

EUROPE AND THE NEARSHORE: 2024

 **Outsource
Global**

August 2024

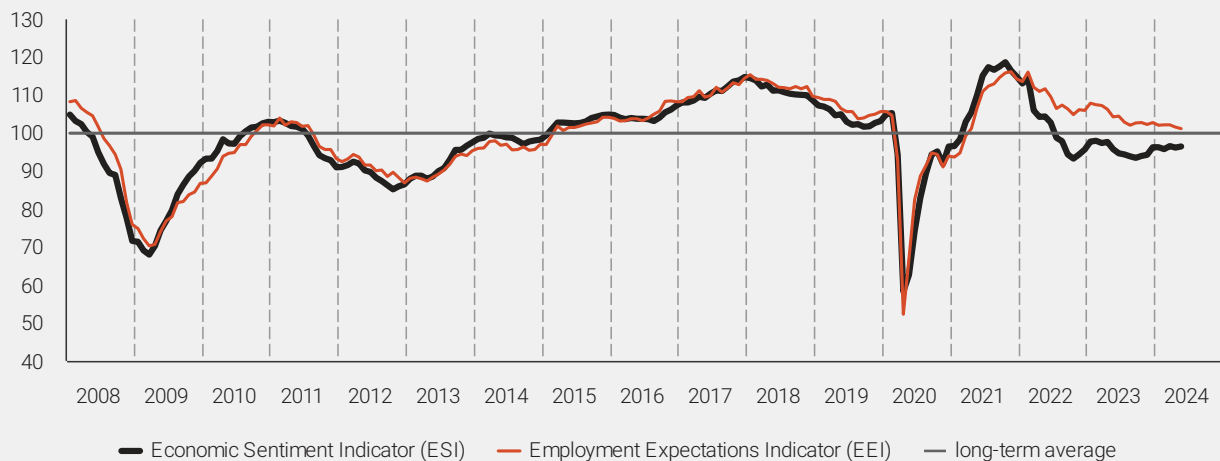
Alexandria, Egypt

INTRODUCTION

Positive economic growth. Declining inflation. Rising consumer confidence. By many measures, life is getting better in the eurozone and across much of Europe. On the surface, this is a welcome reprieve after years of palpable uncertainty dealt by COVID-19 and Russia's invasion of Ukraine.

Yet macro indicators suggest that economies are scraping by, with the European Central Bank forecasting 0.9% GDP growth across the region in 2024 and 1.4% growth in 2025.¹ Economic sentiment and employment expectations, while not as downbeat as Q3 last year, remain well below pre-COVID levels.

EU Economic Sentiment & Employment Expectations



Source: eurostat (April 2024).

Naturally, anemic economic growth and persistent worries about one's long-term income have knock-on effects on buying patterns. In 2024, firms catering to European markets face risks on three major fronts:

- ▲ Consumers who are reluctant to spend
- ▲ Geopolitical uncertainty
- ▲ The spread of AI into enterprise solutions as pilot programs are unveiled at scale.

This amounts to a trilemma. Enterprises must satisfy customers amid unrelenting cost pressures and with less confidence in the long-term outlook. However, the stress this will place on budgets and margins could spell opportunity for third-party customer service providers.

This report assesses the challenges confronting European-oriented businesses. In so doing, it exposes the opportunities for BPOs and the nearshore locations that stand to benefit from the decision to outsource service delivery.

¹ Christine Lagarde, Press Conference (6 June 2024): https://www.ecb.europa.eu/press/press_conference/money-policy-statement/2024/html/ecb.is240606~d32cd6cc8a.en.html

WESTERN EUROPEAN DEMAND TRENDS

Across Europe’s principal demand markets—the UK, France, Germany, Belgium, Italy and Spain—enterprises facing the trilemma must take decisive action to avoid getting locked into a downward spiral of margin erosion and technological obsolescence. Outsourcers can help enterprises navigate these challenges through a series of CX management strategies. First and foremost, outsourcers can help improve enterprises’ internal digital capabilities. In fact, this is the single biggest competitive advantage that a BPO can offer an enterprise client based in the UK, France, Germany or Spain.

