



# What Does It Cost to Implement Business Process Outsourcing?

BPO is the outsourcing of business functions or processes, such as procurement, to a third party. In these contracts, the provider is responsible for performing and managing the outsourced function or process on behalf of the customer. To qualify under this definition, the provider must take overall responsibility for the business process and not just supply technological applications or services to facilitate the process.

## Expenses >>

### Assessment

Before organizations can outsource their business process, they must strategically assess why they want to do it and what part of their business processes need to be outsourced.

### Outside consultants to strategically assess the situation

\$25,000 - \$100,000

### Vendor-selection process

This involves deciding who you are going to use, what the schedule of events will include, and what process will be used. This step could take six to 12 months to complete.

### Outside consultants

\$100,000 - \$200,000

### Transitioning the work to the vendor

This process usually takes between six to 12 months, and the bill can be paid upfront or built into a long-term contract.

\$500,000 and up

### Contract management

The outsourcing process is not done when the contract is signed. Companies should expect to spend between 10 and 20 percent of the total contract cost on the management of the contract, including changes that will inevitably happen.

### Legal representation

Other costs to consider include the legal fees for contract review, which can vary based on company size, gross revenue, and the contract with legal representative.

## Cost Savings >>

### Overall savings after outsourcing

Companies may need to spend a significant amount of money on upfront costs, but they should be able to reap the benefits of a 25 to 50 percent total savings when the outsourcing is implemented.

Source: Global Service Consulting