

# WHERE IN THE WORLD?

## BUSINESS PROCESS OUTSOURCING AND SHARED SERVICE LOCATION INDEX

A Cushman & Wakefield Publication



2015





# OUR CLIENTS AND OUR COMMITMENT

Founded in 1917 in New York City, Cushman & Wakefield (C&W) is the world's largest privately-held commercial real estate services firm, with approximately 16,000 employees operating from 248 offices in 58 countries and six continents.

What makes Cushman & Wakefield the preferred choice? It's simple. Our success and longevity are built on a simple philosophy which guides everything we do and has made us the world's preferred real estate services provider for the last 100 years – **our clients come first.**

Every aspect of our platform has been honed to achieve value on behalf of our clients. With a commitment to global collaboration, consistency and creativity, we provide customised services and solutions that see beyond the brick and mortar of each real estate transaction. Whether you are a tenant, landlord, investor, or developer, a global company or a small business, Cushman & Wakefield provides solutions that fit your strategic, operational, and financial goals.

## OUR SERVICES

We provide services across the real estate continuum, advising, implementing, transacting, and managing on behalf of owners, occupiers, investors, and developers through every stage of the real estate process. These services are consistent in every office around the world. Whether you're in Miami or Moscow, Cushman & Wakefield offers the same resources, same intelligence, uses the same processes, and the same platform.

## OUR GLOBAL REACH

Our professionals have in-depth expertise in more than 200 local marketplaces. But we understand that having offices around the world is only part of the story. Cushman & Wakefield takes the extra step – we have put standards and processes in place that ensure collaboration and sharing of intelligence across borders.

## OUR PEOPLE

To ensure creative thinking, we recruit talented professionals from all backgrounds – not just real estate – including management consulting, finance, engineering, tax, legal, and systems management. Our people come to the table with entrenched networks and relationships that enhance their ability to make the deal, optimise the engagement, and maximise results.

## OUR RESULTS

Our partnership with our clients goes beyond the 'deal' to support your core objectives. We demonstrate how your real estate holdings can be harnessed to improve productivity and profitability, optimise asset value, strengthen branding, and sharpen your competitive edge.



# BACKGROUND

In the last few years, the economic turbulence experienced throughout the world's markets has made it a particularly challenging time for most organisations. The global recession, ongoing concern surrounding the Eurozone debt crisis and political turmoil from the 'Arab Spring' has each brought with it a unique set of challenges that has ensured greater risk implications to every business decision.

Wages continue to rise in many emerging markets due, in part, to increased demand, new labour laws, and greater worker voice. Meanwhile depressed economic conditions in some developed markets has led to falling wages, especially for lower entry level workers and this has squeezed the cost margin when considering where to outsource to. New technology, such as robotics, and higher productivity are also placing downward pressure on the price of labour as a percentage of total product or service costs. Other costs such as materials, energy, transportation, currency, capital, government imposed costs (tariffs, regulation), which were always important are now moving up the agenda within the BPO sector.

This year the crisis in Ukraine has already brought a new set of challenges to many companies, particularly those most exposed to energy pricing and the security of its supply. With these new challenges the need to find a framework and geographic location that can optimise costs and mitigate such risk factors becomes ever more crucial.

Since the publication of last year's index, the dynamics in the BPO and Shared Service Centre markets have reflected these new world challenges in both the wider economic and political context, and so it is necessary to re-issue the index to reflect these movements.

Overall, in the last 12 months, we can clearly see the influences of global events sweeping through the BPO service world and changing the fundamentals of the market considerably.

## GROWING MARKETPLACE

The BPO industry globally is now worth over \$100 billion USD in annual contract value (acv) and is still growing by over 5% each year. This figure could probably be doubled if it was inclusive of internal Corporate Shared Service Initiatives. As reported in our 2014 index, the industry is still undergoing significant change and development as companies still feeling the effects of the global recession continually look for new ways to gain competitive advantage in the marketplace.

Once considered emerging markets, China and India have now become firmly established destinations, and although they undoubtedly remain huge players in the market, rising labour and property costs as well as inflation mean they are not as attractive as they once were. This means that new opportunities have arisen for a new wave of emerging markets, particularly for those looking to attract the first-movers to their shores. And countries which were once emerging such as Vietnam and the Philippines have now firmly signalled their arrival as dominant players on the BPO stage.

## COMPETITION IN THE BPO MARKETPLACE

The BPO market has matured over the last few years and is still attracting widespread interest from organisations, due to its potential financial and strategic impact. As the market becomes increasingly competitive, BPO providers are becoming more creative and devising multi-year outsourcing deals while continuing to regard Conditions, Risks and Costs of a location as key when choosing where to outsource to.


Global operations must keep pace with the changing business landscape. That means knowing how to harness distributed and flexible talent, leverage new technology, and implement innovative yet robust practices.

### NICHES AND DIFFERENTIATION

Over the last 20 years, the BPO market has been developing at a rapid pace and is now evolving in its maturity and sophistication. This has resulted in the creation of niche areas, as education and training start to better align with the business operations associated with specific localities.

For corporates looking to outsource their marketing and direct call centre operations, Metro Manila in the Philippines is a location that is developing a differentiated offer, building on linguistic skills and a high English proficiency ranking. Accounting and Tax specialists are working with local universities in Indian and European cities, to develop technical accounting skills leading to Chartered Accountancy status. This provides corporates with access to cheap and young resources that evolve into an experienced and committed workforce in the long-term.