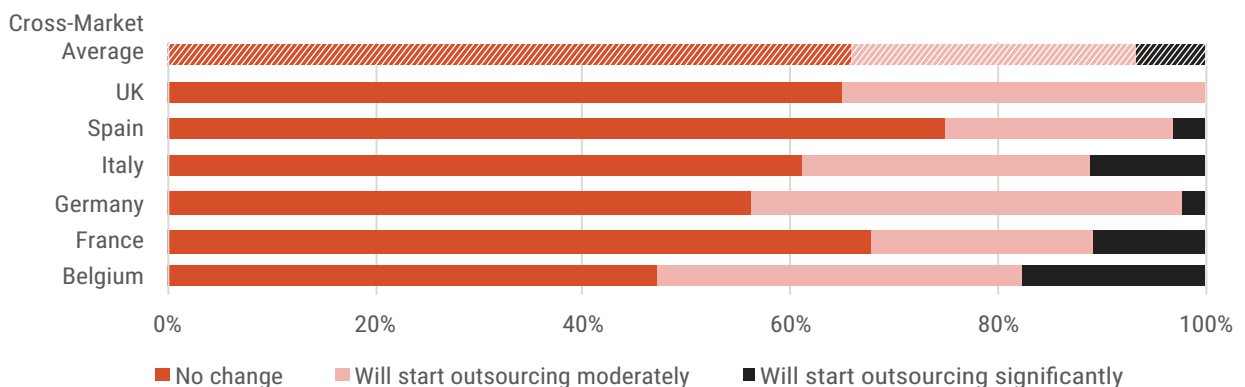


None of this is likely to come as a surprise. Mass media has reported the threat posed by AI to businesses and workers extensively, fueling speculation about the make-or-break potential of the technology. Amid the hype cycle, many enterprises fear the pace of technological change exceeds their internal capabilities; outsourcers are increasingly seen as necessary partners to get ready for a tech-dominated future.

Furthermore, this trend demonstrates the sea change that’s underway within Europe. For years, enterprises sought outsourcers’ help to meet data regulations like GDPR. Now they appear preoccupied by technological competitiveness. Indeed, European enterprises that have yet to outsource CX services appear more willing to seek out CX partners than firms in North America or Asia. Within the region, German and Belgian companies are leading the way as those most willing to make the switch and begin outsourcing CX moderately or significantly.

Potential for Growing the European Outsourcing Pie in 2024

Among enterprises not currently outsourcing: How do you see your contact center outsourcing footprint changing over the coming 12 months?



Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, p. 73.

Crisis management is another vital factor leading enterprises to engage third-party service partners. The last four years have been the strongest one-two punch that many enterprises have had to absorb, first with the sudden shift to work-from-home during COVID and then the war-cum-energy crisis affecting Europe.

Through it all, outsourcers have proven to be nimble partners, facilitating workforce movements from offices to homes, halfway back to offices, and handling it all with agents who offer professionalism and empathy. As enterprises gird for future volatility, they increasingly see outsourcers as crisis-management experts, capable of dealing with dramatic shifts in contact volumes across a range of channels. Such partners can also proactively identify and fix cyber vulnerabilities and process inefficiencies.

