

Outsourcing from A to Z: “Where in the World”*

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* 2nd book? Or 3rd! Stay tuned

Agenda this afternoon

Outsourcing from A to Z

1. Outsourcing cost savings and operational advantages
2. Selecting the right outsourcing partner
3. Integrating 3rd-parties into home company processes

So, why are you here today?

→ What are your desired takeaways?

- ✓ ___ Already outsourcing, but want/need to do it better, cheaper, and/or more
- ✓ ___ Only operating own (captive) centers so want/need to learn in's and out's of outsourcing
- ✓ ___ Vendor/supplier to "client side" so want to sharpen my solutions
- ✓ ___ Wanted to enjoy the nice sunny weather in San Antonio

My outsourcing experience, briefly

- Managed outsourced IVR
- Launched MCI Outsourcing division fall 1995 → 12 clients, 2000 agents by end
- Selected Amazon's 1st two outsourcing partners
- Assisted clients to outsource onshore or offshore
- Built industry's 1st searchable vendor database + online RFX Manager
- Keynoted conferences from Bangalore to San Diego
- Written >20 articles or white papers
- Formed, chair today 34-company Global Operations Council

Global Operations Council (GOC)



Outsourcing key takeaways

- Before considering it, eliminate need +/- or provide self-service (see again *The Best Service is No Service*)
- Offshore may be alluring, but plenty of onshore and nearshore options today
- Outsourcers claim to “know it all”, yet most don’t
- Finding outsourcing partner = finding one’s life partner, not a “vendor”
- Your partner needs to subscribe fully to eliminate, automate, simplify, leverage (see again *BSINS*)

1. Outsourcing cost savings, operational advantage

Reasons to outsource

- Obtain expertise, skills, and technologies
- Increase flexibility
- Improve operating performance
- Reduce costs and investments in assets
- Improve credibility and image
- Expand capacity
- Acquire innovative ideas
- Accelerate expansion
- Increase product and service value, customer satisfaction, and shareholder value

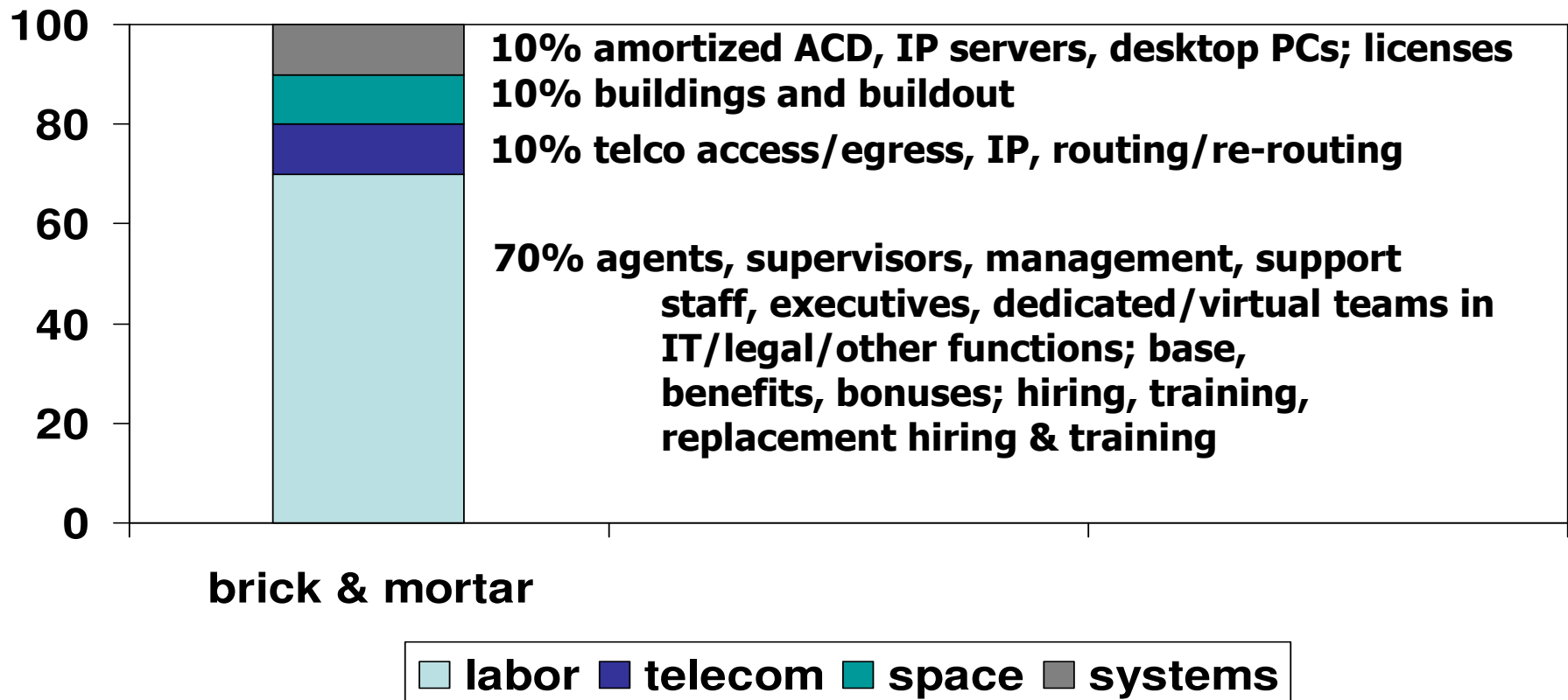
Source: *Strategic Outsourcing*, Maurice Greaver, 1999