Other niches are built around the speed and cost of telecoms, energy resilience and native language speakers. The latter is an interesting new trend linked to the quality of service provision and a requirement of European customers who seek locations that provide access to a range of native speakers of European languages, for pan-European customer support solutions. Ironically the UK, renowned for its poor linguistic skills but its diverse labour market, is well positioned to provide a variety of native language speakers in a single location.



The changing global landscape  
has created new trade winds  
in the BPO and Shared Service  
Centre world.

# BACKGROUND

## OUTSOURCING DRIVING INNOVATION

In an increasingly competitive marketplace, many companies are now using outsourcing to drive innovation rather than using it for narrower goals such as cost reduction. One area in which innovative outsourcing is making headway is via analytics.

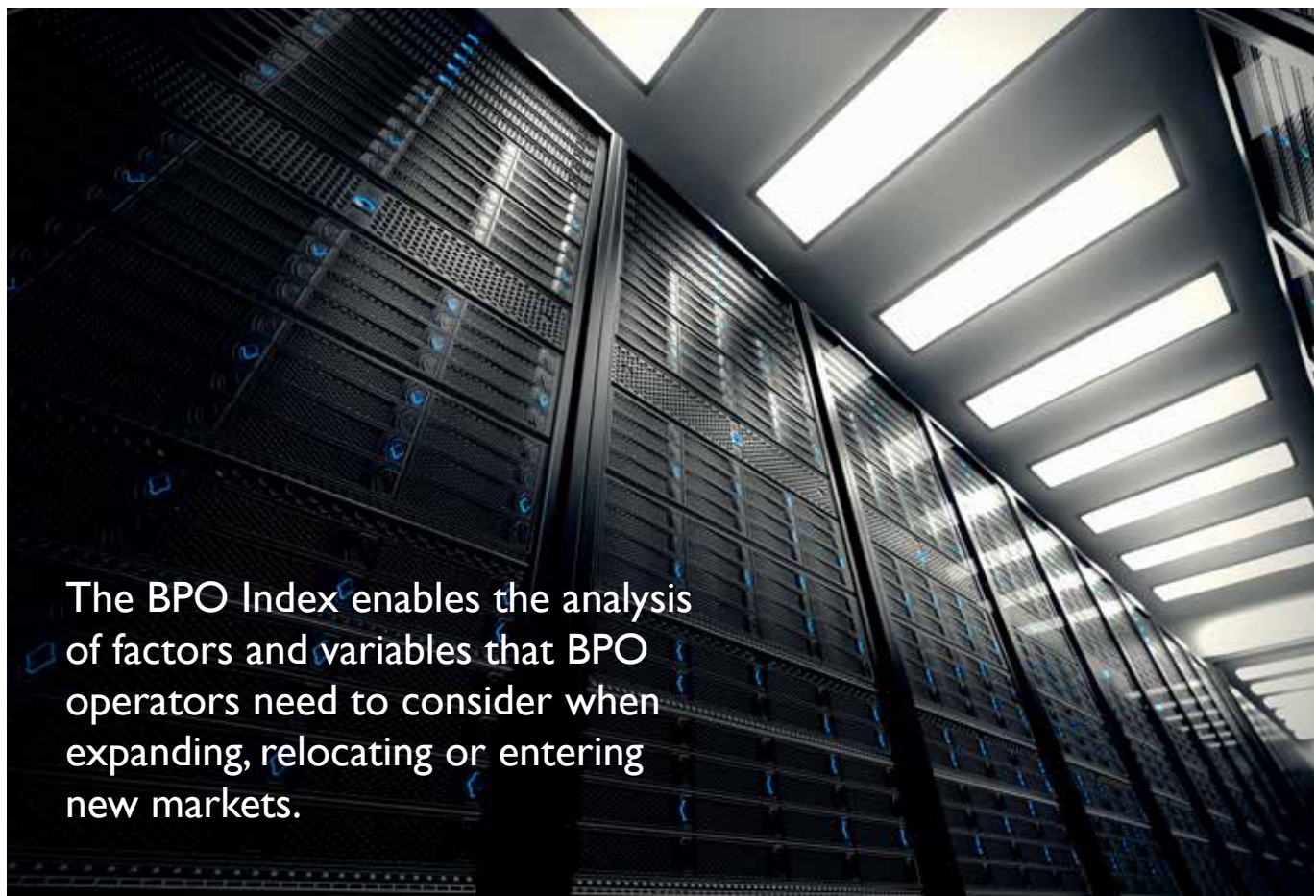
Clients are working closer with their outsourcing providers to make more informed decisions through use of Big Data and analytics, with the outsourcing provider playing an integral part towards improving a client's business as opposed to providing purely a back office function.

## RESHORING

Recent changes in the global economic landscape has meant there is an increasing trend to move certain operations back to onshore locations. This is largely driven by the desire of companies to improve customer service. In addition, cost margins have eroded through rising labour costs in offshore locations.

Corporates, rather than the BPO operators, are driving this trend and are also citing dissatisfaction with offshore supply chains, political instability, security concerns, incentive landscapes and legal issues.

Whether internally or externally, corporates are reshoring these operations to markets that have sufficient native language speakers to enhance service and customer empathy.



