



# Articles

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# Primary Differences between KPO and BPO

Knowledge Process Outsourcing (KPO) and Business Process Outsourcing (BPO) are the two principal sparkling colors of the outsourcing prism. By basic nature both of these are similar. In today's highly globalized scenario, KPO and BPO have added a fresh paradigm to cost curtailment. Organizations cutting across industry lines bank on these workhorses to mitigate burgeoning costs and concentrate on their core competencies.

In simple terms, BPO is nothing but entrusting or assigning particular business activities or processes like customer service, finance and accounting, etc., to third-party service providers. Though the delegated processes do not constitute the nub of the delegating business entity but are crucial for its functioning. When the concept of BPO gained currency, it was primarily restricted to manufacturing industry. KPO is concerned with the delegation of information management related functions to qualified external agencies. Now let's have a quick look at some of the obvious dissimilarities between KPO and BPO.

## Gamut of Services Offered

A host of services is offered by both KPO and BPO. Apart from the rudimentary call center activities, other services offered by BPO include tele-marketing, credit card processing, securities processing, insurance policy underwriting and claims management, payment processing, operating inbound and outbound contact centers for managing customer queries, etc. The KPO universe encompasses services like data-mining, legal transcription, content development and publishing services, equity research, portfolio pricing, customer analytics, product engineering, marketing analytics, etc.

## Domain Specific Specialization

Domain specific expertise is a prerequisite for the KPO employees as it involves a lot of analysis and research. People having professional degrees like MBA, CFA, specialized engineering, medical degrees, etc., are apt to discharge the high-end KPO jobs. On the other hand, to join a BPO firm a person only needs good communication skills and elementary computer proficiency – rest of the job requirements can be taught easily while on job. KPO sets its sight on the application of masterly knowledge whereas BPO drains all its energy on standardized business procedures.

## Complexity of Work

KPO is the logical extension or a notch higher than BPO as far as the accompanying intricacies are concerned. Tasks executed by BPO companies are simpler in comparison to the ones performed by KPO organizations, as KPO is more or less related to research and analytics, it is complex in nature.

## Income Generation Capacity

The KPO sector has proved to be beneficial for emerging economies like India, China, Philippines, etc., because of its high income or revenue generating capability. The billing rate in KPO is almost double that of BPO. This has contributed in a big way to the roaring

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success of newer KPO hotspots in the developing world. Developing world also has a vast pool of qualified resources that are a good fit for KPO jobs.

## Primary Risks and Challenges

Every activity under the sun has its own share of problems and pitfalls, and so does the KPO and BPO sectors. As the business environment is always volatile, KPO and BPO sectors have to devise strategies to weather any potential issue. At present the major problems faced by KPO units are lack of manpower with required skills, fear of data theft, intellectual property issues, country specific regulatory loopholes, etc. Problems plaguing the BPO sector are high attrition rate, wage inflation, over dependence on process, and more.

## Focus

Focus of KPO and BPO service providers is as different as chalk and cheese. While KPO focuses on knowledge arbitrage, BPO zeroes in on cost arbitrage. KPO also brings in additional business value to the outsourcing company, while a BPO firm only completes non-core business activities.

In case you are planning to setup a BPO or KPO, and have any query, feel free to contact experts at [Outsource2india](https://www.outsource2india.com).