CAN'T WE JUST OUTSOURCE IT?

Outsourcing has its place. Know what it takes to get it right.

By Lori Bocklund, Strategic Contact Inc.

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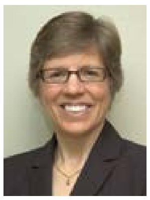

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Executives often perceive outsourcing as an easy, fast and/or cheap alternative to tackling performance, capacity, technology, facility or budget issues. But it’s not the simple solution many hope for. Take this message back to management: You need a considered approach to figure out if outsourcing makes sense for your center, and if so, to what degree. If you’re going to do it, you will need to apply best practices carefully with appropriate service level agreements, key performance indicators and account management to put you on a path to success.

Easy, Fast and Cheap—Really?

We routinely see clients considering outsourcing as they face budget pressure, or begin to see that their cost per call or per contact (CPC) is too high. Some more specifically look at their labor or facility costs in locations with high cost of living and know they could do better. In other cases, they simply say, “We’re not contact center experts. Our core competency is (fill in the blank), and we would rather focus on that.” Other drivers to outsource include the need for agility in staff levels: fast growth, erratic or peaked volumes, uncertainty in size as their web or mobile self-service grows. And let’s not forget business continuity and disaster recovery (BC/DR), which can keep leaders of single-site centers up at night. Beyond the people, process and budget side of the equation, some are lured to outsourcing because of technology inadequacies or fears. “We don’t want to invest in technology and/or don’t have the knowledge or resources to build it out properly.” The toughest scenarios we see are driven by speed: the need to do something FAST to solve some problem that has become too painful, or has just surfaced (e.g., unexpected growth, speed to market product or service, acquisition, etc.).

In any of these situations, a moment of reflection may help companies see that there is more to outsourcing than meets the eye. It is NOT EASY. There is a lot to getting it right. The transition to outsourcing is NOT (usually) FAST. You’ll need time to select the right partner, put the right agreements in place, and implement effectively. It is NOT CHEAP. Outsourcers and their employees have to make a buck, too. (Beware if the price looks too good to be true!) It will not necessarily lead to better performance. It can work, but… it takes proper planning, the right in-house resources, strong processes, and yes, even some technology tools and smarts. And I should emphasize that outsourcing is rarely a short-term solution. Anyone pursuing outsourcing should plan to do it for the long term and recognize that you are unlikely to switch or bring it back in-house anytime soon. (That’s not easy, fast or cheap either!)

Does the Shoe Fit?

So, the first step on the road to outsourcing success is to decide if it is right for your center. *Why would you outsource?* All the reasons I noted earlier are valid, but they need to be weighed against alternatives, and with strategic context. That means having a clear vision of the business strategy, operational strategy and technology strategy for the short term and long term.

Why wouldn’t you outsource? Analysis could reveal it may not be cheaper, maybe you can’t do it as fast as you thought, or you have to upgrade your technology and build out BC/DR plans for other parts of the business anyway. You may look at competitive differentiation in contact handling, including brand representation, specific product or service knowledge, or the sales and revenue opportunities and realize you don’t want to put your business in the hands of a third party.

Regardless, you must consider how your goals align or compete with the outsourcer’s goals, as shown in Figure 1. You want good performance, and the outsourcer wants to extend their relationship with you by handling more contacts (for more revenue). You will need to build the right agreements (and manage to them) to make that common ground the pillar of your success.