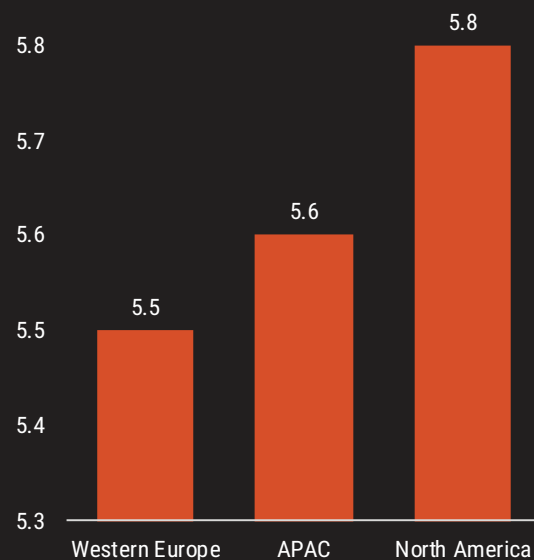
A partnership that bolsters digital development capabilities and includes crisis-management expertise comes at a price, though. Increasingly, European service buyers realize that rock-bottom price points are unrealistic. On a comparative basis, the contrast is striking.



Outsourcer Competitive Advantages

Importance of Price Points

Question: What do you see as the competitive advantages that an outsourcer must have in today's market to win your business (1 = not an important advantage, 8 = a very important advantage)?



Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, pp. 78-89.

Respondents in North American markets continue to assign high importance to price points, ranking it among the top 3 competitive advantages that an outsourcer can possess. In Europe, by contrast, only respondents in Belgium assign price points such a high value (5.8). In the UK, prices are less important than 16 other competitive strengths; in Spain, prices carry even less weight.



Putting it all together: Western European respondents recognize the trilemma they are facing. To navigate these challenges, they show a greater willingness than ever to partner with third-party outsourcers, provided that doing so involves enhancement to their internal digital capabilities and they find a partner to help with crisis management.

Where then do enterprises go to find outsourcing partners?

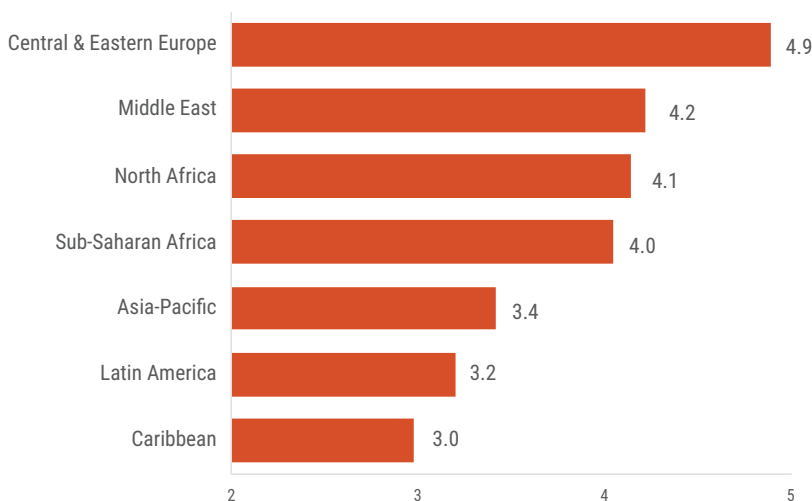
Bratislava, Slovakia

CENTRAL & EASTERN EUROPE

In seeking CX solutions, enterprises around the world favor outsourcing partners in Central and Eastern Europe (CEE) above other regions like the Asia-Pacific or Latin America. Anchored by Poland and Romania, CEE offers outsourcers dozens of large and mid-size cities with large talent pools, multilingual capabilities, and proximity that ensures easy commutes from Western Europe. Furthermore, over the past several years, the value proposition found in CEE has been enhanced by many outsourcers' ability to recruit the region's large number of engineering graduates to offer clients high-end tech solutions, from software programming to analytics capabilities.

Central & Eastern Europe the Most Favored Delivery Region for CX

Question: Using a scale of 1-8 (1=not favorable; 8=very favorable), provide your favorability of the following offshore regions for CX delivery.