1. More reasons to outsource

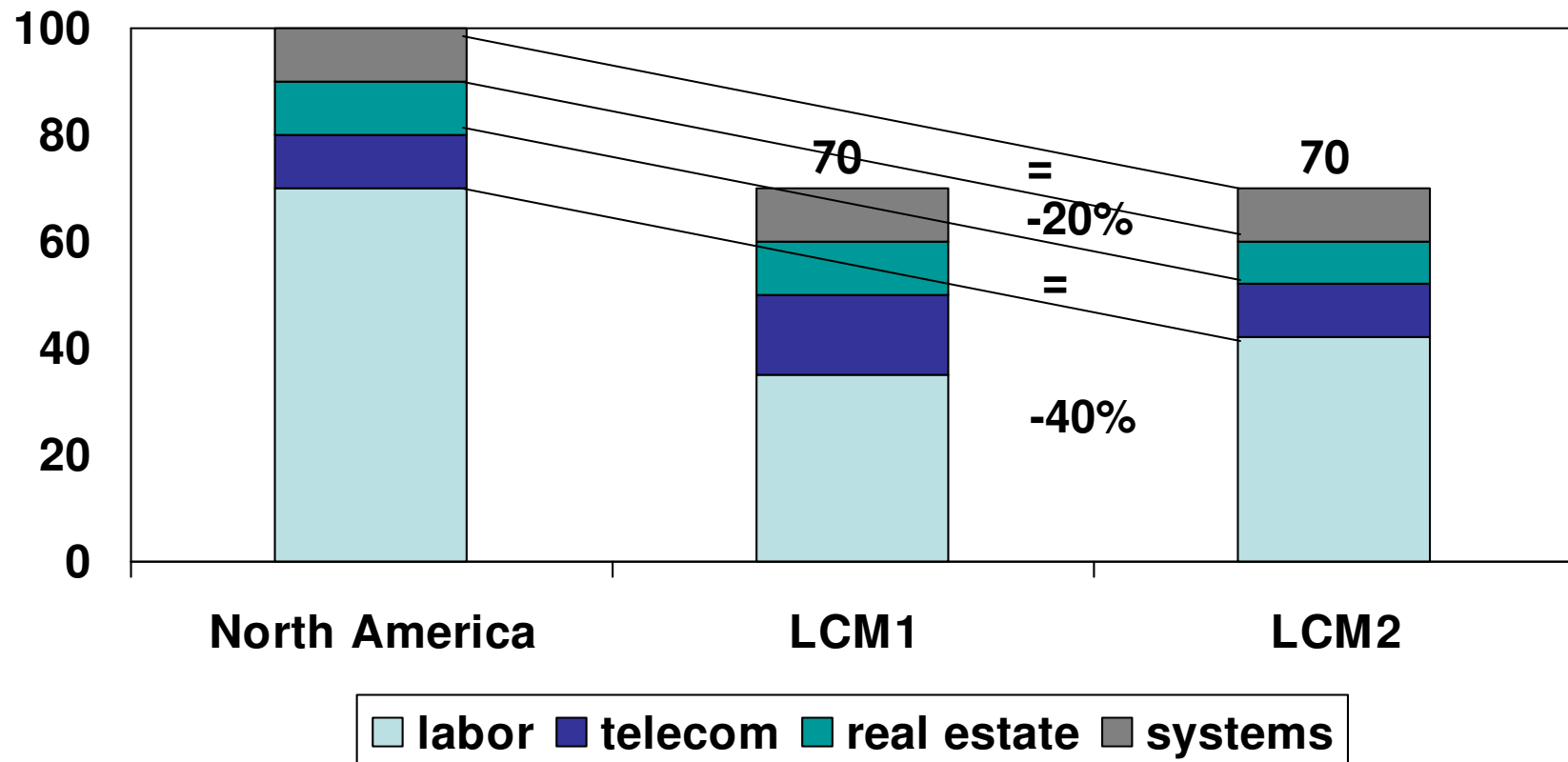
- Seasonal crunch support
- Can no longer hire qualified agents into current ops
- Operating cost pressures
- Not enough capital to build more captive centers
- Limited internal management skill to expand captive ops
- Want to take advantage of 3rd party skills or technology, e.g., chat or email
- Need broader time zone coverage, e.g., within US or “follow the sun” and/or for 24/7 coverage