The BPO Index enables the analysis of factors and variables that BPO operators need to consider when expanding, relocating or entering new markets.

## METHODOLOGY AND CONSIDERATIONS

It is always possible to find a cheaper location, but risk will usually then increase in parallel. The BPO and Shared Service Location Index enables corporates to determine their propensity for risk and then have a rigorous tool to select locations based on this profile. The Index creates location preferences bespoke to the weighting of the chosen parameters and so, it is not a definitive guide across the sector.

Within the BPO sector, there are different types of companies operating in a variety of environments and with a whole host of differing requirements. This Index is not designed as a 'one size fits all' for all types of BPO operators. Instead, it can be used as a guide to be able to capture the complexity of issues to be considered when making a location selection decision.

The current output is focused on a more cost-driven BPO function. However, with a change to the weightings and importance assigned to different categories, the outcome may differ for a particular company's needs. In this example, the key company requirements would be related to the cost of 'doing' business, emphasising labour and property costs, whereas foreign language skills and risks associated with political and economic stability are of relatively low importance.

In this Index, the following BPO functions have been considered:

- Customer Contact Centres
- Shared Services Centres
- Technical Support Centres
- Sales
- Marketing
- Support



The Index looks at the initial stage of location analysis and the key macroeconomic factors to consider. The Index has used published data taken from a variety of reliable secondary sources and a range of data indicators. These individual data indicators have been scored, weighted and ranked using a strict methodology which varies from indicator-to-indicator and is based on the requirements of the specific BPO functions.

However, the most important criteria involved with site selection and location analysis are considered in more detail in the later stages of the analysis. Country level data is replaced by regional or city level data that will not only reveal which region is most suitable, but will also highlight any potential issues that may arise as well as providing a useful means for subsequent scenario planning. For example, market conditions may change overnight due to the impact of a natural disaster or a rapid governmental change. On the other hand, changes can also happen at a slower pace, as is happening with the current uncertain economic situation in most European countries.

With the final level of analysis being undertaken on a site-by-site basis, the most suitable location can be determined.

The definition of requirements is key:

- How important is the availability of labour?
- What are the key costs to consider?
- Is political and economic stability important?
- What are the key risks for the business?

In order to decide on the most suitable location, crucial information will be collected by engaging with the company at each stage of the project, thus ensuring the correct issues are addressed and uncovered.

C&W's Global Business Consulting team has an extensive track record of enabling corporate occupiers to develop and implement successful BPO location strategies across the globe. For further information surrounding the BPO Location Index, or to speak to our regional Global Business Consulting team, please refer to page 20.

## WHAT THE INDEX COMPRISES



In order to determine which countries to include in the Index, C&W has used the Foreign Direct Investment Markets ([www.fdimarkets.com](http://www.fdimarkets.com)) and Tholons databases.

Based on these sources, it was possible to determine the top 36 countries that had been the largest recipients of Foreign Direct Investment (FDI) in the BPO sector over the last five years up to Q3 2014, as well as where the creation of the greatest number of BPO-related jobs were observed.

The next stage determines the parameters to assess each country against one another. The key parameters that any BPO operator should consider are those related to three principal criteria: **Costs, Risks and Conditions.**

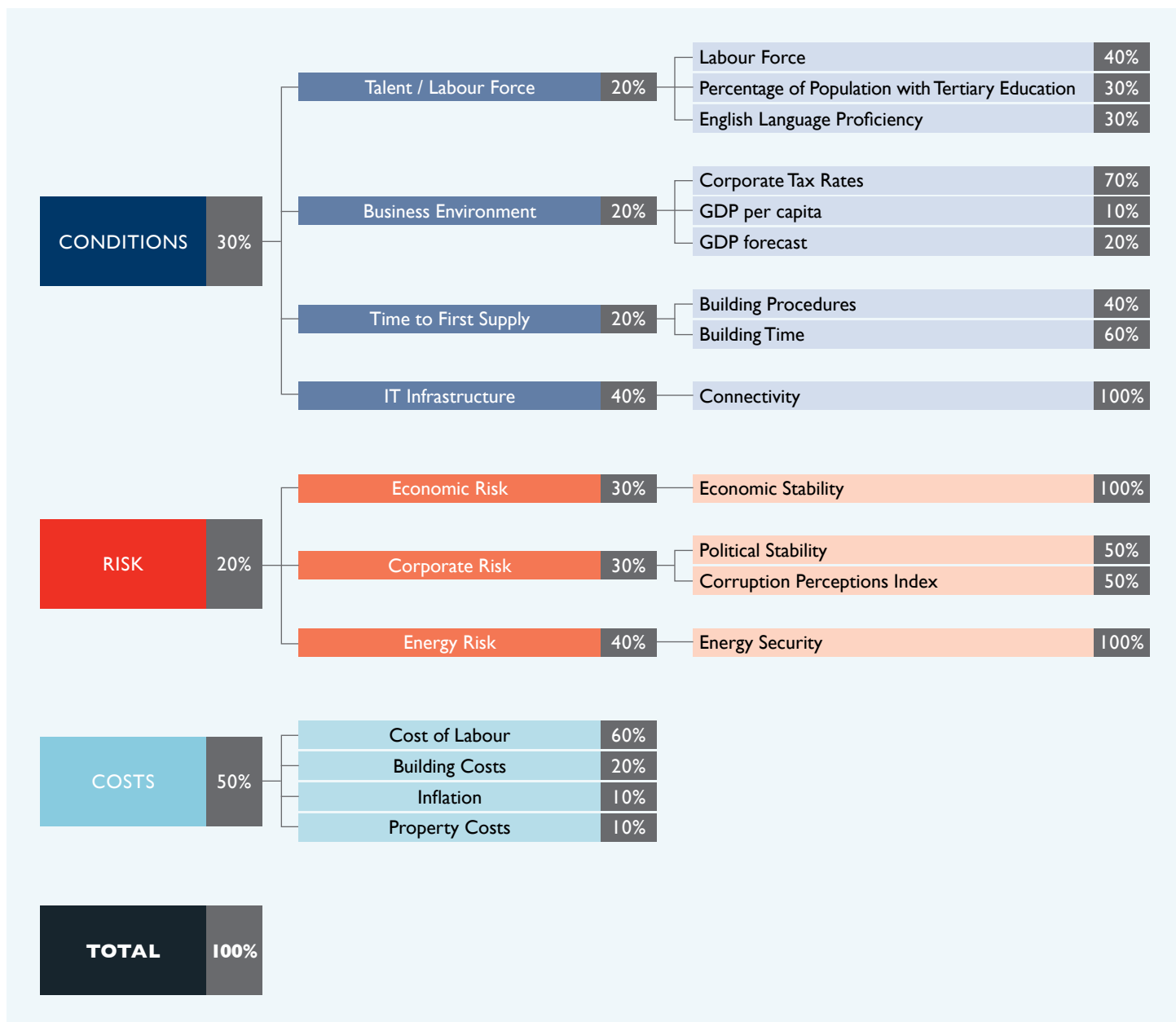
The next stage filters these criteria further – 17 individual datasets make up the Index.