Poznan, Poland

Within the region though, there’s a shift in focus towards smaller destinations. Many companies already have experience operating in larger CEE hubs like Warsaw, Bucharest, Sofia, and Prague. Such familiarity breeds confidence that expanding into a smaller, nearby location brings few risks while holding out the potential for improved results. Additionally, EU and NATO membership further strengthens confidence in select smaller CEE countries. Slovenia and Slovakia are prime examples, receiving high marks from CX decision-makers in France, Germany and Italy.

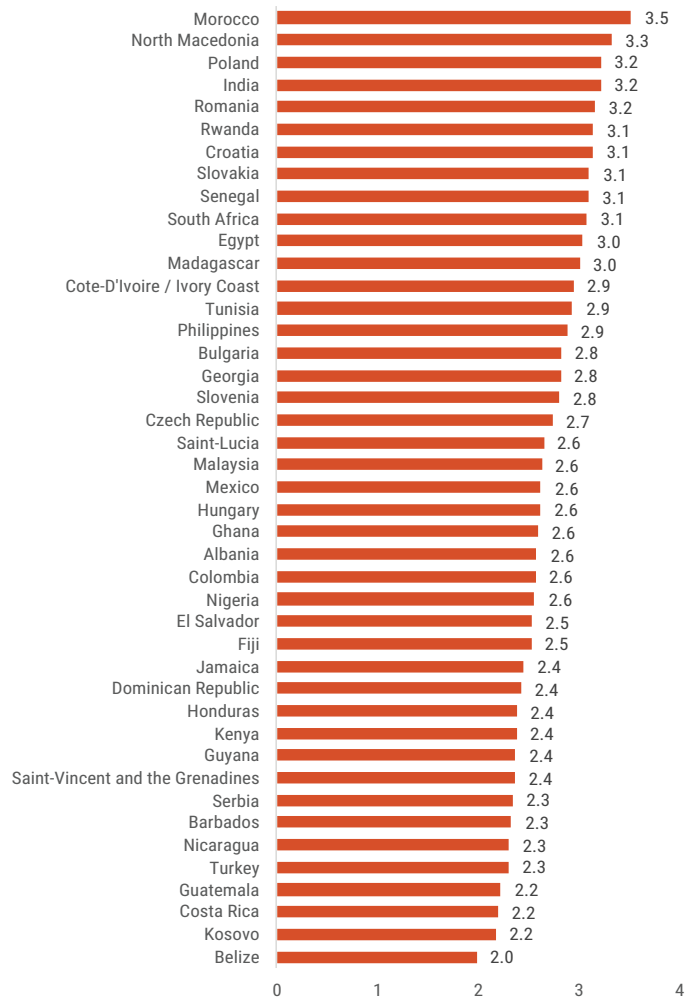


Pristina, Kosovo

Offshore Location Favorability

Respondents from the UK, Spain, France, Belgium, Italy & Germany

Using a scale of 1 – 8 (1 = not at all favorable, 8 = very favorable), please provide your degree of favorability to the following offshore locations for contact center delivery (choose one for each country)



Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, based on data extracted from p. 106 - 117.

Perhaps nowhere is the trend toward smaller destinations clearer than when it comes to the second-most favored offshore destination by European CX decision-makers, North Macedonia. Although the nation has a population of 1.8 million, North Macedonia is seen as a refuge of stability at arm’s length from the security tensions that occasionally roil business in Balkan neighbors like Serbia.



