

Top Five Reasons Companies Outsource

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In This White Paper

- Research shows that outsourcing works and organizations are seeing greater than expected savings.
- Every organization has a different reason for outsourcing, and implementing a clear strategy and goal structure is important.
- There are five top reasons most organizations choose to outsource, and examples of how Sitel has helped them meet or exceed their goals.

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 competition increases and budgets wear thin, wise organizations are turning to outsourcing to add value beyond lowering costs.

Outsourcing works. A recent Duke University study of 100 companies in the Fortune 500 found that the respondents were overwhelmingly satisfied with their outsourcing operations. Nearly three-quarters (72 percent) said their implementations met or exceeded expected savings. Outsourcing providers have all but perfected the process of helping companies strategically reduce costs, but the industry must evolve to meet the additional demands of organizations that also embrace outsourcing as a way to increase both revenue and customer retention.

In recent years, five distinct reasons have emerged as the most important factors 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:

1) Lower costs

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

The Duke University study of the Fortune 500 found that 63 percent of respondents achieved greater than 30 percent annual savings. Fourteen percent reported savings greater than 50 percent. This finding matched company expectations. Eighty-eight percent expected to save more than 20 percent by outsourcing, while 55 percent expected to bank 30 percent.

One Internet Service Provider (ISP) began outsourcing primarily as a cost-reduction initiative. The company had internally run a large call 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.

2) Up-sell/cross-sell opportunities

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 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 financial services industry is surprising sophisticated when it comes to the benefits of up-selling and cross-selling. The analyst group IDC says that U.S. spending on payments-related business process outsourcing (BPO) reached \$3.3 billion in 2005 and will grow at a five year compound annual growth rate of 5.5 percent. Not only is outsourcing becoming increasingly more mainstream in the financial services industry, but some of the most profitable up-sell and cross-sell campaigns are coming from banks and other financial institutions.

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.

3) Retention

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

Every customer interaction is an opportunity to increase satisfaction and retention. 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.

4) Scale

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. 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 call 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.

5) Diversification

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

For example, one rapidly-growing financial services company turned to outsourcing for its prepaid debit card products and services. This company sees customer support as its most important competitive differentiator. The primary reason the company diversified its call center operations was to utilize off-shore options for the first time.

Another example includes a leader in the travel industry that elected to outsource part of their call 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 60,000 associates in 155+ facilities located in 27 countries.

Sitel provides clients with the strategic insight, scale and diversity of offerings to ensure the best return on their customer investment. For more information, please access www.sitel.com



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