



Inside the Leipzig office of Competence Call Center (CCC). Today, nine of their 22 international locations are based in Germany, Europe's biggest market, because of its progressive economic values and the innovation of its SMEs.

# Outsourcing 4.0

Driven by digitalization, the market for corporate services in Germany is growing. More corporations and SMEs than ever are outsourcing their business processes and many are choosing to operate customer-delivery centers directly from Germany.

## CUSTOMER FOCUS

### Outsourcing and shared services

Germany is **one of Europe's biggest business service markets**. The country is home to domestic and international captive service centers (wholly owned subsidiaries) and business service provider operations. **Optimal infrastructure, high productivity, advanced technology, and highly qualified personnel** make Germany an attractive location for service delivery in general. With nearly **7,000 contact centers** employing around 540,000 people, the service provider market has a **market volume of EUR 40 billion**. The volume of the business and IT service market has been **growing by 2.5 percent a year** since 2014, with demand for quality and high-value services growing particularly strongly.

Source: GTAI Fact Sheet Business Services in Germany

Today, thankfully, things are changing. “We train artificial intelligence (AI) to automatically take over click work from screen to screen,” he explains. “And suddenly we can reduce the processing time for the entire process by 80 percent. It only takes a few weeks to develop and train such an algorithm. “Without the company itself having to change its IT infrastructure, we, as a service provider, can accelerate its processes in customer service enormously and at the same time relieve our own employees of this click work and employ them in more demanding activities.”

Digitalization is becoming a great opportunity for business process outsourcers and shared service centers to position themselves as supporters and partners for companies

**A**sk **Thomas Güther**, managing director of outsourcing solutions provider Capita Europe, to list the biggest changes his industry is facing right now, and he answers with a scenario: “Imagine a classic customer service case in which a customer wants to switch electricity or telecommunications providers...” He describes a complex, and largely manually-controlled process that begins at the back end: data is forwarded from one “IT input screen” (a template to which inputted data must conform) to the next and is subject to various approvals. Many companies already outsource this process to service providers such as Capita. “The processing of a service case like this takes two to three weeks,” says Güther.



**»Without the company itself having to change its IT infrastructure, we as a service provider can use automation and artificial intelligence to accelerate its customer service processes enormously.«**

*Thomas Güther, Capita Europe*

in the era of digital transformation. This is because of the drive of corporations and small and medium-sized enterprises (SMEs) in Germany to offer their customers faster, more up-to-date digital services. “Many companies in Germany, however, lack the internal specialists and expertise to implement the necessary automation in the back office themselves,” says Stephan Fricke, board member and chairman of the advisory board of the German Outsourcing Association (see interview on page 8). “Many companies therefore use external service providers in the IT and back office areas.”

This trend is contributing to major changes across the German economy. Germany has primarily been known internationally for its industrial production. Its reputation as a

service location has rarely extended beyond its own borders. But B2B companies that offer services to corporate customers are now booming in the country – and opportunities for growth extend to their foreign providers.

#### **Now SMEs are outsourcing too**

The outsourcing of processes in the areas of human resources, accounting, IT, and customer care is no longer solely something for large corporations. Even SMEs, which typify Germany’s economy, are increasingly open to cooperation with external service providers, if only under certain conditions, explains Josefine Dutschmann, industry expert at GTAI. “German SMEs are often so-called ‘hidden champions’ – they are internationally very successful in their respective niches,

but at the same time they are also strongly anchored in their home market,” she says. “In order to win the trust of German corporate customers, it is therefore very important to have a local team that is familiar with the local market conditions.” That doesn’t necessarily mean that foreign providers of corporate services have to set up large local teams, or that they can’t offer services from foreign locations, “but at least one German-speaking sales team should be based locally if you want to be successful here, and ideally there is a German-speaking delivery center with specialists who are in close contact with corporate customers.”

A trend toward more flexibility in purchasing outsourcing services can be seen in both large and small companies in Germany. “Companies are increasingly looking for specialists for certain IT topics and process optimizations,” says Dutschmann. “This is a reaction to the acceleration of innovation and product development processes.”