Tunis, Tunisia

NORTH AFRICA & SUB-SAHARAN AFRICA

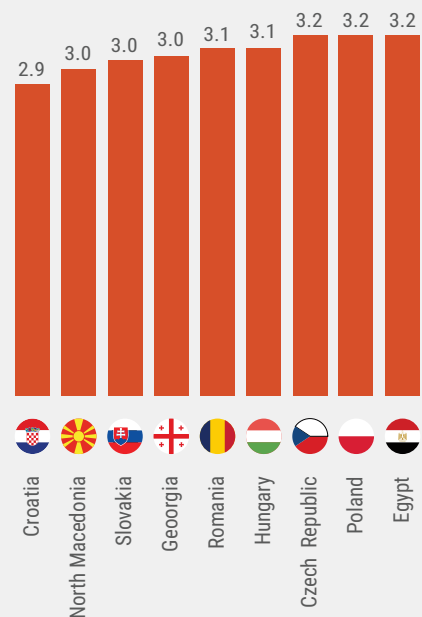
To the south, several North African nations also enjoy high levels of favorability among European CX decision-makers. Morocco enjoys the highest favorability ranking of any offshore destination, a reflection of the country’s legacy of CX delivery, stable politics and economy, French cultural and linguistic influence, and its accessibility from Western European airports.

Egypt notches a similarly lofty degree of favorability. Beyond multilingual capacity, sustained government support has been key to Egypt’s continued success. The Egyptian government has worked to ensure training programs exist to produce in-demand talent at scale for outsourcing jobs. Among other programs, a partnership with the Goethe Institute has helped train young Egyptians in the German language, with impressive results: In 2024, German CX decision-makers ranked Egypt as their favorite outsourcing destination, tying the long-time favorite, Poland and the Czech Republic.

German Offshore Location Favorability

Question: Using a scale of 1-8 (1=not favorable; 8=very favorable), provide your favorability of the following offshore regions for CX delivery.

Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, p. 115.



Egypt has also managed to avoid saturation concerns. In part, this owes to the job-training programs and sustained government support of the sector. But it also reflects the vibrancy of Egypt’s second-largest city, Alexandria, where several outsourcers have found success and room to grow.

On a regional basis, sub-Saharan Africa enjoys less favorability than North Africa. Overall, this reflects the reality that the region has fewer mature outsourcing markets. And, unfortunately, a spate of military coups across Africa has sewn instability and soured investor appetite across vast swaths of the region.² However, Africa has unique strengths that appeal to more and more European and global CX managers.

Sub-Saharan Africa offers a vast pool of untapped English-speaking talent. Ditto for French talent. All told, 27 of Africa's 54 nations have English as an official language. Certainly not everyone speaks native-level English, but a recent estimate places the total number of English speakers in the continent at 130 million people, with over 230 million having some degree of English fluency.³



Recognizing an opportunity, governments have begun to roll out BPO-friendly policies to attract investors. Perhaps the most concerted effort has been undertaken by the Rwandan government. As a result of its native-English talent pool and unrivaled ease of doing business in Africa, Rwanda is the 4th-most favored offshore destination among European CX decision-makers. More impressive still, Rwanda is the third-most favored destination among Belgian CX decision-makers, and the second-most favored among those in France.

Kenya is also enjoying something of an outsourcing growth spurt thanks to its sizable human talent pool. Lured by the prospect of capturing the talent of millions of well-educated and English-speaking Kenyans, several major international firms have begun to open operations in the country. Amid this wave of international investment, one large BPO recently launched a 5,000-seat contact center in Tatu City, just north of the capital. Publications like *The Economist* have feted outsourcers' investment in Kenya as evidence of a sustainable development model that could spread across Africa.⁴

² A sell-off of 10-year bonds issued by the nations where a coup has occurred has pushed up debt servicing costs for the nations in question, and interest rates for businesses across the board, among other dire effects. See "Counting the Costs of Contagion Fears from Africa Coups," *Reuters* (21 Sept. 2023): <https://www.reuters.com/world/africa/counting-cost-contagion-fears-africa-coups-2023-09-21/>

³ "Top 15 English Speaking Nations in Africa," *Yahoo! Finance* (20 March 2024): https://finance.yahoo.com/news/top-15-english-speaking-countries-213141484.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xLLmNvbS8&guce_referrer_sig=AQAAACwNfljzDSM0rvMUTIt_qSsSCCLF1i1KgQKbVViluuLDQcQJWHahFKxmMno7E3t-JZV12dTcF9PwY1LdtaWluE9SDpjlxxz2NIA7K2ydLWsQirEQTLLEa0D0Z-ysfg-34C34TiajHteBLzX7iCH_3_4Hq5UMT_3BMDV83k8bN

