



# From Process Outsourcer to CX Managed Services Provider

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prepare for the contact center business of the future*



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prepare for the contact center business of the future*

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## Understanding Opportunities & Challenges for BPO CX

Business process outsourcers (BPOs) specializing in customer service and support are in a curious position today, at once facing opportunities and challenges associated with the latest contact center and customer experience (CX) trends. These both are operational as well as technological in scope.

Regarding the agent workforce, for example, as contact center leaders grapple with attrition amid a tight job market and the challenges of remote/hybrid work demand, BPOs can fulfill a vital staffing need for them. This presents a great opportunity for BPOs. In many cases, however, any old agent won't do—and therein lies the challenge. As they seek to optimize CX, companies are striving to offer a more highly skilled, deeply knowledgeable, and responsible pool of agents capable of addressing a customer's most difficult questions and, in so doing, driving up customer ratings. In Metrigy's *Customer Experience Optimization: 2023-24* global research study, most of the 641 companies benchmarked are hiring agents with more skills and experience than they have in the past. Building a more knowledgeable agent pool is particularly important to BPOs, which must differentiate on service. As such, BPOs are upskilling their own agent pools at a higher rate than companies in other industries, at 68.4% compared to 55.0%.

The rising tide around CX technologies such as artificial intelligence (AI), automation, and self-service also pose opportunities and challenges for BPOs. Let's first look at the challenge. AI,

automation, and self-service have become critically important to CX optimization today for their ability to streamline agent processes and reduce their workloads, keep appropriate customer interactions from ever reaching a live agent, reduce time to resolution for interactions that do require live assistance, and so on. Along with the addition of these technologies into the CX mix comes the potential to do more with fewer agents. Consider the impact of AI alone: Metrigy's *CX Optimization* study shows that companies not using AI in 2023 were poised to hire 2.3 more agents than those using AI. Correspondingly, when they're achieving more with fewer agents because of technology advancements, companies may adjust their outsourcing strategies.

### *BPO Industry Overview*

Business process outsourcing, or BPO, is a business model in which a company commissions a third-party provider to handle complete back-end or front-office business processes or discrete activities. Customer service is a primary example of a front-office function that many companies tap a BPO to handle; reasons vary, from operational scalability and regional presence to administration/management effectiveness, functional or technology expertise, speed to resolution, and more.

The BPO market is a multibillion industry, projected to reach \$350 billion globally in 2023, according to Statista Market Insights. The U.S. accounts for the biggest portion, at \$127.9 billion in 2023. With a compound annual growth rate of 4.68% for 2023-2028, the BPO market should hit \$440 billion by the end of that period, Statista reports. Customer service BPO represents the largest share, at 32.7%.

While still using BPOs for off-hours service, for example, they may no longer turn to BPO services to fill resource gaps. However, companies that haven't yet adopted or fully implemented these sorts of technologies may rely on external capabilities to meet their immediate or longer-term needs. To capitalize on this, and best serve their CX customers, BPOs must stay ahead of the technology curve.

Spending is one indicator that companies understand the value of investing in CX technologies, and Metrigy's global *Customer Experience MetriCast 2023* buyer-side market forecast research with nearly 1,700 companies shows comparatively strong BPO investments. **BPOs are spending 3.7% of revenue on CX technologies, or \$4,429 per employee**, compared to the overall average of 2.8% and \$3,350, according to this study.

BPOs, however, may not be spending as wisely as they might. For example, as a percent of their CX budget, they spend roughly the same on AI as the industry average, according to our *CX Optimization* study. But, for reasons discussed above, BPOs should be going all-in on AI spending, above the overall average. The same should be true of their spending on workforce optimization (WFO), another critical technology for organizations whose chief line of business is contact center operations. With WFO, BPOs can increase the efficiency of their contact center staffs and overall operations. Yet here, too, BPOs spend no more than the industry average on WFO, as a percent of their CX budget. In addition, they spend less on their contact center and CRM platforms than others, too.

