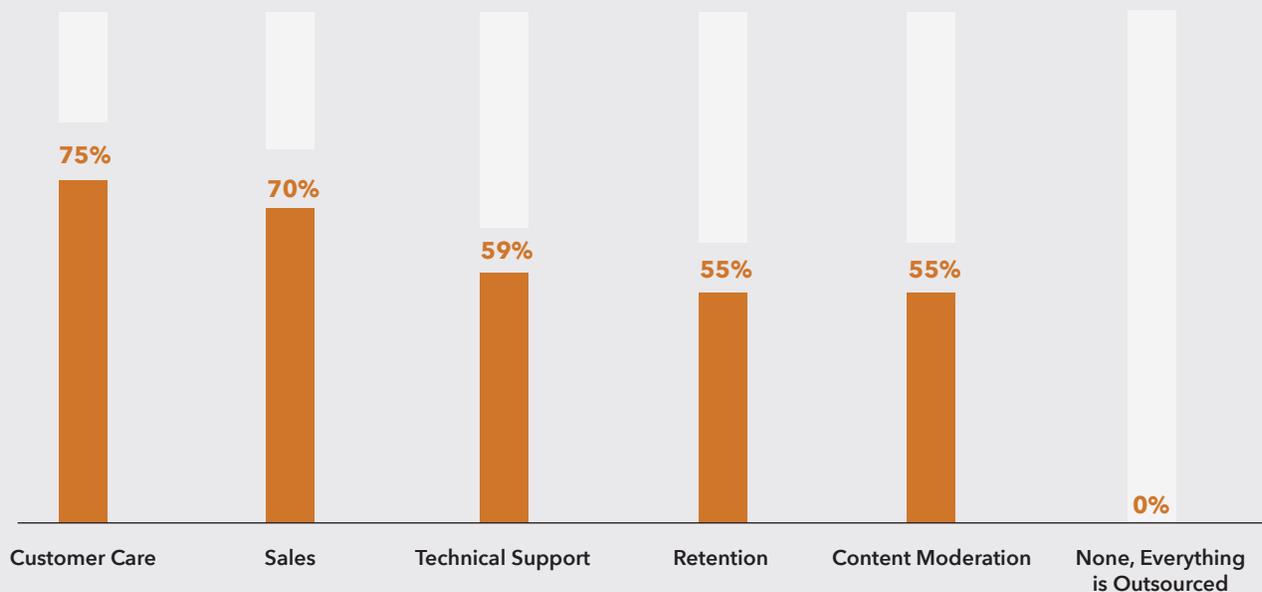
CHANGE AND
DRIVERS OF CHANGE

WHAT'S MOST IMPORTANT IN SELECTING A NEW BPO PROVIDER
## CHANGE AND DRIVERS OF CHANGE

In a question aimed at understanding what matters most to CX leaders regarding their BPO relationships, "Cultural Alignment" polled as the most important component in selecting a new BPO provider. Cultural Alignment can be a tough nut to crack — it requires strong relationships and cohesion not only at the top of both organizations, but also across a wide range of support roles. But when done right, Cultural Alignment can have huge payoffs for both agents and customers alike. Additionally, Cultural Alignment was closely trailed by "Pricing," "People," and "Agility and Flexibility," with "Size" being the least important consideration in selecting a new BPO provider.

In selecting a new BPO vendor(s), rank the following from most to least important in your decision process. (Average Ranking: Lower = More Important.)

Although "Size" was of least consequence in deciding on a new BPO provider, as noted above, survey respondents did share some definitive preferences regarding BPO provider size. "Midsize" BPOs were largely preferred — coming in at 38% among all respondents, and 50% among only those with a size preference. Certainly, the thought is that Midsize BPOs offer the best of both worlds — large enough to have robust capability, yet small enough to provide a high level of attention and flexibility.

If you were selecting a new BPO vendor(s), which would best describe your size preference?
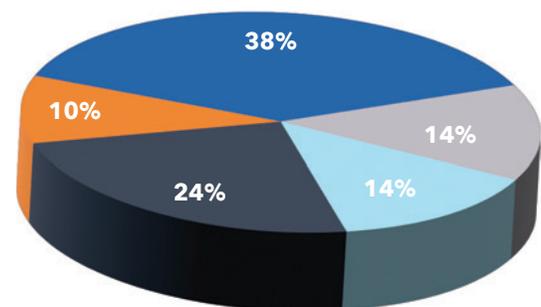
- Large BPO
- Midsize BPO
- Small BPO
- Mix of Larger and Smaller BPO
- Size is Not a Factor

