

THE AMERICAN NEARSHORE: 2024

Cartagena, Colombia

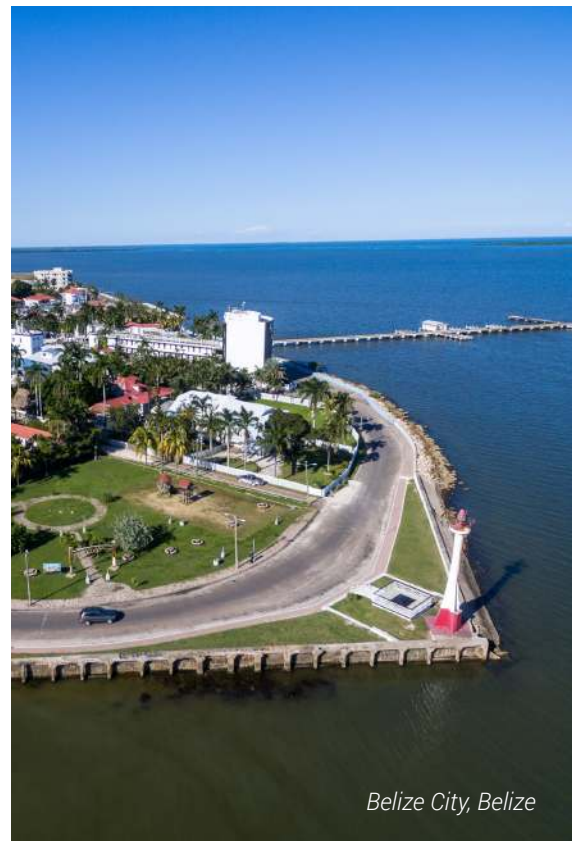


iqor

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INTRODUCTION

Outsourcers based in Latin America and the Caribbean that rely on consumers in the United States and, to a lesser extent, Canada, are navigating a complex business environment. On the surface, many nearshore players stand to benefit from persistent inflation and real-wage growth in the United States. With wages and prices for many goods remaining elevated, brands aiming to maintain healthy balance sheets must seek savings somewhere—and one proven method is by outsourcing customer services. Consequently, CX decision-makers in the US currently working with third-parties are increasingly willing to expand their outsourced capacity, with 27% planning to grow their footprint significantly. Almost half of this group expect to grow their outsourcing footprint at least somewhat.

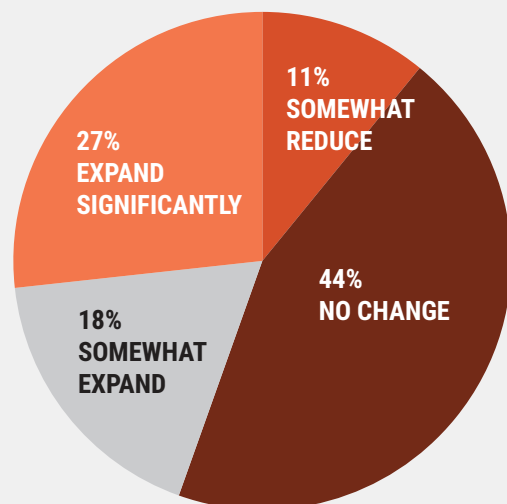


Expected Growth in Outsourcing Stations

According to US CX Decision-Makers

How do you see your contact center outsourcing footprint changing over the coming 12 months (enterprises currently using outsourcing to manage some / all of their CX needs)?

Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, p. 72.



Yet, despite cost pressures facing consumers and enterprises, the US economy remains relatively strong. US GDP growth is forecast at 2.7% in 2024, significantly higher than other major markets like the EU or UK.¹ This robust growth suggests a continued demand for customer support services.

¹ According to the latest IMF forecast, US economic growth of 2.7% for 2024, while that of the EU area is 1.1% the UK 0.5%, Japan 0.9% and Australia 1.5%. IMF World Economic Outlook (April 2024): https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/ZMB

But it's hardly business as usual in America. US CX decision-makers are shifting their investment preferences as generative artificial intelligence (AI) and other technologies begin to transform customer services. The traditional Spanish-English bilingual capacity, a cornerstone of the American nearshore model, might become less crucial in certain technology-driven scenarios. Already, outsourcing investments, which typically have a multi-year time horizon, are being made with an eye toward rising levels of AI-enabled solutions.

This report delves into these realities, highlighting major needs as expressed by CX decision-makers in the United States. It extends the analysis to consider the favorability of different nearshore markets among decision-makers.