# CATEGORY WEIGHTINGS

## CONSIDERED SCENARIO: LABOUR COST-SENSITIVE BPO FUNCTION

- Cost-driven business processes
- Need for unskilled and cheap labour workforce
- Ready to pioneer and move to new locations where operations can be set up without incurring delays relating to training etc.
- Political risks are of reduced importance



# BPO LOCATION INDEX MAP

## THE COUNTRIES

The map highlights the countries within the BPO and Shared Service Location Index and demonstrates their order of ranking.





1. Vietnam
2. Philippines
3. Bulgaria
4. Romania
5. Peru
6. Malaysia
7. El Salvador
8. Brazil
9. Hungary
10. China
11. Lithuania
12. Sri Lanka
13. Morocco
14. Chile
15. Honduras
16. South Africa
17. Czech Republic
18. Poland
19. Colombia
20. India
21. Costa Rica
22. Russia
23. Turkey
24. Mexico
25. Germany
26. Argentina
27. United Kingdom
28. Australia
29. Canada
30. Saudi Arabia
31. Serbia
32. United States
33. Spain
34. Netherlands
35. France
36. Ireland

# BPO AND SHARED SERVICE LOCATION INDEX FINDINGS AND OVERVIEW

## INDEX MAKE UP

The Index provides an objective tool for corporates to be able to reflect on their risk profile and selection criteria and determine the optimum location for BPO activity. Different companies will have different profiles and criteria resulting in different outcomes. Indeed the dynamics in the global marketplace mean that there is likely to be greater variety in the optimum solution for any individual corporate.

We have used an example profile to demonstrate the outcome of the Index. In this example, the country that is ranked number 1 is the Asia Pacific country of Vietnam, followed by the Philippines and Bulgaria in second and third places respectively.

With one of the highest growth rates in outsourcing Vietnam has established its presence in the sector as an alternative destination for low-cost offshoring services, rising from fifth place in our BPO 2014 Index and benefitting from a stronger score in cost and condition criteria, which are weighted more strongly than risks. Rising one position to take second place, the Philippines has become an established BPO destination absorbing demand from India's voice and call centre operations. Bulgaria moved up 11 places to third position and is establishing itself in the BPO market with an educated labour pool and a strong international language base.

A common dilemma for companies considering the relocation of BPO operations, is the trade-off between cost and quality. This demonstrates the usefulness of a weighted Index as an objective tool used to measure and balance those elements. Cost is a key driver for many BPO decisions and this is reflected in the Index; countries scoring well on a cost basis appear in the top half of the Index.