1. Contact center cost index

North American brick & mortar operations



1. Cost elements, domestically and offshore two Low Cost Markets



1. Why outsource (offshore)



From: Deloitte study Q404
% from respondents

1. Risks experienced after outsourcing (offshore)

<u>Reasons to outsource</u>	<u>Risks experienced (re reason)</u>
1. Cost savings	38% paid extra for services expected in contracted price
2. Best practice, quality, innovation	31% said vendors became complacent
3. Flexibility, capacity, scalability	Found increased rigidity, especially resisting last minute changes
4. Focus on core strategy	25% decided to bring back in-house

From: Deloitte study Q404
 % from respondents

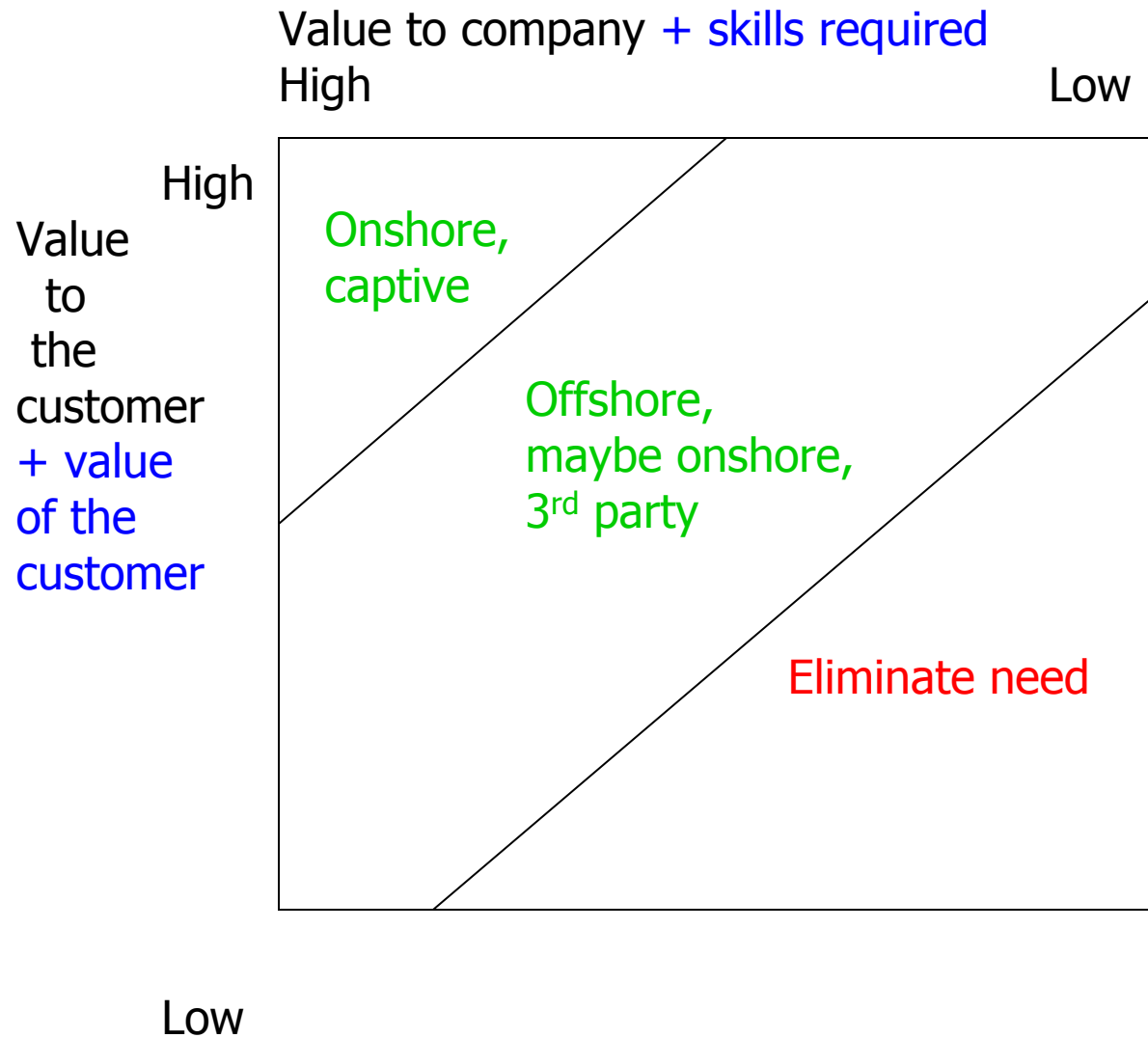
1. Risks experienced after outsourcing (offshore)

<u>Reasons to outsource</u>	<u>Risks experienced (re reason)</u>
5. Access to high caliber labor	20% found very high turnover + fleeting knowledge
6. Transfer risk to vendor	"often" didn't work
7. Lack of expertise in-house	44% decided to bring back in-house

