



Nearshore outsourcing: The ultimate guide



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A successful customer service outsourcing project begins with selecting appropriate strategy based on the organization's needs. Our comprehensive nearshore outsourcing guide is here to help you decide if a nearshore BPO is suitable for your requirements.

Looking to enhance your operational efficiency while minimizing costs and maximizing collaboration? Then nearshore outsourcing is the move for you. Unlike [offshore outsourcing](#), nearshore outsourcing offers the advantages of proximity and cultural affinity, with organizations delegating specific business functions to external partners in nearby countries. This practice represents an easy back-office tasks solution, as these neighboring countries share a similar time zone, language, and, often, overlapping work hours.

This type of outsourcing offers companies an alternative to offshoring and onshoring. It fosters seamless communication and effective collaboration, thus promoting better alignment between the client and the outsourcing team.

Nearshore outsourcing has become a viable option for both international and American companies to achieve a competitive advantage in today's interconnected global market.

Key Takeaways

The global outsourcing market will continue to grow as the demand for outsourcing software development is on the rise.

Nearshore outsourcing offers proximity and cultural affinity, enabling easier travel, face-to-face meetings, and smoother communication.

Nearshore outsourcing provides access to a skilled workforce at a cost-effective price, allowing businesses to tap into specialized skills and knowledge.

Nearshore outsourcing allows for better management opportunities, with closer oversight and effective project control.

Nearshore outsourcing offers scalability, flexibility, and cost savings.

What is nearshore outsourcing

Nearshore outsourcing is a business strategy in which organizations contract with service providers located in countries that are geographically close to them. Specifically in the same time zone as organization's customers.

Nearshore outsourcing can help companies save money on labor costs, reduce travel expenses, scale quickly and efficiently as well as increase the speed of communication and customer satisfaction.

This is a chapter in our Ultimate Guide to Customer Service Outsourcing. When you're ready, check out the other chapters

Chapter 1: [Customer Service Outsourcing: Introduction to BPO](#)

Chapter 2: [Should Your Organization Outsource Customer Service?](#)

Chapter 3: [Nearshore Outsourcing Strategy](#)

Chapter 4: [Offshore Outsourcing Strategy](#)

Chapter 5: [Onshore Outsourcing strategy](#)

Chapter 6: [Hybrid Outsourcing Strategy](#)

Chapter 7: [Insourcing Strategy](#)

Chapter 8: [Best Customer Service Outsourcing Companies](#)

Chapter 9: [Managing remote workforce](#)

Chapter 10: [Abridged Guide to Outsourcing Customer Service](#)

Chapter 11: [Outsourcing Customer Service: 10 Best Practices](#)

Chapter 12: [Customer experience strategy](#)

Chapter 13: [Customer Service Outsourcing Contracts: Ultimate guide](#)

Chapter 14: [When to end customer service outsourcing and bring projects back in-house?](#)

The Rise of Nearshore Outsourcing

Nearshore outsourcing is growing because it offers many advantages over other methods of outsourcing. For example, it allows companies to access expertise from outside their own local labor market, reducing costs and minimizing time zone differences. Nearshore outsourcing also allows companies to benefit from the cultural similarities between countries, reducing the challenges of working with people from a different culture and allowing for smoother collaboration. Finally, nearshore outsourcing reduces the need to ship products and goods across long distances, which can often be costly and time consuming.

With outsourcing software development on the rise, the global outsourcing market has flourished into a billion-dollar market. It was valued at [\\$261.9 billion](#) in 2022 and is expected to grow by [\\$40.16 billion](#) by 2025.

This growth makes nearshore outsourcing a compelling option for companies outsourcing their software development.

