

Why Organisations Outsource Contact Centres



By Rod Jones

Why do organisations outsource all or part of their contact centre operations?

There are many different reasons why organisations take the decision to outsource all or part of their call centre or contact centre operations. The guidelines that I offer below are intended to provoke serious thought and consideration; to provide the basis for making sound, rational business decisions.

Reduce Costs

In many cases, cost reduction frequently comes up as the number one driver for the case to outsource the organisation's call centre or contact centre. And very often, it is very much the wrong reason.

Driven by organisational motivations to cut or reduce costs, many an executive engages with outsource service providers based on...

"Take over my mess, for less (cost)".

Allow me to start with a word of caution. It has been my experience that very few in-house contact centre operators have taken the trouble to accurately calculate their real operational costs. Specifically, the costs associated with fully processing each of the many different interaction types.

Calculating these costs is not an easy task. There are several hundred line items of direct and indirect costs that drive individual 'cost-per-interaction'. It begs the question: "How can an organisation engage on a cost reduction exercise by outsourcing, unless they have their own base-line costs as a starting point?"

The reality is: Setting up a new call center or contact centre or even refurbishing or upgrading to new technologies or environment requires significant investments in facilities, equipment, management resources, operations and staffing. It is essential that the organisation is critically fully aware of what these costs are, not only in the short term or relative only to the set-up phase, but specifically, to escalating operational costs, well into the future.

Most outsourcers' business models rely heavily on identifying and managing costs down to the nth degree. Margins are exceptionally thin, and inefficiencies cannot be tolerated. As such, any well-established outsource provider will have invested heavily in all manner of sophisticated cost measurement and tracking processes, protocols and the appropriate technologies. This level of cost management is typically shared with the client. This type of analysis can help the client to evaluate, for example, the effectiveness and the ROI of marketing campaigns or other internally-driven initiatives to promote customer interactions and incremental sales or revenues.

The cost-related benefits of an outsourced contact centre allow for many of the typical technology and operational-related costs to be spread across and amortised over several or many clients. The outsourcer's clients can therefore derive the benefit of only paying for the actual services needed and delivered by the provider.

Why Organisations Outsource

Outsource service operators may also be in a position to spread the labour-related cost of certain types of agents across various concurrent, non-competitive clients. This approach can dramatically reduce agent idle time and can deliver a lower cost-per-call or cost-per-interaction.

Access to Latest Technology

Many organisations today are grappling with the challenges of moving from a legacy multichannel environment (telephone, email and perhaps SMS) to a true omnichannel platform with enhanced features such as Artificial Intelligence, Interaction Analytics, Speech Technologies, Social Media Monitoring, integration into legacy back-end systems, and so on.

To some, the prospect of what has become known as 'The Digital Migration' is daunting; not to mention the realities of the costs associated with such initiatives.

On the other hand, many outsource service providers will have already invested heavily in these leading-edge technologies and their operations will be well-versed in the techniques and best practices associated with these.

Conversely, many in-house call centres often have costs that are difficult to tie specifically to each call or customer contact or interaction, which makes it challenging to manage costs and measure profitability or to measure the impact (ROI) of specific interventions such as advertising, training, process improvements or the deployment of certain technologies.

What's more, despite the massive costs associated with deploying these tools, when costs are spread over multiple clients and potentially across massive operations, the actual reduced cost-per-process or cost-per-interaction becomes more manageable, if not highly attractive.

Depending on the type of outsourcing service contract, charges to the outsourcing client can be on an individual transactional basis, on clearly defined outcomes, on agent productive hour, or on any other mutually agreed terms.

Whilst many 'old school' outsourcing contracts were (and in some cases, still are) based on 'Charge-per-Agent/Workstation-per-month', this model is rapidly being replaced by incredibly well-managed, outcomes-based metrics and directly linked to the outsource provider's remuneration.

Data Analytics

A well-established 'Tier One' outsource contact centre service provider will certainly be acutely aware of the necessity for sophisticated analytical tools and resources with which to extract all manner of insights to enhance the overall customer experience. In addition, such analytics can potentially drive down the client's costs and provide immensely valuable business intelligence. This BI can theoretically lead to streamlined processes, development new products, opening up of new market segments, reduced sales or distribution costs, increase profits and many other vital business priorities.

Scalability & Flexibility

Why Organisations Outsource

In the contemporary customer-driven environment demanding a myriad of channels, customer channel preferences, channel-hopping and irregular response triggers are a reality. It is often extremely difficult – if not impossible – to accurately gauge or predict interaction types, volumes, processing duration and the costs associated with all these. For the in-house contact centre, capacity planning and budgeting becomes a business nightmare.

