

10 Business Process Outsourcing Trends to Watch For in 2014



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At the end of each year, DATAMARK takes a look ahead at some of the biggest influences shaping the BPO industry. For 2014, newcomers to our Top 10 trends list include robotic process automation, the emergence of midmarket opportunities and the rethinking of the traditional request for proposal (RFP).

1. Pioneers and new entrants gain traction in the robotic process automation/autonomics space.

Automated systems, such as forms classification and data capture, have been around for years, but these new platforms (with fancier names) purport to be the second-generation of business process automation. Pioneering UK provider Blue Prism and its U.S.-based arm, Virtual Operations, describe its product as robotic process automation, “software robots” that integrate with legacy business process systems to handle mundane, rules-based tasks.

Another provider, IPSoft, uses the term “autonomic” to describe its systems, which also are designed to free IT and business process staff from dull, low-skill, repetitive tasks. Because these software robots operate at a fraction of a cost of a human, and can work 24/7/365 without any breaks, industry analysts predict this technology will completely transform BPO. There will no longer be a need to go offshore if many of these processes can be handled onshore and in-house by advanced software robotics. However, 2014 won’t be the breakout year for robotic automation and autonomics—a lack of industry standards and perhaps just the “newness” of it all means companies will take their time adopting these technologies, [according to analyst firm Ovum](#).

2. We’ll see more BPO movement onshore and nearshore.

Several factors continue to work together to shift outsourcing activity back to the U.S. and its nearshore neighbors: rising wages in China and India; consumers demanding contact-center service from agents who speak American-accented English and Latin American Spanish; and companies preferring to work with outsourcers who are geographically close and within familiar time zones.

Anecdotal evidence supporting the onshoring trend continues to roll in, primarily in the manufacturing sector. [But as we predicted last year](#), we are beginning to see studies showing that the trend is real. Fourteen percent of electronics companies [in an IPC survey indicated they were planning to bring operations back or start new operations in North America through 2014](#). Also, [an AlixPartners study](#) reports the U.S. has reached parity with Mexico in terms of attractiveness as a nearshore manufacturing destination and is on track to achieve cost parity with China by 2015! Given this environment, and if robotic process automation systems take root in BPO, there will be no need to have a human halfway across the globe handling mundane processes—they’ll be done by a computer in the U.S., and the money saved will be used for pursuits in innovative, high-skill areas.



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3. Mature client-outsourcer relationships will lead to a gradual shift to outcome-based pricing models.

Outcome-based pricing—paying for a predetermined business result—can be very complicated, so expect to see this happening among highly experienced clients and outsourcers who have built mature relationships. Partners who have developed a good sense of trust and fairness for both parties will develop contracts that have a sliding-scale of rewards for approaching desired outcomes—they won't lock providers into an adverse all-or-nothing scenario.

Contracts can also be designed with incremental steps. For example, promising a certain amount of savings in year one, then a higher amount of savings in year two, will allow the provider time to build up, adjust and weave innovations into the business process. Another solution to test the waters of outcome-based pricing is a hybrid approach: price some business functions based on FTEs, others based on outcomes or gain sharing, and in the case of services delivered through cloud computing, usage-based payment models (similar to utilities).

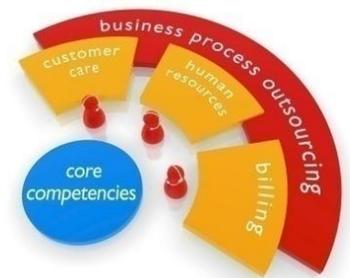
4. Customer contact center services reach higher levels of sophistication.

The world will recognize the evolution of “human-powered” customer service. Once a customer has exhausted self-service options (FAQs; intelligent, web-based CSR robots; interactive voice response (IVR); etc.) and needs a “real person,” the customer will likely speak to a highly skilled agent trained to handle complex problems in more than one language and through multiple communication channels. These customer service representatives will respond to consumers over the phone, through web chat windows, by email and through social media such as Twitter, Facebook, LinkedIn and Google+. So much is happening in the contact center space that we've published a separate paper on the subject, [“Customer Contact Center Trends for 2014.”](#)

5. BPOs engage the midmarket for opportunities.

BPO providers love the big fish--Fortune 500 companies with scores of outsourceable FTEs and straightforward labor-arbitrage deals with attractive margins. But in a saturated market, these plum deals are harder to come by. So BPO is turning to the midmarket, which presents a different set of problems. Smaller companies often are not mature outsourcers, so it takes time to build trust and good relationships. The labor economics are smaller, which means companies seek pricing based on outcomes—a tough proposition for big BPOs comfortable with transactional pricing.