FACTORS DRIVING BPO CHANGES
## CHANGE AND DRIVERS OF CHANGE

Once again, "Cost" enters the conversation — this time when CX leaders were asked to identify the primary reasons for why they might be considering a change in their BPO partners. This result, combined with the 33% of CX leaders who indicated their current BPOs asked for a cost increase within the past 12 months (page 17), demonstrates how central economic factors are to the decisions of today's CX leaders. Other notable factors included "Champion vs. Challenger," "Dissatisfaction with Performance," and "Newer/Emerging Outsourcing Markets." Also of note is the 28% of respondents who answered "Other/None of the Above," with all but one respondent indicating that they are not currently considering changing BPOs at this time.

If changing your BPO partners is something you're considering, what are the primary factor(s) driving this change or potential change? (Select all that apply.)

- Cost — 44%
- Champion vs. Challenger — 36%
- Other/None of the Above — 28%
- Dissatisfaction with Performance — 26%
- Newer/Emerging Outsourcing Markets — 23%
- Strategic Realignment — 15%
- Business Growth — 13%
- Misalignment of Capabilities — 10%
- Business Decline — 5%
- Expansion of Unassisted Solutions — 5%
- Launch of New Program — 5%
- Current BPO(s) Too Large — 5%
- Security Concerns (data or otherwise) — 3%
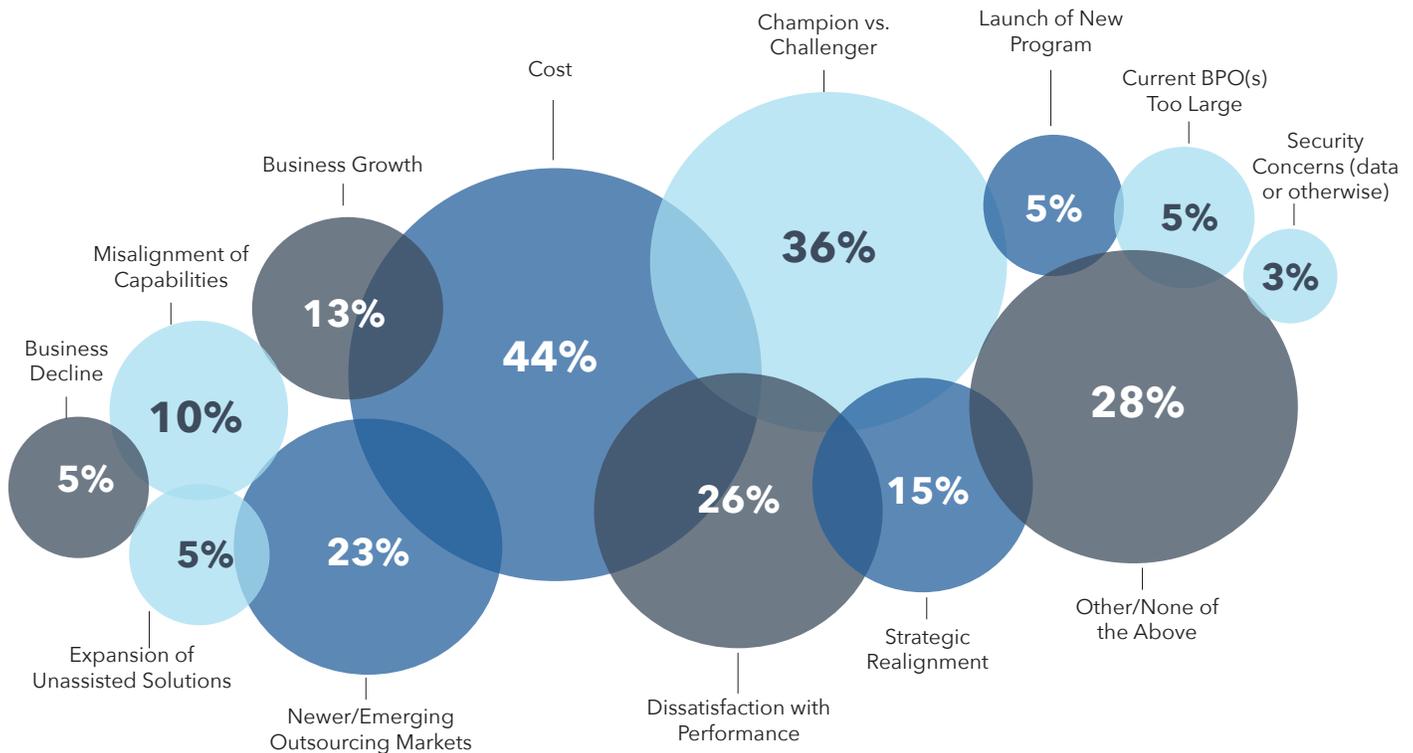
GEOLOCATION SHIFT AND EXPLORING EMERGING MARKETS
CHANGE AND DRIVERS OF CHANGE

