

The Highlighter: Call centres

# The Highlighter

## Sector: Call Centres

• **Management overview**  
 'Think of your customers' is your mission here. Outsourcing call centre work has many advantages: high call volumes, cost, specialist technologies for call monitoring, statistical gathering and CRM. But remember the human factors, and people's dislike of overseas centres.

Each issue, we explore a major outsourcing sector and **highlight** the key issues that affect your business. Chris Middleton looks at the call centre market, and says: the most important thing is to think like one of your own customers.

The decision to outsource call centre work is one of the most challenging for any organisation to make, because it goes to the heart of company culture and corporate policy. It interrogates both, and weighs them up against the need to cut costs and run a high-volume operation.

Management, location, staff quality, service levels and their collective impact on customer care are core considerations when a large, customer-facing unit, such as a contact centre, is located at one remove from the central organisation – whether outsourced, 'nearshore', or offshore.

The decision to outsource should never be taken simply to slash costs when it comes to contact with your customers and partners. Call centres can amplify a customer's feelings about your organisation. Any discrepancy between your brand values and the reality of your front-line customer care will damage you in today's world of social networks and customer communities.

To the customer, whoever answers the phone 'is' your company, regardless of where the centre is based, and should therefore embody your values and quality



of service standards – not to mention your insight into the customer. Your organisation needs to drive the relationship with the external partner, therefore.

Chances are, if you are already considering which partner to choose then you are meeting the call centre challenge in the wrong way. As our *Strategist* feature in this issue explores, some customers hate speaking to call centres. The solution is to accept customer prejudices, where they exist, and counter them with excellence.

### Take the call centre challenge

- Accept that no customer loves call centres – at best they are ambivalent about them, and, at worst, strongly dislike them;
- Recognise that all customers are passionate about service. Good contact centres reinforce the brand values that influenced their decision to buy. Poor phone service pushes them towards your competitor;
- Ask searching questions about the reason for outsourcing, and then map the answers against your corporate goals and ethos. If your mission is to offer the best service in the market, then question any sourcing decision based solely on low-cost location;

One upside: Access to innovative technology.

- *Think like one of your customers.* Consider what you would find an acceptable standard of service – not just response time or quality of resolution, but also the 'feel' of the service;
  - Consider all the possible implications of outsourced, 'nearshore', or offshore centres: cost, cultural fit, language skills, local knowledge, employment, PR, and so forth.
- There are call centre providers – and suppliers of related software, CRM and BPO services – in many parts of the world, including multiple centres in India, the Philippines, Chile, Australia, Croatia, Latvia, Poland, Tunisia, Egypt, Kenya,

Hungary, Ireland, the US and Canada, but also throughout Western Europe and the UK. Scotland, Northern Ireland and Wales host expert providers and locations.

### The uncomfortable truth

Public antipathy towards call centres is real, and highlighted in survey after survey. For example, market research firm Mintel recently surveyed consumer attitudes to banking contact centres. Language and accent difficulties were cited as bugbears for over half of respondents, while automated answering machines and overt cross- and

Photography: Gary Eastwood

up-selling of other services came close behind. (A 'captive' customer on the phone may seem like a cross-selling opportunity, but chances are they want the call to end, and will be hostile to being 'sold at'.) "It's not just language problems. Many believe that overseas workers don't have a good enough grasp of the UK's financial system and struggle with unconventional requests," says Toby Clark, head of finance at Mintel.

**Local knowledge, cultural affinity and familiarity with regulatory or compliance issues are essential considerations for all outsourcing customers.** A call centre might be a massive organisation, but your customer is only aware of a conversation with another human being.

As 'Rick', our call centre insider says in this issue's *Strategist* feature, opening a centre overseas risks sending out a message that your organisation values cost savings above customer service. That may not be true, but public perceptions are deeply ingrained, – so much so that some companies see UK-only centres as a competitive advantage. That said, sophisticated, well-run multilingual centres are growing and there is an opportunity for the sell side of the industry to demonstrate that it can excel in terms of service standards and professionalism.

