



## **Contact Center Outsourcing: Lessons from the Enterprise**



## Executive Summary

Enterprises strive for service excellence to win new accounts and to serve existing customers, establishing long-term purchasing loyalty. The contact center, as the focal point of communications, is a strategic asset in achieving this goal. Customers have ever-rising expectations of service quality, and enterprises need to invest heavily in systems and staff to meet their demands. An alternative for these enterprises is outsourcing, in which some or all of the contact center operation is managed by one or more third-party organizations. This white paper examines three aspects of outsourcing:

- The business and technology factors driving the trend
- The communications infrastructure needed to support a multi-tenant contact center
- The experience of outsourcing, as illustrated in case studies from enterprises in diverse industries

These examples demonstrate that outsourcing firms offer a wide array of services and, through strategic client relationships, provide enterprises with both financial and customer service benefits.



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## Outsourcing: A Growing Trend

The contact center is the “face of the corporation” to customers, stockholders, vendors, and employees. It is often a mission-critical operation, responsible for sales, marketing, service, or general information requests. According to a customer survey, 80% of customers say that the service representative has a major influence on their opinion about the company [Genesys]. Customers expect a high level of service, and demand choice in how they communicate with corporations. Contact centers that once answered only telephone calls now field queries from multiple channels — phone, fax, email, and web interaction. The popularity of wireless communications and emerging messaging technologies promises to create new expectations for contact centers — the need to push information through new applications and mobile user devices. To support this multimedia environment, the contact center requires an increasingly specialized communications infrastructure, with support for both “live” agents and automated applications, and with linkage to back office databases and systems.

These demands create pressures for enterprises. While quality customer service is often a competitive differentiator, corporations are challenged to keep pace with technology requirements, and the associated costs to acquire and manage these systems. For many corporations, the answer is outsourcing — contracting with a third-party specialist to manage some or all of the contact center operations.

## Outsourcing Business Models

Contact center outsourcing has evolved into several flexible business models:

- Complete outsourcing, in which a third party is responsible for all facets of the contact center, including systems and staffing.
- Managed, or hosted, contact centers, in which a service provider is responsible for systems, while the enterprise maintains control of the agents or applications.
- Blended models, in which an outsourcer assumes responsibility for one or more aspects of the contact center, such as telemarketing, while the enterprise continues to maintain in-house contact centers for certain functions, such as customer service.

In the complete outsourced model, a company can offer comprehensive capabilities, providing specific functions, such as advanced call routing, computer-telephone integration (CTI), and interactive voice response (IVR), or encompassing a corporation’s total contact center operation. Some outsourcers specialize in vertical industries, such as health care or financial services, and leverage their industry knowledge to create unique sales and customer service solutions for their clients. The pure outsourcing model typically requires a strategic relationship with the client, with the outsourcer acting as a virtual extension of the corporation.

The managed (hosted) model also includes various applications. For example, an enterprise may choose to host its IVR application in a service provider’s network. This IVR is partitioned to support multiple clients, with customized menus, scripts, and call flows. Customers’ self-service calls are processed through the network-based IVR with calls needing personalized attention being routed to agents at the corporation’s contact center.

Another example of the hosted contact center consists of a network-based telephone system and applications, often used to support a multisite enterprise. Figure 1 illustrates the high-level architecture of a typical IP hosted call center, in which the call center applications are hosted in the service provider’s network and both PSTN and IP traffic is routed through the network-based system to agents in the enterprise site, based on business rules, such as availability, language, skill level, or time of day. Location is transparent to the callers and agents alike, and agents may use either IP phones or soft phones embedded in their workstations.

## Why Outsource: The Enterprise Perspective

Enterprises of all sizes are outsourcing their contact center operations. Start-up and small companies sometimes choose to outsource, rather than invest in equipment and staff. Medium and large corporations often have a mixed environment, outsourcing functions such as the IVR or specialized applications like telemarketing or collections, while retaining in-house systems and agents for customer service.

