

# What is the demand for Business Process Outsourcing services on the European market?

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The European market for business process outsourcing (BPO) offers good opportunities for providers in developing countries. As labour costs in Europe rise rapidly, BPO is helping European companies to focus on their core business and reduce costs. If you want to provide BPO to end users directly, Northern and Western European markets are the most promising destinations. Other good opportunities also lie in subcontracting for BPO providers located in Central and Eastern European (CEE) countries.

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## 1. What makes Europe an interesting market for BPO?

BPO refers to companies outsourcing business processes to external service providers. It includes back-office processes related to running the company (such as accounting), and front-office processes involving customer contact (such as customer service).

A subset of BPO, knowledge process outsourcing (KPO) refers to the practice of outsourcing complex tasks that require expert knowledge or advanced problem-solving skills to an external organisation or third party. This external organisation usually has specialised expertise to perform such tasks. Examples include financial consultants, research-and-development teams and data analysts.

After a strong rebound from the COVID-19 disruptions in 2020, the European BPO market has recovered strongly. As prices in nearshore (Central and Eastern European) countries rise, offshoring to developing countries is becoming more attractive. In addition, [the acceptance of working from home](#) and the realisation that remote working is just as effective as working in the same building have led more and more European companies to be interested in BPO.

## Nearshoring versus offshoring

European companies prefer to outsource services to providers within their country, a practice also known as domestic outsourcing or onshoring. This is often the easiest option, for example because there are no language barriers or time differences, and the supplier is bound by the same laws as the buyer.

According to a 2021 international survey by Boston Consulting Group (which was conducted amongst medium-

sized and larger companies), [46% of all ITO/BPO budgets are spent onshore, 23% nearshore and 31% offshore](#). Although the share of onshore outsourcing may likely be higher for European SMEs, this survey gives a good general impression of the market. New delivery centres are being set up throughout the world, but the [majority of new delivery centres are being set up in Asia](#).

Table 1: Differences between onshore, nearshore and offshore from the perspective of European buyers

	Onshore	Nearshore	Offshore
Location	In the same country	In another country, but relatively close	In a country further away
Cultural affinity	Very similar work culture and practise	Somewhat less similar	Significantly different
Project security	Buyers often perceive project security in terms of ‘the closer the better’, but this is not true. Projects can be equally safe anywhere in the world.		
Cost savings	Very small, if any cost savings	Cost savings were significant in the past, but are now decreasing.	Substantial cost-saving opportunities
Quality	Typically high, often aligned with local standards	High, with some alignment to European standards	Quality can vary, but has improved significantly with experience and the adoption of standards.
Real-time collaboration	In the same time zone	Often in the same time zone	Most often in another time zone, which can also be beneficial for contact centres (24/7 availability)

Source: Globally Cool

The most popular nearshoring locations for Western European companies are Central and Eastern European (CEE) countries, such as Poland, Bulgaria and Romania. Not only do these countries offer the usual nearshoring benefits, but since they are members of the European Union (EU), contracts and payments are governed and protected by the same European legislation as in the buyer countries.

Nearshoring locations are becoming less attractive to European buyers, as prices are rising rapidly (see Figure 1) and it is becoming increasingly difficult to find the right people to do the job. This makes service providers in these countries less price competitive, which in turn could make European companies more open to offshoring.

Source: [Eurostat](#). 2024

To benefit from these developments, you can choose to either form subcontracting partnerships with nearshoring providers, or compete with them. In addition, the increased familiarity with remote working seems to have lowered the barriers to offshoring.

The [Global Services Location Index](#) (GSLI) ranks ITO/BPO destinations based on four categories: financial attractiveness, people (skills and availability), business environment and digital resonance. This can give you an idea of the competitiveness of your country.

One good example of a company that is successful in the European market is [iCall Outsourcing](#). Based in Egypt, iCall is a technology-enabled contact centre and BPO service provider catering to clients in Egypt, the Gulf Cooperation Council (GCC) countries, North America and Europe. The company offers a range of services, including customer experience management, human resources outsourcing and contact centre hosting. Its ability to connect people and brands through multiple communication channels has made iCall a preferred partner for European companies seeking to enhance customer engagement and operational efficiency.

