

Considerations for Outsourcing

Chris Luxford, Director – Contact Centre Technology Practice, 3D Networks

Save 90% of your operational labour costs !!!

Improve your bottom line ten fold !!!

Dramatically reduce the cost of non core functions !!

“Offshore outsourcing is just one small part of a (US)\$5 trillion global outsourcing market. This market is growing by more than 15 percent per year, and the offshore component is certainly among the fastest growing”

Michael Corbett, president and CEO of New York-based Michael F. Corbett & Associates

We've all heard and seen the headlines of the massive potential costs savings associated with outsourcing, particularly off shoring to locations like India and the Philippines. This paper looks at the key considerations for investigating your outsourcing options. Our review looks primarily at customer contact centre outsourcing. However, many of the points raised will also be relevant for business process outsourcing also.

Concerns

Outsourcing customer contact raises many valid concerns:

- *“Will I lose control of my customer?”*
- *“How do I ensure my customers are treated as we want them to be?”*
- *“Can I ensure the quality of the interaction?”*
- *“What if my customers aren't happy being answered in India?”*

Today, most outsourced activity is outbound and sales or collections focused. However in the past 12-18 months, a shift towards higher value inbound call / contact answering is taking place. This is being driven by the quality and professionalism of the offshore contact centres, now rivalling in both technology facilities and processes with some of the best contact centres in the world.

Considering outsourcing is a question of risk and comfort. We will explore these through a range of considerations.

Definitions

Lets start with a few definitions;

- **In-house**
 - A contact centre owned and operated by a company for the purpose of serving their own customers – in the LOCAL market
- **Outsourced**
 - A contact centre that is owned by a 3rd party and provides services for other organisations
 - This comes in variations of “offshore” (described below) and “Onshore” or “Home shore” which mean within the same country.
- **Captive**
 - A contact centre owned and operated by a company for the purpose of serving their own customers – but the location is OFFSHORE
- **Offshore**
 - A contact centre (in-house or Outsourced) that provides services to other countries, generally a significant time zone difference and different common language / culture
- **Near shore**
 - A contact centre (in-house or offshore) that provides services to other countries generally these countries are close by with similar cultures and spoken languages

5-point plan for considering Outsourcing

1. WHY Outsource?

Outsourcing can be driven by many different business activities. Some of the areas to investigate as possible drivers for your business include, but are not limited to:

- Strategic drivers
 - Competitive challenges
 - Profit / cost management
 - Differentiation
- Lower cost
- Improve performance
- Reduce management overhead
- Not our core competency
- Manage fluctuation of volume more effectively
- Handle spikes
- Improve quality
- Access large skills / labour pool
- Generate new business
- Segment customer interaction

Critically each area should be considered within the scope of your existing business and customer strategy

2. WHAT can you change internally?

Before you outsource, is there something you can do internally - be it process, resource allocation or technology that could meet your drivers investigated above. Outsourcing is not without its challenges and as such if the outcomes can be achieved internally, this may provide a more viable alternative

3. UNDERSTAND your outsourcing options?

There are many types of outsourcing options. These include different call / customer contact types, different commercial and financial options, different SLAs and business models. You need to understand what is out there and which ones would add value against your strategic and operational requirements. Some considerations include:

- References, capability, scalability, SLAs, technology platform, business strategy, thought leadership of the outsourcer
- What should be outsourced? Transactional or higher value? And why?
- Financial and commercial models, and are they pay-for-performance or flat fee?
- Location – onshore, near shore, offshore
- Understand what your investment will be in training, people, integration etc.

4. ASSESS the impact to your business

Outsourcing has a variety of environmental impacts on various stakeholders. You must consider and investigate these and understand the potential risk associated.

The 3 primary areas for consideration are:

- Customers – will they be happy that calls are outsourced / off shored or will they be upset by this?
- Shareholders – will they embrace this or see it as a negative move and against the company strategy?
- Local market – how does this affect your current locations? Will they view this negatively as jobs going offshore or will they embrace it?

Many of these considerations weigh up the profitability of the organisation versus the social responsibilities and customer emotions. These are serious considerations and will be much greater for some organisations like governments and local employers.