Domestic
17% 20%

Nearshore
45% 39%

Offshore
26% 39%

No Expected Changes
36% 34%

To which geolocation(s) do you expect to shift more of your outsourced work in the future? (Select all that apply.)
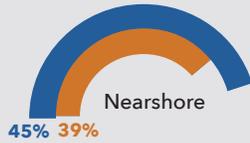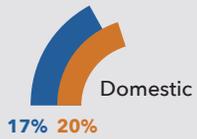
As hinted at on the bottom of page 21, and further indicated by the findings at left, Offshore call center markets are picking up steam, as are Nearshore geolocations. This is likely due to two significant factors. First, many regions of the world have largely recovered from the worst of the pandemic, leading to an increase in availability of workers, particularly in-office workers. Second is the cost factor, which is rarely absent in any outsourcing discussion. At any rate, these numbers bode well for outsourcers, especially those midsize outsourcers operating in well-established Offshore and Nearshore markets.

While 34% of CX leaders would be "Likely" (or "Very Likely") to explore emerging, less saturated Offshore or Nearshore outsourcing destinations, 43% would be "Unlikely" (or "very Unlikely"). This is significant, especially as outsourcers reach for new employee pools and different countries strive to put themselves on the CX outsourcing map. Like so many other things in business, success will come by way of a combination of success, plus word-of-mouth. While it might seem intuitive for CX leaders to play their successes in emerging geolocations close to the vest, doing the opposite may benefit them more in the long term. Establishing and growing an emerging location via word of mouth is likely to bring in more business, which is sure to translate into things like more infrastructure investment, a growing talent pool, and growing incentives among local governments. Like many other areas in CX, brands might want to consider the value they might bring to the industry as a whole in sharing their outsourcing successes with the wider CX community.

How likely is it that your company is open to exploring emerging, less saturated offshore or nearshore outsourcing destinations?

✓ Very Likely — **5%**
Likely — **29%**
Neither Likely or Unlikely — **21%**
Unlikely — **19%**
✗ Very Unlikely — **24%**
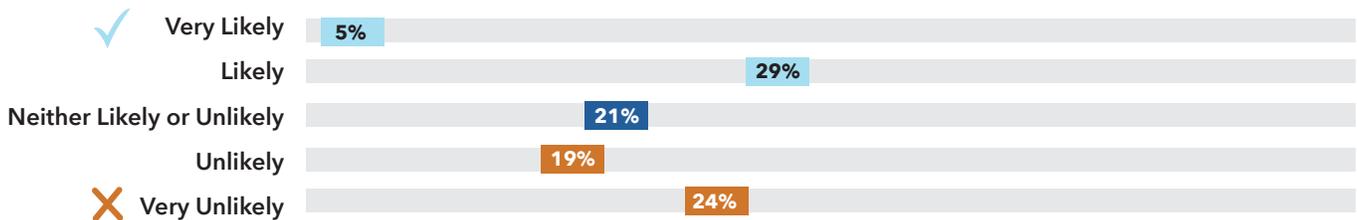
What has been your experience in taking a chance on an emerging offshore or nearshore market, and what advice would you offer to brands dipping into the space?

" As someone who values customer experience, I want to share my thoughts on the relevant question. The results indicate that most respondents are hesitant or unlikely to consider nearshore or emerging offshores. The trend could be due to various factors such as cost, continuity, trust, economic incentives, and cultural affinity. However, it is crucial to remember whether the provider can maintain or even improve the current level of experience for your end customers when you consider a location.

From my own experience, I have found success in both nearshore and emerging locations because I view offshore as something other than **simply a cost-saving measure.** My main priorities have been to build capability and capacity for my existing functions and to have a mindset of rapid experimentation. While risk is always involved, exploring new locations is worth it if the value outweighs the risk. So, it is very pivotal for you as a company to define what value is for your brand. If nearshore locations end up having more cultural affinity for your customers, it not only saves cost of knowledge transfer and travel, but elevates the chances of a superior customer experience delivery for your end customers.