#### Tips:

Limit the possible disadvantages of being offshore. Provide excellent communication, availability in the required time zone(s), and good security and privacy measures.

Differentiate yourself from onshore and nearshore providers to remain competitive. Emphasise how you are different in your marketing message. Do not compete only on price, but also analyse what other advantages you can offer, such as access to skills or specialised industry expertise.

Research what your competitors are doing right and wrong, to learn how you can differentiate yourself from them. For example, see the [Outsourcing Destination Guides](#) by the German Outsourcing Association.

Partner with nearshore service providers that are looking for cheaper subcontractors. Many service providers in developing countries have not yet recognised this opportunity, which can offer great opportunities.

## Renewed growth in the European BPO market

Determining the exact size of the European BPO market is difficult, as definitions and indicators differ greatly, depending on the source. This makes the various values impossible to compare and combine.

To present a coherent and consistent estimate across the European market, this study uses data from several global and European editions of the [ISG Index](#). ISG (Information Services Group) is a global technology research and advisory company, specialised in digital transformation services. The ISG Index measures commercial

outsourcing contracts with an annual contract value (ACV) of \$5 million or more, giving an indication of the general BPO market. While the ACV for Europe also includes the Middle East and Africa (EMEA), these contracts are mainly European.

Source: [ISG Index 4Q23](#), [Europe Press Release](#), [Americas Press Release](#) & [Asia Pacific Press Release](#)

Worldwide [BPO contract values reached €10.3 billion \(\\$11.3 billion\) in 2022](#), making it the best year ever recorded. In 2023, worldwide BPO contract values declined slightly (by 14%) [to €9.3 billion \(\\$10.3 billion\)](#). This was mainly due to smaller contracts in the Americas. Contract values in Europe did not decline, but actually grew slightly (by 3%).

With a total value of €3.5 billion (\$3.9 billion), Europe (EMEA) accounts for more than one third (38%) of the global market. The EMEA market share increased from 33% in 2021 38% in 2023. The United States of America (USA) is also a large outsourcing market, with competition from nearshore suppliers in Latin America rather than Eastern Europe. The USA market share decreased from 59% in 2021 to 55% in 2023. Asia Pacific also lost a small percentage, from 8% in 2021 to 7% in 2023.

In 2020, the pandemic disrupted global business, heavily impacting BPO providers. Clients scaled back, cancelled non-essential activities, moved tasks in-house or went out of business. Both clients and providers were often unprepared for restricted movement. For example, lockdowns forced contact centre agents to stay home, causing delays or complete halts in services. These disruptions led to a drop of more than 50% in European BPO ACV in 2020.

\* Converted from USD (\$)

Source: Statista, 2024

In 2021, the European BPO market bounced back to a revenue of almost €89 billion. The market grew only slightly in 2022, but it increased by more than 15% in 2023. The compound annual growth rate (CAGR) over this time period (2018 to 2023) was 4.1%.

\* Converted from USD (\$)

Source: Statista, 2024

The outlook for the BPO market in the coming years is good. Revenue in the market is expected to grow from €112.99 billion in 2024 to €139.57 billion in 2029. This translates to a CAGR of almost 3.6%.

#### Tips:

See our study on [Trends in the European Outsourcing Market](#) for more information on trends in the market.

See our [sector studies](#) for information on the European demand for specific BPO services, such

as [contact centre services](#) or [finance and accounting services](#).

For ITO market insights, see our study on [The Demand for ITO Services in the European Market](#).

## Why do companies choose to outsource their business processes?

Companies turn to outsourcing for various reasons, the most important being the desire to optimise their operations. The primary motivators include cost savings, efficiency improvement, capacity expansion, access to specialised expertise and the management of variable demand. Outsourcing allows buyers to remain competitive by reducing expenses and enabling them to focus on core competencies. These factors drive them to seek external support for non-core functions, thus helping them adapt to changes in the market and evolving business needs.

Source: [ISG Index](#)

### Cost savings

Cost reduction remains an important reason for European companies to outsource activities to providers abroad. Staff generally costs less per hour in developing countries than in Europe. This means that outsourcing — especially offshore — can offer great cost savings, particularly for labour-intensive activities. To attract European buyers, your pricing should be competitive, clear and transparent.