#### **Local knowledge is key**

Thomas Güther of Capita Europe takes a similar view. The international outsourcing service provider, which is headquartered in London, took over the German business process service provider Avocis in 2015 in order to gain a foothold in the German market. “Capita was thus able to plug into existing customer relationships with large corporations and medium-sized companies and could depend on an experienced local team,” says Güther. This is of great strategic importance for foreign companies entering the German market: local

**»There is increasing demand for a combination of digital services and support from highly trained professionals.«**

*Thorsten Meyer, Competence Call Center (CCC)*

service providers help to build the necessary trust. “When choosing their service partners, German companies want to be sure that they are familiar with German peculiarities such as industry regulations and labor law,” he says. This is particularly true because service providers are increasingly becoming strategic partners in digitalization. “And digitalization projects can only be successfully implemented in Germany if the complex regulations of

German and European data protection and labor law, for example, are observed very carefully,” he says.

Capita’s services in Germany focus on customer experience. “In this area, many companies are currently looking for innovation partners who can help them offer contemporary customer service across all communication channels and can advise them on the potential of new technological possibilities such as

artificial intelligence and robotics in customer service,” says Güther.

Only when local customer-facing teams are integrated into an international team of specialists can providers of corporate services be successful in the German market, explains Thorsten Meyer, director of German call centers at the Austrian service provider Competence Call Center (CCC). CCC has been active in the German market for 18 years.



FACTS & FIGURES

## Outsourcing in Germany

**80%**

of German **contact centers** are in-house, with the remaining 20% in the hands of service providers.<sup>1)</sup>

**€21bn**

Turnover generated by the 7,000 **call centers** in Germany, which employ around 540,000 people.<sup>1)</sup>

**50%**

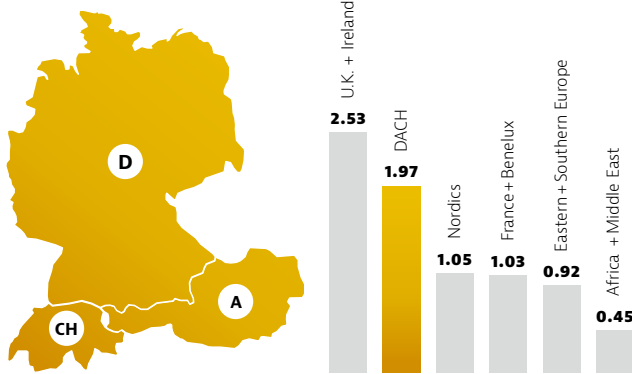
of contact centers are **active in** the financial services, telecommunications, and IT sectors.<sup>1)</sup>

**2.5%**

**Annual growth rate** of the business and IT service market in Germany since 2014

### DACH: a competitive business location

The German-speaking region (Germany/Austria/Switzerland or DACH) is one of the most important outsourcing markets in the EMEA region.<sup>4)</sup>



Outsourcing volume in EMEA in 2018 (in €bn)

### Real estate costs in Germany are affordable

Office rental prices in German cities (EUR per square meter)<sup>2)</sup>

City	Good/Very Good	Medium	Basic
Berlin	18.00–32.50	11.00	8.00
Dortmund	9.80	7.80	5.70
Hamburg	16.00–26.00	10.90	7.50
Hannover	11.50–16.50	8.00	6.50
Magdeburg	7.00–12.25	5.80	3.80
Nuremberg	11.03	8.76	6.88
Saarbrücken	11.00	7.00	6.00

### Customer experience and BPO are core services

Service provider core activities (top answers)<sup>3)</sup>



Inbound calls **80%**



Outbound calls **75%**



Email management **75%**



BPO **70%**



Complaints **67%**



Social media **65%**

1) Source: GTAI Fact Sheet Business Centers in Germany 2018; 2) Source: IVD-Gewerbe-Preispiegel 2018/2019; Note: without ancillary costs; 3) Source: Call Center Profi 2018; multiple responses possible; 4) Source: ISG Index 2019



*Stephan Fricke,  
German Outsourcing Association*

## »Process automation is still both a curse and a blessing.«

The digitalization of business services presents companies with significant challenges. Stephan Fricke, board member and chairman of the advisory board of the German Outsourcing Association, talks to *Markets Germany* about chatbots, changing job profiles, and the opportunities automation brings.