On a positive note, BPOs are ahead on CX transformation, in general. One-quarter of BPOs in the *CX Optimization* study say they have completed their CX transformations, more so than the 14% of all companies on average. Other BPOs either undertook or planned a CX transformation in 2023 or will begin a project in 2024. Additionally, most BPOs (64.7%) have a chief customer officer (CCO) in place today, vs. 29.5% overall. However, just having a CCO in place isn't enough. In its research, Metrigy finds that the most successful companies are more likely to have empowered CCOs with budget, staff, and decision-making authority to implement changes necessary to improve CX vs. those companies that are not successful with their CCO strategies. BPOs are leading here, too, with 62.5% of BPO CCOs empowered to make change compared to 46.6% of all others.

### **Why BPOs Need a Strong CX Strategy**

Until recent years, most companies saw their contact centers as a financial drain, delivering little to no gain in terms of revenue growth, reduced costs, increased profit, and/or improvements in customer satisfaction. Fast-forward to today and the mission criticality that companies are placing on CX excellence has flipped the thinking on contact center. Today, nearly 75% of the companies in Metrigy's *CX Optimization* research say business leaders view their contact center



BPOs spend  
**3.7%** of revenue  
on technology to  
improve customer  
experience

in terms of the value it delivers. Many companies, however, may find themselves unable to reap full value from their contact centers alone. They'll need help delivering all, if not a significant portion, of their CX strategies—and that, of course, is where BPOs fit in.

Capitalizing on this opportunity requires BPOs to:

- ❑ Distinguish themselves with exceptional service that includes the use of the most advanced CX technologies, including AI of varying types
- ❑ Be able to deliver a great experience across all interaction channels their clients use to service their end customers, fully understanding the buyer's journey while also predicting needs and being responsive to them
- ❑ Uplevel their agents to increase the value of the services they offer

Bottom line: To stay relevant, leading BPOs will want to think about themselves less as process outsourcers and more as CX outsourcers and managed services providers. Point solutions will no longer suffice. Rather, **BPOs will need to operate CX platforms** from which they can support a full array of interaction channels; take advantage of the latest in AI, analytics, and automation; and capitalize on operational flexibility via WFO/workforce engagement management (WEM) capabilities. With a strong CX technology foundation, BPOs can begin to offer management of turnkey CX solutions, not to mention expand into design, implementation, and operational consulting.

## Investing in AI and Automation for BPO Success

Even as BPO spending on AI is only on par with others, as noted previously, most in this vertical do recognize AI as a high investment priority. In fact, the 75% of BPOs placing a high priority on AI investment is greater than the percent for any other vertical and well above the 50.5% of all industries overall. Also on a positive note, 73.7% of BPOs feel the use of AI improves longevity of agents.

Any BPO that hasn't yet adopted any AI and/or considers AI to be a low-priority investment needs a strategic reset. Not only will BPOs fail to meet customer expectations if they don't have AI capabilities, but they're also likely to suffer operationally. According to Metrigy's research, **BPOs not using AI for CX were set to hire almost two times the number of agents in 2023 compared to those that are.**