⁴ "Can Satellite Cities Help Solve Africa's Urbanization Challenges," *The Economist* (11 Jan 2024): <https://www.economist.com/middle-east-and-africa/2024/01/11/can-satellite-cities-help-solve-africas-urbanisation-challenges>

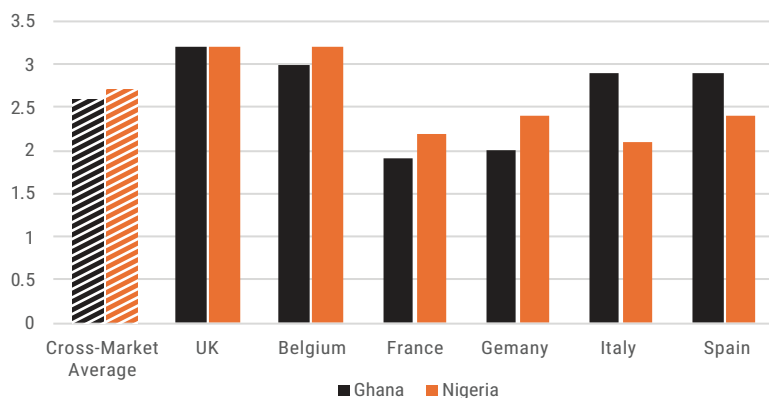
In West Africa, there remains a high level of favorability among Belgian and French CX decision-makers for the two most established Francophone outsourcing markets in the region, Senegal and Cote d’Ivoire. Each market features strong homegrown players and hosts a few pan-African outsourcers. Senegal, moreover, possesses a small but significant ecosystem in the capital of Dakar that combines advanced BPO operations and ITO.

West Africa could nourish at least two additional major BPO markets. Ghana, widely seen as a beacon of political stability in the continent, has garnered attention from investors.⁵ The capital of Accra offers ample room for new entrants to join the clutch of global players and domestic BPOs already in the market. Historically, investment in Ghana has aimed to draw on the country’s native-English-speaking talent, but the country could become something of a niche multilingual play. Already a small percentage of Ghanaians speak French, and the country’s delivery capacity for the Francophone market is bolstered by the inflow of French-speaking migrants from parts of West Africa.

Gateway to Africa

CX Decision-Maker Favorability, Nigeria & Ghana

Using a scale of 1 – 8 (1 = not at all favorable, 8 = very favorable), please provide your degree of favorability to the following offshore locations for contact center delivery (choose one for each country)



Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, p. 106 - 117.

When it comes to scale, few markets anywhere can compete with Nigeria. With a population of nearly 220 million people, Nigeria hosts one of the world’s largest and youngest populations.⁶ Yet, although it is nearly twice the size of Egypt or the Philippines, Nigeria only has gained attention from the outsourcing community in the last few years. While still recording mid-level favorability rankings in most markets, this represents a steady increase over its bottom-trending levels several years ago. Today, the outsourcing sector’s potential is bolstered by an immense output of English-educated university grads in engineering, law and STEM fields, as well as a thriving ecosystem of creative digital arts.



Abuja, Nigeria

⁵ “Amid a Region Rife with Coups, Ghana Is a Democratic Bulwark,” US Institute of Peace (11 Oct. 2023): <https://www.usip.org/publications/2023/10/amid-region-rife-coups-and-instability-ghana-democratic-bulwark>
⁶ “Adolescents and Youth Dashboard,” United Nations Population Fund (2024): <https://www.unfpa.org/data/adolescent-youth/NG>

CONCLUSION

European enterprises face a trilemma of challenges as consumers prove reluctant to spend, geopolitical uncertainty persists, and AI gains widespread use. Given such circumstances, enterprises more than ever recognize the potential benefit of engaging an outsourcing partner. So there's immense opportunity, provided that outsourcers can offer the right solutions. One way to succeed is by bolstering the enterprise partners' internal digital capabilities. Crisis-management expertise also helps.