#### The key benefits

From a corporate perspective, the promised cost and productivity benefits of running call centres remain irresistible. The first centres date back to US airlines reservation desks in the late 1960s. The same efficiencies delivered to the travel sector then are pursued today by all industries. The further cost reductions and value-adds promised by outsourcing add to the allure.

**Among the value-adds are expertise and investment in leading-edge technologies, such as call tracking and feedback monitoring, for example,** which can apply hard metrics to your customer relationships.

Growth in the EMEA contact centre outsourcing market has been slower than it has been in the recent past, with revenues standing at \$14.4 billion in 2009, according to the latest research from research firm



**Jeff Kelly: BT Global Services' CEO is banking on CTI.**

Frost & Sullivan. But the market will pick up as the economy does, and should grow to \$19.1 billion by 2016, say those analysts.

"Tech support, help desk and general customer service outsourcing continue to be the fastest growing segments across EMEA. In the last year, we have also seen that customer retention is more important than ever for enterprises," says Michael DeSalles, senior analyst at Frost & Sullivan.

DeSalles believes that the EMEA outsourcing market's success hinges on providers offering multilingual agent populations to attract and retain key clients.

"Many suppliers have moved to a more centralised staffing model to bring in and keep agent talent in particular countries. This is a real shift in operating philosophy away from the historical notion of maintaining a large footprint on the European continent," says DeSalles.

#### Declining CRM budgets

But while customer service and engagement are vital, there seems little hope of an immediate increase in spending on those areas. "Few enterprises expect significant growth in their CRM budgets through 2010, with only one in five contact centre managers indicating an increase," says Ovum analyst Peter Ryan. "Conversely, an overwhelming majority stated that their budgets would remain flat, or decline."

Consequently, in-house contact centre managers are being asked to do more with less. This makes it difficult for them to forecast staffing levels accurately without any investment in top-level, predictive analytics because of the freeze in CRM spending.

**"It is our view that the ability to help enterprises achieve CRM operational excellence and gain a full view of the customer will emerge as a differentiator for outsourcers in the economic recovery,"** says Ryan.

While cost savings are supposedly top of the corporate agenda, a study by the Warwick Business School (see our feature on Return on Investment) finds that the measurable cost benefits of outsourcing contact centres are largely unknown to CIOs.

The study of 263 executives found that one-third admit to not even trying to assess costs, while of the 43% who did, only one-fifth believed what they found. This suggests people are signing contracts without due diligence.



"The report flags a critical gap in managerial knowledge, and some businesses clearly have to do better in justifying their significant outsourcing spend to the board," says Julia Kotlarsky, associate professor of Information Systems at the Warwick Business School.

The Age of Austerity in the public sector is also opening up prospects as organisations seek to cut costs across the board without impacting on front-line service delivery.

There is certainly room for improvement in public sector call centres, if HMRC is anything to go by – and examples such as this are valuable to the private sector. HMRC runs 31 contact centres staffed by 10,500 full-time employees at a cost of £223 million a year – but value for money is not immediately apparent. Earlier this year, the National Audit Office found that of the 103 million telephone enquiries HMRC received during the 2008/2009 fiscal year, 43% had remained unanswered.

Like many organisations, HMRC faces seasonal variations in demand (a familiar challenge to any business with predictable sales cycles). For example, HMRC dealt with 85% of all calls in December, but that collapsed to a one-third response rate in July during the tax credit renewal peak.

#### The cost of a call

Scale is a challenge for HMRC: because staffing levels do not fluctuate in line with call volumes, the monthly average cost per call ranges from £2.50 to twice that figure.

**Scale is a key consideration when looking for a call centre partner, because you cannot easily apply IT management methodology to human assets.** For example, cloud computing is a hot topic in IT circles because it promises an infrastructure that can scale on demand to cover spikes in usage. However, there is no easy correlation when the resources are human rather than bits and bytes – unless virtual call centres using home-based workers catch on.

If you can predict your demand peaks and troughs, then ensure your call centre partner can meet them without you paying for large amounts of unused capacity.