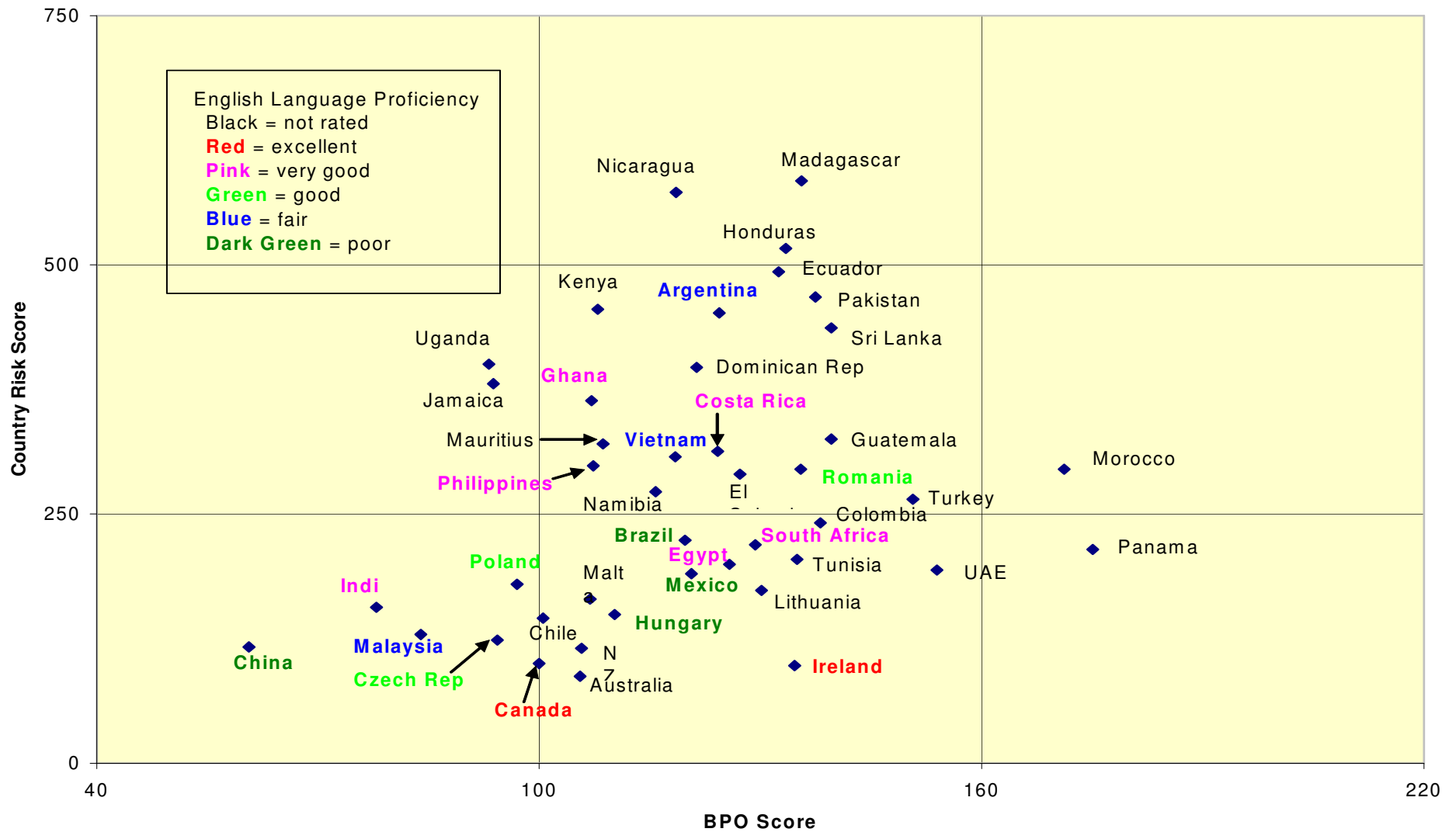
2. Selecting the right outsourcing partner

- Pick the zone
- Find the place (or, “where in the world?”)
- Manage the RFP
- Assess the 24 tools

2. Pick the zone



2. "Where in the world?"



2. Find the place

	<u>Onshore</u>	<u>Offshore</u>
<u>Captive</u>	70%, declining <ul style="list-style-type: none"> • colo with HQ • linked with sales offices • across time zones 	10%, growing <ul style="list-style-type: none"> • linked with regions • follow the sun • India/Philippines
<u>3rd-Party</u>	12%, declining <ul style="list-style-type: none"> • big players • niche players • part of larger BPO 	8%, growing fast <ul style="list-style-type: none"> • global players • local players • part of larger BPO

2. Find the place

	<u>Onshore</u>	<u>Offshore</u>
<u>Captive</u>	<ul style="list-style-type: none"> • agents at home • small towns • hub-and-spoke • "dual shore" 	<ul style="list-style-type: none"> • colo with dev or back office functions • hotelling • "dual shore"
<u>3rd-Party</u>	<ul style="list-style-type: none"> • agent at home ops • "dual shore" • "nearshore" • transition to offshore 	<ul style="list-style-type: none"> • LCM(s) • "dual shore" • multi-nationals or multi-locals or specialists

2. Manage the RFP

- Cross-functional buy-in + participation
- Detailed RFP document
- >10 vendors → short-list → due diligence → dual negotiations
- Formal, step-by-step process