REGION	COUNTRY	2015				2014	PREVIOUS	
		OVERALL	CONDITIONS	RISK	COST			
APAC	Vietnam	1	15	28	6	5	▲	
APAC	Philippines	2	34	27	2	3	▲	
EMEA	Bulgaria	3	3	17	10	14	▲	
EMEA	Romania	4	5	10	12	1	▼	
AMERICAS	Peru	5	29	16	5	7	▲	
APAC	Malaysia	6	25	9	8	11	▲	
AMERICAS	El Salvador	7	36	32	1	6	▼	
AMERICAS	Brazil	8	26	15	9	18	▲	
EMEA	Hungary	9	9	20	15	17	▲	
APAC	China	10	19	13	14	10	▶	
EMEA	Lithuania	11	1	30	19	New Entrant		
APAC	Sri Lanka	12	27	33	7	9	▼	
EMEA	Morocco	13	30	35	4	12	▼	
AMERICAS	Chile	14	18	21	16	New Entrant		
AMERICAS	Honduras	15	35	36	3	8	▼	
EMEA	South Africa	16	28	23	11	15	▼	
EMEA	Czech Republic	17	12	8	21	13	▼	
EMEA	Poland	18	17	11	20	16	▼	
AMERICAS	Colombia	19	24	14	18	22	▲	
APAC	India	20	32	31	13	21	▲	
AMERICAS	Costa Rica	21	31	26	17	19	▼	
EMEA	Russia	22	16	18	22	24	▲	
EMEA	Turkey	23	21	29	23	25	▲	
AMERICAS	Mexico	24	22	22	24	26	▲	
EMEA	Germany	25	8	3	27	29	▲	
AMERICAS	Argentina	26	33	24	25	23	▼	
EMEA	United Kingdom	27	4	4	30	28	▲	
APAC	Australia	28	13	5	29	New Entrant		
AMERICAS	Canada	29	14	1	31	32	▲	
EMEA	Saudi Arabia	30	20	25	28	New Entrant		
EMEA	Serbia	31	23	34	26	New Entrant		
AMERICAS	United States	32	6	2	32	31	▼	
EMEA	Spain	33	11	12	33	27	▼	
EMEA	Netherlands	34	2	6	34	New Entrant		
EMEA	France	35	10	7	35	New Entrant		
EMEA	Ireland	36	7	19	36	33	▼	

However, the traditionally cheaper countries have lost ground as the costs associated with high inflation rates, as well as the cost of buildings, outweighs their low cost labour supplies.

This has pushed some established BPO destinations further down the ranking.



### PIONEER DESTINATIONS: WHERE NEXT?

As inflation and business costs continue to rise in a number of established markets across the globe, corporates will increasingly look to assess different markets and locations in order to achieve the cost savings and business realignment required. Therefore, more pioneering corporates and operators will look beyond the traditional locations for BPO operations. These locations have the potential to strengthen their position over the next year or so as BPO destinations and may include Spain and Peru.

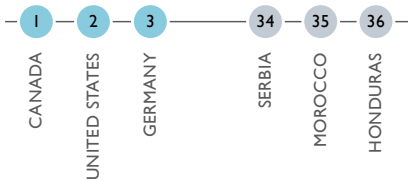


**More pioneering corporates and operators are looking beyond the traditional BPO locations.**

# INDEX COMPOSITION AND DRIVERS

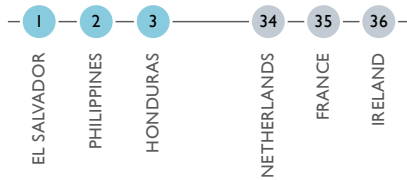
The key criteria are illustrated below, along with the three top and bottom ranked countries.

## WHERE IS THE RISK?



The Index comprises the key high level factors that corporates consider when assessing the Risks associated with their operations. As such, political, economic and energy security risks are analysed in addition to corruption perceptions. Based on this Index, Canada scores highly across all the criteria. The USA also scores well in terms of economic structure risk as does Germany.

## COST ENVIRONMENT



Due to its importance to BPO operators, the Cost category has the highest weighting in the Index. Hence, the top three scoring countries for this category rank in the top half overall. They all score well in terms of labour productivity, lower rental payments and building costs. El Salvador benefits from a low inflationary environment.

## CONDITIONS



The top five positions in the Conditions category are occupied by European countries. Lithuania, Netherlands and the UK hold the top three positions. English proficiency is moving up the agenda within the BPO sector as is IT infrastructure, with the top three ranked countries as well as fourth and fifth ranked Bulgaria and Romania also delivering strong connectivity.

**Risk, cost and conditions are the main key factors to be considered when ranking countries.**



## KEY DRIVERS OF LOCATION CHOICE

Driven by business volatility and the need for agility, the role of global business process operations is changing. Talent imbalances, technology innovation, and process advances are reshaping what's possible, making industrialised enterprise operations a viable alternative for a range of support processes.

While Corporates focus predominantly on costs, increased market competitiveness is pushing those looking to outsource beyond the ability of solely supplying a cost-effective foundation. Global operations will need to support the quest for new markets, emerging or local, and adjust to an ever-changing marketplace and evolving regulatory requirements. Economic uncertainty continues to underpin this transformation, while rapidly pushing access to an available pool of skilled talent, technology, and energy security higher up the corporate agenda.

The imbalance between the demand and supply of BPO specific skills in particular locations is already influencing the ability to run specific support processes cost-effectively. Dramatic changes in demographics and the evolution of job requirements means resourcing operations is far from straight forward. With recruitment of suitable talent becoming increasingly competitive, sourcing skilled labour while initially carrying a greater labour cost, can lead to a substantial reduction in training overheads.

Finding the right resources at the right time and in the right place is more challenging than ever before as corporates look to balance cost to quality ratios. Whilst the global economic recovery remains sluggish, much of the demand for BPO services is still largely being driven by English-speaking industrialised nations, ensuring high levels of English proficiency still remain a prerequisite for those looking to off-shore. However, economies of scale are delivered from sourcing multi-lingual operators who can serve different market places.

Cost is highlighted within this Index as the major factor to consider and remains at the top of the list as a key consideration for corporates contemplating their next step and where to take their BPO operations.