Be aware however, that if your offer is ‘too cheap’, buyers may think it must be too good to be true and assume your service quality is low. As reported in a 2024 ISG analysis of competitive outsourcing awards, high bids won 25% of the time and low bids won only 36% of the time.

### Efficiency

Efficiency improvement is another key driver of outsourcing. European buyers look for specialised external providers like you because they often require streamlined processes, advanced technology and the expertise needed to perform tasks more effectively than is possible with an internal team.

By outsourcing non-core business processes to you, companies can focus on their main areas of expertise whilst ensuring that the outsourced tasks are taken care of. This results in higher productivity and the ability to achieve more within a shorter time, thereby contributing to overall business agility.

### Capacity

Outsourcing helps businesses manage their capacity, especially when internal resources are limited. It enables companies to scale up their operations quickly and efficiently by tapping into an external workforce. This flexibility is particularly beneficial to businesses experiencing rapid expansion or those working on short-term projects that require specialised skills or additional staffing.

In many cases, outsourcing for additional capacity also reduces the costs of recruitment and training, in addition

to improving access to multilingual and cultural capabilities.

## Expertise

A major advantage of outsourcing BPO services is that European end-user companies do not need to hire in-house expertise to perform these activities. Buyers expect outsourcing partners to offer industry best practices, innovation and current expertise to help them improve the quality of their own services and products whilst staying ahead of competitors.

## Variable demand

Managing variable demand is important for businesses that experience fluctuating workloads. As an outsourcing provider, you can offer European companies the flexibility to adjust resources based on their changing needs. Instead of maintaining a large in-house team to handle peak periods, they can rely on external providers to scale up or down as necessary. In addition to reducing the risk of overstaffing during slow periods, this also enables businesses to meet demand spikes efficiently.

### Tips:

Emphasise how outsourcing will improve your customers' business processes.

Offer competitive pricing, but do not compromise on the quality of your services. Do not compete on price alone.

Be transparent in your pricing. Clearly show what service clients get for what price. Make sure you include everything they might need in your offer to avoid hidden costs, such as costs for extra services that were not mentioned beforehand.

Clearly communicate that outsourcing BPO services not only saves money on labour costs, but can also reduce equipment expenses, such as communication and computer systems, and IT spending on development, deployment and maintenance of systems and networks.

## Sustainability is becoming a requirement

Sustainability is becoming a key factor for European buyers when selecting a service provider. Sustainability is composed of two main areas: social sustainability and environmental sustainability. Terms used within business environments to refer to sustainability include corporate social responsibility (CSR), environmental, social and governance (ESG) criteria and responsible business conduct (RBC).

According to the previously mentioned ISG analysis of competitive managed services bids, [ESG criteria are becoming critical in evaluations](#) of bids. [ISO 26000](#) provides guidance on CSR. For BPO providers like you, labour practices, fair operating practices and community involvement are the most relevant aspects of the ISO 26000 standard.

An example of social sustainability in BPO is impact sourcing, which aims to improve people's lives, families, and communities through meaningful employment. For buyers it means prioritising suppliers who provide learning and career development opportunities to people with limited prospects for long-term sustainable employment.

This often drives continuous job creation and benefits the whole community. Benefits for buyers include low costs, reliable service delivery, a large talent pool, and a stable and engaged workforce.

One example of an offshore BPO impact sourcing provider is [Impact Sourcing Africa](#). The company specialises in contact centre solutions, including customer service, cross-selling/up-selling and surveys. As its name suggests, the goal of Impact Sourcing Africa is to 'move previously disadvantaged individuals and people with disabilities out of poverty by creating secure productive employment in the BPO sector'. By doing so, the company is also having a positive impact on the community, on the South African economy and on the future careers of the company's talent.

Example of an impact sourcing BPO provider from Kenya

Source: YouTube

Since 2021, the government of the United Kingdom has attributed [10% of the points in its Requests for Proposals to social value](#). [The new procurement act](#) that will come into force in February 2025 will assign even more weight to social value. Similar arrangements can be observed across Europe [for example in the Netherlands](#)) in both governments and companies (including SMEs). Other countries and companies are expected to follow. In line with the increased importance that is being placed on sustainability, the GSA has developed a [Service Provider Sustainability Maturity Index](#). The goal of this index is to enable service providers (you) and their customers to understand how well they are performing across the ESG agenda, as compared to their peers (companies that are similar to you).

