What is the demand for Business Process Outsourcing services on the European market?

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The European business process outsourcing (BPO) market has rebounded strongly from COVID-19 disruptions, and offers good opportunities. BPO helps European companies focus on their core business and reduce costs. Northern and Western European countries are the main markets. Your ideal target market also depends on factors such as openness to offshoring and the presence of diaspora. Within these markets, small and medium-sized enterprises (SMEs) are your best match. Specialisation creates potential in any service category or sector.

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When outsourcing abroad, nearshore providers offer benefits in terms of language, proximity, cultural similarities and minimal time differences. However, for BPO activities like contact centre services, a time difference can also be an advantage as it allows for 24/7 availability. This could be an advantage of offshoring, versus nearshoring or onshoring.

The most popular nearshoring locations for Western European companies are Central and Eastern European (CEE) countries, such as Poland, Bulgaria and Romania. Not only do these countries offer the usual nearshoring benefits, but since they are members of the European Union (EU), contracts and payments are governed and protected by the same European legislation as in the buyer countries.

However, prices in nearshore countries are rising, especially within the EU. This makes service providers in these countries less price competitive, which in turn could make European companies more open to offshoring.

Source: Eurostat 2021

To benefit from these developments, you can choose to either form subcontracting partnerships with nearshoring providers, or compete with them. In addition, the increased familiarity with remote working due to the COVID-19 pandemic seems to have lowered the barriers to offshoring.

The Global Services Location Index (GSLI) ranks ITO/BPO destinations based on 4 categories: financial attractiveness, people skills and availability, business environment and digital resonance. This can give you an idea of the competitiveness of your country. The GSLI is compiled by Kearney, a global management consulting company active in more than 40 countries.

Tips:

Limit the possible disadvantages of being offshore. Provide excellent communication, availability in the required time zone(s), and good security and privacy measures.

Differentiate yourself from onshore and nearshore providers to remain competitive. Emphasise how you are different in your marketing message. Do not compete only on price, but also analyse what other advantages you can offer, such as access to skills or specialised industry expertise.

Research what your competitors are doing right and wrong, to learn how you can differentiate yourself from them. For example, see the Outsourcing Destination Guides of the German Outsourcing Association.

Partner with nearshore service providers that are looking for cheaper subcontractors. Many service providers in developing countries have not yet recognised this opportunity, which can offer great opportunities.

BPO market rebounds strongly from COVID-19 disruption

Determining the exact size of the European BPO market is difficult, as definitions and indicators differ greatly depending on the source. This makes the various values impossible to compare and combine.

To present a coherent and consistent estimate across the European market, this study uses data from several global and European editions of the ISG Index. ISG (Information Services Group) is a global technology research and advisory company, specialised in digital transformation services. The ISG Index measures commercial outsourcing contracts with an annual contract value (ACV) of $5 million or more, giving an indication of the general BPO market. While the ACV for Europe also includes the Middle East and Africa (EMEA), these contracts are mainly European.

Source: ISG Index 4Q21, Europe Press Release, Americas Press Release & Asia Pacific Press Release

Worldwide BPO contract values reached €6.9 billion ($7.8 billion) in 2021. With €2.3 billion ($2.6 billion), Europe (EMEA) accounts for about a third of the global market. The United States of America is also a large outsourcing market, with competition from nearshore suppliers in Latin America rather than Eastern Europe.

Source: ISG Index FY19 EMEA, ISG Index 4Q20 and ISG Index 4Q21

* Converted from USD ($)

In 2020, the COVID-19 pandemic disrupted business on a global scale, affecting many BPO providers. Clients scaled back their activities, cancelled non-essential activities, moved outsourced tasks back in-house, or even went out of business altogether. Both clients and providers often turned out to be unprepared for the restricted movement of people. For example, as lockdowns forced thousands of contact centre agents worldwide to stay home, this caused many delays and even complete halts in contact centre activities.

