

PERSPECTIVE

Connecting the BPO Dots: *Scope and Shape of the Digital BPO*



- Shyam R Rao

Abstract

Traditional BPO services such as F&A, Customer Services, S&P and HRO were some of the dots which made up the BPO picture. But with 'digital' seeping into much of the organizational fabric as our lives and societies, it is increasingly becoming an important dot to connect to complete a BPO picture. And why not? Research shows that the expected digital marketing spend averages 2.5% of a company's revenue.⁽¹⁾

Not surprisingly, every enterprise will want to extract the maximum return from this investment. While traditional media companies have been catering to this market, we believe the stage is set for a new kind of digital service provider – the next-gen Digital ITES agency. In this paper, we attempt to present what today's digital service landscape looks like and what the future holds for digital service providers.

Introduction

An enduring feature of the post-internet world is the remarkable speed with which our day-to-day activities are increasing being co-opted into the digital world. Starting with communications we now do all our shopping, banking, entertainment almost online with newer services being co-opted online every day. Consequently companies are increasingly looking at expanding their digital footprint with an expected digital marketing spend averaging 2.5% of a company's revenue. i.e. for every \$1bn of sales, companies expect to spend \$25mn only on digital marketing (US Gartner Digital Marketing Spending Survey, 2013).² Combined with a desire to get better RoI on their digital spend and be better prepared for the brave new online world, companies are looking at partners to provide them with more efficient, scalable, cost effective digital services. This is where the BPM industry has stepped in with Digital BPO, provide value added process solutions to their clients.

Why Digital BPO?

A question typically asked is with digital marketing and services being the forte of Media Agencies, why are company's looking for ITES/BPM firms to provide these services? The answer lies in the traditional BPO value levers of cost, standardization and scale.

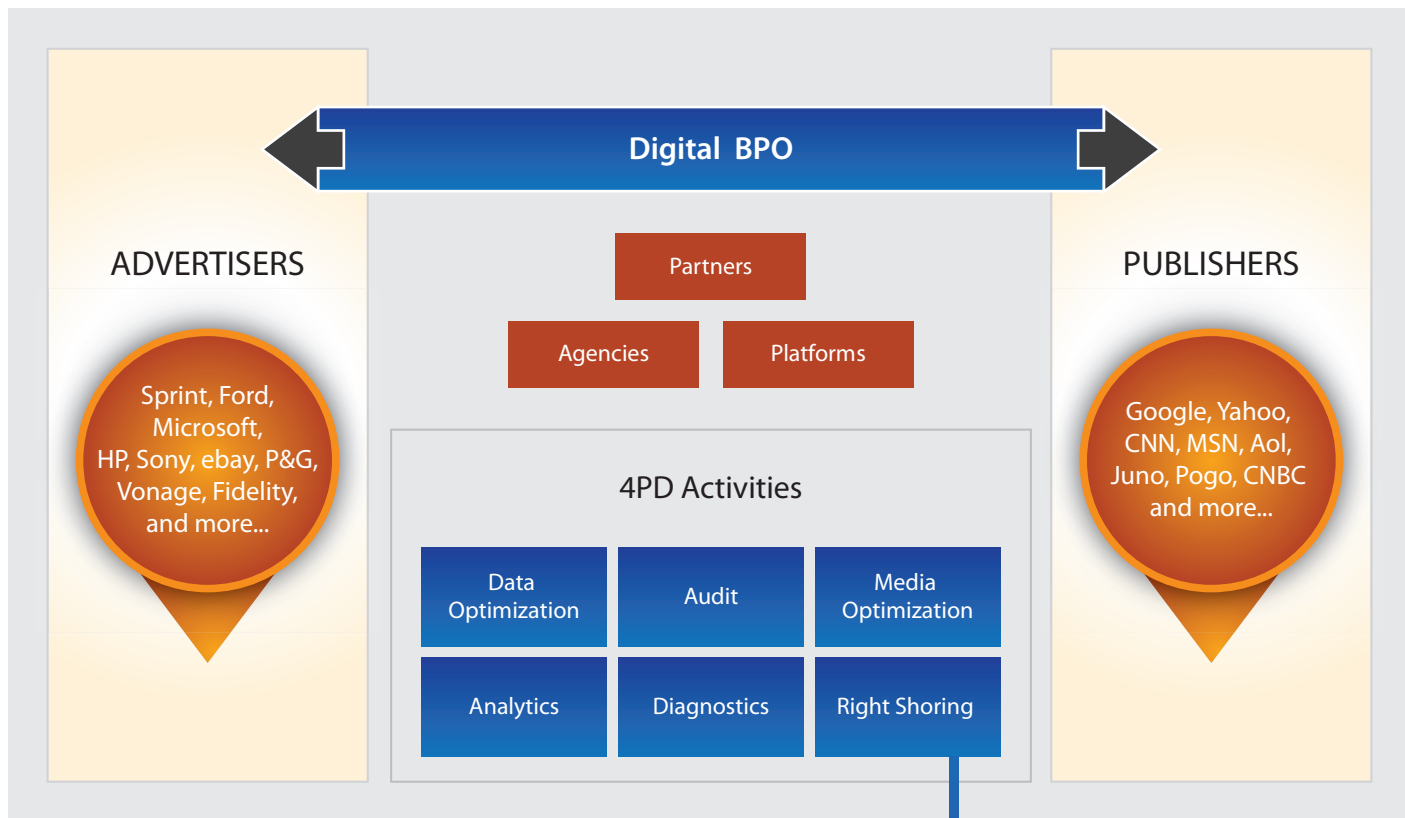
- Large number of independent partners/agencies/firms providing services in a fragmented manner – media agencies, translation partner, advertisers etc. are all disbursed across countries, business units and locations thus driving up cost and reducing efficiencies.
- Lack of Standardization – Disbursed nature of digital operations across multiple partners' means that the brand experience for a customer is not uniform across markets.
- Lack of Scale - Global operations requires the ability to rapidly scale up or ramp down digital spend in a dynamic manner across markets. Most digital partners being niche market providers typically do not have the ability to manage global scale.