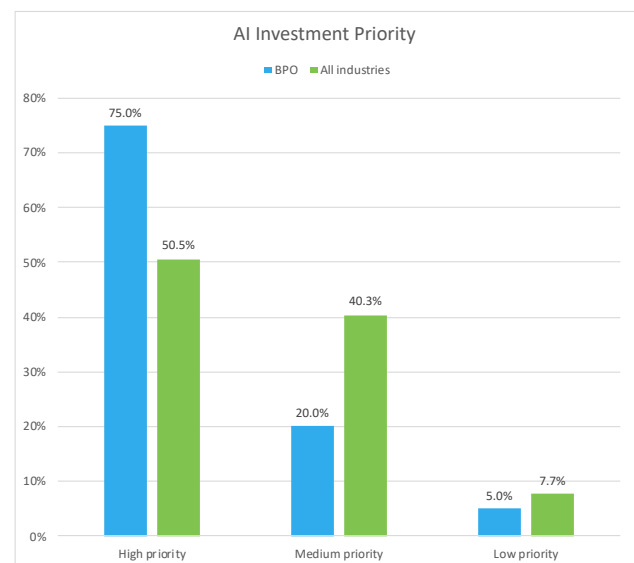


Figure 1: AI Investment Priority

### AI Technologies for BPO CX

Most BPOs have adopted a host of AI technologies, from agent assist to conversational AI/virtual assistants, sentiment analysis, text analytics, and many more. The proof of AI's value for BPOs is in three primary business success metrics: **revenue growth of 25.6%, a boost in agent efficiency of 17.7%, and improvements in customer ratings of 12.4%** (see Figure 2). Note that BPOs did not report a drop in operational costs, another key metric that Metrigy tracks; however, costs often rise with initial implementation of a new technology before savings ensue from the technology's use. Worth noting, too, is that the 5.9% increase in operational costs reported by BPOs is lower than the all-company average of 9.6%.

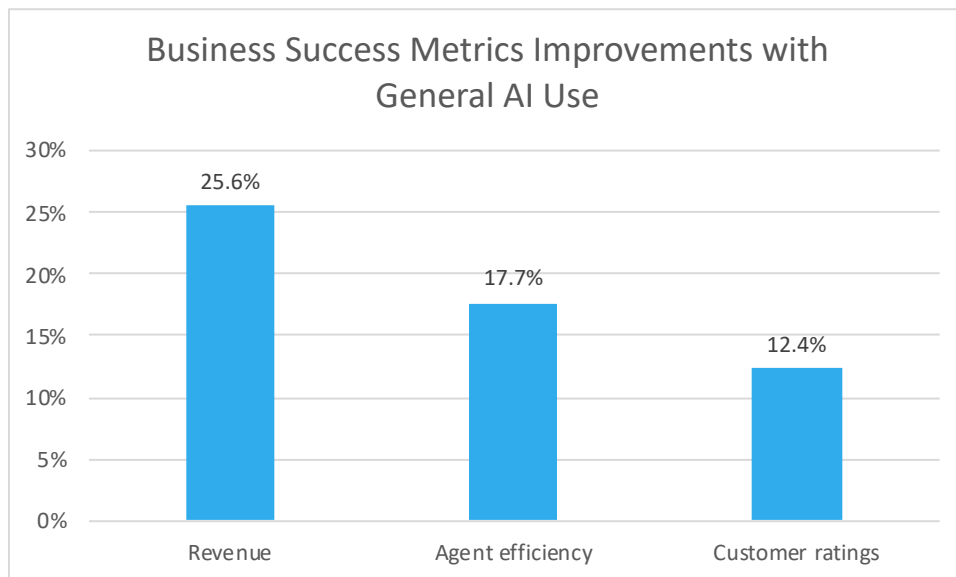


Figure 2: Business Success Metrics Improvements with General AI Use

### Agent Assist for Helping Agents as They Engage with End Customers

Among BPO respondents, 70.0% already use screen pops to assist agents, more so than any other vertical and the industry average of 47.5%. All BPOs say their customer service agents consider screen pops to be vital (78.6%) or somewhat important (21.4%) for doing their jobs. Agent assist's importance for BPOs is further reflected in two critical metrics:

- Average handle time (AHT) – BPOs report a 34.2% drop in AHT resulting from the use of agent assist, higher than the industry average of 27.2%
- Agent efficiency – Hand-in-hand with AHT reduction, BPOs see a 15.2% bump in agent efficiency, a tad better than the industry average of 13.5%

### Virtual Assistance During Customer Interactions

BPOs can put virtual assistants to work in a variety of capacities, depending on client needs. This includes collecting end customer information, checking product availability or order status, delivering loyalty offers or discounts, and securely storing customer data, for example. BPOs

using virtual assistants for customers show a 23.4% boost in end customer ratings, higher than the all-industry average of 13.7%. However, BPOs are not tracking as well as others on revenue growth, cost savings, or agent efficiency associated with the use of virtual assistants.