This disruption resulted in a decrease in European BPO ACV of more than 50% in 2020. It should be noted however, that the particularly strong performance in 2019 may somewhat exaggerate the difference.

In 2021, the European BPO market bounced back to an ACV of €2.3 billion. This is comparable to the average ACV in the recent years before 2019. Across various sources of market data, the reported scale of the market fluctuation varies. However, the pattern of strong market recovery in 2021 is clear.

The challenge that the pandemic has posed for ITO/BPO outsourcing providers (from developing countries) was reflected among the participants in our recent outsourcing webinars. However, in December 2021, it also became clear that the situation was improving.

Figure 4: The effect of COVID-19 on companies in CBI webinars

Source: CBI webinars

The outlook for the BPO market in the coming years is good. For example, the Global Outsourcing Association (GSA) predicts industry growth to continue in 2022 and Statista expects global BPO revenue to grow by 6% per year between 2022 and 2026. For the European BPO market specifically, Data Bridge Market Research forecasts an average annual growth of 7.6% between 2021 and 2028.

How exactly the European market for offshore BPO specifically will develop in the coming year(s) is uncertain, as the situation has yet to stabilise. Although forecasts for the general market are promising, the pandemic may cause further disruption. At the same time, suppliers are more prepared. For example, in the TeamAsia podcast in the summer of 2021, the president/CEO of IBPAP (IT and Business Process Association Philippines) estimated that 65-75% of the work in the Philippine industry was done from home. This work-from-home or hybrid model is expected to be here to stay.

Of those buyer companies that are reconsidering their BPO strategies due to the pandemic, some may move their offshored activities to nearshore or domestic providers in search of stability. Others may actually have become more interested in offshoring as a welcome way to save costs. Another way for buyers to minimise risks is to diversify by hiring providers from several locations, which could also offer opportunities for SMEs like you.

These considerations are also reflected in the BCG survey among international ITO/BPO buyers, in which 61% of respondents said any potential changes in budget allocations would be driven by the need to reduce costs. Another 53% said they would be the result of steps to ensure business continuity.

Tips:

- See our study about trends on the European outsourcing market for more information on the effects of the COVID-19 pandemic and other developments.
- For more information about preparing for and guiding your company through crisis situations, see our study on how to respond to COVID-19 in the IT and Business Process Outsourcing sector (ITO/ BPO).
- See our studies per promising export service for information on the European demand for specific BPO services, such as contact centre services.
- For ITO market insights, see our study about the demand for ITO services on the European market.

BPO allows buyers to focus on their core business functions

A major advantage of outsourcing BPO services is that European end-user companies do not need to hire in-house expertise to perform these activities. Outsourcing allows them to focus on their core business. It also means they do not have to spend time and money on hiring and training staff for functions such as human resources (HR) or customer support, nor on providing the necessary infrastructure.

This has been particularly relevant during the recovery from the COVID-19 pandemic. Companies needed the staff they retained to perform their core activities, sometimes including additional tasks from colleagues that were laid off or furloughed. There has also been relatively little room in the budgets for new hires, making outsourcing an attractive solution.

Cost reduction continues to be a key motive for BPO

Cost reduction remains an important reason for European companies to outsource activities to providers abroad. Staff generally costs less per hour in developing countries than in Europe. This means that outsourcing – especially offshore – can offer great cost savings, especially for activities that are labour intensive. To attract European buyers, your pricing should be competitive, clear and transparent.

Companies that were/are affected by the COVID-19 pandemic have tighter budgets than before. This could make offshoring to developing countries more attractive. Be aware however, that if your offer is “too cheap”, buyers may think it must be too good to be true and assume your service quality is low. In fact, in an ISG analysis of competitive managed services bids between 2015 and 2020, high bids won 30% of the time and low bids only won 40% of the time.