The benefits of nearshore outsourcing



Businesses are shifting toward this innovative outsourcing approach as it offers many [strategic advantages](#). Here are some crucial benefits of nearshore outsourcing to ponder:

Proximity and Time-Zone Alignment

Nearshore outsourcing offers the advantage of being geographically close to your outsourcing partner. Even with slight time differences, this proximity allows for easier travel, on-site visits, and face-to-face meetings. Nearshore locations often share similar time zone compatibility, ensuring smoother communication and project coordination while still remaining close to their company's home country.

Cultural and Language Affinity

Nearshore outsourcing often involves partnering with teams in different countries that share cultural similarities and a common language. This cultural closeness promotes better understanding, smoother communication, and fewer language barriers. It facilitates effective collaboration, reduces the risk of miscommunication, and enhances the project outcome.

Better Management Opportunities

You have the opportunity to maintain better oversight and control over your projects. The geographical proximity and cultural affinity encourage regular communication, progress tracking, and collaborative decision-making. This leads to more-effective project management and alignment with your business objectives.

Enhanced Collaboration and Communication

Nearshore outsourcing enhances collaboration and communication between the client and the outsourcing team. Proximity and cultural relativity make it easier to build rapport, establish trust, and foster a collective working environment. With fewer communication barriers and time-zone differences, you'll find that real-time discussions, feedback, and problem-solving become more seamless and efficient. This leads to successful projects and a stronger partnership between both parties.

Skilled Workforce

Nearshore locations often offer access to a pool of highly skilled professionals with expertise in various domains, including software development. By outsourcing nearshore, you can tap into this talent pool and benefit from its specialized skills and knowledge, establishing high-quality deliverables and innovative solutions.

Better Scalability

Flexible and scalable team arrangements are permitted with nearshore outsourcing. You can easily adjust the size of your outsourced team based on project requirements, securing optimal resource allocation and cost-efficiency

while maintaining agility in response to changing business needs. Both your local and outside teams will be better managed as a result.

Cost Savings and Competitive Pricing

Compared to onshore alternatives, nearshore outsourcing offers cost savings due to lower labor costs and operational costs. Competitive pricing among nearshore service providers allows access to affordable, high-quality nearshoring services. This minimizes overhead costs and results in a more cost-effective engagement for your business.

The unique benefits of nearshore outsourcing are paving the way for long-term success and growth in a globalized world.

Challenges of Nearshore Outsourcing

Although nearshore outsourcing offers many strategic benefits, that doesn't mean there aren't challenges to mull over. Here are some [common outsourcing hurdles](#) you may encounter and effective solutions to conquer them:

Substandard Communication, Collaboration, and Coordination

Effective communication and real-time collaboration are vital for successful client–outsourcer relationships, especially when working remotely. To mitigate risks, both parties should establish clear systems and benchmarks. The COVID-19 pandemic has emphasized the importance of strong communication in remote teams, benefiting organizations with existing outsourcing relationships. The growing trend of remote work is expected to further benefit nearshore outsourcing.

Loss of Control

Managers in a client organization may feel less control over projects when work is outsourced. This is linked to communication, collaboration, and coordination. If these aspects aren't properly established, it can increase managers feeling that loss of control with clients. This can be minimized if effective communication, collaboration, and coordination are maintained.

Ensuring Data Security and Intellectual Property Protection

Data security and intellectual property protection are key concerns when engaging in nearshore outsourcing. While there may be risks associated with granting access to sensitive information to external partners, similar risks also exist with in-house employees. It's important to establish strict security protocols, including employee vetting, secure storage and communication of login details, and guidelines for using portable devices. These security measures can help safeguard your data and customer data while protecting your valuable intellectual property.

Us-and-Them Mentality

Introducing outsourced resources without proper management can create an "us-and-them" mentality among in-house employees. This is especially true when previously in-house roles are outsourced, potentially resulting in job losses and eroding trust within the organization. Transparent communication, reassurance, and security measures are needed to address this. Selecting a reliable nearshore outsourcing provider helps manage these risks.

You can avoid these challenges and any other significant drawbacks by having experienced specialists on hand whose focus is seeking solutions.

