teasel

the challenge of mixed customer service infrastructures

a teasel White Paper

In the last five years, customer servicing infrastructures have become increasingly complex.

Since 2000, many businesses have developed a more sophisticated approach to contact centre provision and mixed infrastructures have become increasingly prevalent. By mixed infrastructure we mean a combination of in-house capability, supplemented with outsourcers for some call types or activities such as outbound telemarketing, and offshore centres for basic customer servicing.

In this White Paper we explore the growth of mixed infrastructures and consider the implications in terms of performance management and the provision of integrated management information. Having discussed the MI challenges these developing models present, we provide an alternative perspective showing how integrated performance management information can be delivered cost-effectively.

The growth of mixed infrastructures

According to the 2004 DTI study *The UK Contact Centre Industry*, some 790,000 people were employed in contact centres at the end of 2003. This included 500,000 agent positions spread across 5,320 operational centres. Growth rates have been exceptional, particularly since the mid-1990s with the sector expanding some 250% since 1995.

Against this background, the growth of mixed infrastructures involving a combination of in-house, outsourced and offshore centres, each delivering specific components of an overall customer proposition, is relatively recent.

According to the DTI study, until 1995 the majority of UK contact centres were implemented by larger firms seeking cost savings through rationalisation and centralisation of customer servicing and sales activity. It was also a period which saw several US-owned outsourcers building substantial centres in the UK. Given that the US contact centre industry was some years ahead of the UK from both an operational and technical perspective, these inward investments also stimulated more rapid development of operating processes and contact centre technology. Enhanced capability soon found its way into indigenous UK centres.

Growth accelerated through the second half of the 1990s. Much of this continued to reflect the perceived cost advantages of moving routine enquiries and customer servicing away from face to face or paper mail channels. It was also enabled by increasing sophistication in the underlying technology including automatic call distributors, IVR systems and computer-telephony integration. However, these technical improvements in call management systems only tell part of the story. Away from the contact centres themselves, other technologies were revolutionising back office processes and marketing operations. In the back office, electronic order processing changed the way in which suppliers and providers worked together to provide a seamless customer service. In marketing, rapid improvements in customer profiling and analytic provided the basis for better targeting, particularly around outbound tele-marketing.

Towards the end of the 1990s, outsourcers were able to offer organisations highly professional contact centre infrastructures, supported by advanced call management and customer contact systems. Fuelled in part by the additional cost advantages in areas such as routine enquiry and customer servicing, outsourcers also found themselves well placed to take on the customer service role of large government agencies such as TV licencing and DVLA.

Such was the rapid expansion of outsourced provision that the market became saturated in 2000 – 2001. This, combined with continued advances in customer data management and communications infrastructure, set the scene for the growth of offshore solutions for some customer management activities. Cost has been the primary driver so far, since countries such as India offer highly qualified agents at a fraction of UK costs. Whilst many early adopters of offshore capability report success, it is currently unclear how these centres will perform in the longer term. Equally, customer response has been mixed with some anecdotal evidence of customers asking to be transferred back to a UK-based operator.

Rapid growth and infrastructure diversification means that many organisations are now operating mixed contact centre infrastructures incorporating at the very least a mix of in-house and outsourced provision. Financial services is one of the leading sectors stimulating the growth of offshore solutions. Where this happens, three-way mixed infrastructures involving in-house, outsourced and offshore provision are becoming more common.

Whilst these developing models are widely believed to offer more effective customer service at lower cost, the consequent fragmentation means it is often difficult to compare performance on a level basis.

Configurations and challenges

The rapid growth of multi-channel distribution and customer servicing in the 1990s presented many organisations with a performance management headache. Some early thinking assumed that customers would naturally gravitate towards the immediacy and directness of (cheaper to operate) telephone services. However, experience has since shown that when faced with more choice, customers generally become promiscuous users of multiple channels. Nowhere is this clearer than in retail banking.