Tips:

- Emphasise how outsourcing will improve your customers’ business processes.
- Offer competitive pricing, but do not compromise on the quality of your services. Try not to compete only on price.
- Clearly communicate that outsourcing BPO services not only saves money on labour costs, but can also reduce equipment expenses, such as communication and computer systems, and IT spending on development, deployment and maintenance of systems and networks.
- Be transparent in your pricing. Clearly show what service clients get for what price. Make sure you include everything they might need in your offer to avoid hidden costs, such as costs for extra services that were not mentioned beforehand.

Sustainability is becoming a requirement

Besides (or instead of) cost reduction, sustainability is becoming a key factor for European ITO buyers when selecting a service provider. Related concepts are corporate social responsibility (CSR), environmental, social and governance (ESG) criteria and responsible business conduct (RBC). According to the previously mentioned ISG analysis of competitive managed services bids, ESG criteria are becoming critical in evaluations of bids. ISO 26000 provides guidance on CSR. For BPO SMEs like you, labour practices, fair operating practices and community involvement are the most relevant aspects of the ISO 26000 standard.

An example of social sustainability in BPO is impact sourcing, which aims to improve people’s lives, families, and communities through meaningful employment. For buyers it means prioritising suppliers who provide learning and career development opportunities to people with limited prospects for long-term sustainable employment. This often drives continuous job creation and benefits the whole community. Benefits for buyers include low costs, reliable service delivery, a large talent pool, and a stable and engaged workforce.

An example of an offshore BPO impact sourcing provider is Impact Sourcing Africa. The company specialises in contact centre solutions such as customer service, cross- and up-selling, and surveys. As its name suggests, Impact Sourcing Africa's goal is to "move previously disadvantaged individuals and people with disabilities out of poverty by creating secure productive employment in the BPO sector". By doing so, the company also has a positive impact on the community, on South Africa's economy, and of course on the future careers of their talent.

Figure 5: Impact Sourcing Africa

Source: Impact Sourcing Africa @YouTube

Since 2021, the government of the United Kingdom (UK) attributes 10% of the points in its Requests for Proposals to social value. Similar arrangements are seen across Europe, in both governments and companies (including SMEs). Other countries and companies are expected to follow. In line with this increased importance of sustainability, the GSA is currently exploring a Service Provider Sustainability Maturity Index. The goal of this index would be to let best performers promote themselves and let others learn, so the whole industry can improve.

Tips:

- Read more about Corporate Social Responsibility in practice on the website of the European Commission. Also keep an eye on new laws that are being issued, such as the directive on corporate sustainability due diligence.

Show that you care about your impact on society and the environment by implementing your own CSR policy. It can be a unique selling point (USP) when your buyer has to select a provider.

Start an impact sourcing pilot project to see how it can benefit your business and the community. Ask business support organisations in your region how to realise such a pilot project. Examples are Harambee in South Africa, Sama in India, Pakistan, Kenya, South Africa and Uganda, Alorica in Latin America and the Caribbean, and the Mandela Legacy Foundation in South Africa.

To qualify as an impact sourcing provider, show buyers that you are actively hiring and training people with limited employment opportunities.

For more information about sustainability (including CSR and impact sourcing) in BPO, see our study about trends on the European outsourcing market and our study about buyer requirements.

Diversity brings opportunity

Europe is a large and diverse market for BPO services. Together, the EU, the European Free Trade Association (EFTA) nations and the UK consist of 32 countries that speak 28 different official languages. They have a total population of around 528 million people. Although Europe is often seen as one market, each country has its own profile based on characteristics such as demographics, historical ties, business culture and etiquette. This diversity brings a variety of opportunities in BPO.

An important way to classify the hugely diverse range of BPO-services is by language dependence. For BPO sectors such as contact centre services, language is a particularly important factor. European companies generally select their contact centre service providers based on the availability of agents that are fluent in the required language(s) for their market.

The presence of different migrant communities also adds to the diversity of opportunities on the European market. This so-called diaspora can form the basis of outsourcing to (developing) countries of heritage, as family, friends or business relations can function as entry points to the market. Around 34 million people in Europe are members of diasporas from developing countries, which is about 6% of the European population. The largest of these communities reside in Germany, France, the UK, Italy, Spain and the Netherlands.