To find these solutions, enterprises seek outsourcing partners with diverse delivery footprints across the European nearshore. Central and Eastern Europe represents the most mature offshore region for CX decision-makers, a reflection of linguistic compatibility with Western European consumers, accessibility, and ample tech talent. This continues to benefit outsourcers located in traditional outsourcing markets like Poland and Romania, as well as rapidly growing emerging locales like North Macedonia.

Parts of North Africa, particularly Morocco and Egypt, represent another established region. A multilingual workforce, political stability, and government support for the outsourcing sector are all key factors in boosting the fortunes of outsourcers in North Africa. Meanwhile, Sub-Saharan Africa offers more of a grab bag of options. The region promises a vast pool of untapped talent, with Rwanda, Kenya, Ghana, and Nigeria emerging as potential BPO hubs. But only time will tell if these destinations can marshal their talent and potential to build large and robust outsourcing sectors.

As destinations look to attract outsourcers, as outsourcers look to satisfy enterprise clients, and as those enterprises grapple with the realities of European business, aligning skills with needs will prove critical. To do so, longstanding axioms about outsourcing strategy must be rethought. Cost is no longer king, for example. Reassessments like this open the playing field to outsourcing destinations both big and small, but it also serves caution. In 2024, an outsourcer's offerings must reflect the present-day enterprise needs—and those needs are many.



Skopje, North Macedonia

OUTSOURCE GLOBAL: A TALE OF TALENT AND TRANSFORMATION

Nigeria, a nation often stereotyped by its challenges, is quietly emerging as a global powerhouse in the BPO industry. At the heart of this transformation is Outsource Global, a company that has harnessed the nation's abundant talent pool to achieve remarkable growth.

"The availability of local talent, especially college graduates and post-graduates with specialized skills, helps fuel the growth at Outsource Global," says Amal Hassan, founder of Outsource Global. Since its launch in 2016, Outsource Global has expanded from one contact center in the capital of Abuja to four sites, becoming Nigeria's largest homegrown outsourcer.



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Amal Hassan,
Founder, Outsource Global



The company's success story is inextricably linked to the nation's large pool of human talent. With a population exceeding 220 million, Nigeria is roughly twice as large as outsourcing heavyweights like Egypt or the Philippines. It's also a young country, with an average age of just over 18.

Given this, Nigeria boasts a demographic dividend unlike any other African country. The youthful population is highly educated, with the nation's universities producing nearly a million graduates annually. That talent pipeline has proven a gold mine for Outsource Global.

The firm's business model is predicated on leveraging Nigerian talent to deliver a range of customer service solutions, including voice and digital CX management, IT support, telesales and collections. By investing in rigorous training programs, Outsource Global transforms raw potential into skilled professionals. Agent recruits are not merely taught the mechanics of customer service; they are immersed in a world-class learning environment that exposes them to international clients.