But an established outsource provider will have sufficient infrastructure, manpower, appropriate technologies and management expertise to maintain high levels of service to cope with erratic or unpredictably high interaction volumes, and the flexibility to ramp-up and scale-down in accordance with demand.

Management & Operational Expertise

An outsource service provider's bread and butter relies on having highly experienced executives, line managers and staff driving cost-effective service quality on behalf of their clients, whilst providing investors and stakeholders with industry-related profitability.

To achieve these objectives, outsource providers attract highly experienced and skilled personnel. These would typically include specialists in customer experience strategies and tactics, workforce management, quality assurance, recruitment, data analytics, skills development and training; not to mention high-level technical skills when it comes to optimising state-of-the-art omnichannel technologies. In most cases it is only the extremely large corporate contact centres that would have the financial and skilled resources to be able to compete at this level.

Specialized Industry Knowledge

True 'Tier One' outsource service providers may have certain specialized understanding of contact centre or customer interaction services for certain industries. The executives and managers of the outsource service provider will have valuable insights and proven strategies that can only come from many years of experience. Particularly in the case of the extremely large multinational outsource service providers, vast pools of specialised experience can become available to local clients.

As an example: A extremely large outsource/BPO provider well-known to the writer, started out providing BPO services to a massive UK-based airline. Today, the outsource provider effectively manages a massive raft of different types of airline industry operational services as well as customer interactions for well over twenty major airlines in many parts of the world.

This experience and massive 'library' of well-developed and proven processes enable the outsourcer to deploy these types of services extremely quickly and at greatly reduced costs.

Quality Monitoring & Quality Assurance

As a rule, the Service Level Agreements (SLAs) entered into between outsourcing clients and outsource/BPO providers are extremely detailed and built on the client organisation's expectations of high-quality customer service, as well as other clearly-defined and measurable outcomes. Bear in mind that many of today's outsourcing contracts are crafted based on the provider's remuneration being almost exclusively calculated on maintaining (or exceeding) clearly stated outcomes. In some cases, exceeding positive KPIs and outcomes can result in the provider being rewarded with attractive performance bonuses. Conversely, outsource providers can be burdened with crippling financial penalties if SLAs/KPI's are not met.

Why Organisations Outsource

This being the case, most Tier One outsource providers will have put in place sophisticated processes, procedures and technologies as well as appropriate performance assessment and improvement protocols to ensure that all SLAs, goals, targets and quality expectations are met. Very few in-house contact centres will have the resources or expertise to maintain continuous quality monitoring across all functional disciplines in the contact centre whilst and simultaneously, driving robust performance improvement initiatives.

All-Year-Round, Round-the-Clock Services

Today's customers - across virtually all demographics and geographies - have become accustomed to 7x24x365 access to what they consider their right to *vital services*.

Think of our own service expectations of the providers of our mobile phone, broadband connectivity or subscription TV services. If there's a problem, it must be corrected, no matter what time of the day it is or what day or the week. Holidays included! It's a non-negotiable. In today's world, the same holds true for just about any customer-provider relationship. But it is largely unrealistic for the majority of organisations to offer their customers this type of round-the-clock service through the operation of their own in-house contact centre. However, many of the major outsource providers having multiple site in various geographies can offer a true "follow the-sun" service, and at competitive rates too.

Professional Services

Are you looking for the ideal outsource service provider or to establish an appropriate partnership? I can assist with 'due diligence' and professional introductions to the most appropriate providers and operators. Are you wanting to enter the BPO sector as a service provider? My BPO Development Programme can get your company there fast!

Strategic Advisory Consulting

Backed by more than 40 years of strategic and operational experience in call centres and contact centres, executive strategy sessions and workshops provide management teams with clear insights, direction and unbiased advice.

Call Centre and Contact Centre Assessments, Audits and Benchmarking

To be recognized as a 'World Class' contact centre the operation must be assessed, audited and benchmarked on an annual basis. Using globally recognized tools and methodologies, our reports drive fast, cost-effective results. From assessment or audit findings I create detailed, itemized action plans with clear deliverables and deadlines for internal implementation.

Operational Excellence Consulting

Whether it's a re-design or reengineering of processes, SOPs or a revamp of HR or Sales strategies or methods, or an independent appraisal of your technologies, I can provide rational guidance and advice.



**“I help Decision Makers
make *Good Decisions about Contact Centres*”®**



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