#### Tips:

Read more about Corporate Social Responsibility in practice on the website of the [European Commission](#). You should also keep an eye on new laws that are being issued (for example, on [corporate sustainability reporting](#)).

Show that you care about your impact on society and the environment by implementing your own CSR policy. It can be a unique selling point (USP) when your buyer has to select a provider.

Start an impact sourcing pilot project to see how it can benefit your business and the community. Ask business support organisations in your region how to realise such a pilot project. Examples include [Harambee](#) (South Africa), [Sama](#) (Costa Rica, the Netherlands, Canada, the USA, Kenya and Uganda) and [Alorica](#) (Latin America and the Caribbean). More examples of impact sourcing projects and their results are mentioned on this [blog by Orion Talent on LinkedIn](#).

To qualify as an impact sourcing provider, show buyers that you are actively hiring and training people with limited employment opportunities.

For more information about sustainability (including CSR and impact sourcing) in BPO, see our study about [trends in the European outsourcing market](#) and our study about [buyer requirements](#).

## Diversity brings opportunity

Europe is a large and diverse market for BPO services. Together, the EU, the European Free Trade Association (EFTA) nations and the United Kingdom comprise 32 countries that speak 28 different official languages. They have a combined population of around 530 million people. Although Europe is often seen as one market, each country has its own profile based on characteristics such as demographics, historical ties, business culture and etiquette. This diversity brings a variety of opportunities in BPO.

An important way to classify the hugely diverse range of BPO-services is by language dependence. For BPO sectors such as contact centre services, language is a particularly important factor. European companies generally select their contact centre service providers based on the availability of agents that are fluent in the required language(s) for their market.

The presence of different migrant communities also adds to the diversity of opportunities in the European market. Such '[diaspora](#)' [can form the basis of outsourcing to \(developing\) countries of heritage](#), as family, friends or business relations can function as entry points to the market. [Around 34 million people in Europe \(about 6% of the total population\) are members of diaspora from developing countries](#). The largest of these communities reside in Germany, France, the United Kingdom, Italy, Spain and the Netherlands. For the developing countries of origin, well-known outsourcing destinations with large migrant communities in Europe include Bosnia and Herzegovina, Albania, Pakistan, India, Serbia and Ukraine. The diverse diaspora in European countries could potentially offer a variety of connections from which you can benefit.

#### Tips:

Use [Passport to Trade 2.0](#) to learn about the business culture and etiquette in various European markets. See how your country's culture compares to European cultures with the country comparison tools from [Hofstede Insights](#).



Look for countries with cultural similarities to your own, as this makes it easier to do business.

For more information, see our [Tips on How to do Business with European IT and Business Processes Services Buyers](#).

Check for potential diaspora from your country in Europe using the United Nations [international migration data](#).

Connect with organisations that represent your country's diaspora in Europe, such as the [European Union Global Diaspora Facility](#) and the [African Diaspora Policy Centre](#).

## 2. Which European markets offer the most opportunities for BPO?

Europe is not a uniform market for BPO providers. Northern and Western European countries are traditionally the largest BPO end-markets. In general, the main factors that determine the potential of target markets are market size and openness towards international outsourcing (offshoring). While large countries offer opportunities based on their size, some smaller countries are relatively open to outsourcing. In addition, for some BPO services your in-house language skills can help you select your ideal European target markets.

Also do not forget the option to look for business opportunities in Eastern Europe. There are many BPO providers that are looking for a subcontracting partner. See also figure 1.

### The United Kingdom remains attractive, despite Brexit

The second-largest economy in Europe, the United Kingdom (UK) is home to many industries. the largest contributor to the British GDP is the finance and banking sector, which is also one of the largest sectors for BPO. Outsourcing is a common practice in this sector, thereby stimulating the demand for BPO services in the United Kingdom.