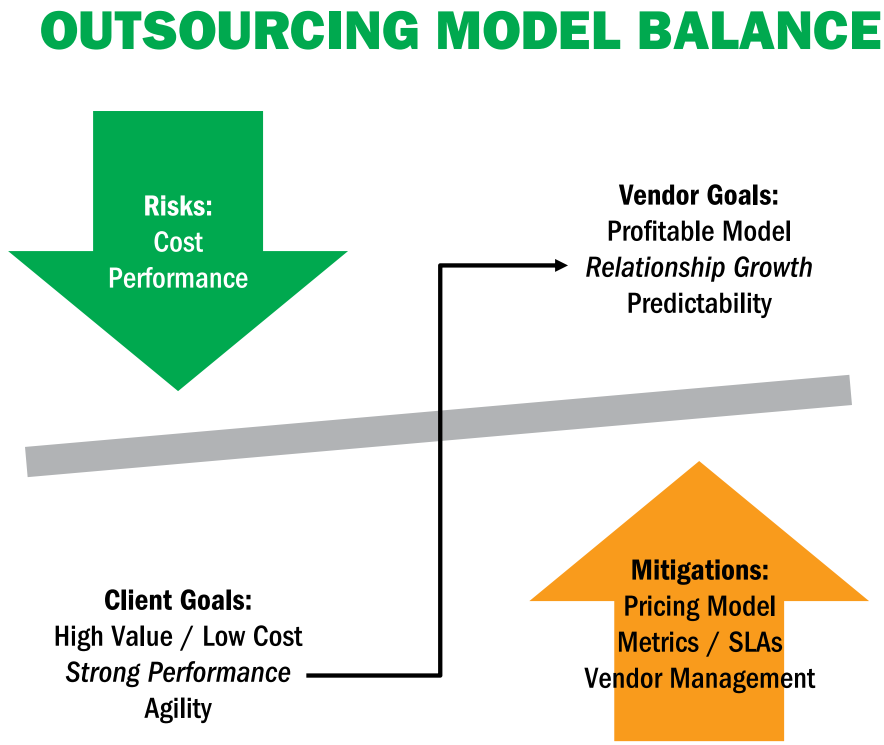

Figure 1: Consider the goals of the buyers and sellers

If you've decided outsourcing is indeed a fit, the second step is to contemplate what form it will take. You have some big decisions to make, such as whether you will outsource all or a subset of your contact types (service, sales, etc.) and media (phone, email, chat, etc.). If the answer is all contacts, that's a big deal, and you better have strong vendor management skills. You'll need to decide if you want one or multiple sites, and one or multiple vendors. If multiple, you'll tackle more decisions, such as who does what, and do they compete for work? You have options to use dedicated or shared agents, and whether to flex staffing levels in your center or the outsourced center(s). There are tradeoffs either way. As if that's not enough, the biggie is the pricing model. Options include per agent hour (with variations tied to clocked in, production, or scheduled hours), per minute, and per call or contact.

There is no right answer to these questions. You will have to look at the situation and what makes sense for you and the vendor partners. Factors that you'll consider should include:

- Your business strategy and directions
- Size and volume expectations
- The nature of your contacts and processes (and how well defined, repeatable, etc.)
- The nature of your customers and competition
- Technology used (leverage yours or theirs)
- The resources you already have, or will have (contact center front line, support resources, and outsourcer vendor management; technology and facilities)

The Partner Pursuit

To find the vendor partner that is the right fit, start at the strategic level. Define the goal, contact types, the problem you are trying to solve, as well as the expectations of the outsourcer. Define some key qualifying criteria to help you narrow the huge field of players (see the sidebar, “What to Look for in an Outsourcer”). Even if you’re a big company, don’t just consider the big players that land on a Gartner Magic Quadrant for Business Process Optimization (BPO). Don’t limit your options to someone who knocked on your door or one that another company you know uses. Conduct vendor research based on the defined criteria to find those that fit. We like to do a multi-step screening process since there are so many options. Cast a wide net—first based on some key criteria, then narrow the list with some brief phone interviews and/or a short questionnaire that is quick and easy for all involved.

Once you’ve qualified a set of vendors, conduct a selection process like you would for contact center technology or any other important services. Write requirements and seek proposals with defined pricing models. Bring vendors in for presentations with an agenda targeted on your requirements and concerns. Conduct site visits to the outsourcer—preferably to the sites that will handle your calls—and meet with a variety of leadership and frontline staff. And don’t forget reference checks with a well-defined list of questions that address your hot buttons for implementation and ongoing operations, including account management and performance.

Keys to Success

The starting point for success—for you and the outsourcer—is a pricing model that fits. Technology configuration, your role in defining the number of staff needed, the flexibility you desire (e.g., shared vs. dedicated, where volume variations are absorbed, etc.) all influence the best pricing approach. Generally, per-minute or per-contact is better suited to shared agents and situations where the outsourcer has more control over agent scheduling. Per-hour is better suited to dedicated agents with you dictating staffing levels.

Both parties will bear some risk, which can be mitigated and managed through the agreements and associated performance criteria that align with the pricing approach. With hourly fees, you bear the risk of efficiency and productivity. You address that risk through good forecasts and schedules and consideration of where staff levels can flex. With per-minute or contact, the vendor bears the risk of efficiency and productivity, so may require a minimum monthly cost, or volume or occupancy guarantees. You risk that they drive up costs through higher AHT with per-minute, or compromise quality or customer experience as they try to shorten handle time or transfer back to an in-house SME with per-contact. Selecting the right partner and negotiating and managing to the right set of goals will address these risks.

Avoid getting stuck in contracts that have high fixed fees or specific number of FTEs, if you are dealing with uncertainty or change. Find a partner that is willing to adjust based on business needs. If possible, build in reviews or triggers to adjust pricing (model and/or rates), especially if you are in the situation of starting up quickly to address an urgent need. And remember, in most cases, you will be signing a multiyear agreement and building a long-term relationship that is not easy to change.

A proper statement of work (SOW) for implementation, master services agreement with well defined service level agreements (SLAs), and good account management are the most critical keys to success.

