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Outsourcing, Off-Shoring: Truth and Consequences- Part 2

In our last article we examined offshore outsourcing the costs the real and perceived benefits and the steps an organization should take before embarking on an outsource and/or offshore venture.

In this article we focus on how an organization should best move forward to ensure that their outsourcing or offshoring venture will succeed and not be mentioned in the ever growing list of companies that failed in this exercise.

There is a lot of common steps and activities that need to be taken regardless of whether the service will be provided domestically, in a 'near shore' location (Canada) or offshore. We first examine the steps and activities that apply to all locations and then look at those that are location specific.

Following this activity checklist can prevent lots of pain and suffering for both the organization and the outsource partner. This is an essential step in building a successful outsource relationship.

The first questions you need to ask are the ones we discussed in the previous article...

- Are your service transactions a one-off or are they part of a broader on-going customer relationship?
- What are the risks to the customer relationship associated with off-shoring?
 - From the companies perspective?
 - From the customers perspective?
- Can these risks be mitigated?
- Are we willing to accept these risks and the worst case scenario to save approximately 15%?
- Have we optimized our existing internal operational model?
 - Is our technology the best possible to support the delivery of service?
 - Do we have the right people with the right skills delivering service today?
 - Do we have the appropriate training and development in place to grow and develop our staff to deliver ever improving service?
 - Are our operational metrics aligned with the goals and objectives of the company?
- Do we have the resources and appropriate knowledge internally to source, implement and manage an outsource provider?
- Do we possess a network and IT infrastructure that can support extension to an outsource provider?

Inside this Issue

Outsourcing, Off-Shoring: Truth and Consequences-Part 2.....	1
Survey of the Month.....	5
Research Studies.....	6
Newsworthy.....	6
Inside TRG.....	9
Case Study.....	9



If your answer is 'No' to any of these questions then you will be creating problems for yourself by moving forward with outsourcing until you can answer "yes" to each.

Assessing the Outsourcer:

Now with your 'yes' answers in hand you are ready to move forward to source an outsource partner, as you move forward keep in mind that all outsourcers you speak with want your business and will regale you with how wonderful they are. The first qualification area we will address in terms of qualifying potential outsource partners is Experience.

Experience:

Take all statements related to experience and knowledge with a grain of salt. Ask the vendor specific questions related to their experience such as;

- Which companies in my vertical have they worked with?
- Are they still working with these companies? (and if not, why not)
- Can they provide reference contacts at these firms?

Based on their answers you may have to ask yourself if you want to work with an experienced firm or if you want to be a guinea pig?

Of course even if the outsourcer has experience in your vertical it doesn't mean that they are good at it or even that this is a core competency. You will want to ask them:

- What percentage of their business (in terms of dollars, minutes or seats) is in the same vertical as you operate in?
- What types of services they have provided to that vertical? (they may have experience in publishing but if they have only handled inbound change of address requests this isn't terribly relevant if you are looking to outsource outbound renewals)
- What awards or recognition they have received for their work in the sector? Of course they could do very good work and have received no awards or recognition, but if they have received awards etc., then you can know that some third party assessed their work or submission and felt that it had merit.

Staffing:

It is essential that you understand the staff who will be working on your project. After all it is these people who will be interacting with your customers. It is based on this interaction that your customers will judge your company¹. You need to know the following:

- What the skills and competencies they look for when hiring staff? Be wary of anyone that only or primarily looks for call/contact center experience as this often just hires someone else's' problems.
- How do they test for these Skills & Competencies? The tests should be objective and independent of the interviewers' subjective opinion. Ask to see these tests.
- What is their annual staff turnover and how is this calculated? Turnover is the percentage of staff that leaves the center each year. This can include 'turnover' those that leave the organization and 'churnover' those that leave the contact center but are still with the company. Turnover should include staff from the first day they are on the job. Be wary of companies who don't include 'churnover' or who don't include the training period or the first X days in their counts. These exclusions tend to occur in companies that want their turnover numbers to appear to be lower.
- Ask if you can interview and/or speak with some of their staff. You will get better insight to the staff and organization by speaking with them directly.