Revenue in the British BPO market is projected to reach more than €26 billion in 2024, with an expected annual growth rate of 5.67% from 2024 to 2029. British BPO buyers are looking for providers that can offer cloud-based BPO services, with a strong focus on digital transformation.

Of all European markets, the UK is the most open to offshore outsourcing and the least cautious about doing business with developing countries. This openness is due to the nation's cost-saving business culture and its historical ties to many countries across the globe. In 2023, nearly half (48%) of all British companies had embraced outsourcing, reflecting a rapid expansion of 41% since 2019. This contrasts significantly with the situation in 2020, when only one third of all UK businesses had considered outsourcing a viable option for the present and future.

Language barriers are low, as the country's official language is English. This makes the British market relatively accessible to offshore providers.

There are around five million migrants from developing countries living in the UK. This is about 8% of the country's total population. The largest of these communities consist of people with heritage from India,

Pakistan, Bangladesh, South Africa, China and Nigeria. India and Pakistan are particularly well-known as providers in the British BPO market.

## **Ireland benefits from Brexit relocations**

Ireland is a smaller, but interesting market. Since the Brexit announcement, many international companies have decided to move at least part of their business out of the UK. Ireland has benefited from this, particularly due to its strong financial services sector.

[Revenue in the Irish BPO market is projected to reach more than €1 billion in 2024](#). It is expected to show an annual growth rate of 4.85% from 2024 to 2029. Irish BPO buyers are looking for providers that can offer cloud-based BPO services, with a strong focus on technology and automation.

Another factor that makes Ireland a convenient relocation destination, is that English is one of its official languages. As an EU member state, the country's close ties to mainland Europe make Ireland particularly attractive to American companies that need a presence in Europe. In fact, [Ireland is currently serving as a 'gateway to Europe' for more than 950 US companies](#). This could offer you potential, as US companies are often relatively used to outsourcing.

[Ireland is home to more than 250 BPO providers](#), employing more than 60,000 people. While this may seem like competition for companies like you, it could also offer you great subcontracting opportunities — especially considering that, as a Western European country, Ireland has relatively high wages. For this reason, Irish BPO providers can achieve considerable cost savings by subcontracting to BPO providers from developing countries — like you.

Comprising less than 200,000 people (about 3% of the country's population), Ireland's migrant community of developing country origins is relatively small. [The largest of these communities consist of people with heritage from Nigeria, India, the Philippines, China, Brazil and Pakistan](#). Of these countries, India, the Philippines and Pakistan are particularly popular BPO destinations.

## **Germany is Europe's largest economy**

Germany is the largest economy in Europe, and it is home to about one fifth of the EU's population. The German economy is widely considered the stabilising force within the EU, having historically demonstrated a higher growth rate than other member states.

[Revenue in the German BPO market is projected to reach almost €16 billion in 2024](#), with an expected annual growth rate of 3.92% from 2024 to 2029. Nordic BPO buyers are particularly looking for providers of customer service, HR and finance and accounting services.

Although its size makes Germany an interesting market, companies are less open to offshore outsourcing than is the case in countries like the UK and the Netherlands. As German businesses continue to face skills shortages and become more experienced in offshoring, however, their attitudes towards BPO are improving. In addition, the pandemic [softened Germany's generally stiff corporate culture](#) and demonstrated the possibilities of remote working and outsourcing to companies in that country. One good source of information is the [German Outsourcing Association](#).

There could be some language barriers to providing BPO services to Germany. German companies often prefer to do business in German, which is why they tend to choose nearshoring when they outsource. Generally, you need an [intermediary](#) in Germany to communicate with (potential) clients for you. For language-based activities such as contact centre services, you need agents who are fluent in German. If you meet these criteria, you could also target German-speaking companies in Austria and Switzerland.

Germany is home to nearly six million migrants of developing country origins, adding up to around 7% of the country's total population. The largest of these communities consist of people with heritage from Türkiye, Kazakhstan, the Syrian Arab Republic, Ukraine, Afghanistan, Iraq, Bosnia and Herzegovina, and Serbia. Given Germany's relatively strong ties to Central and Eastern Europe (CEE), opportunities on the German BPO market are particularly strong for countries from this region.

