

What does “Verticalization” mean in a BPO Context?

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At Shared Services & Outsourcing Week Europe 2012, held in Amsterdam earlier this month, WNS led a session on the “vertical” approach to BPO service delivery. Specifically, the discussion focused on how “service verticalization,” from a BPO perspective, is supporting customers’ needs for increasingly tailored services.

The outsourcing industry is at an inflection point in its evolution. Customer needs and demands have changed drastically in recent years. For clients, it’s becoming increasingly important that the outsourcing partner has a comprehensive understanding of their business. Clients neither want a lift-and-shift approach, nor a mere vendor running some of their processes simply to cut costs. Clients expect their outsourcing partner to be more strategic in outlook. Customization is taking center stage in an industry that owes its foundation to commoditization.

Industry-specific customer preferences and goals are drivers for the new era of “verticalization.” For BPO companies, this means a new orientation in the way they offers their services. To adopt a vertical focus in its offerings, the BPO provider needs to invest significantly in talent and technology; and this strategic shift has to be reflected as much at the enterprise-, as at the account level. Buyers will want to see a high level of domain knowledge

and expertise in the provider team in order to gain the confidence to go into partnership. For example, clients in the research industry want to see statisticians and analysts on the provider’s end to be assured of industry-specific delivery. Clients in the healthcare industry want to see doctors or medical professionals on the provider’s end to understand payer/payee issues.

On the stage with WNS were representatives from Finnair, Sony Music Entertainment, and Sony Electronics. The discussion was moderated by Nimesh Akhauri, WNS’s Head of Sales for Europe.

To wit: Finnair shared some of the challenges specific to the low cost, network carrier airline business it operates in. Clients are more cost conscious than ever, and in order to maintain its position within a growing travel market Finnair needs access to (and intelligent analysis of) data relating to its own operations as well as data relating to its customers’ changing behaviors. Tracking the data that impacts travel decisions is crucially important, and working with a BPO partner who has made this a core platform provides Finnair with the support it needs.

Sony Music talked about the massive changes that have impacted its music business: music delivery channels have multiplied as customers download or stream digital files onto a variety of fixed and mobile platforms. On top of that, more and more transactions are being processed at lesser and lesser unit value –

millions of digital transactions from across the globe. The challenge, therefore, is to manage these kinds of processes at minimum cost and with maximum effectiveness. Basing support operations offshore, benefiting from lower costs in those locations, and leveraging a BPO partner's capabilities is part of Sony Music's services business model.

Sony Electronics is faced with similar challenges regarding changing consumer demand and an abundance of new technologies and applications. Today's customers expect a true convergence, whereby they can enjoy the digital content across multiple platforms and devices. Given increased competition and decreasing margins – as well as cost pressures – working with a knowledgeable partner who supports standardized transactions as well as the more industry specific processes, and who can bring detailed industry understanding to the table, is a key factor.

In summary: three different industries are facing a fast-changing landscape. All three industries represented on the stage seemed to share the same approach to today's markets: to identify their own core expertise, and then identify a BPO partner who can support that expertise. What was generally acknowledged as an advantage was that a provider servicing a number of companies within a specific industry would be able to support best practices in terms of setting benchmarks, as well as setting new standards.

This theme was echoed across a number of presentations at SSOW 2012 in Amsterdam this year. BPO providers are setting themselves up as experts within a number of chosen industries – whether healthcare, financial services, or

retail. It's a natural evolution in the sourcing journey, and one we expect to hear a lot more about.



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