*The views expressed are those of Guneet Singh and do not necessarily represent the views of AppFolio.* "

appfolio | **Guneet Singh**
Senior Director – Customer Experience

AREAS OF CHALLENGE AND SUCCESS
CHANGE AND DRIVERS OF CHANGE

When asked to identify where outsourcing providers are failing and succeeding, "Adequate Staffing" and "Agent Quality and Performance" each underwent the most significant change year-over-year. The most notable failing in 2022 surveying, "Adequate Staffing," shaved off 13 points year-over-year, while adding two points as a point of success for outsourcers. Although "Adequate Staffing" remains the top area of concern, it's safe to say outsourcers have gotten significantly better at identifying and recruiting talent. "Agent Performance," on the other hand, offered a mixed bag by falling 11 points as a failing, while simultaneously falling 12 points as an area of success. If nothing else, this demonstrates the variety of strengths and weaknesses among various BPOs, emphasizing the importance of CX leaders taking care in selecting the right partner for their specific set of needs.

Generally speaking, in which area is your current Outsourcing providers failing in best meeting or exceeding your needs and expectations?

Legend: 2022, 2023

Area	2022	2023
Adequate Staffing (i.e., Hiring, Attrition, and Absenteeism)	41%	28%
Agent Quality and Performance	30%	19%
Not Currently Outsourcing	2%	17%
Flexibility and Agility	0%	8%
Program Performance and Management	15%	8%
Change Management	0%	6%
Containing Costs	7%	3%
Strategic Alignment	2%	3%
Communication and Responsiveness	2%	3%
Contract Terms	0%	3%
CSAT, NPS, and/or Other Sentiment Scores	0%	3%
Data and Workplace Security	2%	0%
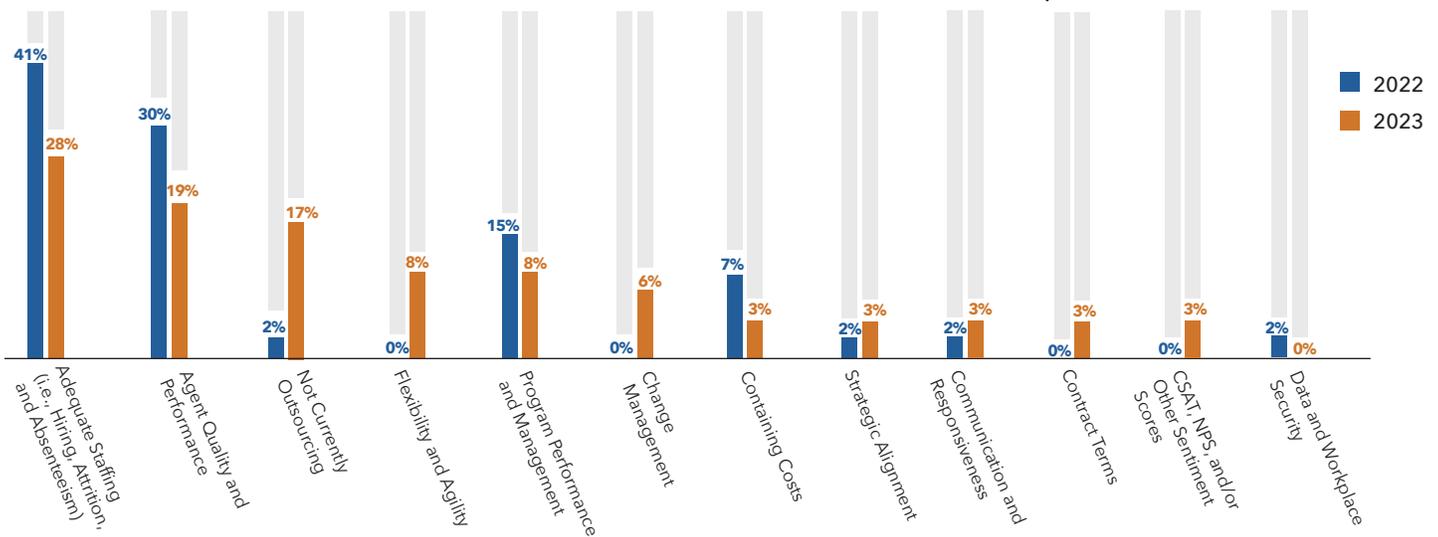
Generally speaking, in which area is your current Outsourcing providers succeeding in best meeting or exceeding your needs and expectations?