SOW: The SOW should address many elements, including project management, timeline, transition plan, integration, training (new-hire and ongoing), testing, pilot and rollout, if you will take a phased approach. The SOW differs if the facility and staff are already in place, or if a build-out or hiring is required. (Sometimes outsourcers start a new facility for a given client.) Similarly, the technology plans impact the SOW. Finally, the SOW should make clear the resources to make it all work (IT, trainers, supervisors and other leadership, HR, etc.) on each side and the required amount of time, including onsite time.

SLAs: The SLAs vary depending on the model, but key performance indicators (KPIs) should always include quality and adherence. You will likely want to monitor handle times and transfer rates, and measure customer satisfaction, if possible. If the outsourcer is doing some quality scoring, establish routine calibration. If you use shared queues on your system, you will be responsible for service level and other “big picture” performance metrics. If you are sending volume to their system, they will manage meeting these important KPIs. Regardless, you’ll want to ensure real-time and historical visibility to all appropriate systems for center leadership at both the outsourcer and your office. Always include routine (e.g., monthly) account review with status and actions. Include SLAs for response time and resolution time when issues arise and time to ramp up or down, or address new needs as your business changes. And finally, SLAs on attrition may be important, especially regarding who foots the bill for training new-hires to replace those who leave.

Account Management: Good account management is a two-way street. Assigned managers on each side must work together. You hold the vendor accountable based on the SOW and SLAs. Routine reports and reviews, along with monitoring of quality and other KPIs, provide the basis to communicate, assess and optimize. The managers define and execute action plans to address issues and prepare for changes (new products, processes, technology, etc.). Your account manager should expect to conduct routine and unexpected site visits. During these visits, the manager observes contact handling, meets with leadership, support teams and frontline staff. Other tasks could include visiting training classes, assessing new-hires, and observing brand and culture representation. And of course, all of these tasks are even more demanding in an offshore or global scenario.

If You’re Going to Do It, Do It Right

While outsourcing might help your center achieve its goals, it’s not an easy answer for everyone. Take the time to figure out if it fits and, if so, where and when. Then do it right, starting with good agreements and a methodical implementation approach. Allocate the proper resources to manage your relationship effectively. You’ll ensure success for you, the outsourcer and your customers.

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TWO IMPORTANT CONSIDERATIONS

Here are two important considerations as you pursue the right vendor, configuration and plans:

- **Costs:** Many costs can be missed, such as travel, incentives, training and keeping the vendor up to date as your business, operations or technology change. Consider the Total Cost of Outsourcing (TCO) which includes everything on the bill you will get from the outsourcer (ask for a sample invoice!), plus the costs you'll incur for internal resources.
- **Systems:** Define whose system the outsourcer will be on. The traditional model is you send them calls that they manage on their systems. The newer model is to have the outsourcer on your system (see "Technology for Outsourcing Agents," *Pipeline*, April 2010). This model fits well when virtualizing contact distribution across sites (yours and theirs). Look at technology cost tradeoffs, as well as economies of scale in resource use and impact on the customer experience in speed to answer.

WHAT TO LOOK FOR IN AN OUTSOURCER

There are MANY outsourcers with wide-ranging sizes and strengths. Here are some sample qualification criteria that can help you think about what to look for in an outsourcer. After qualifying them, pursue the full due diligence required to pick a good partner.

- **Size:** Outsourcers range in size from tens of seats to tens of thousands of seats. Decide what size pond you want to swim in, and consider what size fish you will be based on the volume of work you have to offer.
- **Location:** Some have one, others have tens of sites. Some are U.S.-based only (and typically proud of that), while others offer nearshore and offshore options that may be lower cost. Beyond those considerations, keep in mind that some are in big cities that are easy to get to, others are in more remote locations—creating inherent differences is labor pool and cost structures, but tradeoffs in ease of access. And finally, consider if you want them nearby, or further afield to offer extended coverage and perhaps protection from common risks. Keep in mind, you will be going there routinely if you want to do this right.
- **Labor Pool:** Beyond the location differences, some outsourcers use target populations for their labor pool, such as veterans, disabled or students. Some use home agents as an alternative staffing strategy. Decide if any of these options align with your goals.
- **Vertical Market Focus:** Often outsourcers build up a base within an industry, handling many insurance company, utility or consumer goods contacts, for example. Some outsourcers even specialize in a niche and attract a slew of direct competitors. Most buyers want to find a company that understands their business. Then the question is whether you have any concern about whose calls get handled across the aisle or on another floor, and how they'll handle confidentiality within the same center.
- **Contact Type Focus:** Service or sales? Inbound or outbound? Calls only or email and chat and social… Not every vendor does everything, so these criteria can help filter the options that fit.

About Contact Center Pipeline

Contact Center Pipeline is a monthly instructional journal focused on driving business success through effective contact center direction and decisions. Each issue contains informative articles, case studies, best practices, research and coverage of trends that impact the customer experience. Our writers and contributors are well-known industry experts with a unique understanding of how to optimize resources and maximize the value the organization provides to its customers.

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