



What is the Future for Multishore Outsourced Customer Contact?

A Datamonitor White Paper for Sitel



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Key Findings

During research conducted for this white paper, Datamonitor was able to determine a number of significant issues relating to the deployment of multishore customer contact, including:

- Offshore outsourced agent positions are set to grow substantially over the next five years;
- This growth will be due to the advantages offshoring brings in terms of price, scalability and quality;
- A successful multishore approach means choosing the right locations, based on several criteria;
- Savings and quality may be leveraged by incorporating automated solutions alongside offshore agents;
- A successful multishore customer contact strategy could lead to more offshore deployments of other business processes

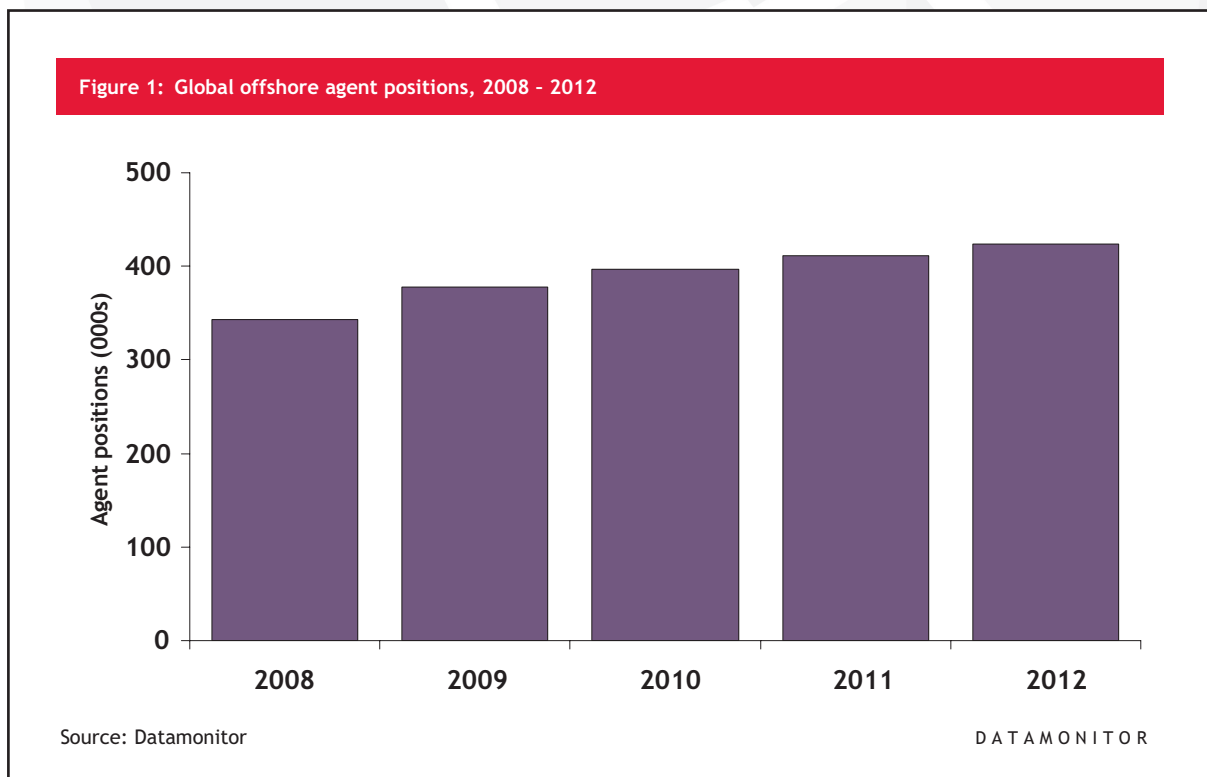
Introduction

Navigating the challenges of the current economic situation means that enterprises across industries must develop strategies for ensuring long-term customer satisfaction, while at the same time reducing operational costs. While many have succeeded by adopting outsourced customer contact solutions, this business model is constantly evolving. Specifically, many outsourcing clients are reaping the benefits of an offshore strategy, taking advantage of locations where quality agents are plentiful, and price points are attractive. This is not to say that all domestic outsourced deployments should be blindly abandoned; rather, using an offshore strategy, onshore workstations can be reduced significantly, thereby ensuring lower operational costs for the client, while not sacrificing customer satisfaction levels. Datamonitor notes that there is no one-size-fits-all solution for this approach. However, as will be outlined in this white paper, by working with an outsourcer that understands site selection and that has experience in high quality offshore customer interactions, clients are likely to recoup significant value from such a strategy.

Analysis

The current offshore outsourced contact center market

As shown in Figure 1 Datamonitor estimates that the total number of outsourced agent positions (APs) based offshore (outside of Western Europe, North American and Australia/New Zealand) will increase from approximately 340,000 in 2008 to over 400,000 by 2012. In percentage terms this is a rise of approximately 20% through this period.



There are a number of reasons why increasing offshore deployments alongside onshore APs is emerging as a viable business model. The main ones will be discussed in the following sections of this white paper.

The offshore advantages

Price

One of the primary motivators for contact center outsourcers to offshore customer contact relates to reduced price points, which are a function of lower input costs. These costs can be broken into three separate categories:

- o Agent-related costs: Across developed economies, the highest input cost in outsourced contact center operations are the wages and benefits provided to agents, which account for roughly 2/3 of total overhead. However, Datamonitor estimates that in offshore and nearshore delivery locations, these agent costs alone are approximately 33% lower than in onshore markets. This means lower prices that can be passed back to clients;
- o Property costs: Commercial property to house contact centers can be extremely expensive in western delivery centers. However, outsourcers have been able to reduce this expense by taking advantage of what are generally lower property price points in offshore and nearshore locations, thereby providing increased value for their clients;
- o Government support: Outsourcers are further able to cut costs for clients by targeting delivery locations with significant government investment incentives (usually in the form of subsidies and tax-breaks). Generally speaking, government officials in offshore/nearshore locations have been more enthusiastic to provide these incentives, as opposed to those in developed western markets. These mechanisms provide outsourcers with further means of keeping prices competitive for clients.