## **The Nordic economies are looking for partners**

Although the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden) individually are smaller than some other European markets, they are relatively open to BPO. For example, [in 2003, Sweden already outsourced 20% of its call-centre services](#), which was double the European average at the time. With some of the highest contact centre agent salaries in Europe, Nordic companies can save considerably on costs by nearshoring and especially offshoring these services.

[Revenue in the Nordic BPO market is projected to reach more than €1.1 billion in 2024](#), with an expected annual growth rate of 3.57% from 2024 to 2029. Nordic BPO buyers are particularly looking for cost-effective and efficient business providers. Many companies in the region are seeking to outsource their non-core business functions to third-party providers, so that they can focus on their core competencies. In addition, a growing trend towards digitalisation and automation of business processes is driving the demand for BPO services.

People from the Nordic countries are highly proficient in English, which makes doing business relatively easy. Ideally, your staff should speak the national language to be able to perform language-based activities such as contact centre services. Because Nordic English proficiency is so high, providing customer service in English is also becoming an option. Particularly outside of regular office hours, or as a back-up option when waiting times are (too) long.

Around two million migrants with developing country heritage reside in the Nordic countries, more than half of whom in Sweden. This represents about 8% of the total population of the Nordic countries. However, the benefits of diaspora connections may be limited in this market as the largest of these communities (Syrian and Iraqi) do not originate from countries with a strong BPO sector.

## **France is particularly interesting to francophone African providers**

As the third largest economy in Europe, France is another European market that is particularly interesting because of its size.

[Revenue in the French BPO market is projected to reach €13.2 billion in 2024](#), with an expected annual growth rate of 3.89% from 2024 to 2029. French BPO buyers are particularly looking for BPO providers that can offer digital transformation and automation. As in Germany, the pandemic opened French companies to remote work. This has lowered the threshold for outsourcing, thus offering opportunities for BPO providers — like you.

Despite France's market size, providing BPO services to French companies is difficult unless you speak French fluently. Given that [French is the official language in 27 countries](#) worldwide, the language requirement does not pose a barrier to market entry for many service providers. Instead, it makes France a particularly interesting target market for providers from African countries such as Senegal. Offering services in French also allows you to target francophone companies in Belgium and Switzerland.

Many people from former French colonies attend university in France. This direct link to France can facilitate outsourcing when they return home. There are also nearly six million migrants in France with developing country origins, representing around 8% of the country's population. The largest of these communities consist of people with heritage from Algeria, Morocco, Tunisia, Türkiye, Vietnam, Madagascar and Senegal. This illustrates France's connection to French-speaking countries, which generally have the greatest chances of success on the French BPO market.

## **The Netherlands is a relatively small but accessible market**

The Netherlands has the sixth-highest GDP per capita in Europe. [Revenue in the Dutch BPO market is projected to reach almost €6.6 billion in 2024](#), with an expected annual growth rate of 3.84% from 2024 to 2029. Dutch BPO buyers are particularly looking for BPO providers that can offer digital transformation and automation.

Companies in the Netherlands have traditionally been relatively open to outsourcing business processes. For example, more than one third of Dutch companies with customer services outsource this function, with [a large share going to locations outside Europe, like Türkiye and Suriname](#). Providing language-based services to the Netherlands often requires having agents who speak Dutch. If you can offer Dutch-speaking services, you can also target Dutch-speaking companies in Belgium.

[Call Factory](#) is an example of a company from Suriname that caters to the Dutch market.

Other language barriers to doing business in the Netherlands are generally low, as the Dutch are very proficient in English. Like in the Nordic region, this high English proficiency is also leading to opportunities to provide customer services in English. This can make the Dutch market easier to enter than markets like Germany, where local language skills are generally a must.

The Netherlands hosts about 1.4 million migrants with origins in developing countries, representing roughly 8% of the country's total population. The largest of these communities consist of people with heritage from Türkiye, Suriname, Morocco, Indonesia, China and the Syrian Arab Republic. The Netherlands has strong historical ties to many of these countries.

### **Tips:**

Consider openness to outsourcing, labour costs, language, historical bonds, and your existing network when selecting your priority market.

Be aware that European partners may be sceptical of offshoring, so you need to earn their trust and work hard to keep it once you have it. Proving to be trustworthy, honest and transparent will make you stand out from your competition and add to your partner's openness and willingness to outsource.