When considering “in-house versus outsource” alternatives, enterprises typically consider the total cost of ownership including

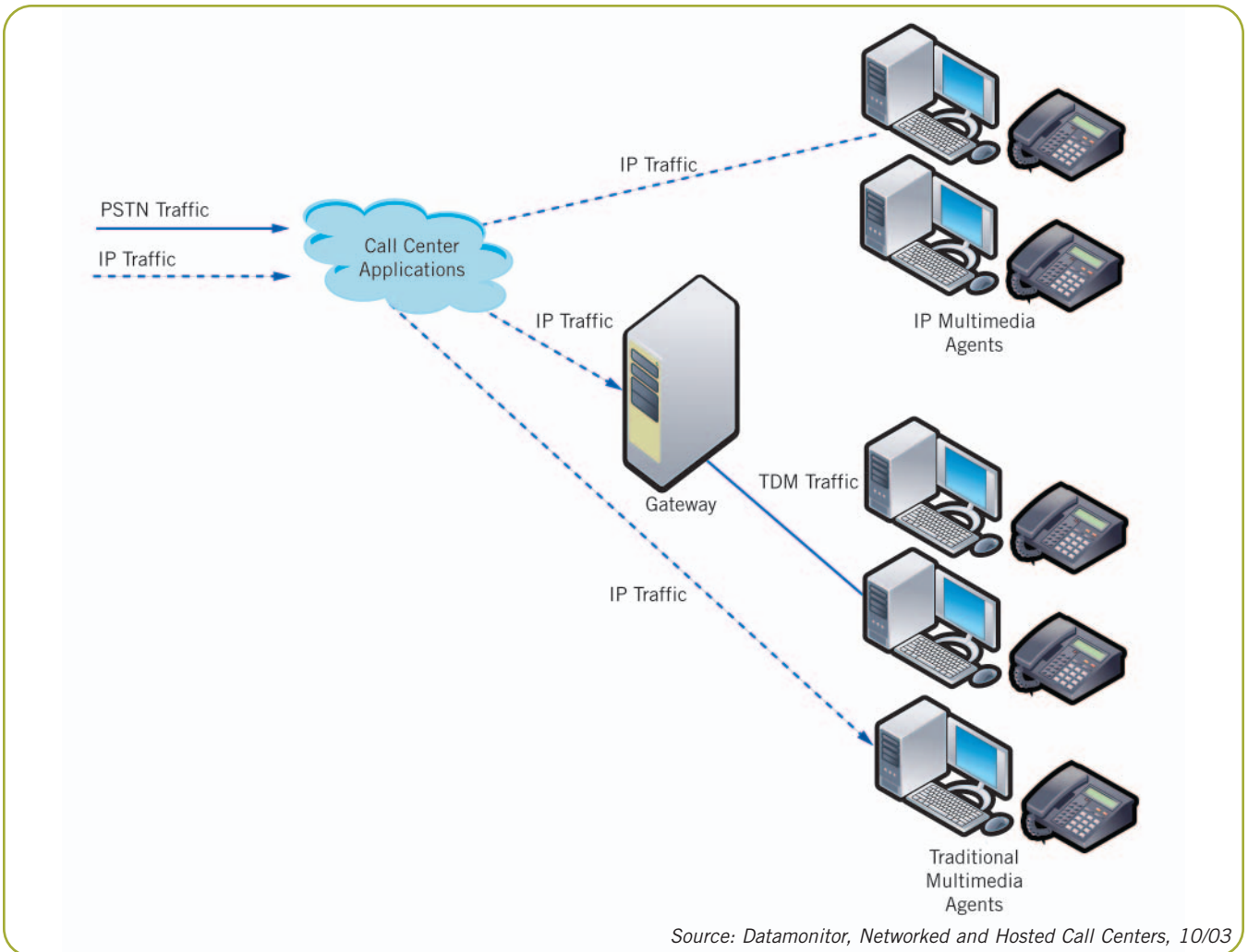


Figure 1. Hosted IP Call Center

- Equipment costs for communications and computer systems
- Labor costs for agents and management, including salary, benefits, and training
- IT costs for the development, deployment, and maintenance of systems and networks

Often the decision is based on capital expenditure versus operational expenditure alternatives, and depends on a corporation's financial position, policy, or strategy.

Cost is a major factor in the trend to move customers to self-service systems. For example, organizations such as banks and airlines are cutting labor costs by encouraging customers to obtain information or process transactions through the web or IVR applications, rather than through branches or contact center agents. Outsourcing can be a

solution for these enterprises, as organizations may find IVR hosting to be a cost-effective method of rapidly deploying a self-service option.