US DEMAND-SIDE TRENDS



Guatemala City, Guatemala

Historically, nearshore operators relied on outsourcers in the US that favored a few delivery characteristics, especially:

- 🗣️ English-Spanish bilingual capacity
- 🏢 Labor arbitrage vis-à-vis onshore delivery
- 🕒 Time-zone alignment
- ✈️ Accessibility from US cities
- 🤝 Cultural affinity with US consumers

These attributes remain the key features that US-based CX decision-makers want from an offshore provider. And yet, it's no longer enough. Increasingly, these classical nearshore benefits are seen as table stakes, the minimum expected to get a service provider considered. In addition to these attributes, CX decision-makers in the US increasingly favor a constellation of factors.

First, enterprises want outsourcing partners that can help improve the enterprise's internal digital capabilities. In fact, this is the single biggest competitive advantage that an outsourcer can offer an enterprise client based in the United States.

In many cases outsourcers have AI to thank, either directly or indirectly, for the focus on internal digital capabilities. The collective sense that AI represents a ‘make or break’ moment for enterprises has roused enterprises to get ready. To be clear, the extent of AI adoption remains piecemeal among enterprises. Yet, the awareness has grown that AI cannot be rapidly integrated if existing technologies and processes are a patchwork of the modern and antiquated.

Amid the AI hype cycle, enterprises that fear they are unprepared are increasingly turning to outsourcers as partners to get them ready. Also, as awareness of AI’s potential grows, so do concerns about costs. Enterprise AI solutions are costly to adopt, leading to a latent recognition among some that they—and their customers—would be best served by finding an outsourcing partner that can lead toward meaningful adoptions. Regardless of the speed with which AI is being adopted, it is forcing rapid updates to the tech stack to gear up for what comes next.



Crisis management is another crucial reason US enterprises turn to third-party service partners. Since the pandemic, outsourcers have established themselves as agile and reliable allies, adeptly facilitating transitions from offices to homes, partially back to offices, and managing it all with professional and empathetic agents. As enterprises brace for future volatility and uncertainty, they increasingly regard outsourcers as crisis-management experts capable of handling significant fluctuations in contact volumes across various channels. Additionally, these partners can proactively identify and address cyber vulnerabilities, process inefficiencies, and emerging risks, ensuring seamless operations.

Also, outsourcers must deliver services at competitive price points. Pricing discussions have admittedly become tricky: Offering rock-bottom agent wages, for example, can connote “cheap.” Moreover, the technical expertise to help enterprises enhance their own digital capabilities and patch their networks against hacks are high-value assets rarely on offer by the lowest bidder.

Still, competitive prices matter. They matter because many US enterprises face margin erosion in core operations. And these enterprises have strong global awareness, so they know price offerings in established and emerging offshore and nearshore locations.

THE CARIBBEAN

Recent years have seen the surge of what Ryan Strategic Advisory termed “the Angloshore”—native-English-speaking countries in the Caribbean and including Belize and Guyana—that because of Common law systems and historic ties to the United Kingdom, were drawing investment from outsourcers with an eye toward not just American consumers, but those in Canada and Britain as well. Over the past three years, the trend went in one direction: native-English-language markets in the region enjoyed more favor than neighboring native-Spanish-language peers.