**Mr. Fricke, digitalization, new technologies, and concepts like robotic process automation have a big impact on how companies handle their day-to-day operations now and in the future. What's your assessment of these developments?**

Process automation in the back office is still both a curse and a blessing at the moment. A curse because there's a lack of specialists who can develop, implement and maintain such solutions. A blessing because this can lead to considerable savings and unprecedented flexibility.

**What will be the consequences? For example, will we see a reduction in the workforce in the coming years?**

This is a question that many managers are asking themselves today. The professional world and job profiles are seeing fundamental changes. This is nothing new. We need both specialists who understand, for example, the profession and activities of an accountant and also robots that ultimately carry out these activities. This requires not just a few highly specialized experts, but a large number of people.

**Speaking of robots, chatbots are very popular in customer service operations today. Is this type of automation becoming standard?**

The real potential for automation lies less in customer communication than in in-house departments and shared service center and business process outsourcing operations. Chatbots are by no means the best solution for direct customer communication. Rather, I see their potential, for instance, in data management, financial processes and documentation. This is because automation generally creates more quality, shortens processing times, is more flexible, and therefore also offers immense potential for savings.

**Manfred Stockmann, president of the German Call Center Association for many years, has said, "Contact centers as they exist today will not be needed anymore in the year 2025." Do you concur with that statement?**

I absolutely agree with Mr. Stockmann here. Some time ago, "contact centers" were still called "call centers." An interesting detail that couldn't better express the changes across the industry. The people who years ago handled customer contact exclusively over the telephone now use all available channels. This development will certainly continue. Nevertheless, I think in many cases person-to-person communication is irreplaceable.

"How can I help you?"  
Chatbots are by no means  
the best solution for direct  
customer communication,  
according to Stephan Fricke.



**»International service providers need at least a small, preferably German-speaking local delivery center with specialists who are in close contact with corporate customers, if they want to be successful here.«**

*Dr. Josefine Dutschmann, GTAI*

→ The Austrian company established its first location in Berlin in 2001. Today, nine out of 22 of their international locations are based in Germany. “Germany is the most important European market for us, because of the innovative strength of the local companies and the overall very progressive economic structure, which also attracts many foreign companies wanting to gain customers here,” says Meyer.

#### Mixing AI and human intelligence

Services in the social media domain are currently just as much in demand in the German market as automation solutions. “There is increasing demand for a combination of digital services and support from highly-trained specialists,” explains Meyer. Simple services should be delivered quickly and efficiently using robotics and AI solutions. At the same time, emotional and complex customer enquiries should end up with customer advisors. High-quality consulting is important because when it comes to customer service, German consumers have particularly high expectations and can easily become resentful. That is the result of a recent study by Zendesk, a customer service platform provider, focusing on the interaction between customer service operatives and consumers in Germany, Great Britain, and France. Not only do 81 percent of respondents in Germany remember bad customer service experiences a year or more in the past, they also tell others about those experiences.

#### FACTS & FIGURES

# €40bn

Total value of the market for business services provision in Germany.

# 7,000

Number of contact service centers based in Germany, all of which benefit from local knowledge.

# 540k

Number of people employed in the call center market in Germany.

Sources: Zendesk and GTAI

Despite rising expectations, the outsourcing industry is still very cost-driven. “The access to skilled labor is crucial for our choice of location in Germany,” says Meyer. “The skilled labor situation in Germany is tense. Today it is hardly possible to build up a large location with 1,000 people. We therefore tend to focus on decentralized, smaller, distributed locations with two or three hundred employees in towns with good transport connections. In addition to Berlin, the leading examples are Leipzig, Dresden, Essen, Dortmund, and Aachen.”

#### Pathway to success

The advantage of this decentralized location strategy is that the provider is able to be close to company locations and economic centers in Germany (which are also very decentralized) and therefore establish good proximity to the customer.

Adapting to the needs of the dispersed, medium-sized economic structure of Germany, positioning as a partner even for highly-complex outsourcing projects, and setting up an experienced local team with local knowledge: these are the three strategies for success that foreign providers of corporate services should follow when entering the German market.



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# Global Going Local

TMF Group is a global professional services company that helps international companies set up businesses in new markets. *Markets Germany* talks to the managing director of TMF Germany, Ursula Rutovitz, about the current trends in the German market.