Other factors are harder to quantify, but can have significant benefits to an organization. Outsourced firms usually provide enterprises with access to the latest technology. To remain competitive, outsourcers may need to invest in new systems, while enterprises may not be able to keep pace with the latest technology trends. For example, speech recognition applications are rapidly gaining acceptance, but are sometimes perceived as expensive or difficult to implement at the enterprise level. Progressive outsourced firms have crossed those barriers, and can implement customized, hosted speech applications, which can measurably improve customer service and enhance corporate branding.

## Managed Contact Center Solution Helps Business Bloom

A leading flowers and gifts retailer achieves success through outstanding customer service. With the goal of becoming the “first source” that customers think of when buying a gift, the retailer simplifies the ordering process by offering multiple channels — online, telephone, and retail stores. Contact volumes tally into the millions, especially during the peak season from Thanksgiving in November to Father’s Day in June. To accommodate the overflow during this time, the company expands its network of “gift advisors” to include several contact center outsourcing firms. The gift advisors are responsible for consulting, selling, and processing orders, as well as confirming deliveries.

A key challenge is to manage call volume, while ensuring that customers are routed to the advisor most knowledgeable about the query. In fact, a single brand can require up to 15 different skill sets. The retailer turned to Genesys, a leading provider of real-time customer interaction solutions, for an answer. With the Genesys Network Routing system, geographically dispersed contact centers become a “virtual contact center.” Using intelligent call routing algorithms, calls are routed through the retailer’s long-distance service providers, and directed to the advisor best able to assist the customer. During the peak period, for example, the

less time-consuming requests are sent to the outsourcing firms, while more complex inquiries are routed to in-house advisors.

Genesys applied its customer service expertise to solve another problem. Many queries are about order and delivery status, and the retailer wanted to provide a self-service option for customers to obtain this information. The company selected the Genesys Voice Platform: Network Edition, which was deployed by NetByTel, a managed service provider. Today, customers can receive order status through simple voice inputs, with the option of connecting to an advisor, if needed. Although the voice response system is located in a hosted environment, the retailer retains control and can modify the configuration and application, based on changing customer requirements.

The Genesys solutions enable the company to concentrate on its core business — selling gifts while providing superior customer service. For example, during one peak season, the retailer handled more than 40% of its order status calls through the self-service option, reducing advisor calls by nearly 57,000. Using managed contact center systems, the retailer is able to control costs and utilize its staff to sell more products, while ensuring repeat business through customer loyalty.

A related advantage is the time-to-market capability. For example, in launching hosted IVR, an outsourcer usually has consultative skills and programming tools to help corporations rapidly ramp up a new application. In running a short-term marketing promotion, or in anticipation of overflow calls, perhaps due to seasonal fluctuations, an outsourcing firm can quickly assemble the staff and systems needed to answer the contact center’s requirements. The rapid deployment model is an outsourcer’s asset, and should be considered in the overall financial analysis.

Yet there are concerns and drawbacks with outsourcing. Enterprises are necessarily concerned about the impact of outsourcing on customer service. They question whether or not a third-party firm can have adequate knowledge of an industry, company, or its products to provide

informed responses to customers. Can enterprise managers still control the customer service experience? Will contractors feel invested in a company’s products to cross-sell or up-sell to generate incremental revenue? Can an outsourced firm be trusted to handle complex or sensitive inquiries, and can data privacy be assured with third-party involvement? Will the outsourcing be transparent to customers, or will they feel that they’ve been diverted to a disinterested, unrelated company?

These concerns point to the need for strong vendor management in a successful outsourcing relationship. The partnership between the client and the outsourcer is developed over time. The enterprise needs to commit its staff, including IT, sales, marketing, and customer service personnel, to the outsourcing program. Some companies begin with a non-critical function and later migrate more

## Outsourcing Prescription: Health Care Provider Reduces Costs, Improves Service

A leading health care organization in the United States faced the classic challenge of cutting costs while still providing premier service to its network of providers and members. The company provides an array of information services, including benefits administration and claims processing. Customer care was handled on a regional basis, with disparate systems and processes. Recognizing the need to improve operating efficiency, the company analyzed various contact center options, including in-house and outsourcing alternatives.