Still, midsize companies, seeing the success of the big players over the years, want in on outsourcing's benefits. The Duke Fuqua School of Business Offshoring Research Network [reports that two thirds of midsize companies have aggressive expansion plans through 2015, and a quarter of them are considering offshoring.](#) “Midcap companies are poised to take the plunge,” claims the Fuqua school, and this means agile BPOs should be ready to respond.



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6. The mobile-app-for-business revolution is about to begin.

For the past couple of years, evidence of the use of mobile apps for business processes has been mostly anecdotal, but now we're beginning to see some hard data that this trend is about to take off in a big way. [Burrus Research recently surveyed over 700 companies](#) and found that just four percent had developed mobile apps for supply chain management, logistics, purchasing, sales support and other processes.

However, 100 percent of the respondents believe that in the next two years at least half of the businesses in their industry will have mobile apps for their business functions. The Burrus firm says businesses with the capability to develop their own apps, rather than settle for off-the-shelf products, will gain a competitive advantage.

7. Healthcare revenue cycle management gets reinvented.

Healthcare revenue cycle management is causing pain for many healthcare organizations, and experts believe business process re-engineering is the cure.

Sean Wieland, a research analyst for Piper Jaffray, [recently told Healthcare IT News](#) that current revenue cycles, which cost 20 to 30 cents for every dollar transferred from a healthcare customer to a provider, can't be fixed with incremental process improvements. In fact, he talks about "blowing up" the whole process and reinventing a new one.

The opportunity is ripe for vendors to provide disruptive technologies and a complete re-thinking of RCM as the industry moves into the era of Accountable Care Organizations. BPO providers can step in with process re-engineering expertise and outsourcing solutions to remove cost and improve efficiency at every step of the billing and collection cycle workflow.

8. With another big player providing public cloud services, look for BPaaS to boom.

In 2013 Google joined Amazon, Microsoft and IBM as a major provider of cloud computing services for the corporate market. Google made a splash by announcing it was cutting prices for cloud computer processing and storage, while guaranteeing uptime of 99.5 percent.

The addition of a new competitor in the public cloud means more available infrastructure and lower costs for BPO providers looking to provide solutions beyond offshore labor arbitrage models. These companies foresee a future of automated business process as a service (BPaaS) applications over the web, shared by multiple clients and paid for on a consumption or subscription basis.



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9. Business continuity and disaster recovery plans are closely reviewed.

Typhoon Haiyan and Cyclone Phailin were two massive, devastating storms that targeted offshoring destinations in 2013. Global businesses in the Philippines were fortunate that Haiyan missed the outsourcing hubs of Manila and Cebu. Outsourcers in India also dodged a bullet as Phailin tracked north of the country's commercial centers and weakened as it hit land.

Still, the experiences from these mega-storms emphasized the importance of having comprehensive business continuity and disaster recovery plans in place. In 2014, organizations will give their BC/DR and succession plans a thorough review. They will also test data connectivity to ensure it will be available, or quickly restorable, from multiple locations.

10. The Request for Proposal (RFP) gets a makeover.

Buyers want innovation from BPOs, but the traditional prescriptive RFP approach puts providers in a box, limiting what they can offer a potential client, according to outsourcing consultant Information Services Group. ISG recently garnered attention for promoting an alternative, the "Request for Solution" (RFS) model.

[In its whitepaper "The RFP Will Never Be the Same,"](#) ISG says under the RFS process, customers will describe the general characteristics of their operations, objectives, concerns and vision of the future state of the process. This is in contrast to the traditional RFP, where providers are essentially told what's required of them, rather than asked to provide an innovative solution. ISG says the RFS model will encourage innovation and facilitate the trust necessary for long-term strategic outsourcing partnerships.



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About DATAMARK

DATAMARK is a leading provider of multichannel customer contact center services, digital mailroom and mail center management, data entry, document processing and business process re-engineering services for Fortune 500 companies, government agencies and other large enterprises.

Founded in 1989, the company is the strategic business process outsourcing (BPO) partner for companies across numerous industry sectors, including healthcare, insurance, banking and financial services, and transportation and logistics.

DATAMARK offers on-site, onshore and offshore processing facilities, delivering enterprise content management (ECM) and process-automation solutions to help organizations improve efficiency and profitability across all business functions.

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