### Generative AI for Agents and End Customers

Generative AI may be the newest of AI technologies useful for CX, but 75.0% of BPOs already consider themselves to have an expert understanding of this technology, compared to 65.0% of industries overall. Adoption reflects this expertise: BPOs have the highest use of generative AI today, with 40.0% adoption already, compared to 27.3% of companies overall. By the end of 2023, another 55% of BPOs surveyed said they planned to have generative AI in use, as well. This leaves only 5% of BPOs saying they have no plans to use generative AI—yet.

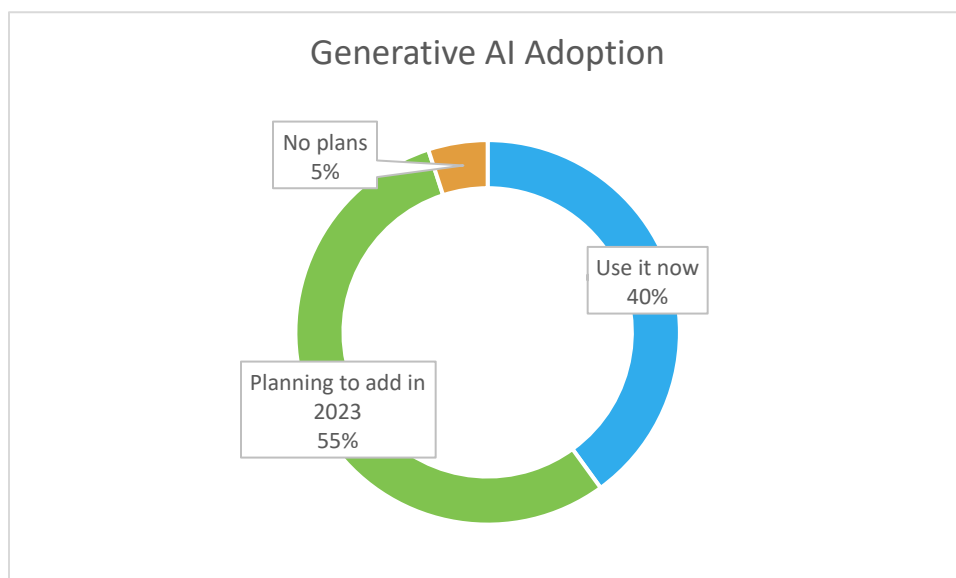


Figure 3: Generative AI Adoption

Use cases will vary by client type, but common examples include generating responses that agents can use when conversing with end customers via email or other text-based channel; delivering summaries of conversations regarding product exchanges or returns, as well as other interactions, to both agents/employees and customers; and classifying end-customer calls into reports for CX managers.

For most BPOs, trust in generative AI does not seem to be an issue. Twenty percent of BPOs surveyed said they trust generative AI for their businesses fully, and 50.0% said they do so on a limited basis. To BPOs, the best ways to improve trust are putting borders/guardrails around the data generative AI uses and allowing human oversight of AI-generated content.

### WFO/WEM for Supervisor Empowerment

Taking an AI-powered approach to WFO/WEM can help BPOs address the industry's 13.9% agent turnover rate (which already is lower than the overall rate of 21.8%) by allowing them the ability



to zoom in on agent training and retention. With smart performance management tools, supervisors get necessary transparency and insight into agent performance across voice and digital interaction channels. Via an analytics dashboard, they can easily identify where agents are struggling as they work through processes involved in customer interactions and provide personalized coaching to address those weak spots. They can also get visibility into top performers and, on the opposite end of the spectrum, agents who are only putting in minimal effort. With these insights, they can personalize their engagement with agents or introduce gamification—for example, rewarding top performers while incentivizing low-performing agents and heading off a situation of quiet quitting. Empowered supervisors also are steeped in data that allows them to make staffing and scheduling decisions wisely. Ultimately, agents should feel more engaged and better prepared to serve customers, as well as themselves. Sixty percent of BPOs consider WFO/WEM a high priority investment, compared to 46.8% of companies overall.