Popular Nearshore Outsourcing Locations

With a recent increase in remote work, outsourcing IT development to nearshore and offshore destinations will continue to grow. As a result of this growth, several new markets have emerged as highly popular destinations due to their favorable business environments, skilled talent pools, and proximity to client organizations.

Nearshore outsourcing is embraced by a diverse range of countries, including those in Latin America and Eastern Europe, as well as countries close to America. Some of the most [popular locations](#) for nearshore outsourcing include the following:

- Brazil
- Mexico
- Argentina
- Colombia
- Chile
- Ukraine
- Poland
- Romania
- Serbia

Factors to Consider in Nearshore Outsourcing Decision-Making

It's important to consider several factors when deciding if nearshore outsourcing is right for you and when choosing nearshore outsourcing partners. [Forbes](#) suggests being as specific as possible when considering these factors:

1. **Global Talent Pool and Skillset Availability:** Assess the availability of skilled professionals and the depth of talent in the nearshore location to corroborate alignment with your business needs and objectives.
2. **Political and Economic Stability:** Evaluate the political and economic stability of the nearshore country to minimize potential disruptions and risks to your outsourcing operations.
3. **Legal and Intellectual Property Protection:** Understand the legal framework and intellectual property protection laws in the nearshore location, making sure they align with your organization's standards and provide adequate safeguards for your sensitive information and innovations.
4. **Infrastructure and Technological Advancement:** Evaluate the quality of infrastructure, including reliable connectivity, powerful IT systems, and technological advancement in the nearshore location, to ensure smooth collaboration and effective execution of outsourced projects.

If used wisely, nearshore outsourcing can be highly beneficial for business operations and customer satisfaction. It's essential to work with contracting organizations that are on the same page as you.

Best Practices for Successful Nearshore Outsourcing Partnerships

To create [successful nearshore outsourcing partnerships](#), follow these best practices:

1. **Clear Communication and Expectation Setting:** Establish open and transparent channels of communication, clearly define project requirements, deliverables, and timelines, and ensure that all parties have a shared understanding of expectations.
2. **Establishing Effective Project Management:** Implement project management practices, assign clear roles and responsibilities, set up regular progress updates, and utilize collaboration tools to guarantee smooth coordination and efficient workflow.
3. **Building Trust and Cultural Understanding:** Invest time and effort in building relationships based on trust, foster mutual understanding of cultural nuances, and promote effective cross-cultural communication to bridge any potential gaps or cultural barriers.
4. **Regular Site Visits and Team Integration:** Arrange periodic visits to the nearshore location for face-to-face interactions, team-building activities, and fostering a sense of integration between onshore and nearshore teams, promoting a cohesive working environment.
5. **Mitigating Risks and Ensuring Data Security:** Carry out vigorous risk management strategies, conduct thorough due diligence on nearshore partners, apply data security measures, and certify compliance with relevant regulations to safeguard sensitive information and protect intellectual property.

Following best practices in nearshore outsourcing drives success by utilizing global talent, maximizing efficiency, and fostering fruitful collaborations for business growth.

Successful Nearshore Outsourcing Examples

Outsourcing has allowed various enterprises to develop quickly and increase their business value. Companies like [DoorDash](#), [Cisco](#) and [Uber](#) are a few of the companies effectively leveraging outsourcing. Let's take a look at how these companies have been successful in the nearshore outsourcing process:

- **DoorDash** is a food delivery services provider, that connects merchants and consumers through its platform. Consumers can place customized on-demand food orders and door-to-door delivery services, through web or mobile applications. Some of the [customer support](#) responsibilities include handling three main channels for DoorDash's customers, partner merchants, and dashers worldwide. These three channels are: Inbound, Chat and Emails. The customer support team is also responsible for resolving matters such as driver issues, troubleshooting, payments and account questions.
- **Cisco** is a leading networking company that manufactures networking equipment and software. The company connects industries and communities with networking security, collaboration, cloud management, and more. By improving contact center management and support, Cisco has been able to [reduce outsourcing costs](#). The calls are intelligently routed before Cisco receives them. Implementing this new solution has brought many benefits.
- **Uber** is a ridesharing company that allows passengers to hail rides and hires independent contractors as drivers, who can then charge fares and get paid. The customer support representatives are responsible for organizing trips for customers, and handling inbound calls from customers and third parties. The decision to [overhaul driver support systems](#), has helped drivers receive quicker fare fixes and has protected

drivers from bad ratings stemming from things that are out of their control.

Examining [nearshore outsourcing case studies](#) is the best way to learn how nearshore project management works across different industries. From there, you have to figure out what type of talent, resources, and specialized services your own business lacks. Determine which things will help your company succeed and guarantee customer support from your clients. Then, you need to master how and when to start outsourcing.

Nearshore outsourcing cost

Nearshore outsourcing costs are determined by the location, the specific project, and the number of hours worked. The cost of nearshore labor is typically much lower than domestic labor and can provide a cost advantage to any company looking to outsource certain services. Generally speaking nearshore labor will be 20-50% lower than hiring domestic.

Location is an important factor in determining the cost of nearshore outsourcing. Labor costs can vary greatly from country to country, so it's important to research the labor costs in the target region to determine the best value for money. The size and scope of the project will also influence the cost of nearshore outsourcing. In general, larger-scale projects tend to have higher associated costs. Lastly, the number of hours worked will also affect the total cost. Companies should consider the cost of hiring a nearshore team for a specific number of days as well as the possibility of overtime to ensure all project requirements are met.

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Thoughts on Nearshore Outsourcing

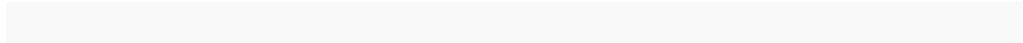
- *When offshoring or nearshoring a customer-facing role, the most important thing to think about is customer experience, and that mostly comes down to communication. Does the worker speak the customer's language with a high degree of competence and clarity? Do they understand common nuances and idioms used by native speakers? If so, your customers will probably be happy.*
- *Too often executives only think about cost savings, especially in economically-challenging times like we're currently experiencing. In that case, they may pick the cheapest offshore provider with little consideration for quality, which is short-sighted. It may deliver a quick win to performance targets, but if it diminishes your NPS and customer retention, it's a bad decision for the health and sustainability of the business. When offshoring customer-facing roles, quality communication is the name of the game.*
- *The great thing about nearshoring is you can still save a lot of money while accessing workers who typically share many cultural similarities with your customers. For example, U.S. companies often nearshore in Mexico, where labor is much more affordable, English is fairly common, and there are substantial cultural links between the two countries. And if*

executives need to troubleshoot something on-site, they can get there in a matter of hours. It may not be the cheapest option, but provided you find a good vendor, it represents a great blend of cost-efficiency and quality.

- *One of the most interesting developments from the remote work revolution precipitated by COVID is that some companies have started onshoring in other states, but in a way that functions like nearshoring. For example, businesses in high-cost cities like New York, Los Angeles, or Chicago that historically required on-site teams have started working with agents or call centers in the Midwest. This yields near-100% equivalent quality at often half the labor cost.*

Conclusion: Harnessing the Power of Nearshore Outsourcing for Business Success

If you're considering using nearshore outsourcing as a way to benefit your business, it can be a pivotal strategy for producing quality work and customer service. This will be vital to the customer experience overall. Your company can tap into cost-effective proximity, cultural compatibility, and streamlined communication. Let's not forget about access to the development of new technologies. Business leaders will see you as a reliable partner, and customer satisfaction will be through the roof. Embracing nearshore outsourcing gives you a competitive edge in a dynamic global marketplace.





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