**U**rsula Rutovitz is an expert in helping foreign corporations to set up company locations in Germany. Rutovitz, a lawyer by profession in both U.S. and German law, has been working in this capacity for the TMF Group for 19 years – in fact, her employer was her first case. “When TMF entered the German market, I set up the first branch in Frankfurt/Main – my good knowledge of local legal and economic structures and my international work experience helped me to do this,” recalls Rutovitz, who is managing director of TMF Germany.

This combination of international networking and local market knowledge is at the heart of TMF’s business model. Or as their website puts it, “We believe that the only way to be truly ‘global’ is to put local first.” The Group has a team of 7,000 in-country experts operating in 83 countries (across 125 offices) to help businesses of all sizes succeed in new territories and be compliant with local and international regulations. At the last count, TMF had 15,000 clients worldwide.

Rutovitz explains the focus of the German offices: “We open up the local headquarters for companies wishing to enter the German market, handle the entire bureaucratic process of setting up a company, establish con-

## SETTING UP IN GERMANY

# €10bn

Value of the global market for provision of compliance and administrative services

### TMF Group: a truly international player

TMF Group is a global professional services company employing more than 7,000 in-country experts across 83 jurisdictions worldwide. Headquartered in Amsterdam, TMF Group helps its clients operate internationally by ensuring they are properly set up to do business in any country and compliant with local and international regulations. The firm’s work includes helping companies of all sizes with business services including HR and payroll, accounting and tax, corporate secretarial, global governance and administration, and fiduciary services for capital markets, private clients, private equity, and real estate investments.

TMF Group has been active in Germany since 2001 and has 60 employees based at its two offices in Munich and Frankfurt/Main (Germany’s most important financial services location).

tacts with the authorities, and set up all back office services such as accounting and reporting, HR and payroll administration, tax and legal compliance services on site.”

### Challenges for foreign companies

For foreign companies wanting to enter in the German market, these formal bureaucratic prerequisites are one of the biggest initial challenges. “The requirements of German and European law for financial transparency, reporting and data protection are very high,” says Rutovitz. “If you want to find business partners in Germany, you have to have the relevant processes under control right from the start. Then the strict German bureaucracy becomes an advantage: “The bureaucratic processes and regulations in Germany are very reliable and predictable. This gives companies planning security.”

Because Germany is such a stable base for launching a business in Europe, TMF Germany has seen rising demand from foreign enterprises that want to gain a foothold in the German market, reports Rutovitz. The growing and innovative German economy is attracting many enterprises from the U.S., Asia and other regions. “The demand for our services is high at present – HR and payroll in

particular, and also bookkeeping and corporate secretarial services. Because of the Brexit situation, we find that it is mainly financial sector businesses that want to develop locations in Germany.” The demand for professional services and for support for developing growth in Germany is also strong. “International companies are looking for partners who can highlight the special features of the market, who are up to date with current legal and technological developments, and who can point out risks and opportunities.”

In addition to the Frankfurt office, TMF set up an office in Munich six years ago. “Just like in Frankfurt, there are many large corporations and successful medium-sized



**»Germany is an attractive market and offers companies great opportunities.«**

*Ursula Rutovitz,  
managing director, TMF Germany*

companies from various sectors as well as private equity companies based there,” says Rutovitz. Another critical factor influencing choice of location is workforce: Frankfurt and Munich offer a large pool of well-trained specialists within close proximity. As the process of digitalization demands ever more complex and sophisticated services, it is important to have access to technically qualified and multilingual specialists. “Germany is an attractive market that offers enterprises great chances,” summarizes Rutovitz. And since TMF Germany is part of a wholly-owned global group, it can help its clients to do business seamlessly across borders from the stable hub of Germany.



## *Frankfurt: a fine location*

The economic center of the FrankfurtRheinMain region, Frankfurt/Main is home to some 43,000 companies and generates most of the employment for the region (650,000 jobs). While it is famous as a financial hub, it is also home to many key target industries: the creative industries, IT and telecommunications, life science and logistics, and industrial production. Its superb infrastructure, transport and proximity to institutions and educational facilities add to its attractiveness as a location.