Based on financial and time-to-market considerations, the company teamed with West Corporation, a leading provider of contact center solutions, to provide the consolidated operation. The companies worked together on a phased approach, first handling calls from only one of three regions. Within one year, West was handling calls from a second region and today manages over 30% of all member and provider calls, and expects to expand to more than 50% of the total call volume.

This success is attributed to several factors. First, West invested in agent development for this client; its agents

received extensive training in the health care provider's products, policies, and procedures. Second, West applied its experience in customer care applications and contact center technology to improve call handling processes. West analyzed both company and user requirements and designed a hosted IVR solution for front-end member and provider calls. This system encompasses speech recognition, call routing, and CTI technologies. The IVR was implemented in only nine months, versus an estimated two-year timeframe for an internal project.

For this client, the results have been impressive. The company is reaping financial benefits, with an estimated \$8 million in annual savings. In addition, West has devised a system of distributing real-time customer satisfaction surveys, resulting in a 300% increase in the participation rate, with overall quality scores improving by over 5%. A key ingredient to success is the companies' commitment to ongoing process improvements in several inbound and outbound applications. For the health care provider, the partnership with West enables rapid deployments with minimal capital expense, as well as measurable improvements in customer satisfaction.

contact center operations to the outsourced firm. In all cases, contracts with service level agreements are needed to establish mutual expectations, including pricing, timelines, metrics, performance incentives, and Quality of Service (QoS).

## Revenue Opportunities: The Service Provider Perspective

The trend toward outsourcing is driven by two key factors: enterprise requirements, as previously described, and compelling new offerings from service providers. As technology advances enable new services to be provided from the network, and as excess network capacity drives down telecom costs, service providers recognize new opportunities to expand their offerings.

Service providers can be broadly categorized as:

- Outsourcers, who have traditionally offered service bureau capabilities, and who continue to build their portfolios with new hosted services

- Telecom providers, who view outsourcing as a new revenue source, and who are leveraging their infrastructures to offer network-based services

Telecom providers are motivated to develop the business model for hosted services because it promises to help retain and grow their customer base. They need to offer new services to increase network traffic and associated revenues. Hosted services attract new customers, and also foster a deeper and more strategic relationship with new and existing service provider customers. An enterprise that trusts its contact center operations to a vendor is likely to be a long-term customer, and, by extension, the service provider is positioned to generate incremental revenue through higher value consultative and management services.

Both network and application service providers can offer enticing products due to the proliferation of IP technology and declining telecom costs within the public network. IP provides several advantages, including the abilities to drive multimedia services and to support

distributed sites across the world. Offshore service providers, with lower labor costs combined with high bandwidth, low-cost leased lines, have persuaded many enterprises to outsource their contact center operations. Datamonitor predicts that by 2008, nearly 20% of the \$5.1 billion global contact center infrastructure spending will be by outsourced vendors [Datamonitor], indicating that service providers anticipate continued growth in the outsourcing segment.

## Building the Outsourced Contact Center

With global competition and ever-rising customer demands, outsourcers face the challenge of building state-of-the-art systems that are also cost-effective and easy to maintain. The goal is to win enterprise business by offering premier service at a compelling price point, and to achieve profitability, in part, by controlling costs in the outsourced center.

Service providers need to invest in networks and systems that provide base requirements:

- **Availability:** ensuring that applications and services are accessible at all times to accommodate multiple clients
- **Manageability:** easily reconfigure and troubleshoot systems, and customize applications, including the establishment of new services, scripts, and call flows
- **Quality of Service (QoS):** often specified in service level agreements, QoS is a measurement of the quality and reliability of voice and data services
- **Redundancy:** protection against system failures and data loss; the ability to run without service interruption and to operate in a disaster recovery situation
- **Scalability:** increase capacity through modular increments rather than forklift upgrades
- **Security:** prevent intrusions that could compromise client data and violate privacy regulations

Against this background, service providers also need to provide an array of systems and applications, as illustrated in Figure 2. Systems must be partitioned for multiple clients, and need to support several languages, customized reporting, and flexible billing arrangements. At a

minimum, an outsourced contact center needs an advanced automatic call distributor (ACD) to support partitioned agent queues, as well as media servers to support applications such as IVR, conferencing, voice mail, and other messaging applications. It requires a voice/data network to handle voice and multimedia transactions. Typically, agents are dispersed across multiple sites, or working in home locations, so the network and systems need to support a distributed model.