New initiatives to improve call centre management within HMRC saw the number of answered enquiries rise to 73% in the first half of 2009/10, or 27% of calls unanswered. HMRC is now committed to answering 90% of all calls – the industry standard – at 30% of the existing cost by March 2012.

This puts another aspect of the call centre challenge into sharp relief: the drive towards improved customer response levels, answering times and costs per call. These are essential statistics for any organisation to gather, understand and control if it is to stand any chance of managing contact centres and running them efficiently. However, while such statistical analysis sits easily within an environment in which call centres handle routine transactions, accurate metrics are much harder to gather, quantify and apply when the centre deals with ‘softer’ issues, such as customer care.

#### Public versus private sector

That said, even simple transactions need to be carried out with professionalism, as they may not be routine for all customers. It is often at the ‘routine’ level that customer satisfaction is compromised.

Technology is part of the equation and here, again, public sector call centres often lag behind their private sector counterparts. Research by Rostrum Solutions last year indicated that less than 20% of public sector centres take advantage of voice and data convergence and computer/telephony integration (CTI), compared with over 50% in the private sector.

“Public authorities need to look closely at the advantages brought about by CTI,” says Ken Reid of Rostrum Solutions. “With efficiency being a hot topic, it is essential that public bodies use the best available technology to streamline customer contact, consolidate business processes and deliver services as efficiently as possible.”

But while investment in new technologies might be on the cards, it is unlikely that the public sector will get to grips with offshoring to the same extent that the private sector has. “There’s been a lot of reluctance to



**One downside: Offshore centres are unpopular.**

offshore, and that’s political,” says Richard Marchant, Local Government Strategic Partnerships director, Capita. “In the north of England it’s seen as paramount to retain jobs locally, and that’s also seen more in the south since unemployment has gone up.

“We did an offshoring proposal to a council recently for collecting council tax. We said we could do it onsite and it would cost A, do it at a distance in the UK and it would cost B, or do it offshore and it would cost C. Offshore, they’d have saved £5 million over seven years, but they didn’t want to do it,” he says.

“But offshoring will be back on the agenda, and the question will be: What are the priorities? Authorities want to save money, but they also want to protect and create jobs. We’re always being asked to cut costs and create 150 jobs at the same time. The offshoring debate will come back.” →

#### • Outsourcing in action: Starbucks

While a tall downturn with an extra shot of pessimism may be the order of the day for some firms, coffee chain Starbucks has seen group profits more than triple and has reported record third-quarter earnings (Q3, July 2010). CEO Howard Schultz attributes this to a focus on customer engagement.

“At Starbucks, we know that to continue and to accelerate our recent momentum we will have to continue to improve, continue to innovate, and continue to focus on strengthening our connection to our customers,” says Schultz.

Starbucks is to close an in-house customer feedback call centre and outsource the work to Sitel in a bid to improve flexibility, call handling and feedback tracking. The move will be completed by September 2010, affecting 78 full-time Starbucks employees and 52 contract workers in Seattle.

A Starbucks spokesperson explains: “As we’ve grown, the number of calls we get fluctuates during the year. Going to a third-party provider gives us more flexibility.”

The decision is an example of how organisations can approach their call centre strategies, says Ovum’s Peter Ryan. Cost may be top of the agenda, but it is not the only driver. “Starbucks emphasised two particular benefits that this deal would bring about. First, increased flexibility in agent count to address the varied call volumes that occur throughout the year.

“This is a particularly challenging issue for contact centre managers, both in terms of accurate agent scheduling, and in dealing with the cost of incentivising parts of the labour force to work unsociable hours.

“Second, Starbucks noted the degree of quality that the deal would bring in terms of the technology, both for call management and tracking customer feedback. Both these aspects of operations are crucial for a successful CRM strategy.” ■

**Howard Schultz: The Starbucks CEO delivers a triple shot of quarterly good news.**



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• **The alternative view: US protectionism**

If any group dislikes offshoring more than the average customer, it is US politicians. Senator Charles Schumer has proposed legislation requiring that firms disclose their offshore call centre practices – and pay a tax on every call sent offshore. Indeed, if ratified, Schumer’s bill would:

- impose a 25 cent excise tax on any customer service call that originates in the US but is transferred to personnel located in non-US territories;
- require that companies inform customers of where a call is answered;
- require that companies publicly disclose quarterly, and in their annual SEC filings, how many customer calls they received, and how many were sent overseas.