Training:

You need to understand how your potential outsource partner approaches staff training. Not just the product knowledge, but also the soft skills related to effective communication, active listening, sales and agent development.

Specifically you should ask:

- To see their agent training program (agree to sign an NDA if requested). This shows how they invest and equip new staff before they go on a program such as yours.
- To see any tests or assessments they complete to ensure comprehension and recall of trained knowledge?

¹ Perdue University- 92% of consumers judge a company based upon their experience with the company's contact center.



- A training outline for a program similar in nature to yours? They should remove client identifiable elements.
- How will your training be done? Will they train all of the staff, will you train the trainer or will they expect you to train all of the staff?

Management Processes:

You need to understand how the outsource partner will manage your business. Specifically you need to understand:

- The key metrics or KPI's they employ in managing their business from a macro level? They are in business to make money, so costs and margin certainly need to be present. They also should include metrics such as Service Levels, Quality Levels, escalations, First contact resolution, etc.
- What are the specific metrics they believe your program should be governed by? By asking this question before you provide your desired metrics will tell speak volumes about their perception of your project and requirements.
- Who will manage your business? Will they assign a project manager? Where is that manager located? Are they dedicated to your account? How will you interact with them: phone, email, face to face, instant messaging etc.? What are the response parameters you should expect? Ask them to provide a service level agreement to respond to your phone calls and emails. Ask to see a bio or resume for the project manager. Ask for references for the project manager. This person will be an extension of your company; you should be very comfortable with this person before agreeing to proceed.
- What reporting: type and frequency will they provide to you? Ask to see sample reports and ask if they can produce 'ad-hoc' reports and how quickly they can do so?
- Ask for a standard implementation project plan. This will show you how they manage projects and what tasks are required as well as how much time they feel should be devoted to each activity.

Technology:

Any outsourcer you partner with will need to integrate with your systems and processes. It is important to understand both their structure and knowledge levels. Specifically:

- Ask to see their Disaster Recovery Plan. If there is a problem, you want to know what will happen and when. Otherwise your own service to your customers may be compromised.
- Are their telephony and power systems redundant and to what level? Determine if they are speaking of battery back up, on-site diesel power generation or physical connection to two power stations or telco central offices.
- How do they envision connecting into your systems? How they connect and the security around the connection are going to be very important to your own IT group

Pricing:

This is often the only element that companies look at closely. Those that do this, do so at their peril. Price is always important, but it should never be the only consideration. Before you select a vendor you need to understand their pricing model and how it would apply to your project. Specifically you will want to know:

- What is the basis for their pricing model? Is it per connect minute, per talk time minute, per call, staff FTE's etc.
- Are there discounts or price breaks based upon volumes? We know that there are economies of scale as a business grows, to what degree do they share this with their customers?
- What are the set up or establishment fees and what are these charges for? Some companies charge for training, opening a file, reporting set up, telecommunication set up, data connectivity set up etc.
- What other fees are there and when would they apply? Do their rates for example include long distance and if not what is the 'per minute' rate they charge you. Can the long distance or toll charges be billed directly to you by your existing carrier? Are charges for additional reports and what are these fees?
- What service level guarantees are they willing to offer? Are the service levels targets or requirements? More than one company has been burned by thinking that a target service level meant that it would be consistently achieved as apposed to something to strive for.
- What is the measurement period for the service level? There can be significant variances in actual service delivered if it is measured on a daily, weekly or monthly basis.
- What penalties and recovery periods will apply when a service level is not achieved?



- What contract terms are they seeking and what benefit do you receive for a longer agreement? It is not uncommon for multi-year agreements to include rate escalation clauses. It is generally in the clients best interest to not have a blanket escalation rate but rather a increase/decrease tied to an independent measure such as 'cost of living' etc.