ITES/BPM providers who earlier had a foothold in customer services quickly expanded their reach to address the above challenges by bringing scale, standardization and cost (right shoring) to Digital Operations.

The new digital landscape

The digital value chain unlike other BPM services was already heavily outsourced to a large number of small partners providing local niche services (50% of all digital marketing activities are outsourced – US Gartner Digital Marketing Spending Survey, 2013).³ The complexity lay in the fragmented vendor landscape making economies of scale redundant and control and coordination of the value chain a time consuming and onerous task. This is where the BPO firms stepped in as the single point of contact for the client by taking over the control and coordination of all the various partners under a single umbrella. By managing local partners and building economies of scale by right-shoring of transactional process, BPO firms are now able to position themselves as a 4th party digital services provider (4PD) very much like the 4PL providers for the logistics industry.





The Right-Shored Digital Value Chain

Consolidation and providing services from a low cost location is the main driver in providing the cost and RoI benefits from right shoring BPO services. This demands its own value chain which is typically

delivered by the ITES/BPM firm itself rather than through partners. A look at this right-shored digital value chain shows that it covers services which require greater skill, experience and domain knowledge than

traditional BPO services. Going forward BPO firms can be expected to expand this range to takeover more operations/ services from media agencies.



The ITES firm as a next gen media agency

With ITES firms consolidating the digital value chain, traditional Media agencies are re-aligning themselves to manage the challenge of scale. Many are focusing

on their Print and TV advertising, leaving open the online advertising space to more net savvy operators while others partner with BPM/ ITES firms to offer

holistic solutions to their clients. This may well be the next gen ITES/BPM agency!

Conclusion

The growing online market is estimated to reach \$100bn by 2017 (25% of the \$400bn advertising spend in 2017 is expected to be digital spend) making digital BPO not only a key growth area for ITES firms but also establish closer cooperation between ITES firms and media agencies.⁴

About the Author



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Shyam has over 17 years of professional experience in Supply Chain (SCM), Digital Services (DCX) and Master Data (MDM) for diverse industries. He is responsible for conceptualizing and implementing shared service for Fortune 500 clients to enable benefits of global delivery of supply chain and digital services. Prior to Infosys, Shyam worked in the procurement and supply chain functions in the hi-tech manufacturing and Financial services industries. Shyam is an alumnus of the London School of Economics and is a certified supply chain professional (CSCP) from APICs and Google AdWords.

Sources

⁽¹⁻³⁾ <http://www.gartner.com/technology/research/digital-marketing/digital-marketing-spend-report.jsp>

⁽⁴⁾ <https://www.forrester.com/US+Digital+Marketing+Forecast+2014+To+2019/fulltext/-/E-RES116965>

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