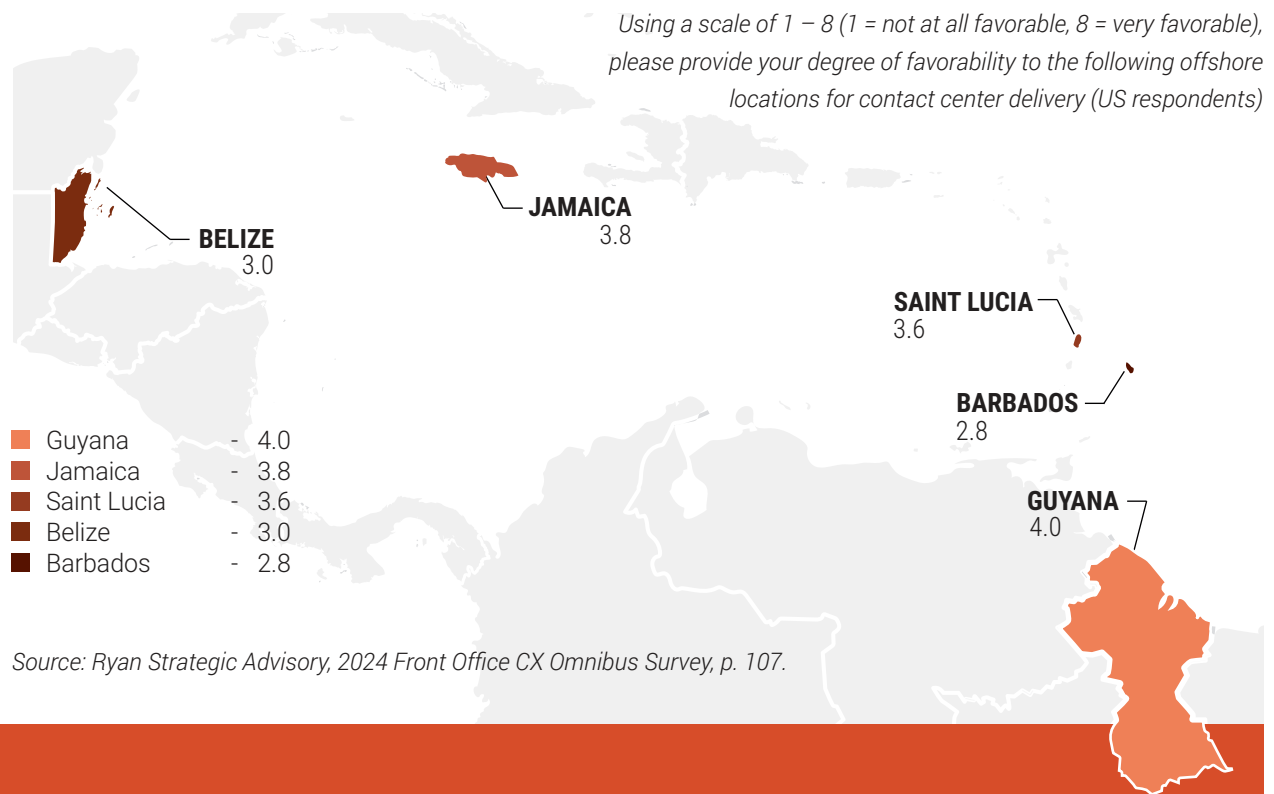
In 2024 Guyana notched the highest level of favorability among native English-speaking markets in the region. A few international BPOs have found success in Guyana, and at least one of them is currently expanding headcounts. Even so, a flood of foreign investment from other sectors could sew concerns about labor market saturation.

Belize saw its favorability increase this year. Uniquely for a small market, Belize already hosts sizable BPO centers in two different cities, Belize City and Belmopan, holding out potential for additional investment.



Montego Bay, Jamaica

By contrast, Jamaica's favorability among US CX decision-makers slipped marginally, though it continues to host several thriving BPO operations. In addition to native-English voice delivery, Jamaica enjoys a growing reputation for KPO delivery, especially legal outsourcing and medical support services. Notably, Jamaica enjoys a degree of favorability among CX decision-makers not just in the United States but Canada and the UK as well.



Source: Ryan Strategic Advisory, 2024 Front Office CX Omnibus Survey, p. 107.



Port of Spain, Trinidad and Tobago

Trinidad and Tobago also experienced sustained growth in 2024. With the establishment of several new centers in recent years, multiple BPOs are now operating in this native English-speaking country. High levels of CX talent, low operating costs, and government incentives help. Its geographic location, just off the South American mainland and far enough south to avoid most hurricanes, further enhances its appeal.

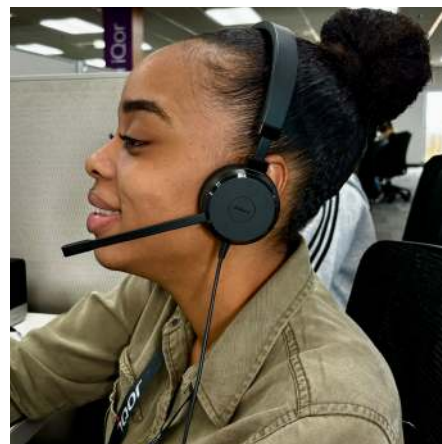
Barbados also notched an impressive level of favorability among US CX decision-makers. Barbados' rise in favorability in recent years owes to the human talent of its native-English-speaking population, for sure. But the island also enjoys a long tradition of stable democratic government, positioning it as a reliable destination for CX operators seeking a new location.



iQOR

As the largest business process outsourcer in Trinidad and Tobago, iQor offers customer engagement and technology-enabled services that deliver exceptional experiences for global brands from 40 sites across 10 countries.² For North American businesses seeking to enhance their customer experience while reducing service delivery costs, partnering with a seasoned BPO with nearshore capabilities in the Caribbean presents an unparalleled opportunity.