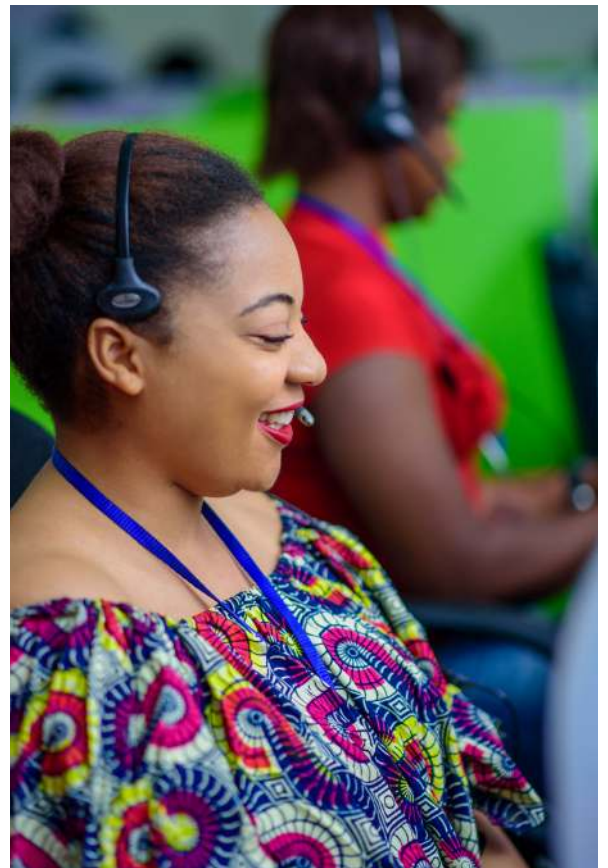
This holistic approach to development ensures that employees are well-equipped to handle the complexities of the global business landscape. And, given that most agents are graduates with a background in fields like accounting, law, finance and engineering, they can readily move into specialized roles. In this way, Outsource Global has developed a pathway for the transformation of traditional BPO into higher-value KPO.

“Moving to the next level in professional services comes about naturally,” says Hassan, “because customer services representatives already have advanced degrees, and clients are used to working with these employees in a customer-service capacity.” When the agents are recommended to clients based on their educational expertise, the clients are thrilled. Typically, the clients have already seen the agents proactively diagnose problems and implement solutions.

The company's commitment to employee advancement has fostered a loyal workforce. Remote and hybrid schedules also mesh with agent's lifestyles. With clear career pathways to professional success and opportunities for rapid promotion, employees are incentivized to stay with the company. Unsurprisingly given the training, support and encouragement that agents receive, the firm's attrition rate is exceptionally low.

Beyond its impact on the company, Outsource Global's growth trajectory hints at Nigeria's broader economic potential. As the company expands, it creates new jobs, stimulates the local economy, and enhances Nigeria's reputation as a global business destination. The opening of Outsource Global's fifth contact center later this year will mark another significant milestone. It also underscores the company's confidence in Nigeria's future.

Today, the “new Nigeria” exports literature, movies, and music to a global audience. Last year, for example, a remix of “Calm Down” by the Nigerian musician Rema became the first track by an African artist to eclipse 1 billion streams on Spotify. Of Africa's seven unicorns, four are Nigerian. And, as Outsource Global demonstrates, the country is also exporting advanced business services to the United States, Western Europe, and Asia.



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Founder, Outsource Global

Yet, the BPO industry itself is undergoing a profound transformation driven by technology. Artificial intelligence, analytics, and automation are reshaping the customer service landscape. Outsource Global is at the forefront of this evolution. With a client roster largely based in the United States, and including many Silicon Valley firms, Outsource Global is versed in leveraging technology to enhance efficiency and improve customer experiences.

“IT will change as AI remakes not just the industry, but also reshapes people’s interactions and expectations of technology more broadly,” says Hassan. “Outsource Global’s deep exposure to the tech world will position us to benefit from this change.”

Already, the company’s software development-as-a-service practice is expanding. Many recruits have expertise in a host of programming languages. Drawing on this, Outsource Global can deliver solutions that help clients improve their internal digital capabilities and drive digital transformation throughout the client’s organization.



Moreover, Outsource Global is increasingly involved in specialized areas such as legal process outsourcing, accounting, and medical support services. Such KPO expertise has helped position Outsource Global as a comprehensive business solutions provider, catering to the evolving needs of its clients, even as those needs move into the realm of highly specialized services.

Outsource Global’s journey is far from over. By 2027, it expects to have 6,000 full-time employees. The company’s ambitious expansion plans, coupled with its commitment to innovation and talent development, suggest a bright future for the firm. It also speaks to Nigeria’s flourishing potential in a tech-driven global economy.

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