Finally and as highlighted within the methodology section, this is not a 'one size fits all' model and there are clearly many factors to consider in relation to BPO operations. Corporates may have different requirements such as a highly skilled labour force or locations with low political and economic risk. Therefore when assessing the suitability of a location, the business drivers are of paramount importance to ensure a desirable outcome.

## MOVING UP THE AGENDA

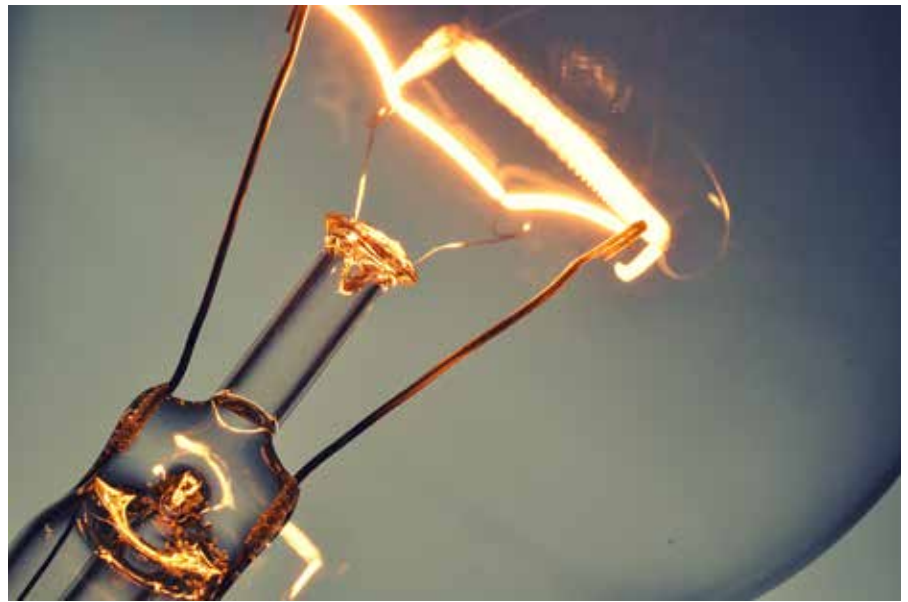
Concerns over energy security have come to the forefront for many businesses since the crisis in Ukraine surfaced.

With Russia readily able to restrict its gas supply into Europe it is now seen as an unreliable supply partner, meaning that those countries more heavily reliant on Russian energy have now become a riskier proposition when looking to attract new BPO and Shared Service Centre operations.

Unsurprisingly, it is the Baltic and Eastern European states that are most reliant on the supply of Russian gas, with 2012 figures showing that along with Finland, Latvia, Estonia and Lithuania received 100% of its gas supply from Russia in that year. Poland received a considerable 59% of its supply from Russia and Bulgaria, Hungary and Slovakia all over 80%. Many of these countries are now adopting strategies to reduce their reliance on Russian supply by building pipelines that would enable them to receive gas from the Nordic countries or by purchasing Liquid Natural Gas (LNG). Poland has begun buying LNG from Qatar and Lithuania from Norway, however the LNG market remains very competitive, as all countries are having to bid against the very high price Japan is currently willing to pay.

## ENERGY SECURITY

Issues surrounding energy security are not consigned to Europe alone. India experiences a number of concerns around supply and infrastructure, ranging from the stability of the grid to supply-demand imbalances and illegal connections. The rapid growth of the Indian economy has brought with it a significant rise in energy consumption and with minimal domestic supply of oil and gas, India is now heavily reliant on imports to meet its demands. Such problems are also exacerbated by inadequate infrastructure due to significant underinvestment.



With the majority of electricity provided by large coal fired power stations, a demand-supply gap in coal resource has led to a number of outages in various parts of the country. And with India expected to be the world's largest coal importer by 2025, the need to ensure constant supplies of energy sources is becoming ever more pressing.

The effects of natural disasters such as cyclones and earthquakes and their potential damaging effects to energy infrastructure also remain vital concerns. India is prone to a number of natural disaster risks in various parts of the country and the Philippines has suffered horrendous typhoons in the past, such as Typhoon Haiyan in 2013, which caused extensive damage to the country's energy network.



## LOCATIONS OF CHOICE



## VIETNAM

For the first time since this index has been published, Vietnam has risen to the top of our ranking. Although this may come as a surprise for some, Vietnam has become particularly attractive due to a number of ongoing reforms that have been implemented by the Vietnamese government.

Large scale investment in both education and training has helped many Vietnamese develop high levels of literacy and numeracy skills that have enabled its workforce to move away from low-productivity agricultural jobs into higher productivity office work. With wages still well below some of its Southeast Asian neighbours, this has firmly established Vietnam as an off-shore destination that offers some of the world's best quality to cost ratios.

One sector that has seen significant levels of growth has been the IT software industry. Vietnam is now home to over 1,000 software companies that employ over 80,000 people, making it one of the world's largest software exporters and the second largest software outsourcer in Japan. It also benefits from a relatively sustainable source of labour. The median age of the country is under 30 and with 1-1.5 million people entering its labour market each year the country has a strong supply of available labour, although competition is expected to intensify for the best talent as local demand continues to grow.

