Outsourcing Support – A Primer

So you are considering outsourcing your customer support function. That's good because it is always a wise thing to consider all your options. But, what is there to consider? Outsourcing can save you money, but you will be entrusting your customers to the outsourcer when you outsource. That's a big piece of your business to trust to someone else. After all, you spend a lot of time and money to develop your products and more money to find and sell to your customers. It would be a real shame to waste that money by losing those customers as fast as you create them.

The primary issues to consider when looking at outsourcers are:

- **Can you manage the outsourcer and at what cost?** Outsourcing is like buying a tool. You may buy the best hammer on the market but without good direction, it will still miss the nail. Who will you deal with at the outsourcer – a program manager who refers everything to "management" or a line manager who can make the decisions when you need them – now? Your relationship with your outsourcer will make or break the entire program.

- **What do they bring to the table and do you really need all of it?** The credentials of outsourcers vary and some bundle other services that may be at least unnecessary and can be a conflict of interest as a hidden way to boost their revenue. Keep your focus on the task – excellent support for your customers. The first things to look for are their technical credentials and customer service credentials. Can they offer you guidance in selecting support methods and options that fit your product and market?

- **At what price?** In the end, price counts but these are still your customers. To paraphrase the old joke in the military – do you really want to trust your customer's opinion of your company to the low bidder? Beware of "set-up" fees and other hidden costs.

The Cost of Management

Studies have shown that the cost of offshore outsource project administration can exceed all projected cost savings during the first two years. Even if you don't choose an offshore outsourcer, there is an indirect cost that most people miss. The most significant issue in your decision should be the quality of the relationship between you and the outsourcer. The quality of communication will determine the success or failure of the entire project. Many outsourcers assign you to a Program Manager, which only inserts another person – with the additional level of translation and delay - between you and the operational management you really need to talk to.

With SAI, you never talk to a Program Manager, you only deal with a senior line manager who has hire/fire responsibility for the agents assigned to your support program. In other words, you never get referred to management – you are the responsibility of management. If we have a question, we will call you now to get the answer, not after the next staff meeting. By company policy – strongly enforced – all SAI managers are required to spend at least 25% of their daily time taking calls so that they never lose contact with the issues involved in supporting your

customers. Our managers are liaisons between you and your customers. This means that when you have discussions with SAI, you are talking to managers who know exactly what is happening with your customers and products because they are involved and have the responsibility of meeting your needs – now.

Often the thought of outsourcing is dismissed out of hand because of the feeling that in-house people know the product and customers better than any outsourcer could. The reality is that technical answers are information that can be shared and the effective use of that information is a function of agent experience and communication. Outsourcers that have high personnel turnover will never be as good as in-house or outsourced personnel that have a low turnover rate. If the information is provided and reviewed with the outsourcer on a disciplined and regular basis, then the learning curve will be short and the quality of support will be high.

SAI only employs agents with formal technical training and certifications. In addition, each agent receives SAI's proprietary customer service training that is backed up with a formal Quality Assurance program. Our average employee retention period is over 2½ years, which is often better than the agent turnover of our clients and is far better than the industry average. Overall, our clients have found that our agent recruitment standards, employee retention, agent training, and quality management is better than they have found in any other support environment including their own.

Support or a Bunch of Other Stuff

The goal is to provide your customers with excellent support at a price you can afford. While everyone likes to feel that they are getting additional "features" when they buy, those features do cost money. Many outsourcers package their support programs with features such as a CRM package or other technical services such as product repair or documentation services. The obvious question is can anyone be a master of all of these services. The answer is no. There are two things to keep in mind when considering additional features.

- A CRM package should stand on its own merits. If you want a CRM package then you ought to buy the best CRM package you can afford and use it for all it is worth. Customer contact data is just that – data. Any outsourcer should be able to provide the support contact data to you in a timely, import friendly form or be willing to use your existing CRM package for input.

- Services such as product repair, product documentation, and product testing provided by the support outsourcer are clear conflicts of interest. The possibility of building repair revenue by referring support calls to repair with inadequate troubleshooting is real, as is building support revenue with poor repair. The quality of product documentation is probably the greatest factor in creating the need for customers to call support and again, the possibility for creating unwarranted revenue by shortcutting documentation exists. The same is true for product testing – the only one to pay excessively for poor product testing is you, through higher support costs.

Finally, the old saying about putting all your eggs in one basket applies to buying support bundled with other services. The goal is excellent, affordable support – if the support isn't good, the other services can only stand in the way of making the pragmatic decision to change vendors.