Scalability

A major challenge for contact center delivery is finding a location where agents will be not only cost advantageous, but one in which there is a significant labor pool from which to draw staff. This contributes to lower wages and benefits due to reduced agent churn, helping to cut down on recruitment and training costs, resulting in savings that can be passed back to clients. Datamonitor notes that many offshore and nearshore delivery locations are able to provide substantial agent pools, and are noted for significantly less agent attrition than those found in western locations.

Commercial sophistication

The final benefit that offshore and nearshore locations can afford outsourcing clients is that of agents with excellent commercial skills and popular culture understanding. This is especially noted in EMEA countries such as Poland and South Africa, where the target agent pool can compete against their onshore counterparts in terms of sophistication and customer empathy when supporting products and services. Conversely, in many onshore locations, finding and retaining similar quality agents to work in contact centers is a major challenge, due to intervertical competition for talented employees.

Choosing the right location

Simply going offshore with an outsourcer to provide customer contact services is simply not enough to save costs and maintain high quality interactions. Rather, Datamonitor emphasizes that it is crucial for prospects to consider the following litmus tests when assessing delivery locations:

- o Scalability: As discussed above, it is important to determine if a target location has enough potential agents to handle capacity ramp-ups. Equally, it should be ascertained if the market shows any evidence of a tightening labor pool to date, which could lead to long term recruitment difficulties;
- o Government backing: It is crucial to assess whether or not the governments associated with the prospective delivery location are supportive of the contact center sector, in terms of maintaining excellent network infrastructure and competitive taxation regimes;
- o Stability: Arguably most important, when looking for an offshore delivery location, it is important to assess whether the delivery site has both a stable economy, as well as transparent governance, with regular free elections.

Datamonitor notes that working with an established contact center outsourcer that has established knowledge of site selection can be very helpful for prospects when choosing a location for customer contact delivery, both in terms of recouping lower costs and maintaining high agent standards.

Finding the right offshore commercial fit

Once an offshore delivery location has been ascertained in terms of the three macro-level tests established above, Datamonitor recommends that prospective clients work with their outsourcing partners to determine the most appropriate functions for the site they have selected. The key issues that should be considered include:

- o Process appropriateness: Specifically, does the delivery location have an affinity with the general business function that will be handled from that country? For instance, if the prospect wants to use an offshore location for technical support, they need to be sure that among the target agent population, technology literacy is relatively strong. Conversely, it would not be wise to house outbound business development in a country where there is a limited sales culture;
- o Popular/commercial culture affinity: It is important that an offshore delivery location is found in which the agents will be personally familiar with the products or services that they will be tasked to support. This will ensure maximum empathy with end-users, leading to high quality long term customer satisfaction;
- o Vertical market orientation: Finally, it is logical that outsourcing clients work with their partners to choose delivery sites where there are established industries similar to the ones they will be servicing. As with the point above, this will help ensure a maximum degree of agent empathy, and re-enforce positive brand relationships with end-users.

Maximizing offshore savings with automation

Datamonitor notes that clients should examine the possibility of using technology to augment cost savings recouped through offshoring. An excellent example of combining these business models is to leverage self-service automation alongside offshore agents. By working with a technically savvy outsourcer, end-users can be moved to speech automation for basic customer contact using high-quality solutions, costs will be immediately reduced and satisfaction increased. The client can then work with their outsourcing partner to determine the volume of higher-value calls that can be managed offshore as opposed to domestically. This approach will ensure that only the minimum number of onshore agents is in use, resulting in significant cost reductions for the outsourcing client.

Offshore delivery of broader business functions

One of the advantages of working with a contact center outsourcer that has experience in offshore delivery is the possibility of migrating multiple front and back-office functions to lower cost locations. As demonstrated in Figure 2, the general trend among clients is to begin moving some contact center functions offshore. Once the client has become comfortable with this business model, they will generally examine the possibility of using more than one location for contact center work, so as to reduce risk through diversification, and to maximize potential cost savings. The final stage occurs when the client moves some or all elements of their non-customer contact back-office BPO (such as procurement, finance & accounting, human resources) offshore with their outsourcer, thereby further maximizing cost savings.

Figure 2: BPO functional offshore migration stages



Source: Datamonitor

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However, Datamonitor notes that outsourcing clients should choose a partner that has significant experience in offshore delivery across functions, prior to embarking on any of these stages.

Conclusions

Datamonitor believes that contact center outsourcing clients should examine the possibility of placing at least some of their workstations in offshore locations, so as to minimize heavy costs associated with a domestic-only customer contact strategy. As discussed, some of the advantages that an offshore approach can yield include:

- o Cost savings;
- o Potential workforce scalability, and;
- o Commercial sophistication of agents.

However, prior to embarking on an offshore strategy, it is important for clients to consider locations closely, so as to ensure the maximum long-term viability of one or more delivery markets, as well as their appropriateness for the function/vertical/product/service to be supported.

Datamonitor also notes the cost savings that both contact center and non-contact center business processes can achieve from a multishore location. However, it is worth repeating that these economies can only be maximized by working with an outsourcing partner that has significant background and understanding of this market.

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