With nearly a decade of successful operations in Trinidad, iQor has established three state-of-the-art facilities in Wallerfield, Barataria, and Chaguanas, providing top-tier support for clients worldwide.



STRATEGIC ADVANTAGES OF TRINIDAD

Trinidad offers distinct advantages for BPO services, beginning with access to a highly educated and skilled workforce proficient in English—the country's official language—and well-versed in technology. This linguistic and technical proficiency ensures seamless communication with the North American market. Additionally, a significant Spanish-speaking population within Trinidad enables bilingual support.

The island's extensive, stable telecommunications and IT infrastructure bolsters iQor's ability to deliver high-quality BPO services. Trinidadian agents are well-equipped to manage complex customer interactions across digital channels, ensuring a smooth digital transformation journey for clients.

² iQor market share estimate according to InvestTT, September 2024.

Trinidad's strategic location in the Atlantic Time Zone aligns with Eastern Time for much of the year, rendering it an ideal nearshore destination for North American companies. The convenience of business visits from the U.S., lower operating costs, and a value-driven customer service culture, make Trinidad a cost-effective choice for outsourcing. Furthermore, the government of Trinidad and Tobago actively supports iQor and the BPO sector, providing services and resources such as InvestTT (the national investment promotion agency).

"iQor Trinidad stands out as a premier BPO location due to its exceptional talent and educated workforce, strategic nearshore location, and robust infrastructure. Our team in Trinidad embodies iQor's culture of inclusivity and excellence, consistently delivering high customer satisfaction scores and adapting with agility to meet evolving client needs. The dedicated support from the government and the country's alignment with the North American market further solidify Trinidad's position as a top-tier BPO destination. We are proud of the dynamic and scalable solutions our Trinidad operations provide, contributing significantly to iQor's global success," says Chris Crowley, President and CEO of iQor.



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Chris Crowley,
President and CEO of iQor

CUSTOMER SERVICE CULTURE

A key differentiator for iQor is its commitment to creating a positive work environment where happy employees drive brand experiences that allow companies to win, delight, and retain customers.

With 1,600 steady-state employees and the capacity to scale up by hiring an additional 1,200 to 2,000 during seasonal peaks, iQor offers flexible work options, including in-office and work-at-home opportunities. A dynamic virtual work environment enables employees to collaborate with colleagues worldwide, enhancing professional skills and fostering broader cultural understandings. Ongoing training, coaching, and leadership development programs further cultivate rewarding employee experiences and develop leaders from within.

iQor offers in-office employees a range of amenities, including game rooms, cafeterias, nursing rooms for new mothers, and prayer rooms at each site during Ramadan. This focus on building a strong workplace culture ensures employees have the support they need to thrive.



COMMITMENT TO COMMUNITY AND EMPLOYEE WELL-BEING



At iQor Trinidad, our skilled workforce brings a unique blend of capabilities and cultural insights to every customer interaction.

William Huggins,
Vice President of Operations and
Country Lead for iQor Trinidad

iQor's commitment to its employees extends into the communities surrounding its Trinidad facilities. The company supports various youth development initiatives and empowers individuals through education, sports, food drives, and environmental programs throughout the country. Through the iQor Qampus program, employees introduce secondary school students to customer service and business etiquette, preparing them for future success.

The iQor Qares nonprofit charitable organization provides assistance to iQor employees, their families, and their local communities facing financial hardship due to unforeseen circumstances. From medical expenses and end-of-life care to rebuilding after natural disasters and aiding those facing housing and food insecurity, iQor is dedicated to making a positive impact.

With an inclusive culture of diverse and talented employees trained to solve complex customer challenges, iQor Trinidad's team of CX experts stands as a trusted BPO partner, dedicated to elevating customer experiences and advancing business success for global brands.

"At iQor Trinidad, our skilled workforce brings a unique blend of capabilities and cultural insights to every customer interaction. Our facilities in Wallerfield, Barataria, and Chaguanas exemplify iQor's commitment to growth and excellence, offering flexible work arrangements and comprehensive training programs to support career development and client success," notes William Huggins, Vice President of Operations and Country Lead for iQor Trinidad.

Mexico tops the list of favored nearshore destinations, according to US decision-makers. Fundamentally, the country has unmatched strengths as a nearshore destination. Mexico is the largest Spanish-speaking country in the world, and it shares a nearly 2,000-mile border with the United States. So, when the US is the target market, Mexico offers unrivaled scalability for bilingual services and ease of access.