5. COMMERCIAL considerations

Outsourcing can be very cost effective. But cheap doesn't always mean quality. The commercial model is very important and you need to ensure you are getting what you pay for. Moreover call handling is a non-linear resourced model and SLA driven. As such, performance is a variable that is best driven around call forecasts, call handling time and desired and achieved service levels. As such traditional call based outsourcing models worked on man-hour or flat fee call based rates. However these rarely delivered a pay for performance outcome.

In your considerations around outsourcing you need to explore the commercial model. Elements you should be looking for as a minimum include:

- Pay for performance that is risk / reward based. That is you pay less when service levels are not achieved, likewise it is linked to accuracy of forecasts
- Linkage of commercial model to management and account responsibility
- Combined models that use different structures for different activities, yet still performance based
- Predictability so costs and performance can be accurately forecast and planned in budgets

3 Key Decision Criteria

Now you have a 5-point assessment plan, it is important to weigh these considerations against three key decision criteria. Having collected information in of the 5 areas above, review each one against;

A. IMPACT

If you outsourced based on any of the information collected, would you negatively impact any area of your business performance, shareholder or

employee perceptions and profitability? If yes, do the subsequent positive benefits outweigh the negatives?

B. CHANGE

If you outsourced based on any of the information collected, would you receive a fundamental change in your business performance or profitability? Would it enable a different cost structure, improved revenues, ability to improve process performance or quality of output? Change is something you must see as a critical outcome

C. RISK

Using the information collected are you able to identify an outsource model (on or off shore, in-house or not) that aligns with your level of comfort around risk?

The risk factors to be reviewed include, but are not limited to;

- Ability to interact with outsourcer
- Commercial model – investment versus return
- Quality and references of outsourcer
- Shareholder, employee and customer perceptions (social and performance)
- Management capability
- Cost or process improvement
- Change management – what will it really take to transition, can the organisation invest the required people / bandwidth

9 steps to manage the process

Once you have decided to outsource and you are comfortable with the risk versus the returns there are a number of steps you can take to manage the process. Here are 9 steps that you can use as a guide. Whilst some are obvious, the importance

here is that by following these steps you can more effectively manage the initial transition:

1. Go to RFP
 - o Full disclosure is important, it helps get the best responses
 - o Go to only those that meet your "assessment criteria"
2. Build a "risk and reward" commercial model built around Grade of Service, Customer satisfaction, process and skills metrics (a full balanced scorecard)
 - o Ensures responsibilities on both sides are clear and accountable
 - o It provides a "pay for performance" outcome
3. Ensure senior high level business relationship managers are in place and dedicated from day 1
4. Spend time with the outsourcer and ensure they spend time with you (onsite) reviewing call flows
5. Make it a strategic relationship – they have to know your strategy in depth and must feel as a proactive part of that
6. Look to move up the value chain.....not just price / labour arbitrage, there is no value or quality in that, ensure the outsourcer is adding value to your customer interaction
7. Conduct regular reviews
8. Have an exit strategy. Too many organisations lock themselves into one provider and cannot exit
9. Have an employee management process in place from day 1
 - o Communications

- Retraining / redeployment (where required)

In summary, there are many types of outsourcing. You need to look beyond the emotive media. You are running a socially conscious business yet one that must constantly strive for improvement in customer, shareholder and employee satisfaction and business metric results.

Assess your reasons for outsourcing. Make a clear decision on what will be outsourced, and stick to it.

Build a thorough transition plan and measure the improvements – they must be tangible. Benchmark your performance beforehand so you can determine your incremental improvements.

Treat your outsourcer as one of your most significant and important strategic business partners, not just a cost saving necessity.

Finally - seek industry support and knowledge. Talk to existing Outsourcers (on or offshore). Talk to industry peers who may already outsource. Talk to contact centre industry professionals who serve all type of contact centres and customers.

Be aware of the wealth of informative information available:

<http://www.cio.com/research/outsourcing/>

<http://www.oocenter.com/>

<http://outsourcingtoindia.blogspot.com/>

For more information, please contact [3D Networks](#), which provides technology infrastructure, process re-engineering and consultative services to the customer contact and outsourcing industries. Email: enews.3dnetworks@planet1world.com.