If you choose to work with a representative in your target market, keep in mind that they should be a well-connected expert. See our study on the [European intermediary landscape for ITO- and BPO-](#)

[services](#) for more information.

### 3. Which services from developing countries have the most potential in the European BPO market?

Automation is driving a shift towards high-skilled services. Lower-skilled services continue to offer market entry opportunities, as long as they are combined with automation and/or technological investments. Your most suitable potential buyers in Europe are SMEs. These companies are a good match for you when it comes to capacity and flexibility. Specialisation can create opportunities within any service category and in any sector.

#### Specialisation offers opportunities in any sector

The BPO market can be segmented into various sectors or industries, known as 'vertical markets'. As shown in Figure 5, the total global outsourcing ACV for 2023 for each commercial sector, with BPO accounting for around 9% BPO and ITO (including SaaS and IaaS) accounting for around 91%. This is similar to Europe, where BPO accounts for 10% and ITO for 90%.

\* Converted from USD (\$)

Source: Calculated estimations based on [ISG Index 4Q22](#) and [ISG Index 4Q23](#)

The largest global market for outsourcing is the financial services sector, also known as BFSI: banking, financial services and insurance. Other large markets include the manufacturing industry and business services.

Although the financial services sector has the highest ACV in the European market, there are opportunities across various industries. The key is to reduce competition by specialising in a specific sector, or even a specific service for that particular sector. This type of expertise gives you a competitive advantage in whichever sector you focus on. Although staff can be trained in a new field, buyers generally prefer existing knowledge and experience. This also makes it easier to provide a relevant reference when you are trying to find new buyers.

There is generally less competition in niche markets, which leads to higher (and more stable) prices and loyalty from buyers. For example, offering contact centre services for a bank may require a thorough knowledge and understanding of European financial legislation. The more you invest in specialising and finding your comfortable niche market, the better your chances of finding clients and partners.

#### Tips:

Assess your opportunities in the various sectors. Which are you most experienced in? Do you have access to talent in a particular sector?

When you have selected the niche market(s) you are focusing on, make sure to keep your expertise up-to-date and stay ahead of the competition.

See our [studies per promising export service](#) to determine the competition for specific services.

## Automation is the biggest disrupter

Automation (including generative AI) is rapidly transforming the BPO sector. It is reshaping traditional models of service delivery. The rise of AI-powered tools (such as chatbots, virtual assistants and automated data processing systems) is reducing the need for human involvement in repetitive and rule-based tasks, like customer support, data entry and claims processing. Automating these workflows can enhance speed, efficiency and accuracy.

This shift is posing a challenge to BPO providers that have traditionally relied on a labour-intensive model to deliver these services.

Generative AI is adding another layer of disruption by enabling more sophisticated capabilities. Currently, AI models (like GPT) can generate text, analyse data and even perform complex decision-making processes, thereby reducing reliance on human agents for knowledge-based tasks. This technology allows BPO clients to resolve customer queries, generate reports or handle technical troubleshooting without human intervention.

As a BPO provider, you are advised to adapt your service offerings by incorporating AI-driven solutions into your operations. If you do not do this, you risk becoming outdated, as clients are looking to cut costs by directly adopting these technologies.

To remain competitive, you can focus on upskilling your workforce to manage and collaborate with AI systems, thus offering AI-augmented services rather than purely human-driven processes. You can also diversify your offerings by moving up the value chain to focus on complex, non-automatable tasks, such as strategic consulting, data analysis and client management.

Investing in proprietary AI technologies or partnering with AI tech companies could also give you a competitive advantage. By embracing a hybrid model that blends human expertise with AI capabilities, BPO providers can remain relevant in this rapidly evolving landscape.

If you are not (or not yet) able to offer value-added services and/or automated processes, providing lower-skilled services can still be a good way to enter the market. Over time, you can then incorporate automated solutions that enhance your offer and move towards higher-skilled services. In this process, you can train and upskill your existing staff, so you can keep benefiting from their experience and expertise.

### Tips:

Invest time and money to explore how automation can benefit your business. Consider convergence (human interaction combined with AI) and moving from easily automated BPO services to Knowledge Process Outsourcing (KPO) services.