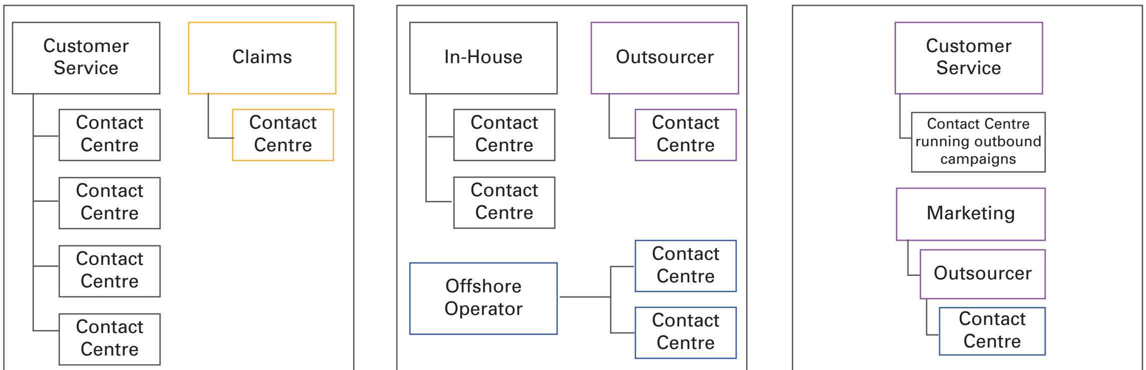
Understanding and managing performance in terms of customer outcomes across multiple channels is, in itself, difficult to achieve. Multi-channel businesses have seen improvements in their ability to track performance on a channel by channel basis, but have struggled to develop reliable measures of customer delivery where customer interactions cross channel boundaries. The growth of alternative contact centre configurations since 2000 now means that in many cases, businesses have difficulty in understanding performance holistically even in the telephone channel.

A brief examination of three alternative mixed infrastructure configurations highlights some of the management information and performance challenges. The three infrastructures are illustrated in Figure1

Multi-site in-house operations

In this configuration, an organisation will be operating at least two centres providing customer service and sales capability across the customer base. Regardless of whether the centres operate independently from one another, on a geographic basis for example, or operate on a virtual basis, a number of performance management and MI challenges arise.

Multi site in-house centres | Multi-operator networks | Marketing Applications



The challenge of understanding performance across multiple customer service centres is deepened where more than one department ‘owns’ part of the in-house infrastructure.

Multi-operator networks create the greatest complexity. Comparing performance and value for money on a like for like basis is difficult where multiple business models and management teams are involved.

Where marketing campaign execution is shared between in-house and outsourced capacity, reporting lines tend to be complex. Measuring outcome in terms of business delivered vs source of the original call is also challenging.

Figure 1

Benchmarking performance across different teams and individual agents can be problematic, not least because there may not be a clear articulation of what ‘good’ performance looks like. Part of the challenge here is to ensure that the definition of desired performance is balanced and comprehensive. Too much emphasis on cost drivers can have negative effects not only on customer satisfaction, but also on the value of customer outcomes. Effective benchmarking can deliver a range of benefits. Once in place, organisations are better equipped to understand not only where the best performers are located but also what it is about these agents and teams that make them perform better than others. Armed with this, management teams can reach better judgements about how to inculcate best performance more widely, and can also assess whether any investment in staff development would pay for itself in terms of improved financial performance.

A second issue, linked to benchmarking and especially acute in virtual contact centres, is the difficulty of matching customer satisfaction and/or business outcome to specific centres.

Multi-operator networks

In this configuration, an organisation will be delivering services to its customers via a combination of in-house and external centres. The most common variant is for in-house facilities to be supplemented with UK-based outsourcers although the most complex infrastructure also include some offshore capacity.

The primary difficulty here is the ability to establish an objective view of performance across all centres, regardless of their provenance. From a customer perspective, the service and overall experience should be seamless, but it is often difficult for operational managers to know whether or not this is the case. From an executive management perspective, it would be valuable to know whether the business benefits being delivered by any particular outsourcer are acceptable given the cost, and how they compare with the value and cost of in-house provision.

Since seamless service is an important characteristic of multi-operator networks, benchmarking performance across all teams and agents involved in customer service delivery is an important requirement. However, it is rarely possible for organisations to be able to evaluate the performance of third party agents and compare it like-for-like with in-house staff other than through the thresholds set in a service level agreement. Moreover, the level of flexibility to respond to changes in the delivered service depends on the nature and frequency of any performance reports.

Marketing applications

Marketers frequently make use of specialist outsourcers for outbound telemarketing campaigns. In some cases, this can involve the use of more than one outsourcer, particularly where different operating subsidiaries adopt local approaches. Equally, outbound activity can be split between in-house and outsourced provision.

Regardless of where outbound activity originates, it tends to result in an increased volume of inbound calls. A lack of integration in management information and the absence of unified process control can lead to disconnects between the volume of inbound calls generated and the ability of in-house operations to manage them effectively. In some cases the resulting capacity mismatch can be severe, leading to significant call backlogs building up; increased abandon rates and the failure of the marketing campaign to deliver to its potential. The negative impact on customer satisfaction and agent morale should also not be underestimated.

Whilst most performance management and MI tools do not allow for simulation as well as reporting, this is a key requirement where outsourcer-based activity is designed to stimulate inbound calls. Even where higher than normal inbound volumes are not intended, the ability to model alternative volume scenarios can assist considerably in identifying the volume at which some additional capacity needs to be brought on stream.

