Returning Contact Center Jobs to America

Analyzing the “Real Cost” of off shoring

U.S. companies are *undermining customer loyalty and increasing customer defections* by outsourcing customer contacts to offshore call centers.

Over the past two years, the Contact Center Satisfaction Index (CCSI) has looked at the effects of offshore contact centers versus those located in the U.S., and how these centers impact customer satisfaction and retention. These reports highlight some major deficiencies of offshore centers -- deficiencies that contribute to significantly higher customer defections and loss of revenue and profits.

This white paper was developed to help U.S. corporations use the information from the CCSI reports and other sources to evaluate the **true cost** of off shoring contact centers to foreign countries. Each organization will need to apply the information provided herein to the revenue/profit derived from customers and to the cost of acquiring new customers to replace those who defect.

This paper also points out how much money Corporations are potentially wasting when payments to offshore contact centers are used to pay for (1) calls that take too long, (2) calls that have no satisfactory resolution of the customer’s inquiry, (3) repeat calls to the contact center and (4) calls that are actually disconnected when the caller realizes they have unknowingly and unwontedly reached an offshore center (frequently billed as “completed” calls).

Following are highlights of the study that should be of concern to all sales, marketing and all customer care executives.

First Call Resolution

Improving the number of customers receiving issue resolution on the first call will increase customer satisfaction and reduce subsequent calls.

The report states that issue resolution is a success factor for domestic call centers. Offshore agents provide first call resolution (FCR) to just 42% of customers, compared to 68% domestically. This disparity results in lower satisfaction levels by customers who reach an offshore call center. But not only is customer satisfaction negatively impacted, look at the cost implication.

US-based Contact Center FCR	68%
Offshore Contact Center FCR	42%
VARIANCE	**26%**

This means that 26% of your customers will have to call back with the same issue. Consider a hypothetical company that's paying an offshore contact center $3,800,000 for 1,000,000 calls per year, the savings would be close to a $1,000,000 if these unnecessary callbacks were eliminated.

Do the math. What are your offshore costs? Do you know your **true FCR rate?**
Here's an interesting exercise: Ask your offshore contact center provider to submit data on length of call times for FCR, such as: less than 2 minutes; 3-4 minutes, 5-8 minutes, etc. How many calls are in the "less than 2 minutes" category? Do you really think that a customer receives FCR in less than two minutes? It takes two minutes to figure out who's on the call in many offshore situations, with the language and cultural barriers that are inherent in these operations. In addition, you may want to look at the volume of calls that are only one minute in duration. Ask yourself. Are these calls I should be paying for, or are they really disconnects?

When considering an on-shore contact center to replace your offshore operations, be sure to get guarantees on FCR, and have the contact center document FCR with appropriate length of call statistics.

Average Handling Time

CCSI reported a large disparity in call comprehension, with only 4% domestically versus 18% offshore. This problem reportedly extends the average handling time of calls anywhere from 39% to 105% (based on data from 2008). Not only do longer calls cost more, they, too, result in lower customer satisfaction. Forty percent of study respondents said their call took longer than 12 minutes. These respondents customer satisfaction score was only 64%.

Average Handling Time (minutes)	6	8	10	12
Cost per call @ $0.40/minute	$2.40	$3.20	$3.80	$4.80
SAVINGS PER CALL				
Reduce call time by 39%	**$0.93**	**$1.25**	**$1.48**	**$1.87**

Consider what savings your company would realize from an increase in comprehension on customer inquiries. That hypothetical call center, with 1,000,000 calls for $3,800,000, would save almost $270,000 (saving 39% time on 18% calls) from better comprehension between customer and the call center agent.

In another report, a consultant indicated that as a result of lack of clarity by offshore contact center agents on 56% of calls, calls were 3.8 minutes longer than necessary at a cost of over $1.2 million to the Client. The same consultant reported that on a visit to the Philippines, the consultant observed that 41% of calls were placed on hold, with an average hold time of 5.5 minutes. Not only does this increase costs to the client, but think of the negative impact on customer satisfaction.

It is important to point out that some improvement in contact center statistics, both onshore and offshore, 2009 over 2008 was clearly evident in the CCSI reports. However, most improvements were limited to a few percentage points.

The Hidden Expense of Off shoring

In considering the true cost of off shoring, clients must evaluate ancillary costs as well as the direct payments to the offshore contact center. There was no data included in the CCSI report regarding the extra expenses of off shoring. For example, clients are spending hundreds of thousands of dollars hiring independent training companies to travel to foreign contact centers and train the agents on language, communications skills, etc. Or, there may be extra costs associated with constantly sending in-house trainers to reinforce product/procedure information, or try to instill sufficient knowledge that the offshore agents can go beyond the script and provide an alternative explanation of a solution that the U.S. customer can understand. No calculation was included to help clients determine the added cost in time away from the office and travel that clients must expend to bring the offshore centers up to the current level of limited competence.

In addition, there has been no tracking of dollars wasted on outsourcing relationship failures, and the amount of time, resources and capital needed to "fix" these situations or move operations to another location. Clients also must weigh the potential for loss of intellectual property when operating in some countries.