### Workflow Automation (WFA) for Agent Efficiency

BPOs can use WFA to improve agent efficiency, automating mundane tasks that are nonetheless important to end-customer satisfaction. While BPOs are more highly likely to use WFA to reach out to customers to resolve problems than the all-industry average (62.5% vs. 39.8%), overall they place a lower investment priority on WFA than other industries (40.0% vs. 46.0%).

### Delivering CX Consistency Across All Interaction Channels

As clients look to stay relevant to their modern end customer, BPOs must be able to support customer service interactions across all channels, including mobile, online, self-service, social, and more. And these experiences shouldn't be siloed, but rather seamless across the channels. Understanding how customers typically engage with and interact across channels is a necessity for achieving this goal. BPOs supporting a retail client, for example, must understand how a typical end customer interacts with customer service from start to finish. To return or exchange a product, for example, some customers may start by searching for instructions on the retailer's website, followed by filling out a self-service form, and then engaging with a chatbot for clarification, before reaching out to a customer support agent for more details. Others may start on the phone and then switch to video to show customer service what's wrong with a product before finishing up with a chatbot. A BPO must be able to support each channel and carry the context along each point in the chain, and most are well on their way to doing so.

BPOs are, for example, ahead of industry average in their support for webchat, SMS, in-app chat, conversational AI, intelligent virtual assistants, voicebots, self-service, visual engagement, social media, and business messaging apps. Additionally, to meet the goal of delivering a cohesive experience across interaction channels, 78.9% of BPOs have identified typical end-customer journeys, well above the average of 27.7% for all companies. However, BPOs identify fewer types of journeys than all others, at five compared to the average of nine. Of those that have



78.9%

identified typical customer journeys

Average number of journeys

5

identified typical customer journeys, 40.0% of BPOs are using technology to make these journeys more seamless and successful. This is slightly below the all-industry average of 43.3%. This is likely because companies handling their own customer journeys only address what they're seeing; BPOs have to implement technologies and workflow automation for numerous journeys custom to each customer.

In supporting diverse needs of their clients, BPOs must also have a CX platform in place that allows them to be versatile in channel adoption (as well as providing them access to advanced technologies such as AI, analytics, and automation). For 58.8% of BPOs, reasons such as these make cloud-delivered Contact Center as a Service (CCaaS) the preferred architectural choice, over an on-premises, hosted/managed, or a cloud-premises hybrid model. However, the reality for BPOs today is much more of a mix. While 29.4% are using CCaaS today, a higher percentage—41.2%—haven't yet gone all-in on cloud and instead have a hybrid implementation. This latter group, plus the remainder that haven't begun using cloud services at all, should begin exploring how to forego those earlier models and embrace a cloud-based CX platform fully.

