Top 5 Reasons Companies Outsource.

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Introduction

“Implementing a clear strategy and goal structure can help an organization make intelligent decisions and maximize its relationship with its outsourcing partners.”

Without question, outsourcing has fundamentally changed the global business landscape. Not long ago, outsourcing was simply viewed as a means to reduce various operational costs. However, as the current competition increased and new players also began to enter the market, wise organizations are now relying on outsourcing to both gain a competitive advantage while further expanding their global footprint.

Outsourcing works.

A recent study from IBM Research found that businesses that outsource lowered administrative expenses, increased operating income and increased Electronic Benefits Transfer Growth (EBT) compared to companies who did not outsource. Rather than simply lowering costs for organizations utilizing this business strategy, outsourcing providers have all but perfected the process to not only be financially beneficial but to provide numerous other business benefits as well.
Organizations that outsource are able to reduce the rate of their annual Selling, General & Administrative expenses by 3.5 percent within the first year of an engagement. On average, companies that outsource have 2.9 percent lower SG&A growth than their industry sector peers.
Five distinct reasons have emerged as the most important factors that companies consider when electing to outsource. Implementing a clear strategy and goal structure for each of these five categories can help an organization make intelligent decisions and maximize its relationship with its outsourcing partners. The top five reasons companies outsource include:

01. **Lower costs**

Reducing cost still remains the number-one reason that organizations elect to outsource. Virtually every company cites lowering costs as the primary driver for adopting this business model. According to industry analysts at Gartner, 80 percent of companies name cost-cutting as the main reason for outsourcing.

The study from IBM also concluded that organizations that began to outsource were able to reduce the rate of their annual Selling, General & Administrative expenses by 3.5 points within the first year of the engagement. The same study also found that companies that outsourced had 2.9 points lower SG&A growth than their sector peers.

One Internet Service Provider (ISP) began outsourcing primarily as a cost-reduction initiative. The company had internally run a large contact center operation that generated great results but at a high cost. Under pressure to reduce costs across all functions, the company began outsourcing, but exclusively in the United States. As the ISP became more comfortable with outsourcing and saw results comparable to their internal efforts, it moved part of the operations overseas. The initiative has been a success, saving the company $30 million a year without diminishing quality of service. In fact, the ISP has won industry awards for superior customer care.
02. Better experiences raise revenue

The days of sales calls in the middle of dinner are (thankfully) dead. Outbound calling is intrusive, disruptive and ultimately damaging to the customer relationship. However, inbound calls are a powerful and productive way to generate provider revenue. Companies leave a great deal of potential revenue on the table by not up-selling and cross-selling at the right moments during in-bound interactions.

The key element to this type of strategy is putting emphasis on the notion of “at the right moment.” Customer care agents who try to upsell a consumer after an hour of sitting on the phone trying to resolve a problem are not effectively using this strategy. The key to successfully upselling or cross selling during a customer experience is to accurately anticipate the customer needs and actively listen for opportunities to provide value. In fact, 15 percent of customers admitted to being interested in upsell offers during a customer experience according to SmartMoney.com.

For example, one of the world’s largest investment banking institutions decided to tap outsourcing to meet three primary objectives: drive additional revenue in sales campaigns; create lead generation for a growing offering; and manage customer inquiries related to credit card services. The company was able to meet these objectives successfully. Some of the specific benefits included: up-selling $50 million in balance transfers, ranking first among all service centers in customer satisfaction and generating an additional $600 million in revenue.
Every customer interaction is an experience shared and an opportunity to increase satisfaction and brand loyalty. Quality outsourced customer care can even save revenue by turning a cancellation call into a retained customer.
03. Retention

One overlooked benefit of outsourced customer experience management is the ability to generate higher customer retention rates. The combination of creative programs, informed and talented agents and timely execution can lead to dramatic increases in customer retention.

Every customer interaction is an experience shared and an opportunity to increase satisfaction and brand loyalty. Quality outsourced customer care can even save revenue by turning a cancellation call into a retained customer. Sitel’s “SAVE” team has worked with multiple companies on retention programs, using a combination of sympathetic agents and incentive offers to keep customers on board.

As satellite radio is proving, entire industries are now upping the stakes by giving away their service free of charge for a given period of time. These companies then rely on talented customer care associates to make sure the customer starts paying for the service when the trial period is over. In these cases, customer retention is a central part of the company’s business model, making outstanding customer care a critical part of their ultimate success.
One of the biggest benefits of outsourced customer care is the flexibility it provides. Partnering with an outsourcing company that has a deep stable of agents throughout the world enables a company to quickly scale up or down based on customer demand and during the peaks and valley points of the year.

For example, when the holiday season arrives, the customer service industry sees a huge influx in customer inquiries. Both in-office agents as well as work-at-home employees enable organizations to scale staffing to match the business need during these annual peak and valley times. This added benefit also results in cost savings without compromising the level of service delivered to customers.

An important success factor of these programs is to scale while remaining attentive to a loyal customer base. Two of the biggest drivers that create this demand are seasonal spikes (Christmas, Valentine’s Day) and marketing promotions. The volume numbers can be large. One consumer company that outsources its holiday calls experiences a volume increase of more than 500 percent, requiring several hundred temporary agents.

Another example is a large travel agency specializing in cruises. This company experiences dramatic increases in inquiries and bookings from December to March. Cruise travel is a highly personal and sophisticated endeavor, and agents must be quickly trained to understand the various cruise options and provide sound booking guidance.

Promotions also lead to the need for increased contact center support. For example, a wireless company recently ran a campaign on QVC, leading to the ramp-up of 100 agents within two weeks to support the short-term increase in volume.
05. Diversification

Some companies want to keep part of their contact center operation internal and outsource other parts. This is because the company has experienced real success running their contact center operations internally, but is looking to supplement the program with outside expertise or geographies. Diversifying contact center operations in this manner is an excellent way for companies to keep internal benchmarks in place while still maximizing the aforementioned outsourcing benefits.

For example, one rapidly-growing financial services company turned to outsourcing for its prepaid debit card products and services. This company understands that the customer experience can be the primary differentiator between brands whose products and offerings are relatively the same. The primary reason the company diversified its contact center operations was to utilize the benefits of offshore options for the first time.

Another example includes a leader in the travel industry that elected to outsource part of their contact center operations. The company took much comfort in its outsourcing partner’s industry expertise, as it wanted to guarantee that the customer experience would be outstanding regardless of who took the call.
About Sitel

Sitel is a global Business Process Outsourcing (BPO) leader that meets clients’ customer care and transaction processing needs by providing world-class solutions from over 58,000 associates in 110 facilities located in 23 countries.

Sitel provides clients with the strategic insight, scale and diversity of offerings to ensure the best return on their customer investment.

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