Legend: 2022, 2023

Area	2022	2023
Adequate Staffing (i.e., Hiring, Attrition, and Absenteeism)	17%	19%
Not Currently Outsourcing	2%	14%
Flexibility and Agility	0%	12%
Program Performance and Management	8%	9%
Containing Costs	10%	9%
Agent Quality and Performance	19%	7%
Strategic Alignment	12%	7%
Communication and Responsiveness	12%	7%
Transitioning to Work-from-Home	15%	5%
Prioritize My Business	0%	5%
Change Management	0%	2%
Contract Terms	0%	2%
CSAT, NPS, and/or Other Sentiment Scores	0%	2%
Data and Workplace Security	5%	0%

CONCLUSIONS

When it comes to BPOs, corporate CX leaders continue to seek stronger relationships, greater strategic alignment, and improved agent performance — each a vital anchor point in providing global customers with an improved care experience. While cost cutting and the idea of doing more with less are increasingly top of mind, CX leaders must appreciate that these challenges can't be overcome at the expense of service levels. In fact, more than ever before, companies are cognizant of the notion that superb CX is a differentiator with the power to both delight and generate growth. No doubt, the contact center is in the best position to help champion this idea.

The BPO industry has changed rapidly, and will continue to do so. Today, highly talented, tech-savvy workers needn't be found only at home. In fact, many companies are finding success in tapping a fresh brand of contact center agents in nearshore and offshore markets with expectations of big future growth for both. This growth isn't restricted only to long-established BPO destinations, either ... it's increasingly occurring in newer markets that are eager to prove themselves.

On the ground, BPOs have responded to the challenges wrought by the pandemic years by improving the employee experience and raising workforces that are highly engaged, motivated, flexible, and high-performing. Undoubtedly, the number of available workers remains a central challenge, but much progress has been made in this area, even when compared to only a year ago. The adjustments made by BPOs are working, and there is every expectation the industry will continue to spur competition by further tapping these new and emerging markets. Furthermore, this is likely to occur at an increasing pace as more and more success stories are created and shared.

For brands that are thinking about adjusting their BPO portfolio mix, or utilizing outsourcing resources for the very first time, it's critical to keep the customer experience front and center. Start with the customer, but end with the relationship. In other words, once the table stakes of superb CX are met, find a good relational fit that's built on the ideals of partnership, and always strive for a shared vision in terms of corporate culture, work quality, and alignment of goals.

ABOUT
EXECS IN THE KNOW

Execs In The Know brings together customer experience (CX) leaders from across industries in an effort to advance the conversation and set a new agenda for delivering amazing experiences for consumers. As a global community of the brightest minds in CX, Execs In The Know provides opportunities to learn, share, network, and engage to innovate. Operating under the motto, "Leaders Learning From Leaders," Execs In The Know facilitates many opportunities for community engagement, such as its bi-annual national Customer Response Summit and private, online community, Know It All "KIA." There are also exclusive, laser-focused engagements like industry briefings and executive roundtables. Execs In The Know also guides and informs the industry with a rich tapestry of CX-related content that includes CX Insight magazine, industry research, webinars, blogs, and much more.

To learn more about Execs In The Know, visit www.execsintheknow.com.

ABOUT
CUSTOMERSERV

Founded in 2006, CustomerServ is the BPO industry's authentic outsourcing ecosystem, crystallizing the rapidly changing landscape, to help corporate brands select the right BPO partnerships. CustomerServ is responsible for over $3 billion in successful outsourcing relationships, and over 100,000 call center jobs worldwide. CustomerServ brings years of data, expertise, and ongoing research on elite BPOs, effective sourcing practices, rising trends, new call center markets and impact sourcing.

To learn more about CustomerServ, visit www.customerserv.com.

METHODOLOGY

This report, *CX Outsourcing Insights*, was developed based on results derived from a custom 32-question survey delivered via the SurveyMonkey online platform.

Surveying occurred from April 17 through May 17, 2023. Private invitations to partake in the survey were delivered by email to the Execs In The Know community and via promotion within Execs In The Know's private online community, Know It All. Invitations targeted individuals responsible for managing BPO and outsourcer programs and relationships at Business-to-Consumer (B2C) and B2C/Business-to-Business (B2B) organizations, primarily in the United States and Canada.

The survey benefited from the participation of 47 CX leaders with individual question sample sizes ranging from 36 to 47 responses. See the "Program Structure" section of the report (page 19) for details that help describe the size and scope of the companies that participated in this year's *CX Outsourcing Insights* survey.
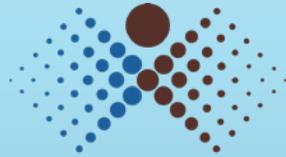
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