Its significant movement up the index has been largely driven by its low cost environment, a perceived drop in political risk and strong improvement in GDP output per capita, which is forecasted to continue in 2015 at 6.2%.



## THE PHILIPPINES

One of the most significant changes in the global BPO market is the emergence of the Philippines as the world's global leader of BPO and Shared Services operations. Last year it hit a record \$15 billion USD in revenue, which saw it leapfrog India in terms of growth.

This emergence has also been to India's personal detriment having lost some 70% of its voice and call centre operations to its Asian neighbour. This is due to numerous reasons. The strong economic growth that has been exhibited in India has led to a spiraling of labour costs with many economic forecasts predicting that this will likely continue over the coming years. Whilst the rise in wages have been welcome news for the Indian economy one of the repercussions of this has been a significant decrease in the country's value proposition as a BPO destination. This has also not been helped by the country's climbing rate of attrition, which now stands at 26.9%, the highest globally as rising wages have left companies continually competing for the best talent.

A demand for English proficiency from English speaking industrialised nations is more than met by the Philippines, which graduates some 470,000 English proficient college students every year and has a national English proficiency rating of 92.5%. The English dialect of the Filipino workforce is also well received within the US.

The employability of its students also remains a key factor in the migration of operations from India, where some 30% of students are regarded as employable compared to 10% in India. This gives the Philippines a competitive advantage in enabling companies to reduce investment in their in-house training programs, which can be tantamount to a significant overhead. In addition it also came 82nd out of 146 in the Forbes 'Best Countries for Business' survey outpacing both India and China.



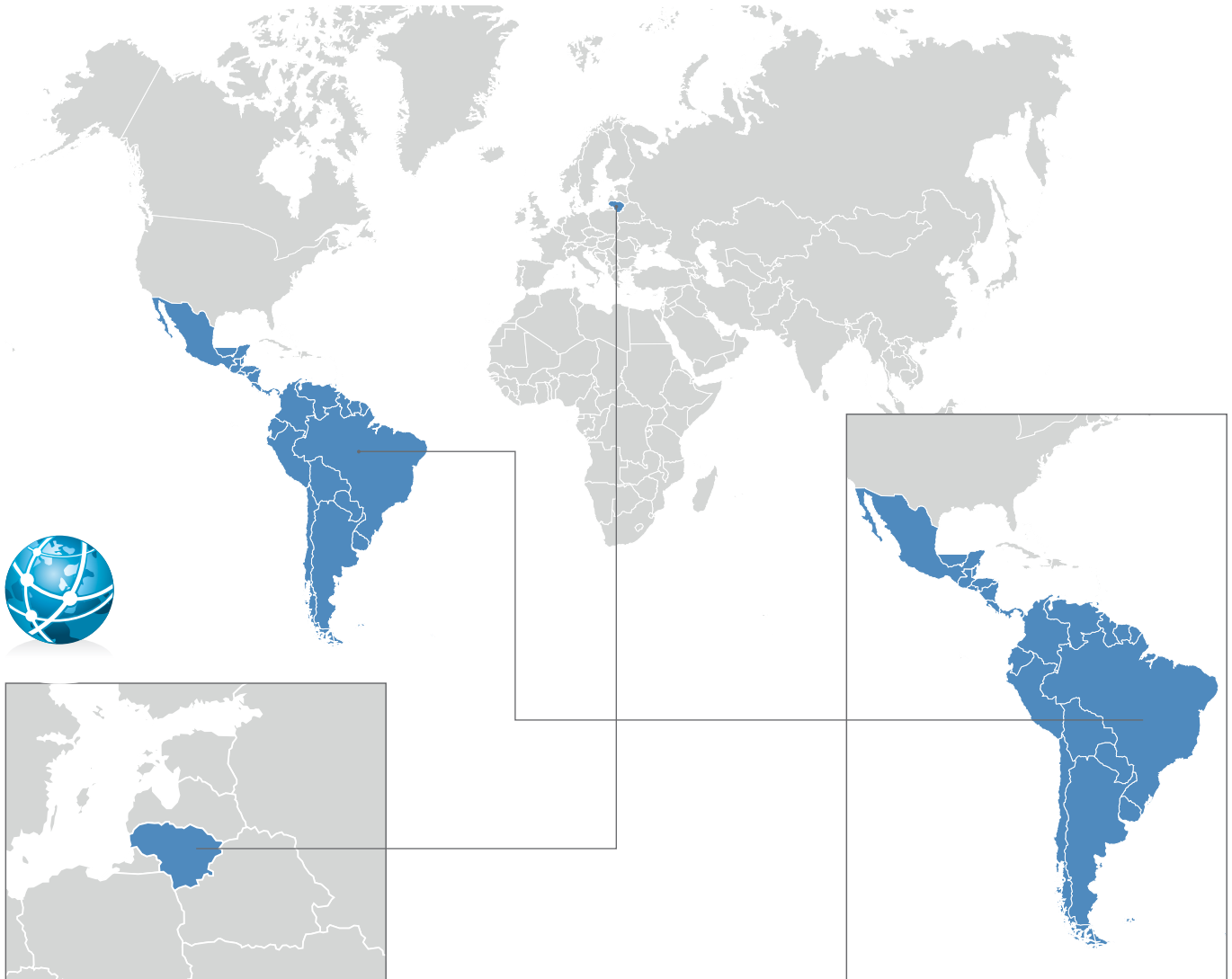
## EASTERN EUROPE

Bulgaria moved up 11 places in the C&W BPO rankings to third place and is establishing itself within the BPO market.