General:

Always do the following:

- Visit the contact center where your business will be completed. Seeing the site and meeting the Supervisors and staff will provide great insight into the company.
- Be concerned if they tell you they do not have a center for you today. While this can speak to growth it can also lead to delaying the project timetable if they are working out funding, have construction delays or need more clients to justify the build.
- Check references. Check a minimum of three current clients. Ask to speak with former clients as well. Find out why former clients are not still dealing with the outsourcer. Ask specifically about adherence to service levels, budgets and timeline and how easy the access was to the project manager and senior company resources.
- Do a 'credit check' on the company. You don't want to risk you customers with a company that is struggling to stay afloat. If they collapse you may be down for days or even weeks.

Location specific questions:

Near Shore

Canada is the most popular near shore location for call and contact center activities. Jamaica, Mexico and Puerto Rico also host a number of contact centers. In all cases these have lower operating costs due to their location. A part of the outsource operating advantage is dollar arbitrage, The lower the exchange to the US dollar generally the lower the costs in that country. Regardless of the country you need to ask a number of questions including:

- Will the outsourcer invoice you in US dollars? This frees you from concerns over the relative exchange rates between US Dollars and the local currency.
- What taxes are charged in that country and can any of these be recovered. Local country taxes often can be applied to call and contact center services, though often you can become exempt or have the taxes refunded if you are a non resident company.
- Language skills vary from location to location based upon the educational system in that country. For US companies seeking English language services Canada often reflects the best option as Canada has an excellent educational system. It is also heavily influenced by American media.
- Culture is important in any call or contact center. All customers will employ slang, idioms expressions and phrases that are not taught in school. It is imperative that the agents representing your company can communicate effectively with your customers.
- Infrastructure can be a concern outside of Canada. Generally in Mexico and the Caribbean the telecommunication and electrical infrastructure is inferior to that seen in Canada or the US. You must ask about reliability, redundancy, failure history, recovery periods etc.
- Weather can be a concern regardless of where the center is located internally, domestically or near shore. Snow in the north, hurricanes in the south, tornadoes in the mid west all pose potential risks that need to be identified and assessed. It is interesting to note that locations with regular and significant amounts of snow loose fewer days annually to weather than locations that see small amounts or infrequent snow storms.

Offshore

There are numerous offshore locations for contact centers around the globe. They include countries such as India and the Philippines but also include countries such as;

- South Africa,
- New Zealand,
- Ireland,
- Romania,
- Poland,



- Malaysia,
- China,
- Singapore,
- The Seychelles,
- Sri Lanka,
- Pakistan,

For each of these countries you must examine all of the universal and near shore questions plus the following;

- Access, will you need a visa to get into the country? This can be a factor sourcing individuals who will work providing training and managing the vendor relationship.
- How safe is the location or how safe will your staff feel when they are there. We often forget that: India is a nuclear state that is in a constant state of near war with Pakistan or that the Philippines has an on-going guerilla war underway and that there are semi-regular riots in the streets of Manila. All of this has a bearing on your ability to get staff to travel to these locations.
- Infrastructure in many of these countries can range from poor to very good. Often service providers operate their own private networks rather than rely on the public grid. In these cases their redundancy and Business Continuity plans take on far more significance.
- Cultural Context can be very important in countries that have little exposure to the US culture. We see a phenomena call cultural context training. This is a process designed to train staff to deal with North Americans. This can range from the ludicrous (employing a full season of the sitcom Friends to teach Indians about US culture) to good (broad cultural trainings, accent neutralization training, slang, axioms and expressions training). You cannot skimp with this aspect of your assessment as this will likely be the most obvious clue to your customer that you have offshored the center.
- Time zones also play a role in the ongoing management of an offshore vendor; you need to plan to communicate at 5, 8, and 10 hours off the normal North American clock if you wish to stay on top of your partner. Waiting till the next day often means you can't speak to who you want to and will likely lose another day before changes or adjustments can be made. When was the last time you had an internal crisis where you had the liberty of taking 3 days to fix it?
- Due Diligence is essential before you travel overseas to meet with a potential partner. Before you go, check their references, find a local lawyer, consultant and accountant or tax planner. You will need to know the implications of establishing a contract offshore. For example the laws of what country will govern the agreement? How will judgments be enforced if any are executed? How will disputes be resolved, what are the risks to any assets you send overseas etc.