3. Integrate all tools

- Consider all 24 “contact center tech tools”
- Score the players
- Select the best partner

3. Assess 24 "contact center tech tools"

A. Analyze "24 tools"

Agent Scheduling
 Best Agent Profiling
 Balanced Performance Mgmt
 Contact Coding (simplicity)
 Contact Recording
 Chat
 CRM
 C-sat Measurement and Mgmt
 Email Mgmt and Processing
 Forecasting
 IVR routing
 IVR transactions
 Knowledge Mgmt
 Network ACD
 Network CTI
 Outbound Dialer
 Outbound Notification
 E Learning
 Quality Monitoring
 Screen Pop
 Team Leader Training
 Unstructured Data Analysis
 Unstructured Speech Analysis
 Web Self-service

B. Rate importance vs. "state"

Average Importance to increasing CE (1 high to 4 low) Average "State" today (1 great to 4 weak 5 notexistant)

C. Plot all 24 tools, find needs

24 tools importance minus "state" analysis, selecting highest "delta" as 1st wave of technologies to add

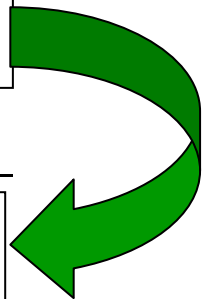
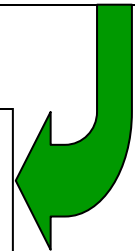
D. Produce roadmap, costs, vendors, returns, risks

For all target technologies to add, construct "roadmap" with dependencies over next 3 years
 For each target technology to add:

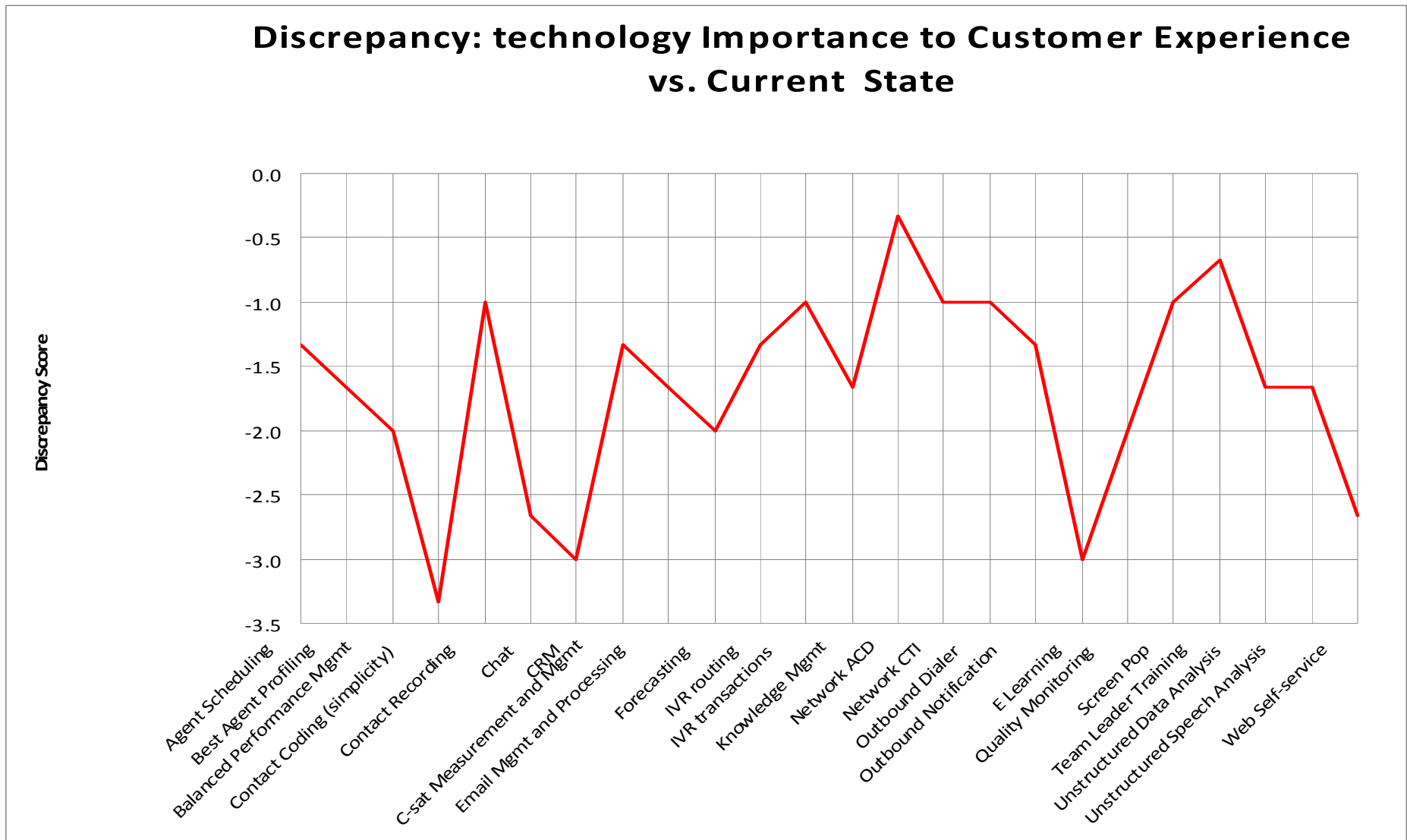
1. estimate hosted vs. licensed costs to develop, rollout
2. list potential vendors (from our 600+ Vendor Directory)
3. calculate payback (or IRR/NPV)
4. state risks and mitigation

