

Practical VISION

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Solutions to your toughest marketing problems

In this Issue:

**Go West (or East)
Young Man! –
Why International
Outsourcing Makes
Sense**

Rating the
Outsourcing Options

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how overseas outsourcing
can benefit your business,
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Go West (or East) Young Man! – Why International Outsourcing Makes Sense

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Many of America's biggest companies are using contact centers throughout the world to handle customer telephone, e-mail, and chat inquiries. Not only is it cheaper, but the quality of the interaction will surprise both you and your customers.

How about those Yankees?

When people first realize that they're interacting with a customer service agent several thousands of miles away (and in another country no less) they often can't believe it. How could it make sense to send a service call across the world? The truth is that it does make sense, in large part because the expense can be as much as 50% less than having a U.S.-based agent handle the same interaction.

Technology improvements have helped lower costs, but the real savings driver is access to qualified labor at rock-bottom prices. Countries like India and the Philippines have hundreds of thousands of college educated citizens who find contact center work extremely attractive, as it pays three to four times what a typical worker in their country might make. But while an American call center agent makes \$2,300/month, an Indian agent makes less than \$500/month (Datamonitor). That savings gets passed on to the client.

To further sweeten the incentive, overseas agents go through specialized training on American dialects, phrases, geography, even popular sports teams, all to make them sound more Americanized. In this way, a phone or e-mail interaction that comes from New Delhi gives the impression that it's coming from New York, or anywhere else in America.

Is outsourcing right for my needs?

Before you take this idea to your boss, ask yourself the following questions:

Can our contact center work be performed remotely?

As long as there are no physical interface limitations or feedback loops that cannot be performed remotely, you probably can outsource. You may also find that some functions or customers can be supported overseas, while others are better served domestically.

What is the potential impact on our costs, our culture, and our customers?

Take a good look at your costs and calculate the total outsourcing opportunity (depending on country, anywhere from 10% to 50% cost savings). Next, consider how outsourcing will affect the rest of your business. How will your employees react? Will other parts of your business suffer? Finally, put yourself in your customers' shoes. If you think outsourcing may not be acceptable to them it's not worth doing. If you're unsure, ask.

Where do I start?

The first factors to consider are the pros and cons of the various countries that have established themselves as outsourcing leaders.

India: The world's largest democracy arguably has the best mix of available labor, infrastructure, and low costs. In addition, the Indian government actively supports industry growth via telecom deregulation and other considerations. You can expect overall cost savings of 40% to 50% without sacrificing quality, but some Americans may be turned off by the "U.K."-style English and exotic accent that cannot be totally eliminated even with training.

Philippines: Companies have been outsourcing to this island nation for years given its cultural affinity with the U.S. and skilled-labor pool. However, while you'll pay less for

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telecom and real estate than other countries, bandwidth limitations have kept growth in check. In addition, terrorism concerns have made the Philippines a political hot spot, especially for U.S.-based organizations.

Puerto Rico: Being a U.S. possession is the biggest attraction of outsourcing here; also, Puerto Rico has a strong infrastructure with telecom links to the U.S. However, Puerto Rican Spanish is different from the Mexican-Hispanic spoken most frequently in the U.S., so it's not ideal for Hispanic support. You'll pay more than in other countries, but you'll worry less about how external factors will affect your business.

Mexico: Our neighbors to the south have a strong telecom infrastructure and access to a large workforce. While their Spanish language skills are excellent, English-speaking and bilingual agents are much harder to find. Many large outsourcing companies have centers throughout the country, but they mostly support the Hispanic market or perform back-office operations in which language skills are less important.

Canada: Our neighbors to the north offer a culture that is almost identical to the U.S. as well as the ability to support many different

languages. While the costs are closer to what you'll pay domestically, the favorable exchange rate is reason alone to consider outsourcing here.