A further challenge in the absence of an integrated performance management system is the ability to compare the effectiveness of in-house vs outsourced outbound capability. This may mean that some organisations are paying more than they need to on outsourced capability when an in-house solution would deliver a better overall return.

Teasel perspective

When faced with these challenges, many software vendors and specialist IT consultancies are tempted by the idea that a complex problem requires an equally complex solution. At the extreme, completely new enterprise data warehouses have been built purely to feed MI reporting systems. The justification for this is often that data from multiple operating systems and platforms needs to be homogenised to a very high degree of accuracy before it can be of real value in supporting the MI requirements or performance management framework in front-line operations. We question whether this is really the case. In any event, the effort and investment required to build data warehouses that accept data feeds from outsourced and offshore providers constrains future flexibility in choice of third party providers to an unacceptable degree.

In our view, there are practical and pragmatic solutions that are not only capable of delivering 80% of the value derived from costly IT infrastructure investments in MI capability but do so at a fraction of the cost and with additional benefits in supporting holistic performance management.

Careful up-front analysis is required before an MI and performance management solution that delivers better output cost effectively can be implemented. It also requires a willingness to think differently about the nature of delivered performance and how a range of variables combine to determine performance on any given day.

By thinking about the challenges systematically, solutions are possible that maintain the ability to change the shape of the overall infrastructure in future while enabling a more agile approach to day-to-day changes in the business environment. A more detailed discussion of some of these issues can be found in the Teasel White Paper *Holistic Performance Management*.

We believe that part of the problem with many MI systems is that they start with technology rather than the business issue. One result of this is that business managers are confronted with highly sophisticated applications that are to some extent a hybrid between a performance management system and an investigative and analytical tool. Some investigation and analysis is always required as part of an effective MI solution, particularly where additional effort is required to identify the root cause of a specific problem. But it is not the primary purpose of operational management information. Acquiring MI systems that are over-complex in their ability to analyse activity to a highly granular level risks the production of an unwieldy volume of performance reports that provide considerable detail about activity in the in-house components of the mixed infrastructure described above, but which provide no information about what is happening in outsourced or offshore centres.

What is needed is a more considered approach to understanding the nature of performance in mixed infrastructures, and the MI required to inform management decision-making. It also means bringing greater clarity to the specific requirements of operational managers, who are responsible for recursive daily activity, and executive managers who need to be equipped to make strategic decisions about investment in different parts of the infrastructure.

One way to do this is to undertake detailed analysis designed to establish two key benchmarks against which performance can be assessed. The first involves articulating the level of performance to which the organisation aspires. Where mixed infrastructures are deployed, this analysis should be conducted as though all contributory centres were part of a single infrastructure. The second step is to develop a thorough understanding of the capability of the current infrastructure. Again, this should be developed independently of the specific components and include the capability available in outsourced and offshore environments as well as through in-house centres. Current capability should be defined in terms of a range of variables such as call management technology, agent desktop and skill mix. It should also be set in context of current processes, since the way in which customer management processes are designed may also present capability constraints.

Once aspirational performance and current capability are defined the foundations are in place to identify the specific data necessary to drive an operational MI system. In most cases, far less data is required to run an effective operational MI system than might first be thought. Moreover, because the data items are tightly focused on the core drivers of performance, it is relatively straightforward to extract them from outsourcer and offshore operator systems without the need for any intrusive intervention into those systems.

In summary, mixed contact centre infrastructures present a range of performance management and MI challenges. Companies continue to strive to offer their customers seamless service and reliable delivery regardless of whether the point of contact is inside or outside the company’s own customer service infrastructure. By considering all components as part of an integrated customer contact solution, a practical and pragmatic performance management and MI solution can be developed that gives both operational and executive managers direct access to current and comparative information from all parts of the system, including outsourced and offshore capability.

About Teasel

We are specialists in operational performance management. The focus of our work is on the management information framework required to support management decision-making at both operational and executive levels.

Our goal is to help our clients save money on the cost of operational MI provision while getting more effective performance from existing customer delivery operations. Operational MI means the performance information required to support business activity in the following areas:

- Revenue generation and sales
- Customer management and service delivery
- Core cost-base management

Within this, we offer 4 services:

- Consulting
- MI solution design
- Managed services
- Benchmarking

For more information or to discuss how Teasel could benefit your business, please contact:

Tim Burfoot
Managing Director

t/01223 370184
m/07966 293352
tim.burfoot@teaselpm.com

www.teaselpm.com

Teasel Performance Management Limited
Sheraton House
Castle Park
Cambridge
CB3 0AX