

# The Ins and Outs of Customer Contact Centers

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*HR professionals must consider people issues when helping to decide whether to outsource call centers or keep them in-house.*

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Outsourcing customer contact centers may appeal to business leaders looking to trim costs in the current economic climate. Customer call center leaders and executives look at this option to curb payroll costs, gain access to best practices from outsource providers and minimize employment law risks.

However, other risks make customer contact center outsourcing less appealing to human capital managers. These include the inability to imbed corporate culture, lack of control over hiring and training, and a loss of personal touch with the customer. Overriding the financial drive to outsource, many leaders will decide to keep call centers captive, or in-house, for these reasons.

The decision to outsource a customer service call center is as individual as corporate cultures. Outsourcing the function works effectively for many organizations but not for others that may have special products or services or that have unusual or demanding customer bases.

HR professionals should “weigh in on the human capital management issues for each option,” advises Johnny C. Taylor Jr., SPHR, author of *The Trouble with HR* (AMACOM, 2009) and former chair of the board of directors of the Society for Human Resource Management. “Service, training, quality control, workforce flexibility and legal liability are all HR-related factors that, in addition to cost, must be considered.”

## **Better Service—In or Out?**

HyperQuality, an independent quality assurance firm in Seattle, measures the performance of customer contact agents. Mike Mattsen, HyperQuality's chief operating officer, says company research shows statistically insignificant differences between an outsource agent and an in-house one.

“Some of the time, the outsource center agents outperform captive agents, and some of the time, the captive center outperforms,” says Mattsen, who has seen an increase in clients who outsource customer contact centers this year.

Organizations that outsource most agents but keep in-house agents for specific clients, such as credit card platinum customers, see differences. “It’s like comparing apples and oranges. The captive center may handle high-profile, more-demanding customers who are more likely to complain about service than other customers who are handled by the outsourcer, and that will skew the data,” Mattsen says.

Even within outsourced call centers, there could be multiple tiers of agents. “An outsourcer can provide a bank of agents who only deal with certain types of clients,” says Taylor, former vice president of HR at IAC/InterActive Corp., which operates numerous Internet-based services. “It’s more expensive, but it’s still cheaper than keeping them in-house.”

Improving agents’ performance requires sound management; it’s “not about captive or outsourced centers,” Mattsen says. “It’s about continued investment in training and quality. If you shortchange any of those, your customer service will suffer.”

## **Perception Problems**

Organizations with offshore call centers have suffered image problems. Politicians and workers decry offshore jobs, and customers complain about agents who may not speak English well or fully comprehend their problems.

In HyperQuality's June 2009 survey of 131 contact center managers and directors, roughly 30 percent said they have retained their call centers in-house and almost 10 percent have outsourced only a small portion of their contact center function. Of those, 44 percent said they have chosen to retain the majority—or all—of their contact center work in-house because of the potential negative impact on brand. Forty-eight percent of the same group said offshoring presented a potential negative impact on brand.

But HyperQuality research suggests only a slight dip in customer satisfaction ratings—by 1 to 2 percentage points—for offshored centers. And this drop depends on location and industry. Taylor has a client who offshores call centers to Latin America and India and gets a higher customer satisfaction score from Latin America. "The person on the phone [to a call center in Latin America] may think he is talking to a first-generation American in the United States," says Taylor.

Mattsen says customers with technical problems have come to expect—and accept—that calls may be answered by an engineer in India. What matters most: " 'Was my issue solved?' An engineer in India can often solve problems better than people in the United States because companies can't afford to employ someone with that skill set in the United States. If that offshore agent solves all the issues, then the overall score will go up."

Cross Country Home Services, a home warranty company in Fort Lauderdale, Fla., connects customers with a network of service providers and has outsource agents in the United States and abroad. Jasen Shirley, senior manager of teleservices care, remains mindful of backlash from outsourcing and offshoring. "We have to manage the perception," he says. "The backlash follows the business trends, and right now jobs aren't plentiful, so there's more pressure."

To mitigate risk to the brand, Cross Country executives look for outsourcing partners that operate centers in areas with high unemployment. "For instance, we have a center in Quincy, Illinois," Shirley says. "We are retooling the workforce that can start in call centers and move into other areas of business."

Such "onshoring"—locating call centers in rural areas or using U.S. home-based agents—is growing in popularity because it saves labor costs, keeps jobs onshore and sometimes comes with local tax breaks.

Stephen Loynd, program manager of Contact Center Services for market intelligence provider IDC, says roughly 3 percent to 4 percent of the U.S. workforce is employed as contact center agents. Of those, he estimates that about 25 percent could be outsource agents.