E. Select "best-fit" vendors → implement, improve over

Select "best-fit" vendors-partners for each technology, perhaps using our proprietary online RFx Manager tool

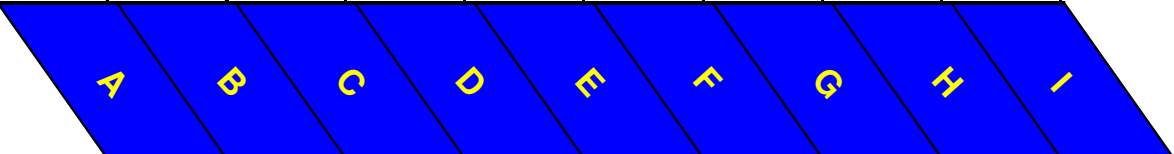


3. Assess 24 "contact center tech tools"



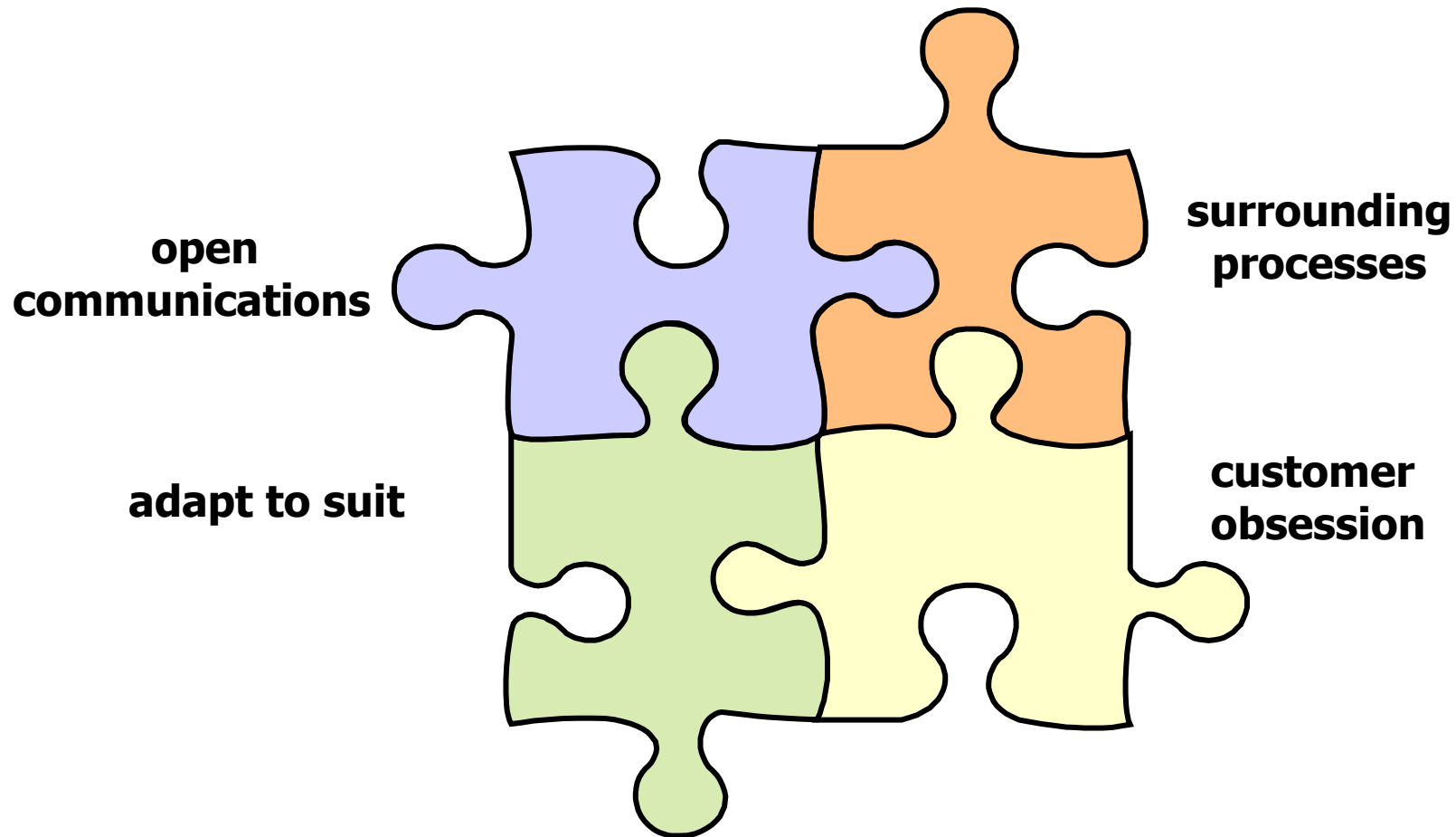
3. Score the players "Scoring Summary"

Scoring Summary Report										
Vendor Capabilities	35%	1.07	0.89	1.14	1.05	1.23	1.31	0.74	0.91	0.00
Security, Technology	10%	0.30	0.35	0.30	0.30	0.35	0.29	0.21	0.33	0.00
Training/Performance Mgt	5%	0.13	0.17	0.17	0.18	0.17	0.17	0.11	0.13	0.00
Company Profile/Risk	15%	0.35	0.45	0.40	0.45	0.47	0.44	0.32	0.37	0.00
Pricing	35%	1.07	1.30	0.77	1.23	1.02	1.09	0.93	1.30	0.00
Total	100%	2.91	3.15	2.78	3.21	3.23	3.30	2.29	3.03	0.00



3. Select the best partner

building lasting partnerships; putting together the pieces



3. Select the best partner

<u>Key Element</u>	<u>Vendor</u>	<u>Lasting Partner</u>
Open communications	Quarterly business reviews	Daily reports, requests, feedback
Adapt to suit	Standard CRM or other systems	Extension of clients' systems, processes
Surrounding processes	Service levels above all else; price per hour	Reduce CPO or increase OPC; price per contact or per customer
Customer obsession	Low cost & speed	Quality, customer loyalty, no snowballs

Agenda this afternoon

Outsourcing from A to Z

1. Outsourcing cost savings (-30%, maybe more) and operational advantages (tech, experience, flexibility, quality)
2. Selecting the right outsourcing partner (zone, place, stepwise RFP)
3. Integrating 3rd-parties into home company processes (24 tools, score players, partner not vendor)

Good luck!

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