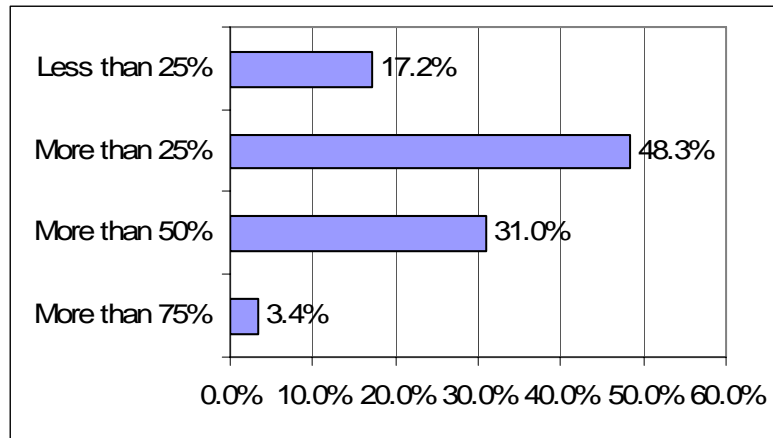
The world seems to continually become a smaller place and outsourcing and offshoring are here to stay. But with the proper preparation any company can navigate these potentially dangerous waters and develop effective and meaningful partnerships. Let us know what you think of this article, please visit www.thetaylorreachgroup.com or send us an email at


info@thetaylorreachgroup.com 

Survey of the Month

This past month our survey of the month is taken from the recent TRG research study “Outsourced Quality Monitoring: *Emerging Market or Outsourcing Core Competency?*” During the study we asked what percent of time Supervisors spent on non-phone activities?

When we examined what percentage of the Supervisors time was spent in activities that did not directly relate to agent development and quality we found that over 80% said they spent between more than 25% of their time on these non agent activities. In fact almost 35% spent more than half their time on paperwork and other non-agent related activities




Visit the TRG website www.thetaylorreachgroup.com and weigh in on this months survey: Do you have an idea for an upcoming poll? If so we would love to hear it. Please email your suggestions for future surveys to feedback@thetaylorreachgroup.com 

Research Studies

Recent TRG research studies

In “Outsourced Quality Monitoring: *Emerging Market or Outsourcing Core Competency?*” TRG studied more than 160 organizations and their views regarding the outsourcing of quality monitoring. Every Contact Center senior manager knows that agents require coaching, training and guidance to become more effective and more efficient, unfortunately in most organizations Supervisors spend a significant portion of their time completing non-agent related activities. The question becomes how can we improve the supervisors efficiency in completing all of their tasks and still ensure we coach and develop our agents.

In “Assessing Outsource, Offshore and Domestic contact center operations”, TRG examines the opportunities and challenges associated with processing live agent voice calls, email and whitemail processing internally and outsourced. In addition the study examines advantages and disadvantages of Domestic near shore and offshore locations.

If you would like to receive a complimentary copy of either of these reports please email your request to info@thetaylorreachgroup.com . 

Newsworthy

In this regular column we review the latest news, predictions and trends impacting on the Call Center / Customer Interaction Industry.

Half of all contact centres are failing to meet absence targets

Half of all contact centres are failing to meet absence targets, according to a new report. The Professional Planning Forum’s (PPF) 2007 survey has revealed that a worrying 56 per cent of call centres are struggling to keep on top of sickness levels in check. However, this nevertheless represents a massive increase from last year’s figure at 72 per cent — driven by use of analysis and good communication between resourcing and front-line teams.