For more information on automation and how to benefit from it, see our [tips to go digital in the outsourcing sector](#).

Stay informed about the latest developments in automation. In particular, look for sources that match your specific services. Examples include [2024 Trends for Digital Customer Experiences](#), [How AI is Adding Strategic Value to Accounting Outsourcing](#) and [The Impact of AI and Automation on HR Outsourcing](#).

See also the analysis by Unity Communications: '[From BPO to BPA](#)' (business process automation) and the INGO article on [BPO Automation: Opportunities, challenges and successes told from an inside perspective](#).

## European SMEs are your most suitable buyers

As an SME, your best strategy is to focus on providing BPO services for your fellow SMEs in Europe. This generally ensures a good match between you and your buyer on characteristics such as capacity and flexibility. Given that [99% of businesses in the EU are SMEs](#), and given that they employ more than 100 million people, this market offers great potential. While outsourcing traditionally used to be reserved for large companies, SMEs are increasingly taking advantage of the benefits it has to offer them.

According to a 2022 [survey by Clutch](#), 80% of all small businesses were planning to outsource at least one business task in 2023. Small enterprises may outsource 20–30% of their operations, depending on their industry, with a focus on reducing overhead costs and expanding access to expertise. For medium-sized businesses, a 2023 [Deloitte survey](#) reports that 59% of these companies outsource back-office services to optimise their operations. It has also been reported that medium-sized companies outsource an average of 30–40% of their processes, especially IT, HR and logistics.

This reflects the trend that medium-sized companies in particular are catching up with the [80% outsourcing experience that has previously been reported amongst large enterprises](#).

## Horizontal markets: SMEs outsource a variety of BPO services

The BPO market can be segmented horizontally (by service) and vertically (by industry). It is interesting to see how companies of different sizes make different outsourcing decisions.

\* Answers to the question 'Which, if any, of the following parts of your business has ever been outsourced?'

Source: YouGov

According to [research by YouGov research](#) in the UK, the most commonly outsourced business processes amongst SMEs include financial services (accounting and payroll). These types of BPO services are essential to company success, but they require specific skills and knowledge that SMEs often do not have in-house. By outsourcing these tasks, staff can focus on the company's core business and budgets can be spent most efficiently. It should be noted however, that SMEs often outsource these types of services onshore.

Customer service outsourcing seems to score relatively low in this survey. However, unlike most other listed functions, many businesses do not actually need to provide customer service. This automatically makes the percentage of companies that outsource it lower than that for functions that every business needs, such as accounting. To put this in perspective, [in 2023, almost two thirds of the global market for call centres was estimated to be outsourced](#).

Of course, there are many other types of BPO services that could offer opportunities – such as marketing, HR, data entry, translation, transcription, lead generation, and GIS (geographic information system) services. If you provide language-dependent services, you must have high-quality skills in-house. And whichever type of service you offer, the main way to make your company stand out from your competitors is to specialise.

Table 2: Key differences in outsourcing practises

Aspect	Small enterprises	Medium enterprises	Large enterprises
Primary goal	Cost reduction, expertise	Flexibility, focusing on core business	Efficiency, cost optimisation, access to innovation
Common areas outsourced	IT, accounting, marketing	IT, business processes, logistics	IT, supply chain, manufacturing, research and development
Outsourcing volume	10–20% of operations	30–40% of operations	40–60% of operations
Preferred providers	Small vendors, freelancers	Mid-size BPO and ITO firms	Large, multinational vendors
Types of outsourcing	Task-based or project-based	Managed services, BPO	Strategic partnerships, large-scale outsourcing

Source: Globally Cool

Whereas SMEs are more interesting for direct business, you could also cater to larger European businesses. This is done primarily by working as a subcontractor for a BPO provider that is already working with these buyers.

Tips:

For more information on specific types of BPO, see our studies on [contact centre services](#) and [finance and accounting services](#).



See our [Tips for Finding Buyers](#), [Tips for Organising your Exports](#) and [Tips for Doing Business](#) for more information on how to find and approach European SMEs.

[Globally Cool B.V.](#) carried out this study in partnership with Laszlo Klucs on behalf of CBI.

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