Schumer’s proposals may appeal to the US electorate, but whether they become law is another matter. “It makes for great political sabre-rattling, but we know that 90% of proposed legislation goes nowhere,” says Forrester Research Vice President John McCarthy. “Every time there is any legislation with any offshore language, it gets watered down at the eleventh hour.” There is also the problem that policing the new rules could end up costing the taxpayer more than the revenues generate.

OVUM analyst Ian Jacobs believes the proposals risk “opening the door to several negative consequences” for consumers – and also for the US in terms of trade retaliation from overseas. “The most likely result for many companies that have already made a strategic decision to shift work overseas would be to pass on the added costs to consumers,” he says. “And if the bill makes countries such as India or the Philippines cost-prohibitive, then companies may simply start considering moving to other places, such as South and Central America, Africa, or other developing economies hungry for dollars.”

But Jacobs concedes that populism may yet win through. “The proposal may gel with the US zeitgeist,” he says. ■

• **Twenty Vendors**

**Arvato Digital Services**  
Global (Bertelsmann)  
www.arvatodigitalservices.com

**beCogent**  
UK  
www.becogent.com

**BSS**  
UK  
www.bss.org

**BT**  
Global  
www.globalservices.bt.com  
www.bt.com

**Convergys**  
Global  
www.convergys.com

**Gem**  
UK/Hungary  
www.the-gem.com

**Inkfish**  
UK  
www.inkfish.co.uk

**KenCall**  
Kenya/Global  
www.kencall.com

**Merchants**  
Global  
www.merchants.co.uk

**NIIT**  
Global  
www.niit-tech.com

**Raya**  
Egypt/EMEA/US  
www.rayacorp.com

**Response**  
UK (Scotland)  
www.response-uk.co.uk

**Sitel**  
Global  
www.sitel.com

**Stellar BPO**  
Australia/Canada/US/UK  
www.stellarbpo.com

**Stream Global Services**  
Global  
www.stream.com

**Sykes**  
Global  
www.sykes.com

**Transcom**  
Global  
www.transcom.com

**Ventura**  
UK/India  
www.ventura-uk.com

**Vertex**  
UK/US/India/Australia  
www.vertexgroup.com

**Xceed**  
Egypt/Morocco/Canada  
www.xceedcc.com

• **Nearshoring in action: Scotland**

Scottish Development International (SDI) is a Government agency that encourages inward investment and helps Scottish companies to develop international trade.

Mark McMullen heads up SDI’s financial services team, where his work assists companies looking to nearshore their call centre, shared services and back office functions. He lists Morgan Stanley, BNP Paribas and State Street among the many businesses that have chosen Scotland as a customer-support base. “We concentrate on areas that have the biggest impact on the Scottish economy, such as energy, financial services, digital media and ICT,” he says.

In all, SDI estimates that 1,500 global companies, including IBM, Virgin, Dell, O2 and Capita, have chosen to invest in Scotland to date.

So why might companies make the decision to nearshore to Scotland, or to other parts of the UK such as Wales and Northern Ireland, rather than take the low-cost route of offshoring to India, for example? “Nearshoring gives you peace of mind,” he says. “We have to demonstrate the added value we provide in all the work we do. We’re constantly looking at making ourselves more efficient.

“First and foremost, companies are looking for the comfort and confidence that labour and skills are available – by which I mean the right service and technical skills so we can actually do what companies want. Scotland has a customer service ethos embedded in its financial services sector.

“We can achieve 30-40% cost savings compared to London and the South East. Property prices are a lot lower, staff attrition levels are lower, and so training costs are too. Costs are an holistic calculation. Wage rates may be lower overseas, but other costs and attrition rates are much higher.

“You would also be coming to a location that understands the dynamics of outsourcing. There are 86,000 people employed in the Scottish contact centre market alone. In five years, 30,000 jobs have been created in that sector.” ■

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