The annual report, which forms part of the third annual benchmarking exercise, also showed that staff turnover is improving with 63 per cent on or over target. “This firmly places resource planners and analysts in the limelight”, explains Steve Woosey, director at the PPF. “The large proportion of resource planners — 83 per cent — who believe they can influence absence rates, represents a huge shift from last year; it clear that our message that planners can make a real difference is achieving results.” The full results, including data on forecasting, workforce management systems and service level performance, will be presented at Call Centre Planning 2007 in Dublin on



April 25th – 26th. Elsewhere in the report, attrition or employee turnover is showing an encouraging improvement with 63 per cent of respondents achieving or improving on targets and 39 per cent showing an overall improvement on attrition rates in the past 12 months.
eCCF

India Sees Cultural Backlash Against Outsourcing

The outsourcing of tech and business work to India by U.S. multinationals has added billions to India's national income, but some in the country are now suggesting that this apparent windfall carries too high a price. Of late, some editorialists and social commentators in India are warning that the outsourcing boom is starting to erode traditional Indian values. An author writing Tuesday in the journal Merinews noted that "the outsourcing companies and projects emphasize foreign cultural values--the place from which the original project has been outsourced." In most cases, that's the United States. As a result, some other Indian writers note, hundreds of thousands of young people employed at outsourcers are embracing U.S. traditions and lifestyles and eschewing more traditional Indian social norms. One timely example: The growing popularity of Valentine's Day in the country. This from a spokesman for India's nationalist Shiv Sena party: "We don't need to learn about love and affection from Westerners." Not helping matters is the widely used policy among India's outsourcers that requires call center workers who have direct contact with U.S. customers to adopt names like Joe and Peggy. With these kinds of rules in place, it's hardly surprising that some of the more reactionary voices in India see in outsourcing the second coming of the Raj--this time with an American twist.

The growth of outsourcing in India has been so meteoric that few have stopped to ponder its cultural implications, but now the dust is settling. There's certainly no real danger of a Taliban-style reaction shutting down the whole industry, but even modest reforms--say, laws that would require Indian outsourcers to operate on an Indian holiday schedule and not an American one--could be felt by businesses in the U.S. It's an issue that bears watching.

InformationWeek

TRG Secures Management Services Agreement

The Taylor Reach Group, Inc. (TRG) announced today that it has secured a Management Services agreement with Toronto based Telepoll Canada Inc. (Telepoll), a privately owned Canadian Company.

Toronto, ON (PRWEB) January 29, 2007 -- The Taylor Reach Group, Inc. (TRG) announced today that it has secured a Management Services agreement with Toronto based Telepoll Canada Inc. (Telepoll), a privately owned Canadian Company. Telepoll was founded in 1990 and provides data collection services to the market research industry.

"Telepoll has established itself as one of the leading data collection services in Canada, with an impressive client list and a reputation for high quality work", said Jack Chute Chairman of Telepoll. " TRG's experience and track record in assisting telephone centric companies to grow and move to the next level, was a primary reason for partnering with them", Chute continued.

"Telepoll is a great company", Colin Taylor, Chairman & CEO of The Taylor Reach Group, Inc. said, "and we know that we can help them to grow and succeed. In a market where many of the major players have 'off-shored' their data gathering we see great opportunities domestically and across North America." continued Taylor.

TRG will work with Telepoll management and staff to develop a strategy to grow the business, expand its market and deliver complimentary services.

About Telepoll Canada Inc. - Telepoll a privately owned Canadian Company, was founded in 1990 and provides data collection services to the market research industry through the in-depth knowledge of research required for effective and high quality data collection.

For more information about Telepoll please contact Christine Schmakies by email at [chris \(at\) telepoll.net](mailto:chris@telepoll.net) or visit us on the web at www.telepoll.net

About The Taylor Reach Group, Inc.- With offices in North America and Australia, The Taylor Reach Group, Inc. (TRG) is a leading Call/Contact Center, Customer Service and Business Development consultancies. This award winning company founded in 2001 by Colin Taylor today boasts a stable of Fortune 1000 companies. The staff at TRG possess more than 100 years of Call Center, Customer Service and Customer Satisfaction experience in delivering effective and significant benefits from Operational Innovation.