Software requirements are also varied. Telemarketing applications typically require predictive dialing equipment and software to support large-scale call volumes, and must adhere to government regulations about consumer privacy. Contact center applications, handling inbound and outbound communications, need to support multimedia channels, and require capabilities such as call control and universal queuing for intelligent voice/data routing. Most important, these systems need to be linked to clients' enterprise applications, requiring integration with multiple systems and databases.

Workforce management (WFM) applications are needed to schedule agent workloads, while quality assurance systems provide online training, as well as reports to assess agent, system, and business performance. Call recording is usually mandatory, for legal, security, and quality control reasons. New generation systems monitor all types of contacts on different channels — calls, fax, email, and web — as well as desktop navigation and keystrokes. Outsourcers also need sophisticated billing and reporting systems to provide flexible billing options and to demonstrate contact center performance to customers.

The technical demands will only increase with time. As multimedia contact centers proliferate, customers will expect increasingly higher levels of service. For example, some applications already include web collaboration capabilities to support text chat, co-browsing, or click-to-talk. Video messaging is expected to become popular, which will require upgrades to conferencing and customer service applications. Contact center applications will also retool to accommodate customers who want communications through instant messaging or who want to receive information on mobile devices. Outsourced firms need to continually update their systems and applications to meet customer expectations.