Source: United Nations, Department of Economic and Social Affairs

Of the developing countries of origin in Figure 6, India and Ukraine are best known for their outsourcing potential. Other well-known outsourcing destinations with large migrant communities in Europe include Bosnia and Herzegovina, Albania, Pakistan and Serbia. The diverse diaspora in European countries means there may be various connections for you to benefit from.

Tips:

Use passport to trade 2.0 to learn about the business culture and etiquette in various European markets. See how your country’s culture compares to European cultures with the country comparison tools from Hofstede Insights.

Look for countries with cultural similarities to your own, as this makes it easier to do business.

For more information, see our tips for doing business with European buyers in ITO and BPO.

Check the potential diaspora from your country in Europe via the United Nations' international migration data.

Connect with organisations that represent your country's diaspora in Europe, such as the European Union Global Diaspora Facility and the African Diaspora Policy Centre.

2. Which European markets offer most opportunities for BPO?

Europe is not a uniform market for BPO providers. Northern and Western European countries are traditionally the largest BPO end-markets. In general, the main factors that determine the potential of target markets are market size and openness towards international outsourcing (offshoring). While large countries offer opportunities based on their size, some smaller countries are relatively open to outsourcing. In addition, for some BPO services your in-house language skills can help you select your ideal European target markets.

Also do not forget the option to look for business opportunities in Eastern Europe. There are many BPO providers that are looking for a subcontracting partner. See also figure 1.

The United Kingdom remains attractive despite Brexit

The UK is the second-largest economy in Europe. Like most Northern and Western European countries, British GDP returned to its pre-pandemic levels in 2021. Among the UK's main sectors are finance and banking, which are included in the services sector, the biggest contributor to the British Gross Domestic Product (GDP). Outsourcing is a common practice in this sector, stimulating the demand for BPO services in the UK.

Of all European markets, the UK is the most open to offshore outsourcing and the least cautious about doing business with developing countries. This openness is due to the nation's cost-saving business culture and its historical ties to many countries across the globe. Language barriers are low, as the UK's official language is English. This makes the British market relatively accessible for offshore providers.

For the coming years, the exact effects of the UK's withdrawal from the EU (Brexit) combined with the continuing COVID-19 pandemic are not yet clear. BPO providers like you may be able to benefit from an increased intent to outsource. For example, in a study by LiveArea and Opinium, 10% of UK businesses outsourced their marketing in 2020. Of the other 90%, 32% would consider outsourcing their marketing as a result of the COVID-19 pandemic.

There are around 5 million migrants with developing country origins in the UK. This is about 8% of the total British population. The largest of these communities consist of people from India, Pakistan, Bangladesh, South Africa, China and Nigeria. Particularly India and Pakistan are well-known providers on the British BPO market.

Ireland benefits from Brexit relocations

Ireland is a smaller, but interesting market. In 2020, Ireland was the only EU country to register GDP growth despite the COVID-19 pandemic. Since the Brexit announcement, many international companies have decided to move (part of) their business out of the UK. Ireland has benefited from this, particularly due to its strong financial services sector. In spring 2021, New Financial reported that 135 financial services firms had relocated to Dublin post-Brexit – about 25% of all identified moves in this sector.

Another factor that makes Ireland a convenient relocation destination, is that English is one of its official languages. Combined with the country's close ties to mainland Europe as an EU member state, this makes Ireland particularly attractive for American companies that need a presence in Europe. In fact, Ireland currently functions as a so-called 'gateway to Europe' for over 800 US companies. This could offer you potential, as US companies are often relatively used to outsourcing. For example, 80% of small US businesses planned to outsource business tasks in 2021.

The low language barriers also make it easier for BPO providers to do business with buyers in Ireland. Ireland is home to more than 250 BPO providers, employing more than 60,000 people. While this may seem like competition for companies like you, it could also offer you great subcontracting opportunities. Especially considering that as a Western European country, Ireland has relatively high wages. This means that Irish BPO providers can save considerably on costs by subcontracting to BPO providers from developing countries.