SAI does one thing and only one thing – support with certified, experienced agents supported by professional Quality Assurance and actively involved management. We do live call support, e-mail support and order taking – 24x7x365. That's all we do. We have no other products or services to sell. We have no conflicts with other services. We provide one thing and one thing only - excellent support to our clients and their customers. SAI will use experience and expertise to assist you in creating the best support methods and options for your products and market.

Price

There are cheap places to get support and claimed cheap ways to provide support and several pricing structures for support.

If your intent is to provide your customers with the cheapest support available, then the wrong answer is to outsource offshore. Offshore outsourcing is presented as cheap but the cost of training, setup and administration often exceeds all the apparent "savings" in cost for at least the first two years. In addition, while the language issue is overstated, the cultural response to customers is not. Customers – at least US customers - expect an amount of empathy when they call support. The reason many companies have brought or are bringing their offshore-outsourced support back onshore is the issue of agent empathy. Despite claims to the contrary, customer complaints increase when support is done offshore. Ask yourself one question: when was the last time you heard someone brag about the excellent support they received BECAUSE it was offshore?

Some companies have decided to save money by only providing support by e-mail. Beyond the fact that 85% of customers prefer live support, the reality is that many products cannot be supported by e-mail or at least require that live support also be available. The use of "phone tree" troubleshooting is now well documented as making more calls than it saves. While some customers like chat support, the majority of customers do not and it has proved to be less efficient than live support in terms of cost.

The real issue of cost is in the pricing structure. While the goal is excellent support at an affordable price, the method used should not put the burden on you to forecast your support volume or suffer the consequences. Any outsourcer you hire should have the expertise and experience to meet criteria such as answer time and abandon rate metrics and to staff accordingly. You should be able to give them the requirement and manage compliance as opposed to trying to calculate the agent requirements for them.

There are basically four ways to charge for outsourced support: per unit, per seat, per call and per minute.

1. Although not common, there are outsourcers who will charge a fee per unit shipped. The purported advantage is that you will know exactly how much support will cost. The real disadvantage is that when the money you pay up front for each unit is gone, so is the support. The result is that you still have a support requirement and no money to provide support.

2. Per seat pricing is the least efficient pricing scheme. The supposed attraction is that costs can be "easily" budgeted. The problem is that if you specify too many seats (agents) you are paying for time where agents are sitting around doing nothing. Conversely, if you specify too few seats, your customers are stuck with long wait times, at least during volume

peaks. Unless you can accurately project your call volumes, per seat costs you too much or leaves your customers waiting.

3. Per call pricing is certainly more efficient than per seat pricing. By paying a fixed price for each support call you only pay for the total number of calls. It is up to the outsourcer to staff to the highs and lows of call volume. The inefficiency is not in staffing but in calculating the per call charge. As with any job pricing, the outsourcer estimates the amount of time for an average incident and then multiplies that by their per minute gross cost and adds a profit margin. The devil is in the time estimate – the estimate must include a worst-case factor to assure that the actual time average will be less than the calculated per call charge. Inevitability the estimate will be high and becomes a self-fulfilling prophecy.

4. Per minute pricing is simply the most efficient pricing basis because there is no estimate and no way to be wrong. You pay only for what you use – no more, no less and you put the burden on the outsourcer to plan correctly for staffing or pay the penalty if they plan wrong. No fudge factor, no excess staffing – just what is needed when it's needed. No more, no less.

SAI only answers calls in the US – no offshore support. SAI provides only support – no conflicts of interest. SAI does not do per unit or per seat pricing and discourages per call pricing because it is less efficient than per minute pricing. With per minute pricing the bill is exactly for the support you use, no more, no less.

The First Bottom Line

Beware of "set-up" fees and other hidden costs. The relationship between client and outsource company must be based on trust. You make a tremendous investment of trust when you entrust your customers - the lifeblood of your business - to an outsource company. When an outsource company charges you a Set-up Fee they are - in essence - saying that if it doesn't work out at least their front end costs are covered.

SAI doesn't charge set-up fees. Set-up and training are our investment in a long-term relationship with our client and if it doesn't work out, we lose too. SAI doesn't charge for training, reports, database changes or any other "special" fees that other outsourcers have come up with – just actual contact time with your customers.

Finally, all SAI contracts include a 30-day cancellation provision. The reason is simple - SAI retains clients by performance, not contract.