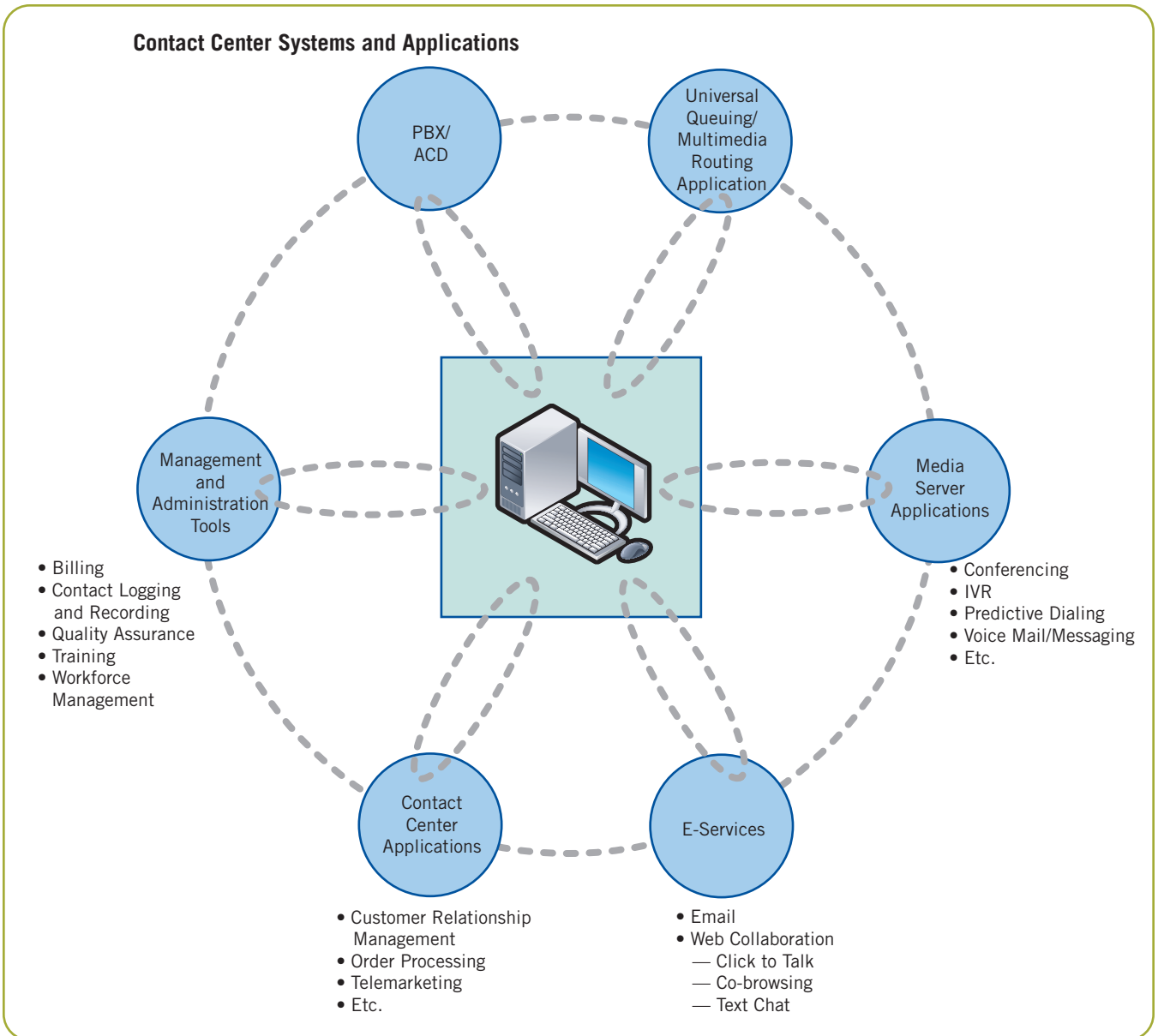


Figure 2. Contact Center Systems and Applications

### Modular Communications Platforms: Infrastructure for Outsourced Contact Centers

Given the requirements for multiple systems and applications, combined with the need for rapid deployment and integration with various enterprise back office systems, outsourcing firms need to give careful consideration to contact center architecture and infrastructure. Dialogic offers modular platforms for high-performance communications systems. Based on industry standards, these Dialogic® platforms provide carrier-grade, high-density computing and communications solutions

featuring high availability, hot-swappable components and computer telephony capabilities. Modular platforms enable developers to create flexible solutions with several advantages:

- **Accelerated development:** The use of modular platforms can speed development time, enabling solution providers to concentrate on building their core, value-add applications, rather than the underlying infrastructure. For outsourcers, this capability translates into the ability to rapidly create and deploy customized solutions for its clients.

- **Expense reduction:** Using industry-standard components, typically manufactured at high volumes, drives cost efficiencies, simplifies maintenance, and generally lowers system prices. These savings can be passed to client organizations and can help outsourcers be price-competitive while also managing costs.
- **Interoperability:** Adherence to standards ensures interoperability between systems, networks, and applications. Outsourcers can acquire applications from multiple vendors, with assurance that they can be integrated with each other, as well as with clients' systems.
- **Time in market:** Proprietary systems have built-in obsolescence, due to the expense and difficulty of upgrading to meet ever-changing requirements. In contrast, systems built on modular, open standards-based platforms are, by design, more flexible, scalable, and "future-proof."

## Enterprise Lessons

Contact center outsourcing is a viable option for enterprises needing to provide premier customer service, while controlling capital and operating expenses. As a strategic business decision, outsourcing requires a thorough analysis of costs, requirements, and vendor capabilities. In evaluating outsourcers, enterprises need to understand their offerings, and to be assured that their communications infrastructure is modular and scalable to accommodate ever-changing needs. Most important, successful outsourcing relationships depend on mutual long-term commitment to ongoing process improvements, as a significant advantage of outsourcers is their expertise in contact center technologies and customer service applications. Given their flexible business models with a wide array of services, outsourcers can provide enterprises with the benefits of technology innovation, rapid deployment, and overall improvement in customer service.

## References

[Genesys] Genesys Consumer Survey, 2003

[Datamonitor] Contact Center Component Technology to 2008, May 2004, pgs. 27, 34.

## Acronyms

ACD	Automatic call distributor
CTI	Computer-telephone integration
IP	Internet protocol
IT	Information technology
IVR	Interactive voice response
PSTN	Public switched telephone network
QoS	Quality of service
WFM	Workforce management

## For More Information

For more information about Dialogic:

<http://www.dialogic.com>

For more information about the solutions featured in this white paper:

- Genesys: <http://www.genesyslab.com>
- West Corporation: <http://www.west.com>



To learn more, visit our site on the World Wide Web at <http://www.dialogic.com>

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