### **Control Issues**

Corporate culture and maintaining customer service consistency through corporate values have kept Barrett Distribution Centers in Franklin, Mass., from outsourcing customer service. Jay Scheiner, director of administration, considered outsourcing but decided against it. "The high-touch customer contact, the Barrett culture and the single point of contact are important," he says. "Our philosophy is one-call resolution; the customer does not have to call us a second time, and the agent who answers the call is the person who sees it through to resolution."

Barrett has distribution centers in California, Maryland, Massachusetts and New York—all with on-site customer service centers. "We have better control over quality," Scheiner says.

He can "never say never" to using outsource customer service agents, but he adds that such agents would have to be ingrained in the culture and trained to handle calls from importers, brokers, retailers, wholesalers and consumers. And, "We would want the outsourcer to spend a lot of time at the facility" becoming familiar with the culture.

The majority of Waste Management's agents remain in-house because contact centers are still evolving after years of acquiring smaller companies, says Robert Creviston, vice president of HR at the waste management and environmental services company's Midwest Group in Chicago. "We haven't

gotten to a point where we're standardized enough in our process to consider outsourcing," he says.

Still, controlling performance presents a barrier to outsourcing for Creviston. In India, "We can't control it as well, and that's a big risk," he says. "You can save labor dollars, but if sales dollars walk out the door after, then outsourcing is not beneficial."

Waste Management's Midwest Group has 25 call centers with 50 to 100 people in each. Keeping agents motivated through incentive compensation and front-line leadership is as critical as hiring and training, explains Creviston.

Call center representatives get training on how to speak to front-line managers about problems with service—another argument for keeping service in-house, he says.

Nearly 10 percent of companies surveyed said they planned to bring call centers back in-house in 2009, according to HyperQuality.

### **Special Knowledge**

Salt Lake City-based I-O Corp. is a 32-year-old information technology company with more than 1 million products sold worldwide, including thin clients, which replace bulky computer hard drives in networks. Its competitors in the thin-client market include big guns such as Hewlett-Packard, Dell Computer and Wyse Technology.

President Matthew Brady keeps I-O's call center in-house as a "competitive advantage." While outsourcing other functions, "Our business hinges on taking care of the customer." If a problem occurs in outsourced product development or accounting functions, managers handle it internally—the customer doesn't see it. "But if there's a problem in customer service, then that hurts repeat business and ultimately my bottom line," he concludes.

Customer service affects revenue: A 2008 study by Forrester Research found that companies in the top quartile of its Customer Experience Index saw revenue gains as high as \$94.2 million, compared with losses of up to \$148.1 million for companies in the bottom quartile.

I-O continues to service products sold decades ago—and customers value the institutional product knowledge of in-house agents. "If we sent the center out-of-house, the customer would have to go through a lot of layers to get an answer on an older product," notes Brady. "We have retained people [who] have the knowledge to support older products."

Outsource agents, Brady suspects, couldn't acquire the knowledge required for I-O's products. "I could save money and outsource it and provide around-the-clock coverage, but it would come at a higher cost because only happy customers are re-ordering customers.

"We'll have a support person walk into the engineer's office to ask for help" with difficult problems, he says.

Brady adds that having in-house agents allows him to recognize people offering good service as well as to glean process improvements.

### **The Call to Outsource**

If a call center will be outsourced, contract negotiators can demand the same level of customer care that would be provided if the function was kept in-house.

When writing a contract, HR professionals can require a certain number of training hours, frequency of quality monitoring, background checks, new-hire training, certification for agents, service-delivery metrics and so on. "Put more teeth in your outsource agreement than you used to have in your captive center," Mattsen advises.

He recommends that HR managers define the skills set of top agents and ask how the outsource partner will replicate the model.

Jared Fletcher, vice president of strategic sourcing at Arise Virtual Solutions Inc. in Miramar, Fla., recruits agents in 50 states who work virtually from their homes. Based on input from his clients' HR managers on what has worked at their organizations, he advises HR professionals to ask:

- What type of agent is this outsourcer going to attract?
- Will they fit my model and my demographic?
- Is this contractor going to effectively tailor training of this agent to my industry or product?
- How will the outsourcer ensure quality comparable to our quality?
- What is the retention rate and how does the outsourcer retain and motivate employees?

If the answers to these questions are unsatisfactory, move to the next vendor. If your model can't be easily replicated outside, then reconsider the outsourcing option.

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