For more information about The Taylor Reach Group, Inc. please contact Crystal MacIntyre at 905-426-5055 or visit us on the web at www.thetaylorreachgroup.com



At TRG, we believe in happy endings.
To turn your call centre problems into personal and professional triumphs, just call
Colin Taylor at (905) 426-5055 or visit us at www.thetaylorreachgroup.com



31 Barr Road, Suite 2 Ajax, Ontario L1S 3Y1



Inside TRG

Recently TRG secured a Management Services agreement with Telepoll a Toronto based market Research and data gathering company with 15 years of experience. Telepoll's services include:

- Data gathering,
- Market Research,
- Customer satisfaction surveys,
- Mystery Shopper calling,
- Outsourced quality monitoring

TRG has secured preferential pricing for readers of Customer Reach. For a limited time Customer Reach readers who retain Telepoll services will receive a 20% discount off standard pricing. This discount will allow a company for example to complete a Customer satisfaction survey for \$5,000.

For more information about how your company can take advantage of this discount please contact Crystal MacIntyre at 905-426-5055 or by email at cmacintyre@thetaylorreachgroup.com.

Case Study

Assisted a Major bank to review its' Customer Interaction processes and identified more than \$5 million dollars of operational efficiencies

The Challenge:

A national network of call centers, significant staff turnover, unhappy customers, uncertainty regarding the benefits of outsourcing and challenges associated with delivering the value they sought from their call center channel. These were some of the challenges facing one of the largest financial institutions in Australia when they began speaking to Colin Taylor.

The Process:

Colin and his team of consultants began at the beginning, a Strategic Assessment a full end-to-end review of each of the 'moving-parts' within the call center infrastructure. The sweeping engagement assessed the people in the call centers, their skills and competencies, the processes, procedures, operational methodologies, technologies, quality and service practices and business objectives. With a number of centers and thousands of agents this was a significant exercise in terms of scope.

The Solution:

The bank employed state of the art, best of breed technologies and had invested heavily in self-service and workforce management solutions. Their operational methodology was based on a very successful internationally accepted model...so what was the problem?


There were fundamental gaps in the process maps and invalid assumptions being employed in defining the objectives and means to attaining these objectives.

By vetting and re-engineering the process maps, procedures and operational methodology we ensured that the objectives of the organization could be met. In the process we streamlined the use and application of the existing technology and implemented a limited outsource relationship, both of which improved efficiency and reduced expense.

The Result:

The bank improved its customer satisfaction, reduced turnover and leveraged enhanced benefits from their technology investments. In addition they established an outsource relationship that allowed them better control on the call patterns arriving in their captive centers



which improved the center performance, as well as employee morale. The re-engineering process improvement, leveraged technology and outsource combined to total more than \$5,000,000 in annual operational cost savings! 

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Customer Reach
31 Barr Rd,
Suite 2,
Ajax ON
L1S 3Y1
Phone - 905-426-5055
Fax - 905-426-6793

The Taylor Reach Group, Inc. provides Strategic and Operational customer interaction consulting services that deliver Operational Innovation breakthroughs in Contact Center operations.

Award winning service and more than 100 years of industry experience serving 'Fortune 1000' companies. Extensive North American and International experience with both captive (in-house) and outsource centers.

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Award winning service...Reach Beyond! 

Phone or email Colin Taylor today at 905-426-5055

By email at ctaylor@thetaylorreachgroup.com .

Offices in North America & Australia

TRG are proud members of:



The Taylor Reach Group, Inc.

Phone: 905-426-5055

Fax: 905-426-6793

E-mail: info@thetaylorreachgroup.com

www.thetaylorreachgroup.com 