Benefitting from a low tax rate and one of the lowest labour costs in the EU Bulgaria also possesses a strong labour pool suited to the BPO sector with in excess of 60,000 students graduating annually from all Bulgarian universities. Approximately 50% of the graduates obtain degrees in majors suitable for the needs of the BPO industry. The labour pool also provides a strong international language base, with 98% of the students enrolled in secondary school in Bulgaria studying a foreign language and 73% at least two foreign languages.

Ranked fourth within our index, Romania continues to establish itself as a BPO location of choice. Affordable office rents continue to create a low cost environment, while the country also benefits from particularly strong internet connectivity speeds, which are ranked seventh globally. However, strong annual inflation is starting to tighten cost margins and this has led to a fall from first position in our 2014 index.

## SPOTLIGHT ON



### LITHUANIA

The highest placed new entrant to the index this year has been Lithuania, 11th in the overall ranking. Although far from being a new emerging market on the BPO stage, Lithuania's attractiveness has steadily increased over the last few years, largely driven by the country's proficient English speaking workforce and impressive ICT infrastructure, currently ranked 10th in the world for internet connection speeds.

Despite being a firmly established market, Lithuania lags behind the saturation levels of some of its Eastern European neighbours, which provide companies with better prospects for sustainable growth and lower rates of wage inflation.

The attractiveness of Lithuania's BPO market has steadily grown since 2008, emphasised by a fourteen fold increase in investment from 2008-2013. In fact inward investment in the sector rose an impressive 82% from 2010-2013, as an influx of companies sought access to its highly proficient English speaking workforce at competitive cost to quality ratios. Such conditions have drawn high profile global companies to the country such as Western Union and Barclays, who now employ over 1,300 staff in the country. Both cite the quality and cost competitiveness of the country's labour pool for their continued expansion in the region.

### LATIN AND CENTRAL AMERICA

Brazil continues as the lead country within the region in terms of market size, benefitting from the experience and creativity of its labour pool in supporting innovative technology platforms and services. This maturity is evident in our index rankings with Brazil rising to eighth position from 18th in our 2014 Index.

However, while Brazil is able to offer mass market outsourcing services, higher taxes and cost of accommodation have started to translate into some outsourcing volumes being lost to countries such as Mexico, Colombia and Central America which are becoming more cost competitive.

## ONES TO WATCH

THE OUTCOME-BASED  
PRICING MODELS

Since the onset of BPO the vast majority of pricing regimes have been largely based on an FTE-based system of pricing. This approach has advantages due to the ease of its application and the transparency of its costs, yet it fails to align pricing with business outcomes. However, the incentives of the supplier are not as symbiotic with the client as they could be. For the client it is important to ensure the incentives of the incumbent BPO provider are aligned as much as possible with those of the organisation.

To address this issue, many companies are now seeking a more outcome-based pricing model. Such opportunities are likely to present themselves in more mature client-outsourcer relationships and will provide a sliding scale of rewards for destined outcomes, rather than an all-or-nothing scenario. However, this will present opportunities for suppliers to consolidate existing relationships by adapting to a platform that will be increasingly more sought after.

Clearly an outcome-based model may not be appropriate to every area of the business, particularly where value is harder to quantify, yet the advantages of rewarding suppliers based on performance clearly mitigates some levels of risk that surround pricing models not linked to performance.

Many companies may find it a difficult adjustment to implement outcome-based pricing in one phase, so 'hybrid' models where only a proportion of costs are initially outcome-based may be adopted, whilst others remain linked to headcount or usage. This is likely to form the basis of a transitional stage, where moving to a total outcome-based pricing model remains the long-term objective, but is pursued through a less-risky and more gradual phase of implementation.

ROBOTIC PROCESS  
AUTOMATION (RPA)

As labour costs spiral, robotics offer the next wave of efficiency to those choosing to outsource. The speed of deployment and the use of specialised software enables the replication of some manual labour tasks in an environment of rising labour costs.

The advancement of robotic processes will certainly impact the labour market. Foxconn, the gigantic Chinese manufacturer, has already stated that it will replace 1 million workers with robots. Aecus, a consulting and benchmarking firm, has found that around a third of companies have already implemented robotics while nearly half plan to do so over the next three years.

Innovative outsourcing is driving a range of benefits in addition to pure cost reduction. However, innovation is still viewed as a challenge by many. While the onus is clearly on the outsourcing provider to be in touch with the latest technology, corporates also need to ensure the correct governance is in place to achieve these benefits.

## ABOUT THE C&W GLOBAL BUSINESS CONSULTING TEAM

We are a respected management consulting group operating within one of the leading global real estate services firms.

We optimise our clients' real estate portfolios and help organisations to build a business case for improving performance by reducing costs, increasing revenues and mitigating operational and financial risk.

The unique combination of team capabilities and experience supports the delivery of quantifiable and executable results for our clients and differentiates us from others in the property industry.

Our Global Business Consulting team is focused on five main practice areas:

- Office Platform Solutions Practice
- World Market Access Practice
- Global Supply Chain Solutions Practice
- Retail Practice
- Business Incentives Practice

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