With less than 200,000 people (about 3% of the population), Ireland’s migrant community of developing country origins is relatively small. The largest of these communities originate from Nigeria, India, the Philippines, China, Brazil and Pakistan. Out of these countries, India, the Philippines and Pakistan are particularly popular BPO destinations.

Germany may become more open towards offshoring

Germany is the largest economy in Europe, home to about a fifth of the EU’s population. The German economy is widely considered the stabilising force within the EU, historically showing a higher growth rate than other member states. The European Commission projects German GDP to be back at pre-COVID-19 levels in the course of 2022.

Although its size makes Germany an interesting market, German companies are generally less open to offshore outsourcing than those in countries like the UK. However, the COVID-19 pandemic has softened Germany’s generally stiff corporate culture and shown companies what is possible with remote working and outsourcing. This may create more opportunities for you on the German market. A good source of information is the German Outsourcing Association.

There could be some language barriers to providing BPO services to Germany. German companies often prefer to do business in German, which is why they tend to choose nearshoring when they outsource. Generally, you need an intermediary in Germany to communicate with (potential) clients for you. For language-based activities such as contact centre services, you need agents that are fluent in German. If you meet these criteria, you could also target German-speaking companies in Austria and Switzerland.

Germany is home to nearly 6 million migrants of developing country origins, adding up to around 7% of the total population. The largest of these communities are people with heritage from Turkey, Kazakhstan, the Syrian Arab Republic, Ukraine, Afghanistan and Iraq, as well as Bosnia and Herzegovina, and Serbia. As German has relatively strong ties to Central and Eastern Europe (CEE), opportunities on the German BPO market are particularly strong for countries from this region.

The Nordic economies show relatively modest declines

The Nordic economies are reported to be among the less affected by the COVID-19 pandemic, and have recovered in 2021. The Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) individually are smaller than some other European markets, but they can be relatively open to BPO. For example, in 2003, Sweden already outsourced 20% of its call-centre services, which was double the European average at the time. With some of the highest contact centre agent salaries in Europe, Nordic companies can save considerably on costs by nearshoring and especially offshoring these services.

People from the Nordic countries are highly proficient in English, which makes doing business relatively easy. Ideally, your staff should speak the national language to be able to perform language-based activities such as contact centre services.

> Providing language-based services to Nordic companies may be a challenge, but it can be done! Swedish

provider Samres offers various types of BPO, including 24/7 customer service. Besides their offices in Sweden, Samres has sites in Senegal, Moldova and Estonia. To enable their agents to provide services in Swedish, the company arranges intensive language courses. In 2021, 90% of Samres' surveyed customers were (very) satisfied with their service. In 2022, the company earned a 'Reliable Customer Contact' quality award from Swedish industry association Kontakta.

Because Nordic English proficiency is so high, providing customer service in English is also becoming an option. Particularly outside of regular office hours, or as a back-up option when waiting times are (too) long.

Around 2 million migrants with developing country heritage reside in the Nordic countries, more than half of whom in Sweden. This represents about 8% of the total Nordic population. However, the benefits of diaspora connections may be limited in this market as the largest of these communities (Syrian and Iraqi) do not originate from countries with a strong BPO sector.

France is particularly interesting for francophone African providers

As the third largest economy in Europe, France is another European market that is particularly interesting because of its size. In addition, French GDP returned to its pre-pandemic level in 2021.

Despite France's market size, providing BPO services to French companies is difficult unless you speak French fluently. As French is the official language in 29 countries worldwide, for many service providers this requirement is not a barrier to market entry. Instead, it makes France a particularly interesting target market for providers from African countries such as Senegal. Offering services in French also allows you to target francophone companies in Belgium and Switzerland.