Don't go it alone

Many U.S. companies have seen the quality of their interactions increase after outsourcing, but choosing a suitable provider can be a complicated, high-stakes undertaking. Before going it alone, consider aligning yourself with a domestic contact-center provider who has connections overseas. Many U.S. providers have overseas operations, or have set up partnerships with centers in other countries—they can vouch for the level of quality you can expect and help you choose the right partner for your needs. Web sites like www.indiatelemarketing.com and www.philippinestelemarketing.com can help connect you to providers with overseas assets.

As you work to take your operations overseas, consider these important rules:

- If it's broken now, it will be broken overseas as well. Look beyond cost and make sure your customers will be happy. Poor service is still poor service, even at half the cost.
- Make a 100% commitment. Be sure that you have the resources internally and externally

to support the business. Ensure that you have complete senior management support before you start.

- Establish the right service level agreements. Your largest cost will be IT, not labor. In addition to the usual interaction-based service levels, protect yourself from service outages and events that may be out of your provider's direct control.
- First and last, it's about the customer. Outsourcing should be transparent to your customers. Monitor calls regularly and analyze defection rates, sales results, and complaints to ensure customer satisfaction. Sometimes, after all the pros and cons have been weighed, it turns out that some customers are best served in-house.

Whether you decide to outsource directly or with help from a domestic provider, you must stay involved in every aspect of the process, from provider selection and program structuring to ongoing monitoring and audits. When you do, you'll see that outsourcing can be an effective strategy that works well for both your company and your customers.

This chart looks at the pros and cons of outsourcing in each country. Your specific needs will dictate which country makes the most sense for your organization.

For example, if e-mail or text chat is your most dominant channel, then India or the Philippines will give you the lowest cost and best service levels. If you have a large Hispanic customer base, then it makes sense to consider Mexico. If yours is a business-to-business environment with highly technical interactions, then Canada may offer the best mix of cost and quality.

| RATING THE OUTSOURCING OPTIONS | | | |
|--------------------------------|---|---|---|
| Country | Pros | Cons | Considerations |
| India | <ul style="list-style-type: none"> • Lowest cost • Strong labor pool • Government supports industry • Customer-service skills | <ul style="list-style-type: none"> • Tensions with Pakistan • Mediocre (but improving) infrastructure • Not known for sales experience | <ul style="list-style-type: none"> • Citibank and Chase are examples of companies with large presence • Outsourcers like Convergys have centers here • Overall best mix of cost, quality, and infrastructure |
| Philippines | <ul style="list-style-type: none"> • Strong English skills • Americanized culture • Government support • Talented IT pool | <ul style="list-style-type: none"> • Terrorism concerns • Weak infrastructure • Small labor pool • Bandwidth limitations could disrupt business | <ul style="list-style-type: none"> • Strong affinity for everything American • Good choice for smaller, more specialized operations |
| Puerto Rico | <ul style="list-style-type: none"> • Strong infrastructure • High-quality labor • Experienced management pool • U.S. affiliation | <ul style="list-style-type: none"> • Higher costs than India, Philippines • PR-Spanish differs from Spanish spoken in U.S. market | <ul style="list-style-type: none"> • You'll definitely pay more for the overall stability and proximity to the U.S. |
| Mexico | <ul style="list-style-type: none"> • Strong infrastructure • Mid-range in terms of costs • Great for Spanish-speaking agents | <ul style="list-style-type: none"> • English/bilingual support is weak | <ul style="list-style-type: none"> • Outsourcers like Sitel and TeleTech have been here for years • Best option for Spanish-speaking agents |
| Canada | <ul style="list-style-type: none"> • Highly integrated with the U.S. • Large bilingual population • Politically stable • Exchange-rate benefits | <ul style="list-style-type: none"> • Costs are similar to the U.S. • Call center market is somewhat saturated | <ul style="list-style-type: none"> • Companies have been outsourcing here for years • Closest to U.S. in every aspect, including cost • Best choice if an Americanized interaction is a must |