Finally, clients also should be concerned about losing "touch" with customers served by offshore contact centers, as a result of inadequate feedback. Because of cultural understanding, U.S.-based contact center representatives are more likely to uncover and report customer issues as they arise, providing valuable feedback to the client's marketing, sales, product development, manufacturing, and other divisions. There is no substitute for a knowledgeable group of employees who touch customers every day and see themselves as an integral part of the Client's customer care strategy.

<u>Example of Client "On shoring" Decision</u>

It is important to stress that the data from the CCSI 2008 and 2009 reports indicate that offshore contact centers lag significantly behind domestic center operations. However, it is not realistic to expect to get U.S.-based call center operations for the same price that an offshore operation charges. However, following are real data from a recent situation where the company determined to start returning its contact center outsourcing to a U.S.-based company.

Based on the same number of calls/minutes, the operating budgets from call centers were submitted as follows:

- Offshore vendor operating cost $ 997,000
- U.S.-based vendor operating cost $1,042,000

Estimated savings from U.S. based operations due to greater efficiency on FCR and LOC

- Savings from Average Handling Time reduction,
  On 18% of calls (40,400)
- Savings from increased FCR, 25% (260,500)
- Resultant U.S. Based Operating Costs: $741,100
- **First Year Savings on Operations** **$255,900**

<u>Offshore Operations Impact on Customer Retention</u>

The CCSI data show that a customer who reaches an offshore contact center is three times as likely to defect than a customer who is served by a U.S.-based Center. The defection rate of customers who reached a U.S.-based center is 7% versus a 22% defection rate of customers who reached offshore centers. Therefore, going back to our hypothetical company, let's look at the bottom line impact:

Number of calls annually	1,000,000
Subtract unnecessary second calls (26%)	(260,000)
Subtract multiple calls from same customer	(200,000)

Net number of customers served	640,000
Offshore defection rate, 22%	**140,800**
U.S. Based defection rate, 7%	**44,800**

Hypothetically, a cellular phone provider, with anticipated $1,200 per year in revenue, would lose **96,000 more customers by being offshore**, for an annual **revenue loss of $115,200,000.**

What company can afford this type of revenue loss in order to save, in comparison, miniscule amounts on contact center operations?

Other Risks of Off shoring

Companies cannot ignore the fact that the world is becoming more unsafe, and that many foreign countries which offer contact center services are inherently unstable either economically, environmentally, politically or socially, or maybe a combination of several factors. A report entitled "2009, The Year of Outsourcing Dangerously" published by the Black Book of Outsourcing concludes that Companies with offshore operations should have a transition plan in place to bring their operations back on-shore in the event of a crisis.

In Conclusion

Each company must analyze the trade offs of saving operational expenses against its impact on the top and bottom lines. The offshore experiment of the past decade appears to be creating tremendous backlash among Americans, driven not only by poor performance by the offshore contact centers, but by the economy and U.S. unemployment rates. American's are cognizant of previous trends to offshore jobs across all disciplines. As a recent letter to the Editor says,

> *"Why are Americans of all races and backgrounds losing our jobs to non-Americans: I'll tell you! When calling [company name deleted] about my system, I was referred to three other sources: (1) A person in India, poor English. (2) Someone in the Philippines; accented, but fairly good English. (3) Someone in Asia. Why are all the jobs going to distant lands, while our people are not able to find work and losing their homes."*

Not only can U.S. companies reap tangible benefits (like saving money, improving the top and bottom lines, and retaining customers) by moving jobs back on-shore, they can reap intangible benefits from positive publicity associated with bringing jobs back to America.

References:

Contact Center Satisfaction Index, CFI Group, 2008 and 2009
Call Center Performance Blog, Pam Baker, CIO, “The Real Cost of Offshore Outsourcing” May 5, 2009
Letter to the Editor, Florida newspaper, September 2009
“2009 The Year of Outsourcing Dangerously”, by Black Book of Outsourcing

About Contact Centers of America

The Mission: Formed specifically to provide 100% U.S.-Based contact center outsourcing partnerships with U.S. companies, CCA delivers Extreme Customer Satisfaction 2.0™ by focusing contact center solutions on customer retention and growth strategies.

CCA delivers:

- A Consultative solutions-oriented approach, working with our Clients to understand specific customer needs and provide the most robust, customer-centric and cost effective solution available.
- State-of-the-art hosted on-demand technology to keep costs down, our advanced technology enhances the efficiency and personalization of the customer contact, creating a more satisfactory experience.
- A strategic workforce management model, utilizing in-center, fulltime career representatives, supplemented with “back-to-school” mature students, “second career” retirees and a focus on jobs for Disabled American Veterans.

CCA Services include customer “touch points” from presales through activation, customer service, technical support, complaint handling, and beyond, including proactive customer care solutions that delight customers so much they will recommend your company to others. CCA helps its Clients manage the customer relationship by providing the agent with all pertinent data to personalize the call and make the customer feel important and valued, and to demonstrate continuity in the customer relationship when there are multiple contacts regarding the same issue.

For More Information:

Organization: Contact Centers of America, LLC
Contact 1800 Metrocenter Blvd.
Information: Orlando, FL 32835-6217
Telephone Toll Free +1 (877) 999-6222
Fax: +1 (407) 293-8784
URL: http://contactcentersofamerica.com/
Founded: 2007 – privately held

CONTACT CENTERS *of* AMERICA

YOUR NUMBER ONE CONTACT.