Many people from former French colonies attend university in France. This direct link to France can facilitate outsourcing when they return home. There are also nearly 6 million migrants in France with developing country origins, representing around 8% of the French population. The largest of these communities consist of people from Algeria, Morocco, Tunisia, Turkey, Vietnam, Madagascar and Senegal. This illustrates France's connection to French-speaking countries, which generally have the greatest chances of success on the French BPO market.

The Netherlands is a relatively small but open market

The Netherlands has the sixth-highest GDP per capita in Europe. An impressive 60% of all Forbes 2000 IT-companies have established operations in the Netherlands, making the country a real IT-hotspot. The country's general profile is similar to that of the Nordic countries. Like in the Nordic region, the Dutch economy was among the less affected by the pandemic and Dutch GDP was back at 2019 levels in 2021.

Companies in the Netherlands are also traditionally fairly open towards BPO. For example, more than a third of Dutch companies with customer services outsource this function, with 8% outsourcing to providers outside of Europe. This may seem relatively low, but to provide language-based services to the Netherlands you often need agents that speak Dutch. This also allows you to target Dutch-speaking companies in Belgium.

Other language barriers for doing business in the Netherlands are generally low, as the Dutch are very proficient in English. Like in the Nordic region, this high English proficiency is also leading to opportunities to provide customer service in English. This can make the Dutch market easier to enter than markets like Germany, where German-language skills are generally a must.

The Netherlands hosts about 1.4 million migrants with developing country origins, representing roughly 8% of the total Dutch population. The largest of these communities consist of people with heritage from Turkey, Suriname, Morocco, Indonesia, China and the Syrian Arab Republic. Many of these are countries that the Netherlands has strong historical ties to.

Tips:

Consider openness towards outsourcing, labour costs, language, historical bonds, and your existing network when selecting your priority market.

Be aware that European partners may be sceptical of offshoring, so you need to earn their trust and work hard to keep it once you have it. Proving to be trustworthy, honest and transparent will make you stand out from your competition and add to your partner's openness and willingness to outsource.

If you choose to work with a representative in your target market, keep in mind that they should be a well-connected expert. For example, your uncle who lives in Germany might not be the best intermediary for your company. See our study on the European intermediary landscape for ITO- and BPO-services for more information.

3. Which services from developing countries have the most potential on the European BPO market?

Automation is driving a shift towards high-skilled services, but lower-skilled services continue to offer market entry opportunities. SMEs are your most suitable potential buyers in Europe. These companies are a good match for you when it comes to capacity and flexibility. Specialisation can create opportunities within any service category and in any sector.

Specialisation offers opportunities in any sector

The BPO market can be segmented into various sectors or industries, the so-called vertical markets. Figure 8 shows the total global outsourcing ACV for 2021 per commercial sector, consisting of around 9% BPO and 91% ITO (including SaaS and IaaS). This is similar to Europe, where BPO accounts for 10% and ITO for 90%.

Source: Calculations based on ISG Index 4Q20 and ISG Index 4Q21

* Converted from USD ($)

The largest global market for outsourcing is the financial services sector, also known as BFSI: banking, financial services and insurance. Other large markets are the business services and manufacturing industries, as well as the retail sector (which is increasingly moving online).

Although the financial services sector has the highest ACV on the European market, there are opportunities across the various industries. The key is to reduce competition by specialising in a specific sector, or even a specific service for that particular sector. This type of expertise gives you a competitive advantage in whichever sector you focus on. Although staff can be trained in a new field, buyers generally prefer existing knowledge and experience. This also makes it easier to provide a relevant reference when you are trying to find new buyers.

There is generally less competition in niche markets, which leads to higher (and more stable) prices and loyalty from buyers. For example, offering contact centre services for a bank may require a thorough knowledge and understanding of European financial legislation. The more you invest in specialising and finding your comfortable niche market, the better your chances of finding clients and partners.

Tips:

Assess your opportunities in the various sectors. Which are you most experienced in? Do you have access to talent in a particular sector?