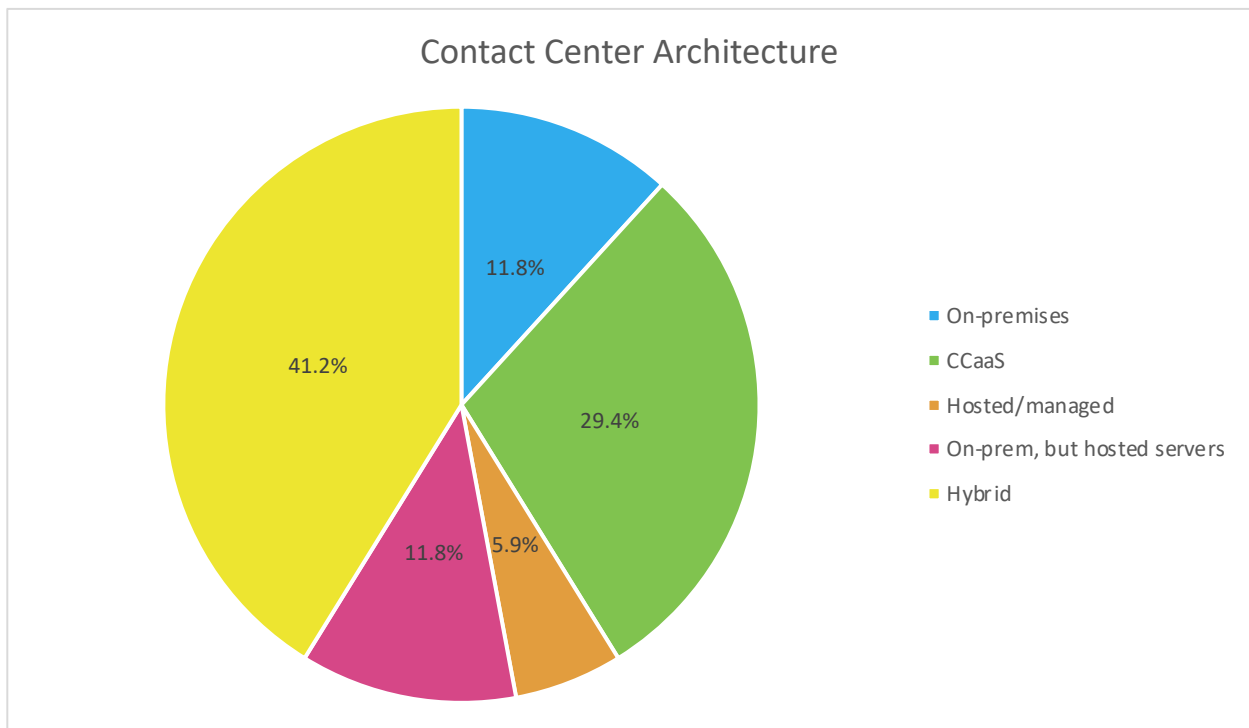


Figure 4: Contact Center Architecture

Before making a cloud decision, a company must understand where a cloud is on the evolutionary scale from general-purpose, compute orientation (cloud 1.0) to more sophisticated computer architectures and specialized services (cloud 2.0) to purpose-built functional ecosystem (cloud 3.0). Given that CX requires a high degree of specialized, extensible, and interoperable technologies to support constantly evolving journey interactions that span across

departments and back-office applications, cloud 3.0 should be the aim. From a CX perspective, a cloud 3.0 implementation supports all of the essential CX channels, customer data, AI services, APIs, integrations, and applications BPOs would need to advance the state of the art on CX. Cloud 3.0 offers distinct advantages over the first two, less mature and purposeful types of cloud implementations, and point solutions.

A fully CX-enabled cloud platform will allow BPOs to eliminate point solutions, reduce the number of vendors and technologies they need to support and integrate, and respond with greater agility to fast-changing CX trends while morphing into CX managed services providers.

## Conclusions & Recommendations

BPOs today face the double challenge of remaining a vital resource for companies looking to outsource their contact center operations and staying relevant in the face of technology advances that change reliance on a traditional agent workforce while streamlining operational processes. To advance their businesses, BPOs must transition from being process outsourcers to CX outsourcers and managed services providers. To achieve this goal, we recommend the following:

- Upskill the agent workforce, in support of more demanding customer service engagements
- Reevaluate spending on CX technologies to place greater emphasis on AI and WFO, two technology areas critical for achieving increased agent and operational efficiencies as well as CX improvements. In AI, look in particular to agent assist, customer-facing virtual assistants, and generative AI
- Appoint a CCO, if haven't done so already, and empower this role with budget, staff, and decision-making authority
- Embrace the use of WEM and WFA capabilities to deliver greater performance insights for supervisors, personalized coaching for agents, and the ability to offload scheduling and other tedious, but essential, tasks to automation
- Provide an omnichannel environment to support an array of interaction channels, and allow seamless transition from one to the next by study and defining the paths that a client's end customers might take as they engage with customer service
- Move away from point solutions to a latest-generation CX platform that can support a full array of interaction channels and offer the latest in AI, analytics, and automation



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