Mexico is not without its challenges. Concerns about crime remain a concern. In 2023, the strengthening peso led nearly all emerging market currencies in gains against the greenback. Water shortages have stymied firms' expansion plans in certain northern cities.³ Yet the country's core strengths remain intact. If anything, improving IT infrastructure has expanded the map of potential delivery points in Mexico.⁴ By one count, there are now 38 IT clusters in Mexico. Meanwhile, work-from-home delivery has become easier for many outsourcers of late, thanks to improving residential internet.



Latin America's other large BPO anchor market, Colombia, continues to suffer from a multi-year fall in favorability. While offering several viable cities for nearshore delivery, including Bogota, Medellin, Cali and Barranquilla, among others, Colombia's decline in the eyes of US-based CX decision-makers owes to perceptions of static delivery models.

Many operators in Colombia continue to rely on traditional BPO service delivery in voice and digital channels. Margins on these services have become wafer thin. There's also a growing sense that fewer English-speaking Colombians want a career in CX. Finally, a general investor wariness of leftist President Gustavo Petro, whose government has endured massive protests, also hurts the country's favorability.

LATIN AMERICA: MEXICO AND COLOMBIA



Bogota, Colombia

Source: Ryan Strategic Advisory, 2024
Front Office CX Omnibus Survey, p. 107.



³ See, for instance, "Mexico's Water Crisis is Spilling Over into Politics," *Americas Quarterly*, 14 Nov. 2023: <https://www.americasquarterly.org/article/mexicos-water-crisis-is-spilling-over-into-politics/>

⁴ "Mexico: IT Equipment and Services," *US International Trade Administration* (Nov. 2023): <https://www.trade.gov/country-commercial-guides/mexico-it-equipment-and-services>

LATIN AMERICA: CENTRAL AMERICA

In general, CX decision-makers in the US favor larger Spanish-speaking markets than those in Central America. Concerns about high crime, limited scalability, and a perceived lack of leading technologies in service delivery have soured the view of some buyers around Central America. A variety of outsourcers, investment promotion agencies, and other stakeholders have tried to change the narrative around these markets. But so far at least, enterprise CX decision-makers in the US remain unconvinced.

Honduras, El Salvador and Guatemala continue to record low favorability ratings in 2024. Concerns about small human talent pools, especially as it relates to English-language capacity, persist.



Managua, Nicaragua



While troubles persist, the region should not be written off. Private investment in Tegucigalpa and San Pedro Sula mean that Honduras has a unique offering: Well-run BPO sites, often in enclosed campuses or 'cities' that include university buildings, on-site healthcare and other amenities. And in Guatemala, improvements in residential internet have made towns like Antigua, once dominated by US tourists, a tranquil refuge for many work-from-home contact center agents.

Costa Rica, still a beacon of good governance and prosperity in Central America, has favorability ratings of 2.7, according to US CX decision-makers. This is well higher than most of its Spanish-speaking Central American neighbors.

CONCLUSIONS

In conclusion, outsourcers in Latin America and the Caribbean are navigating a multifaceted business environment influenced by economic pressures and technological advancements. As persistent inflation and wage growth in the United States drive companies to seek cost-effective solutions, the demand for outsourcing services is rising. US CX decision-makers are keen on expanding their outsourced capacities, recognizing the financial benefits of nearshoring.

However, this growing demand comes with evolving expectations. Traditional advantages such as English-Spanish bilingual capacity and labor arbitrage are now considered basic requirements. Modern enterprises seek partners that can enhance their digital capabilities, integrate advanced technologies like generative AI, and provide robust crisis management. These factors have become critical differentiators for outsourcers aiming to stay competitive.

Mexico continues to be a preferred nearshore destination due to its scalability and proximity to the US, despite challenges like crime and water shortages. Colombia, on the other hand, faces ongoing declining favorability. In the Caribbean, the concept of the Angloshore continues to gain traction, with countries like Guyana and Belize emerging as attractive outsourcing hubs due to their English-speaking populations and favorable business environments.

Central America faces hurdles, with negative perceptions of crime and scalability affecting its attractiveness. However, private investments in specific areas like Honduras and Guatemala show potential for improvement, particularly in well-managed BPO sites and enhanced residential internet services.

Overall, while challenges persist, the nearshore outsourcing market in Latin America and the Caribbean shows promise. By addressing evolving client expectations and leveraging their unique strengths, outsourcers in the region can maintain and even enhance their appeal to US enterprises, ensuring continued growth and success in a competitive global market.



San Salvador, El Salvador

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