When you have selected the niche market(s) you are focusing on, make sure to keep your expertise up-to-date and stay ahead of the competition.

See our studies per promising export service to determine the competition for specific services.

From low-skilled to high-skilled services

Automation can pose a threat to BPO providers, as it drives a shift from low-skilled (high-volume) to higher-skilled (lower-volume) jobs. Low-skilled BPO tasks are generally rule-based and repetitive, and they can often also be performed by automated systems. High-skilled, value-added services cannot easily be replaced by automation, but they can be supported and augmented by it – for example by incorporating big data analytics. These types of services generally require typically human qualities such as abstract thinking and creativity.

For example, automating data entry enables accounting service providers to shift their services from reactive to proactive. Instead of manually uploading information (a high-volume, rule-based, repetitive task), providers can use automated solutions to process and monitor data. This allows staff to provide real-time feedback to clients and offer forecasts and proactive solutions that can prevent potential future issues – a clearly value-added service.

If you are not (yet) able to offer value-added services, providing lower-skilled services can still be a good way to enter the market. Over time, you can then incorporate automated solutions that enhance your offer and move towards higher-skilled services. In this process, you can train and upskill your existing staff, so you can keep benefiting from their experience and expertise.

Tips:

For more information on automation and how to benefit from it, see our tips to go digital in the outsourcing sector.

Also see Forbes' analysis of how the outsourcing model can transition from BPO to BPA (business process automation) and ZCOM Solutions' article on everything you should know about automated BPO. These sources provide some key steps towards automation for BPO providers.

European SMEs are your most suitable buyers

As an SME, your best strategy is to focus on providing BPO services for your fellow SMEs in Europe. This generally ensures a good match between you and your buyer on characteristics such as capacity and flexibility. As 99% of businesses in the EU are SMEs, this market offers great potential.

While outsourcing traditionally used to be reserved for large companies, SMEs are increasingly taking advantage of the benefits it has to offer them. For example, YouGov research in the UK revealed that in 2019, 66% of small companies and 82% of medium-sized companies had at one point outsourced part(s) of their business. This reflects that particularly medium-sized companies are catching up with the 84% outsourcing experience that was reported among large enterprises.

Tip:

Be realistic when you look for clients and focus on those you can really serve. Do not target big names and large corporations unless you can offer them something they really need in terms of, for example, highly specialised skills.

Horizontal markets: SMEs outsource a variety of BPO services

Source: YouGov

* Answers to the question “Which, if any, of the following parts of your business has ever been outsourced?”

According to the YouGov research in the UK, the most commonly outsourced business processes among SMEs include financial services (accounting and payroll). These types of BPO services are essential to company success, but they require specific skills and knowledge that SMEs often do not have in-house. By outsourcing these tasks, staff can focus on the company’s core business and budgets can be spent most efficiently. It should be noted however, that SMEs often outsource these types of services onshore.

A category more suitable for offshore providers are contact centre services, such as IT support and customer service. Over 40% of medium-sized companies in the survey have experience in outsourcing their IT support, which is more than any other service (for any size company).

Customer service outsourcing seems to score relatively low in this survey. However, unlike most other listed functions, many businesses do not actually need to provide customer service. This automatically makes the percentage of companies that outsource it lower than that for functions that every business needs, such as accounting. To put it in perspective, in 2020 nearly a quarter of the global market for call centres was estimated to be outsourced.

Of course, there are many other types of BPO services that could offer opportunities – such as marketing, HR, data entry, translation, transcription, lead generation, and GIS (geographic information system) services. If you provide language-dependent services, you must have high-quality skills in-house. And whichever type of service you offer, the main way to make your company stand out from your competitors is to specialise.

Tips:

For more information on specific types of BPO, see our studies on contact centre services and finance and accounting services.

See our tips for finding buyers and tips for doing business in ITO and BPO for more information on how to find and approach European SMEs.

This study was carried out on behalf of CBI by Globally Cool B.V. in collaboration with Laszlo Klucs.